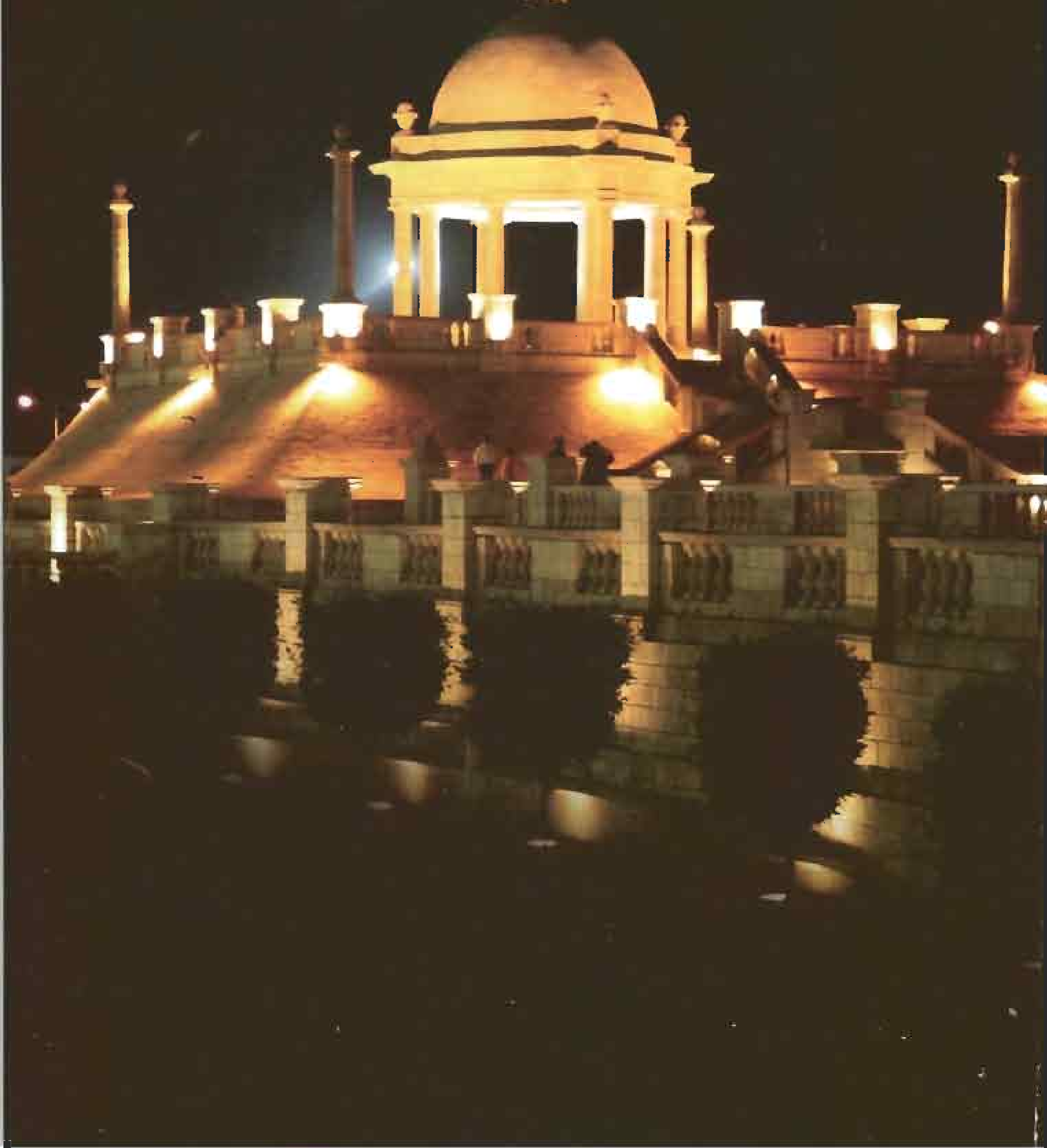
THE ENERGY WE SAVE TODAY COMES BACK TO US AS POWER FOR TOMORROW.

ANNUAL REPORT 2010

KARACHI ELECTRIC SUPPLY COMPANY

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 service to match.
- To enhance the performance, health, safety and overall wellbeing 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 contribution 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 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.

KESC AT A GLANCE

Incorporated on September 13, 1913 under the Indian Companies Act of 1882, Karachi Electric Supply Company (KESC) is one of the oldest companies in Karachi and has played a part in the lives of the Citizens prior to the independence of Pakistan. KESC was nationalised in 1952 and, after 53 years, was privatised on November 29, 2005.

In September 2008, KESC came under new management and a significant number of professional managers with experience in running utilities and other large companies joined to help KESC turnaround. To understand the challenges that the new management faced, one must also fully understand the circumstances in which it operates.

KESC is the main power provider for a city which has been rated as one of the most populous in the world. The population made a staggering jump from 400,000 to an estimated 20 million people since its inception.

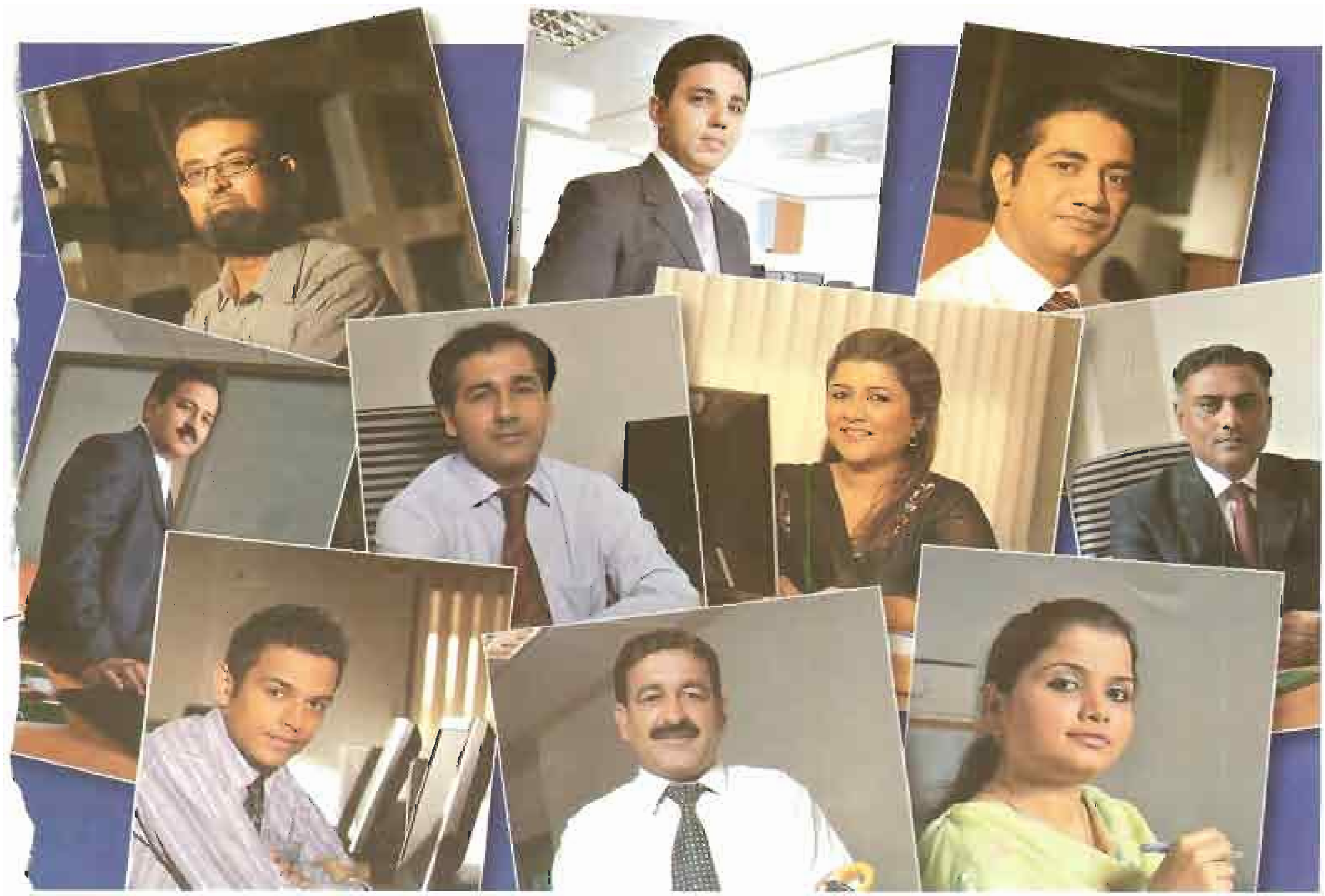
At present, KESC is the only vertically-integrated power utility in Pakistan, in charge of managing the Generation, Transmission and Distribution of electricity to a vast area of 6,000 square kilometres. KESC carries the responsibility of supplying electricity to all the industrial, commercial, agricultural and residential areas that fall under its network.

KESC'S AZM

Azm for KESC means commitment and resolve, reflecting our determination to turn the company around. Our Azm is "To help restore Karachi to its former glory as the City of Lights by providing uninterrupted power supply to all our consumers".

Through our Azm programme, we are aiming to reignite, as well as maintain, pride in KESC - supported by our 18,000 employees' individual Azm that will be translated into one common Azm representing all of us. This initiative will improve employee morale and change their perspective towards the company. The Azm programme will support our vision and help us in maintaining superior workforce which will be in a better position to understand the policies and leadership outlook over various business strategies. It will aid us in developing a renewed sense of responsibility amongst our employees, who will represent KESC at various forums bearing the torch that we ignited. Azm programme will bring about a paradigm shift in the general perception regarding KESC encompassing its various stakeholders.

The Azm Programme will not only transform the general perception about the company's business practices but will also help KESC in retaining efficient workforce, enhancing their performance standards and their welfare at large.




KESC

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COMPANY INFORMATION

BOARD OF DIRECTORS (BOD)

CHAIRMAN
Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER
Tabish Gauhar

DIRECTORS
Zulfiqar Haider Ali
Shan A. Ashary
Tahir Basharat Cheema
Syed Nayyer Hussain
Naveed Ismail
Omar Khan Lodhi
Shahid Rafi
Muhammad Sarwar
Mubasher H. Shiekh
Muhammad Tayyab Tareen
Syed Arshad Masood Zahidi

GROUP CHIEF FINANCIAL OFFICER
Muhammad Tayyab Tareen

COMPANY SECRETARY
Syed Moonis Abdullah Alvi

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

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

LEGAL ADVISOR
Kumail Shirazee

BANKERS
Allied Bank Limited
Arif Habib Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Citibank N.A.
Dubai Islamic Bank
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

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

COMPANY INFORMATION

BOARD COMMITTEES

BOARD AUDIT COMMITTEE (BAC)

Omar Khan Lodhi	Chairman
Zulfiqar Haider Ali	Member
Tahir Basharat Cheema	Member
Syed Nayyer Hussain	Member
Mubasher H. Sheikh	Member

BOARD FINANCE COMMITTEE (BFC)

Zulfiqar Haider Ali	Chairman
Shan A. Ashary	Member
Syed Nayyer Hussain	Member
Omar Khan Lodhi	Member

BOARD TECHNICAL COMMITTEE (BTC)

Tabish Gauhar	Chairman
Syed Nayyer Hussain	Member
Naveed Ismail	Member
Syed Arshad Masood Zahidi	Member
Syed Naveed Ahmed (Head Strategic Planning)	Member

BOARD HR COMMITTEE (BHRC)

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

LEADERSHIP TEAM

TABISH GAUHAR
CHIEF EXECUTIVE OFFICER

TAYYAB TAREEN
GROUP CHIEF FINANCIAL OFFICER

NAYYER HUSSAIN
CHIEF STRATEGY OFFICER – DISTRIBUTION

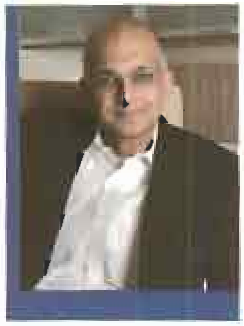
ARSHAD ZAHIDI
CHIEF STRATEGY OFFICER – GENERATION & TRANSMISSION

DR. NAVEED AHMED
HEAD OF CORPORATE STRATEGY

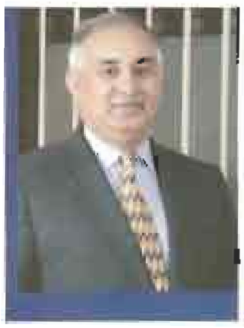
KHALID JAVED
CHIEF OPERATING OFFICER - GENERATION & TRANSMISSION

ZULFIQAR ALI
HEAD OF SPECIAL PROJECTS

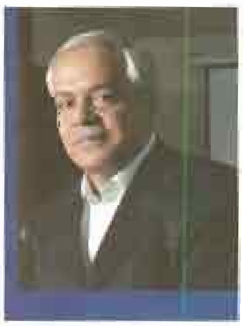
ERAM HASAN
HEAD OF SUPPLY CHAIN



BRIG. (R) MAZHAR -UL -HAQ
SENIOR ADVISOR



ASIR MANZUR
HEAD OF HUMAN RESOURCE



GHUFRAN ATTA KHAN
CHIEF MARKETING & COMMUNICATION OFFICER

AVOID HEAVY LOAD

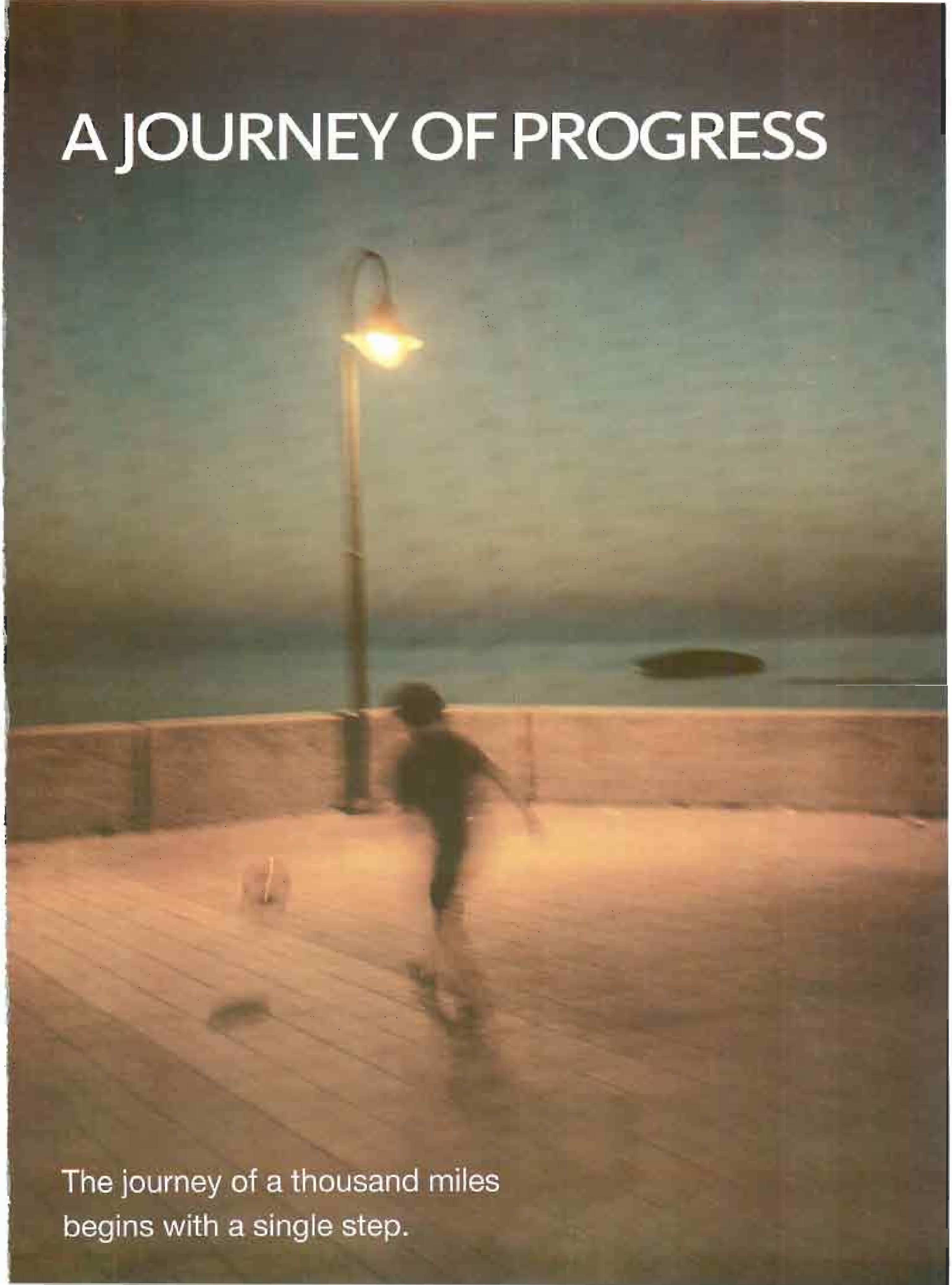
APPLIANCES

DURING PEAK TIMINGS

FROM 7:00 P.M.

TO 11:00 P.M.

A JOURNEY OF PROGRESS



The journey of a thousand miles
begins with a single step.

RENEWED FOCUS ON GENERATION FOR A BRIGHTER FUTURE

Driven by the ultimate goal of maintaining uninterrupted power supply to the city of Karachi, KESC has developed short and long term generation roadmaps under the auspices of new shareholders. Immediately upon takeover, management realised the critical need to augment KESC's generation capacity, which had suffered tremendously due to underinvestment for over a decade. This is one of the primary reasons behind the prevailing power crisis in the city. While the population of Karachi continued to grow at a rate of approximately 2 to 5 per cent a year, there was no proportionate increase in power generation capacity. This meant that KESC was unable to bridge the increasing gap between demand and supply to fulfill Karachi's power needs.


Bin Qasim Power Station


Site Gas Turbine

Keeping in view the imbalance of demand and supply at the time of takeover, the management immediately initiated talks with rental power providers. KESC's generation team highlighted Aggreko International Projects, the largest global provider of rental power solutions, as the preferred partner for the company. By March 2009, two plants of 25MW each were brought online at the West Wharf and Haroonabad facilities. The project was named fastest 50MW project in Aggreko's history. On December 17, 2009, the Honourable Governor of Sind, Dr. Ishrat-ul-Ibad, officially inaugurated the 25MW Aggreko rental power plant at Haroonabad.

In addition to implementing rental power plants to address the immediate shortage of generation, the management also devised a plan to stabilise, expand and make KESC's current generation capacity more efficient. This plan was seen as the need of the hour as KESC's generation assets were in a state of significant deterioration.


Aggreko Rental Power Plant

At the time of takeover, the 220MW gas-fired Combined Cycle Power Plant (CCPP) faced several issues. A team of power and construction specialists led a turnaround of the project (delayed by almost 1 – 2 years at time of due diligence) and successfully commissioned all four gas turbines with 194MW brought online in July 2009. Additionally, the steam turbine became operational in September 2009, which has added an additional 26MW of incremental capacity.


CCPP 220MW Plant

With a view towards making KESC's generation fleet more efficient, replacement of old plants that had extremely low efficiencies was planned. In November 2008, KESC signed an agreement with GE Jenbacher for the replacement of two power stations at SITE and Korangi Town with a capacity of 90MW each resulting in a combined gross capacity of 180MW on a fast track basis. The GE Jenbacher project was completed in a record time span of seven months and led KESC to secure two awards: Asian Power Awards 2009 – Gold Award: Asian Power Plant of the Year; and, Asian Power Awards 2009 – Silver Award: Best Fast-track Power Project in Asia.

Asian Award Presented to KESC

Projects aimed at enhancement of KESC's long-term sustainability are also presently underway. These include the US$ 452 million 560MW Combined Cycle Power Plant (CCPP) which is currently under construction. The 560MW CCPP will primarily use gas as a fuel source with the ability to utilise High Speed Diesel (HSD) as backup fuel. Plant efficiency will be approximately 47% resulting in optimal fuel use. GE will provide three gas turbines and one steam turbine for the plant.

By taking care of Karachi's power generation needs, KESC aims to play a pivotal role in Pakistan's economic development and progress, especially in industrial and trade sectors. Forming a natural port on the Arabian Sea, Karachi is the most strategically located city in the country. It contributes approximately 20 per cent of GDP, provides 45 per cent of national value-added products and services, and retains 40 per cent of the total national employment in large scale manufacturing. Therefore, fulfilling Karachi's power requirements is essential to Pakistan's economic well-being.


Arrival of 560MW Power Plant at BPQS-II

BRINGING LIGHT TO PEOPLE'S LIVES

Bin Qasim Power Station

The Transmission and Distribution (T&D) network distributes the electricity generated at the Power Station, which is ultimately dispatched to the consumers. Its reliability and efficiency defines the quality of service to customers. Karachi, in the last decade or so, has seen rapid growth. Unfortunately, the city's T&D infrastructure suffered from lack of investment resulting in significant bottlenecks in main transmission lines and grid stations. Old equipment further worsened the situation by causing serious breakdowns in the system.

De-bottlenecking and investment in the network is a foremost priority of the new management. The renewed focus entails construction of new grid stations, installation of new transmission lines connecting the new power plants and grid stations to the network, and rehabilitation of existing key transmission lines.

Since September 2008, seven new grid stations have been added to the network. These include grid stations at Memon Goth, Azizabad, Airport-2, Gulshan-e-Maymar, PRL, Korangi South and Jail Road. During the same period, 25km of new transmission lines have been installed to meet the growing energy needs of Karachi. Additionally, rehabilitation of almost 76km of main 220 and 132kV networks has been undertaken. Over the next one year, four grid stations, currently under construction, will add an additional 280MVA of transformation capacity. Rehabilitation of another 63km of transmission lines will be completed by December 2010.

Memon Goth Grid Station

Refurbishing the Existing Distribution System

Furthermore, keeping in mind the needs of our consumers and to improve their quality of life, KESC has successfully implemented a load-shedding policy. Load-shedding has been restricted to 3 hours daily for over 80 per cent residential and commercial consumers only, with full exemption for industries and sensitive installations, and no load-shed between the hours of 1:30 to 9:00 A.M.

To revamp the distribution infrastructure, the Company has marked 2010 as the "Year of Distribution." The clear focus is on product

IBC North Nazimabad

delivery, customer service, loss reduction and recovery of outstanding dues, which is critically important to restore the financial and operational viability of the Company and to implement the turnaround strategy and long term business plan of the management.

The Integrated Business Center (IBC) project is progressing smoothly. In the first IBC (Defence), T&D losses have fallen by half; two newer ones that have been in operation less than a year (North Nazimabad and Gulshan) are steadily replicating the positive results witnessed in Defence. These neighborhood-specific operations function essentially like a local power office. Each IBC contains meter readers, billing specialists, customer service experts, repair teams, and more. The IBC staff is the cream of the crop, talented and dedicated. Any KESC employee can apply for the positions although they have to compete with external applicants. By end of next year, 25-30 such IBCs will be rolled out across Karachi. Some of these IBCs are already under construction.

The 118 Call Centre is being significantly enhanced to improve customer service. In the summer of 2010 call answer ratio increased to 91% from 88% in the prior summer, despite the total call volume increasing by 51%. This was supported by improved processes and reporting and increasing number of call centre agents to 450 in three shifts. Further, Interactive Voice Response (IVR) will be launched soon through which consumers can check their load shedding schedule, current billing status and due date and register service complaints.

118 Call Centre

Drastic measures have been undertaken to curtail electricity theft. For example, KESC continues to advertise the names of electricity thieves in major print publications under our "Name and Shame" campaign. This has led to a marked increase in the number of calls, emails and messages to the dedicated speak-up lines. To protect consumers, KESC also launched its first "anti-fake raids" drive to create awareness of miscreants who conduct fake raids in residential and commercial areas, disguising themselves as KESC personnel.

Speak-up Campaign

KESC's concerted efforts to rehabilitate, modernise and augment the T&D network will reduce network losses considerably in the future. Management remains committed to restore the City of Karachi to its rightful place as "The City of Lights."

HSEQ: KEEPING SAFETY FIRST

KESC aims to develop a culture within the Organisation, where each individual is responsible not only for their own safety, but of their peers and assets as well. With the availability of modern, high quality tools, the department has embarked on a journey where the financial performance of all Business Units is linked to internal business processes. To further strengthen our corporate ideology, Safety Reward & Reprimand programme has been designed to encourage and reward implementers and reprimand violators. Safety procedures based upon the policy are being prepared and issued regularly to adopt a systematic approach to the establishment, implementation and maintenance of an HSEQ Management System designed to ensure compliance with the corporate laws to achieve continuous performance improvements.

Safety Drill at KESC House

Employee safety remains our core focus and various trainings have been organised to address this issue. These trainings are followed by safety surveys to measure the recall. In recognition of our safety procedures and protocols, we won the "7th Annual Environmental Excellence Award 2010" which has placed us amongst the top ten companies recognised for their environmental achievements.

SAP : AUTOMATING KESC

With an aim to improve processes, reduce lags and increase transparency in the system, the SAP/ERP project was completed and implemented in March 2009. The modules that are already in place include Financial Accounting (FI), Financial Controlling (CO), Materials Management (MM), Plant Maintenance (PM) and Human Capital Management (HCM). These modules have been developed to ensure timely functioning and optimisation of Supply Chain and other Support groups.

SAP One Day Boot Camp

SAP ISU will optimise the billing processes of KESC and ensure accountability (financial and employee) through stringent controls. The project will automate the entire meter to cash cycle, and provide greater analytical capability through the Energy Data Management and Business Intelligence modules. Moreover, all IT related complaints and requests are handled through the IT Help Desk that was launched early this year.

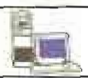
CONSERVING FOR A BETTER TOMORROW

Being part of the power sector, KESC understands the importance of Energy Conservation and believes that it is the only viable way forward. Energy Consumption techniques help consumers by reducing the electricity they consume and also helps the overall supply demand power gap that predominates in the country today.

KESC launched several awareness campaigns in order to instill behavioral change amongst the citizens of Karachi. These included School programmes, where over 100 schools were visited, and 25,000 students (grade 1-5) were made aware of ways that they could contribute towards Energy Conservation, starting from their own homes. Moreover, KESC also participated in DAWN Expo 2010, by setting up a room promoting an 'Energy Efficient Lifestyle' which was also aimed at increasing awareness about Energy Conservation. This promotion activity reached out to over 200,000 individuals in the span of three days.

DID YOU KNOW...

Using the following electric appliances for one hour each day impacts your daily consumption by

	Appliances	Wattage	Hours in operation/day	Units/day
	Electric Iron (Domestic)	1000	1	1.00
	Electric Iron (Industrial)	1500	1	1.50
	Microwave Oven	1400	1	1.40
	Colour TV 21"	100	1	0.10
	Washing m/c Semi-Auto	900	1	0.90
	Washing m/c Fully-Auto	700	1	0.70
	Computer	100	1	0.10
	Monitor	100	1	0.10
	Water Pump	750	1	0.75
	Window Air Condition 1 Ton	1550	1	1.55
	Window Air Condition 1.5 Ton	2200	1	2.20
	Split Air Condition 1 Ton	1400	1	1.40
	Split Air Condition 1.5 Ton	2000	1	2.00
	Split Air Condition 2 Ton	2500	1	2.50
	Fridge 13 Cubic Ft.	300	1	0.30
	Fridge 15 Cubic Ft.	400	1	0.40

KHIDMAT MEIN ROSHAN

Recent monsoon rains resulted in massive floods all over Pakistan, affecting more than 3 million lives. KESC, as a socially responsible entity, is running a Flood Relief Operation helping over 30,000 Internally Displacd Persons by collecting over PKR 56 million from personal contributions, and various stakeholders. The programme is being governed and operated exclusively by KESC employees in collaboration with the Government of Sindh and civil service organisations. KESC is responsible for providing medical assistance, food and shelter to the IDPs. 200-300 patients, suffering from various ailments, are being treated every day in collaboration with Aman Foundation. More than 3,000 tents have been set up in Karachi, Thatta, Munarki, Chillya, Sundha, Surjani, Jabbal and Dadu. The IDPs residing in KESC Care Camps have been provided with around 10,000 ration bags throughout the relief programme. Moreover, Eid packages containing assorted sweets and other festive items including clothes were distributed amongst the IDPs, followed by an Eid carnival to mark the festive season.

PROGRESS THROUGH SUSTAINABILITY

KESC believes that it must use its resources and reach to contribute towards the development of the community it serves. KESC's Corporate Social Responsiblility vision is instilled in all operations within the Business. The main aim is to develop sustainable and holistic development programmes for the citizens of Karachi with an objective to uplift their standard of living.

Facade cleaning workshop at Denso Hall

Community Development

KESC has made several efforts to improve the lives of the less privileged individuals within the city, who do not have direct access to many resources and facilities.

Water Purification Plant at Ibrahim Hyderi

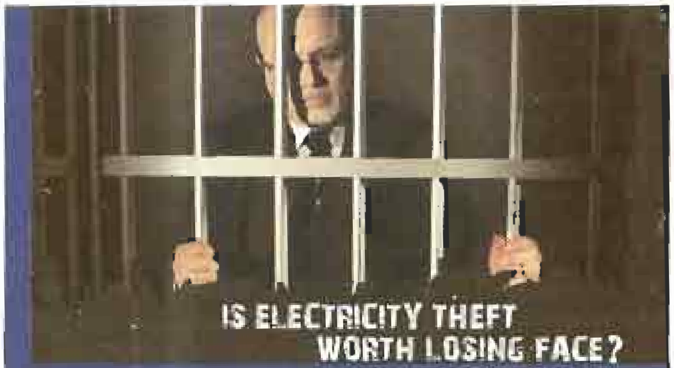
With an aim to improve the health of individuals, two water purification plants were set up at Ibrahim Hyderi, which was preceded by a massive Health and Hygiene Drive in the area. Several health camps were also organised at different locations in the town of Bin Qasim, especially aimed at those individuals who suffered from various eye ailments. Further, relief packages were also sent to the arson victims of the Boulton Market arson attacks.

In order to promote sports within the city and allow opportunities for all, KESC set up a Youth Football Training Camp for 50 children at a location next to the CCPP Power Plant at Ibrahim Hyderi. Moreover, in May 2010, KESC joined hands with PFF and GEO SUPER to promote football all over the country, by organising the Super Football League. KESC left no stone unturned towards making this initiative successful. Trials were held in Peshawar, Islamabad, Lahore, Karachi and Quetta, creating one team from each region.

Free Eye Camp at Lath Basti, Bin Qasim Town

In order to preserve culture and heritage, KESC aims to restore Denso Hall, which will hold quarterly events showcasing our culture and heritage.

TO LISTEN AND BE HEARD



Anti Theft Campaign

Since privatisation, KESC has been committed to improving transparency an accountability throughout the organisation. KESC continues to communicate with its consumers through television commercials, press ads, web blogs, radio, and other below the line (BTL) activities to increase awareness about the company. The aim of this communication is also to encourage consumers to help KESC reduce electricity theft, conserve energy, and ensure timely payments of bills.

Keeping in view the massive magnitude of electricity theft throughout the country, KESC successfully developed / executed the 360 Anti-Theft campaign that was audience specific and communicated to the consumers that issues such as theft and non-payment of bills are the primary factors behind unplanned load shed.

Safety Campaign

The Public Safety campaign was aimed at encouraging individuals within and outside the organisation to adopt safety measures and take precautions where possible. This campaign used multiple channels of communication throughout the year to communicate safety measures such as staying away from downed power lines, domestic safety, precautions during harsh weather and tips to prevent accidents, to the consumers. A separate monsoon specific campaign , focusing on 'downed power lines' was launched prior to the monsoon season and 118 was established as a touch point for any electrical emergency . A similar campaign was launched in anticipation of Cyclone Phet.

Energy Conservation Summer Ad

Energy conservation is a global phenomena that is a grave matter of concern in our country. The Energy Conversation department aims to educate its consumers regarding energy conservation methods, and increase overall awareness of ways that each individual can contribute towards conservation of energy. A massive campaign was carried out in this regard, and on-ground activations were also established at high traffic consumer locations, such as the Dawn Lifestyle Exhibition, where stalls were set up

KESC Corporate Ad

to give a live demonstration on Energy conservation methods.

KESC has launched the Quarterly Brand Tracker in order to monitor the company's performance compared to other utilities in the country and its own performance objectives. The tracker monitors all communication, perception shifts, consumer grievances/experience and strategically defines the way forward. Results of this Brand Tracker show that KESC's marketing and communication has helped improve the overall perception of the company and the campaigns (particularly the anti theft campaign) have touched a chord with the viewers .

Corporate Communications

Corporate communication aims to ensure that employees are updated on all the activities/projects undertaken by various departments at KESC. KESC's internal newsletter Azm has been redesigned and is a prime source of information for our employees. Furthermore, an external newsletter Umeed is distributed amongst our major stakeholder, reaching more than 15,000 people. KESC's web based informational portal also provides continuous updates of all business operations within the company.

Inauguration of 220MW Combined Cycle Power Plant

In order to ensure that KESC's consumers have a chance to interact with KESC management, 18 open interactive sessions (Khuli Kutcheris) were organised in various areas of Karachi, where prominent members of KESC's leadership held one on one session with the consumers, resolving their complaints and providing instant solutions to their problems.

KESC's Internal Publication - Azm

Various corporate events have taken place in the last year, including the inauguration of 220MW Combined Cycle Power Plant at Korangi. This event included media, stakeholders, employees, Government officials and Corporate Guests.

With a slightly modified media relations approach, we have strengthened contacts with media from different tiers. Various issues were managed in the print and electronic media and we work in close liaison with our beat reporters.

NOTICE OF MEETING

Notice is hereby given that the 100th Annual General Meeting of the Karachi Electric Supply Company Limited will be held at **NAVY WELFARE CENTRE, LIAQUAT BARRACKS, KARACHI** on Thursday, 21 October 2010 at 12:00 noon to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Extraordinary General Meeting (EGM) held on 20 January 2010.

2. To receive and adopt the Directors' Report and the Audited Financial Statements (with the Auditors' Report) for the year ended 30 June 2010.

3. To appoint Auditors in place of retiring Auditors, M/s. KPMG Taseer Hadi & Company, for the FY 2010-11 and to fix their remuneration.

SPECIAL BUSINESS

4. TO APPROVE INCREASE IN THE AUTHORISED CAPITAL OF THE COMPANY

   To consider and, if deemed fit, pass the following Special Resolutions with or without modification:-

   (a) "RESOLVED that the authorised capital of the Company be and is, hereby, increased from Rs.100,000,000,000 (Rupees One Hundred Billion Only) to Rs.125,000,000,000 (Rupees One Hundred Twenty Five Billion Only)."

   (b) "FURTHER Resolved that Clause V of the Memorandum of Association of the Company be and is, hereby, substituted with the following:-

   "The share capital of the Company is Rs.115,000,000,000 (Rupees One Hundred Fifteen Billion Only) divided into 32,857,142,857 ordinary shares of Rs.3.50 each."

   "The share capital of the Company is Rs.10,000,000,000 (Rupees Ten Billion Only) divided into 2,857,142,857 Redeemable Preference Shares of Rs.3.50 each."

   (c) "FURTHER Resolved that Article No.6 of the KESC Articles of Association be and is, hereby, substituted with the following: -

   "The share capital of the Company is Rs.115,000,000,000 (Rupees One Hundred Fifteen Billion Only) divided into 32,857,142,857 ordinary shares of Rs.3.50 each."

   "The share capital of the Company is Rs.10,000,000,000 (Rupees Ten Billion Only) divided into 2,857,142,857 Redeemable Preference Shares of Rs.3.50 each."

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

By order of the Board

SYED MOONIS ABDULLAH ALVI
Company Secretary
Karachi Electric Supply Company Ltd.
Karachi, date: 30 September 2010

N.B.

(i) Transfer Books of the Company will remain closed from 15 October 2010 to 21 October 2010 (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) Shareholders (Non-CDC) are requested to promptly notify the Share Registrar of the Company of any change in their addresses. All the Shareholders holding their shares through the CDC are requested to please update their addresses with their Participants.
(v) Shareholders who have not yet submitted a photocopy of their Computerised 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 guidelines under mentioned 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 Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
(ii) In case of a 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 a 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.

As a result of successive right issues in order to inject fresh equity in the company pursuant to the Amendment Agreement (AA) signed between the Company and the GOP on 13 April 2009 to an earlier Implementation Agreement (IA) executed between the said two (2) parties in November 2005 at the time of privatisation of the Company, the paid up capital of the Company has substantially increased and is nearing the ceiling of the authorised capital of the Company which is PKR 100 billion. In order to cater for the subsequent equity investment, it is proposed that the authorised capital of the Company may be increased from the existing PKR 100 billion to PKR 125 billion after completing the necessary statutory requirements.

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

DIRECTORS
REPORT TO THE MEMBERS

The Directors of Karachi Electric Supply Company Limited are pleased to present the 98th Annual Report and Audited Financial Statements of the Company and the Auditors' Report thereon for the financial year ended 30 June 2010.

OVERVIEW

The Directors are pleased to confirm that as against the committed equity injection of USD 150 million by April 2010, Abraaj/KESP has invested a sum of USD 208 million through two (2) successive right issues. The first (31 per cent) right issue was subscribed in August 2009 by KESP in an amount of USD 125.07 million (PKR 10.214 billion) and the second (14.5 per cent) right issue was subscribed in February 2010 amounting to USD 75.5 million (PKR 6.318 billion). Abraaj/KESP in addition to its own subscription also funded the entire unsubscribed portion of the minority shareholders of both the right issues which cumulatively amounted to USD 7.15 million (PKR 595.87M). GOP fully subscribed to its 25.66 per cent portion of the first and second right issues of the Company in the amounts of PKR 3.665 billion (USD 45 million) and PKR 2.245 billion (USD 27 million) respectively.

The third (7.80 per cent) right issue of the Company has also been announced and will be subscribed after obtaining requisite statutory approvals. The structure of the proposed third right issue is as follows:-

	USD (Millions)	PKR (Millions)	%age
KESP	44.90	3906.14	72.45%
GOP	15.90	1383.28	25.66%
Minority	1.17	102.29	1.89%
Total	61.97	5391.71	100%

As in the previous two right issues, KESP has undertaken to subscribe for any unsubscribed minority shares in addition to its 72.45 per cent portion of the right issue.

With fresh equity injection of approximately USD 92 million in the upcoming rights issues, Abraaj/KESP will honour its commitment to invest USD 300 million within the time limit of April 2011. We also expect GOP to fulfil their obligations under the Amendment Agreement (AA).

FINANCING ARRANGEMENTS

KESC entered into loan agreements in 2007 with the International Finance Corporation (IFC) and the Asian Development Bank (ADB) in order to avail long term financing of up to USD 275 Million (IFC USD 125M & ADB USD 150M) to finance the Korangi 220MW and 560MW BQPS power plants. Extensive engagements with IFC and ADB were necessary during the year to ensure that committed loans remain available to be drawn for the upcoming 560MW project as significant changes in the country's environment and international financing markets have made international lenders much more cautious. After exhaustive negotiations, IFC and ADB agreed to maintain the loan commitments signed in 2007 and to restructure the loans to reflect delayed drawdown. This restructuring includes a re-profiling of the repayments, changes to pricing and to the terms of IFC and ADB's equity subscription. The revised shareholders approval was obtained in the EGM of the Company held on 20 January 2010 and SECP's approval was granted on 2 June 2010. Following completion of these arrangements, a further USD 115 million was drawn down, in June 2010. A total of USD 210 million of foreign currency debt has now been drawn under the IFC and ADB loan facilities to fund new generation projects and the remaining facility of USD 65 million will be availed in the next 12-14 months.

A second long term syndicate finance agreement of PKR 8.5 billion has been successfully structured, signed and drawn from a consortium of Habib Bank Limited, National Bank of Pakistan and Standard Chartered Bank (PAK) Limited for the 560MW Bin Qasim power project.

A dollar denominated long term financing facility of up to USD 23.377 million under Political Risk Insurance from OeKB (Austria-ECA) and a local PKR facility of USD 25 million equivalent provided by a syndicate of local commercial banks was successfully negotiated and finalised to partly finance the GE Jenbacher 180MW project. These facilities were fully drawn in July 2010.

Local banks have also lent KESC approximately PKR 1.65 billion in short term loans to finance the working capital requirements of the Company.

BUSINESS REVIEW

GENERATION – EXPANSION AND REHABILITATION

Addition of efficient and cost-effective generation capacity in KESC's system has been an integral component of the envisioned turnaround strategy. Immediately upon takeover, the new management had to bridge the demand-supply gap created due to historic underinvestment in KESC's generation capacity. Not a single megawatt had been added to the system in nearly a decade preceding privatisation, whilst during this period demand increased at a rate of approximately 7 per cent to 8 per cent per annum. The supply shortfall was exacerbated by progressive de-rating of the existing generating plants to approximately 70 per cent of installed capacity.

The year ended 30 June 2010 was remarkable in terms of addition of new generation capacity. A series of actions were undertaken to cater to growing energy requirements of Karachi and to reduce the ever widening demand-supply gap. Old inefficient gas turbines were systematically phased out of the fleet and the process of replacing them with high efficiency GE Jenbacher (GEJB) gas engines was completed in December 2009 with gross addition of 88MW each at SITE and Korangi sites. These replacement plants provide low-cost generation at much higher efficiencies (exceeding 36 per cent HHV). At the Korangi Combined Cycle Power Plant, a steam turbine vibration problem has been resolved. The plant in combined cycle mode is delivering power at an efficiency of about 40 per cent (HHV), establishing new benchmarks in operational efficiency. Furthermore, to meet the future energy requirements of Karachi's citizens, KESC is constructing a new 560MW Combined Cycle Power Plant at Bin Qasim. The new plant is progressing as per schedule.

Some salient features of the efforts are detailed as follows:

220MW COMBINED CYCLE POWER PLANT (CCPP) AT KORANGI THERMAL POWER STATION

220MW Combined Cycle Power Plant (CCPP) at Korangi was formally inaugurated by the Honourable Prime Minister of Pakistan, Syed Yousuf Raza Gilani on 26th February, 2010. This marked the culmination of an exhaustive effort by the new management to turn around a project which in September had been delayed significantly.


CCPP 220MW Plant

Since commissioning, the plant has seen load restriction on account of dwindling gas supply. This constraint not only limits the plant capacity but also affects the reliability of fuel gas compressors. In view of the future gas supply projection, the management has proactively invested USD 4 million to modify the existing gas compressors so that the plant can operate even at low gas supply pressures. The modification will be completed in November 2010.

180MW POWER PLANT, SGTPS II (90MW) & KGTPS II (90MW)


KGTPS II (90MW) Plant

The 180MW plant was completed in record time and earned prestigious accolades from the Asian Power Awards 2009 for "Power Plant of the Year" and "Best Fast Track Power Project" in Asia.

A contract for replacing 30 year old gas turbines at Korangi and SITE Gas Turbine Power Stations with high efficiency, state-of-the-art GE Jenbacher engines was signed in November 2008. The old gas turbines were running at an efficiency of 21 per cent while the new GEJB gas engines are operating at 36 per cent efficiency (HHV). The new station comprises four sections of (22MW each) at Korangi and SITE. At SGTPS II, section I was commissioned in June 2009, section II in July 2009 and sections III and IV in August 2009. At KGTPS II, section I was commissioned in August 2009, section II in September 2009 and sections III and IV in December 2009. All GEJB plants are fully operational and delivering at their rated capacities.

In order to provide black start capability to the KESC transmission system in the event of black-out (complete breakdown), two (2) old gas turbines of 20MW each at SGTPS I and KGTPS I have been maintained as standby.


The Arrival of 560MW Power Plant

560MW COMBINED CYCLE POWER PLANT PROJECT AT BIN QASIM

The 560MW Combined Cycle Power Plant is KESC's flagship project. This combined cycle plant is being constructed at Bin Qasim and is currently the largest project of its nature in Pakistan. Harbin Power, a reputed company from China, is the EPC contractor. Its three Frame 9E gas turbines are from GE France, while the steam turbine is of Chinese origin. The project is to be built under a fixed price formula, and will follow the World Bank environmental guidelines.

Construction works and corresponding milestone payments are in progress as per schedule. Delivery of all three gas turbines has already been made. During the concerned period, a second LC worth USD 43.4 million has been established. USD 71.7M financing has been arranged for the third LC, which is to be established on 15th August 2010, pursuant to the key date of the Supply Contract.

Progress on construction of Cooling Water Outfall and a Gas Receiving Station remain critical success factors. At the moment, progress on ground is satisfactory and the target of achieving full commercial operation by June 2012 remains achievable.


Aggreko Rental Power Plant

RENTAL POWER 50MW – AGGREKO

Rental power plants of 50MW were commissioned at the strategic locations of Haroonabad and West Wharf in December

2008 and March 2009 respectively and are successfully delivering at their rated capacities to provide uninterrupted supply to the industrial consumers.

STRATEGIC GENERATION INITIATIVES

Under the Company's Captive Power Policy, KESC has so far successfully added thirty-seven (37) megawatts to its network, including power purchase from 15MW coal-based power plant of Al-Abbas Sugar Mills Limited. Establishment of a coal-fired power plant is an integral component of KESC's medium and long term generation plans. Feasibility of establishing imported / indigenous coal-based power plants is being actively assessed. Efforts are underway for executing additional power purchase agreements (approximately another 110MW agreed in principle) with various industries having surplus power.

KESC is keen to develop a 30-50MW waste-to-energy power plant at the Landhi Cattle Colony. Initial meetings were held with the Karachi Dairy Association where the association expressed its interest in formalising a contract for supply of animal waste and facilitate in project development. KESC is seeking support and exclusivity from the Government of Sindh for the project.

In addition to this, the Company has spent a substantial amount of PKR 485 million on major overhaul and annual maintenance at all six (6) units of our flagship Bin Qasim Power Plant. Through this initiative, KESC has achieved a combined capacity improvement of over 50MW and has improved its overall fleet efficiency to 33 per cent.

TRANSMISSION NETWORK – EXPANSION & REHABILITATION

Alongside generation capacity addition, the new management has focused upon implementing a strategic plan in a phased and prioritised manner to improve transmission network capacity and reliability. As a result of the management's concerted efforts, a number of critically important transmission projects have been commissioned or are in advanced stages of completion.

KESC Agha Khan Ground Breaking Ceremony

GRID STATIONS

During the period under review two (02) 132kV Grids – Memon Goth and Azizabad – were commissioned while a third grid station on Jail Road was commissioned in July 2010, adding 730MVA of transformation capacity. This confirms that seven (7) of the nine (9) hybrid grids, part of the Financial Improvement Plan (FIP), have been completed in a record time span of 21 months.

At present, three new grid stations are under construction in the following vicinities: Mehmoodabad, KESC Hospital, and Agha Khan. Civil design of the KESC Hospital Grid has been finalised with 34 per cent of the civil work complete; the expected completion date is January 2011. Soil investigation at the Mehmoodabad grid station is complete with expected completion by July 2011. Completion of these grid stations will add another 240MVA to KESC's transformation capacity.

After detailed study and analysis of the transmission network, with respect to the expected & forecasted regional and overall demand growth patterns, a number of weak points in transmission infrastructure have been identified. These weak points, if unattended, will cause severe transmission bottlenecks and will result in considerable Load Shed in future. An optimised project package has been compiled to address the most critical potential bottlenecks. The timelines for the completion are set in a manner that transmission expansion can keep pace with the load growth. Six highly credible EPC contractors have been approached for providing the proposals for the complete scope, along with financing arrangements.

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TRANSMISSION LINES

HT Transmission Line

During the review period, 7.2km of 132kV underground cables and 2.8km of overhead transmission lines were installed and energised. 7.2km of underground cable links between Gulshan Grid and Jail Road Grid have also been completed in July 2010. With the addition of a new 1 x 132/12kV, 40MVA transformer at Elander Road Grid, the power supply situation in city areas has substantially improved.

KESC is sharing the work required for Transmission and Grid Station extensions in connection with transmission of power from an upcoming barge mounted power plant. The 132kV Korangi Town -Baloch/Korangi Town overhead transmission line has been rehabilitated to facilitate transmission of power from the said power plant.

A number of transmission expansions/rehabilitation projects are in planning/development phases and with the implementation, enhancement in transmission capacity, flexibility in operation, reduction in load shedding and increased system reliability will be some of the benefits to be accrued, providing much needed relief to the citizens of Karachi.

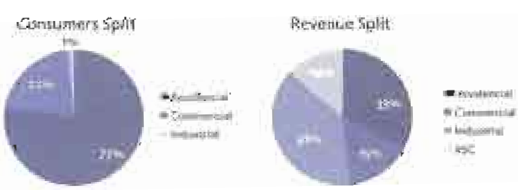
SCADA Control Room

SUPERVISORY CONTROL AND DATA ACQUISITIONS (SCADA)

Establishment of a computerised system known as SCADA is vital for the management of modern power generation, transmission and distribution networks. As a result of management's focused approach and concerted efforts, the SCADA project was completed in December 2009 and the system is now fully operational across the grid. All the grid stations and network changes have been integrated into SCADA. SCADA facilitates fast downtime recovery of services to consumers and ensures monitoring and control of each generating/grid station on KESC's system. SCADA will significantly improve power management, minimise outages and technical losses, and facilitate efficient control and monitoring of the network, allowing for timely decision making and economical dispatch of power. Moreover, advanced applications such as remote metering, fault analysis, load forecasting, load shedding plan, and effective coordination on power-exchange with WAPDA & IPPs have also been introduced.

DISTRIBUTION

KESC Distribution comprises of Four Regions further sub-divided into distribution centres serving 2.1 million consumers in Karachi. The amount billed for the year ended 30 June 2010 was PKR 86.5 billion, an increase of 21.7 per cent compared to the prior year, which was driven by an increase in energy supplied of 3.9 per cent, T&D loss reduction of 1 per cent and an increase in the average consumer end tariff of 15 per cent.



After successfully investing in Generation and Transmission, the management's main focus for the upcoming year is on the Distribution side of the business. The year 2010 has therefore been labelled as "The Year of Distribution". The main focus is improvement in product delivery, customer service, loss reduction and recovery.

The financial stability of the business is directly linked to addressing the substantial challenges besetting the Company in the core areas of billing, recovery and T&D losses. Recovery of outstanding dues from the Government and related GOP entities is critical to restoring the financial viability of the Company. This will allow KESC to meet its payment obligations to suppliers and ensure that the Company's turnaround strategy and long term business plan are implemented.

INTEGRATED BUSINESS CENTRE (IBCS)

Integrated Business Centre Campagn

In order to improve business delivery and customer service while ensuring greater accountability, KESC Distribution Centres have been restructured as Integrated Business Centres (IBCs). IBCs replace and combine the Business Operation Centres (BOCs) and Maintenance Centres (M&Cs) to form one profit centre, with one-stop service for its customers. The three (3) functioning IBCs of Defence, North Nazimabad and Gulshan have witnessed substantial reduction in distribution losses, with higher standards of customer service. Four (4) new IBCs in Clifton, Liaquatabad, SITE and KIMZ are on track, to be launched shortly. The overall IBC roll out plan, aimed to serve the entire customer base in Karachi with a network of 25 to 30 IBCs, is expected to be completed by the end of 2011. The Revenue Protection & Recoveries (RPR) function at the VIBCs ("virtual IBCs", a work in progress IBC) is currently being integrated and fast tracked.

Moreover, KESC "118" Call Centre operations have been significantly enhanced from 70 to over 350 agents. This has expedited customer complaint resolution and the number of complaint resolutions has increased from 14.5 million last year, to 21.8 million for the year ended 30 June 2010.

RECOVERIES

There has been a 1.2 per cent increase in the overall Recovery Ratio for the company, with recoveries of approximately PKR 78 billion this year, compared to PKR 63 billion in the previous year. This improvement is the outcome of increasing action, including disconnection drives, against non-payers. During the past year, 827,224 disconnections were made and recoveries from 51 per cent of these consumers amounted to PKR 4 billion.

NEW CONNECTIONS

In the year under review, KESC provided new connections equivalent to a total of 225MW in terms of load, of which 37,829 connection were for below 50KW load and 378 for above 50KW.


Distribution Infrastructure Expansion

DISTRIBUTION INFRASTRUCTURE EXPANSION

The Company has undergone expansion and augmentation of its Distribution System. 11kV Overhead cables have increased from 2,438km to 2,511km, while 11kV Underground cables have increased by 245km, to a total of 5,170km. Similarly, 400V Overhead and Underground cables have increased by 86km and 14km respectively. The total number of 11kV Distribution S/S and PMTs have increased from 13,900 in the previous year to 14,863 this year, increasing 11kV distribution capacity by 190MVA. Additionally a total of 259,122 street lights were added to the present infrastructure.

MODEL TOWN PROJECT (MTP)

Refurbishing the Existing Distribution System

The MTP was initiated in partnership with CDGK and Town Nazims. The MTP is essentially a system improvement plan that aims to enhance load capacity and revamp the distribution network in a phased and prioritised manner. MTP is structured to revamp the distribution infrastructure across the eighteen (18) towns of the city of Karachi and the project will be executed in four (4) phases at a total cost of PKR 2.5 billion.

To date, 87 new 11kV feeders and 396 new PMTs have been installed and energised across Karachi, in addition to completing LT rehabilitation works and preventive maintenance of feeders. The project has met with some delays due to Rights of Way (ROW) and law and order issues.

HUMAN RESOURCE

HIRING OVERVIEW

KESC has adopted three hiring methods in order to attract the best, most suitable candidates for available positions within the organisation. 549 individuals have been hired through external hiring, whereas 170 new graduates joined as Management Trainees/ Trainee Engineers. Other positions have been filled using Internal Job Postings (IJP) that adopt a transparent system of assessment to ascertain whether individuals from within the organisation who have applied for available positions are eligible for the job. The most hiring has been done for the New Connections team and the Integrated Business Centres (IBCs) that have been set up.

Performance Management System Session

PERFORMANCE APPRAISAL SYSTEM

Performance Appraisal Systems have been implemented for the Management and Non-Management employees. The system for Management cadre employees is objective-based, and it ensures that individuals are rewarded for their performance while ensuring that each department follows a Bell Curve, with the aim that employees are graded for their performance in comparison to others.

For the Non-Management staff, a simple appraisal instrument is being used to ensure that performance data is available for the entire employee population.

COMPENSATION AND BENEFITS

A specialised function of C&B was introduced in HR with the aim to take a snapshot of existing C&B structures, identify gaps, and make strategies to introduce market driven structures/methodologies in the organisation.

In November 2009, compensation packages of over 1,700 employees were reviewed and adjustments were made for high performing employees to align the compensation structures amongst 1st Generation (Pre-Privatisation), 2nd Generation (Post Privatisation, Before Abraaj) and 3rd Generation (Post Abraaj) employees.

In June 2010, approximately 1,340 employees were regularised (fresh appointments on open ended contracts). These employees were originally hired on 1-year contracts and were part of the non-management cadre. However, based on their educational qualifications and job responsibility, they were promoted to management level.

JOB EVALUATIONS AND ALIGNMENTS

A Job Evaluation exercise has been carried out for the IBC's population. The process is being spread to the rest of the Distribution population as well. Job alignments have been incorporated in various areas, especially in the IBCs. Re-conversion of core workmen jobs from Officers to Workmen has been completed. This includes four categories, including Bill Distribution Officer (BDO), Meter Data Maintenance Officer (MDMO), Line Maintenance Officer (LMO), and Meter Installation Officer (MIO).

HR PORTAL

The HR Portal was launched to allow direct and quick communication between the employees and HR. This is an e-HR model introduced to replace the traditional approach with more effective, standardised procedures. The portal will also improve efficiency and transparency, as each step will be documented in the portal.

HR HANDBOOK

The KESC Employee Handbook is being finalised to help the employees familiarise themselves with policies, procedures and culture of the company. These policies and procedures aim to provide a work environment in which the interests of both the customer and employees are served. The Handbook also describes the standards of conduct expected of employees while carrying out company business.

OFFICERS SERVICE RULES

The Management cadre staff was being governed by KESC Officers Service Rules 2002, which were totally in tune with the operation of a government sector organisation. Management had almost no rights to act on business needs, and the entire balance of convenience was in favour of the employees. HRM Group introduced the KESC Officers Service Rules 2010, with the aim of introducing Best Practices and benchmarking our policies with the corporate sector, as approved by the Board HR Committee. A modified Management Leave Policy will also be appended after approval from the Board HR Committee.

LEARNING AND OD

In order to inculcate a learning culture at KESC and develop the skills of present employees, several in-house training initiatives were introduced during the year that focused on improving soft and managerial skills, technical skills and IT skills. Over 750 employees received soft skills training programmes, while 1136 employees received technical training that was mostly carried out by relevant, experienced and qualified employees from within the Company.

Electricity 101 for Management Staff

CHARTER OF DEMANDS (COD) WITH CBA

Management has successfully negotiated and signed a COD with the CBA, reflecting management's commitment to improve employment terms of and relationship with the employees. This will enhance productivity, efficiency and profitability of the Company to the benefit of all stakeholders. The COD will go a long way in improving customer service, billing and recovery systems and reduction in T&D losses with the support of the Company's work force. Management cadre employees, through a performance based appraisal system, in a fair and equitable manner have also been elevated to higher grades and/or have been given salary increases. Furthermore, a performance appraisal system has been introduced across the Company for all employees.

Information Technology Centre

Information Technology

The SAP/ERP project was completed and implemented in March 2009. The modules that have been implemented are Financial Accounting (FI), Financial Controlling (CO), Materials Management (MM), Plant Maintenance (PM) and Human Capital Management (HCM). These modules have been implemented to support timely financial reporting and management, optimise supply chain management operations, ensure planned preventive and corrective maintenance of plants and monitor talent within the organisation, using automated processes.

The SAP Industrial Solution for Utilities (ISU) project commenced in January 2010 to further extend process automation and improve control over core business areas. SAP ISU will optimise the billing processes of KESC and ensure accountability (financial and employee) through stringent controls. The project will automate the entire meter to cash cycle, and provide greater analytical capability through the Energy Data Management and Business Intelligence modules.

The SAP Customer Relationship Management module (CRM) will help improve service provision to KESC customers at IBCs and the "118" call centre as turn-around times will be met, monitored and controlled. Furthermore, the project also includes implementing SAP Business Intelligence (BI) which will help improve business decisions through the provision of analytical reports and historical trends.

During the year, the roll out of the SAP Plant Maintenance (PM) module has been successfully achieved at the Bin Qasim Power Plant, SITE Gas Turbine Power Station and CCPP. A SAP medical application has been successfully developed for the medical department. In addition, IT Help Desk has been successfully launched and now the IT related complaints and requests are handled through that. On the operations side, the rollout of the SAP Materials Management (MM) module has been expanded to create more stores in SAP MM to support the supply chain. More reports have been developed in the SAP Financial modules. Furthermore, training of end-users has been going on throughout the year.

A significant achievement has been the renovation of the old IT building to transform it into a state-of-the-art IT HUB of KESC. The IT team has been strengthened through new hiring from IBA, LUMS and GIKI.

Over the next year the IT department will focus on developing its relationship with each of the core business groups at KESC and seek to deliver value-added solutions. Broader engagement with the core businesses will ensure that user needs are identified and solutions developed in an orderly and timely manner. KESC can derive significant value from its highly trained and motivated IT team; the challenge now is to demonstrate this value addition to internal business partners.

SUPPLY CHAIN

PROCUREMENT & INVENTORY MANAGEMENT

KESC, being a vertically-integrated power utility, procures goods and services of a diverse nature. The Supply Chain team played its role in improving its commitment to making available the requirements on time at the lowest possible cost to its user base, in a resource constrained environment.

Procurement improved its internal processes to reduce cycle time from request to receipt of goods and services.

- Purchase approval times were reduced by involving other departments earlier in the process and by implementing forums across departments. Procurement and FBA now formally meet every fortnight to expedite any pending cases.

- Rate Running Contracts for the largest purchases of outsourced transport & manpower were completed in addition to those of several other frequently purchased items.
- Visibility of procurement status to user was increased by implementing a tracking sheet accessible on the shared drive.

Procurement continued its work on introducing and developing new suppliers to maintain competition - from new transformer suppliers to those of outsourced services. There was special focus on identifying alternate suppliers to Original Equipment Manufacturers (OEMs) for KESC Generation Station supplies.

Inventory Management's main focus during the year was on rationalising inventory and store locations. PKR 247 million worth of obsolete and redundant items were identified and ear marked for disposal. Four storage locations - North Karachi, F.B. Area, Dual Fuel Storage and Diesel Store were consolidated into Central Stores at SITE for better control. Central Stores was reorganised by plant location. The stores at Fleet workshop were moved under Inventory Management and the reorganisation of the Baldia scrap yard was started.

FLEET:

The Fleet department was reorganised and split into Fleet Operations and Maintenance sections to serve the user better and to increase control over the Fleet assets of KESC.

- Fleet Maintenance focused its efforts on reducing turn-around times and quality of repair for the 1008 strong, KESC owned aging fleet. During the last quarter, average turnaround time for major repair of vehicles improved from 60 to 44 days and for minor repairs, the number of days was reduced from seven (7) to four (4). The workshop overhauled 197 engines and completely reconditioned 70 MTLs.
- A new SOP was developed to ensure higher accountability of drivers for the vehicles they operate and also to ensure compliance for preventative maintenance.
- The Fleet Operations section took responsibility for optimising usage of both KESC owned and hired vehicles. It developed a comprehensive database of vehicles, drivers and fuel cards.
- Fleet Operations monitors real time movement of vehicles and reports any suspected abuse.

MEDICAL:

The Medical department provided health care facilities to a population of 74,828 at a cost of PKR 0.4 billion during the year, through a combined network of company operated medical centres and third party providers on its panel.

Hepatitis Immunisation Drive

Work started on simplifying and automating the processes of OPD, Billing and reimbursement of employee claims. The Medical and Human Resource databases were reconciled after several years of disconnect.

MARKETING & COMMUNICATIONS

Realising the need to establish long-term sustainable communication links with multiple stakeholder groups, a full scale marketing and communications department was established in 2008. The strategy was based on an honest desire to "build trust" among stakeholder groups through open and clear communication. Rationalising the media apprehensions, building a positive image of the company internally and externally and creating a more socially responsible aura within and outside the company were taken as the key focus areas for the department. The department managed to divert maximum negativity from media by proactively engaging with all tiers and forms of media. We moved forward to build a positive image of the company by sharing our futuristic vision and upbeat developmental activities. We

Seminar for KESC's Beat Reporters

added value to our community and communicated the message that the change in KESC was meant to produce remarkable improvement in the quality of service delivery. We developed an in-house media monitoring team and established 24/7 liaison with media persons. Senior management's interaction with media was increased in a planned manner to ensure effective and fruitful media contact. There have been over 80 media engagements during the year, which helped create a better perception for KESC. We kept media engaged through placement of leadership team on various TV channels, issuance of numerous press statements and conferences, media visits to generation plants, IBCs and grid stations, etc. All that resulted in better mutual understanding and an improved working relationship.

The department also contributed to policy making, e.g. successful positioning of electricity theft as our "core policy" through our leaders' statements and media advertising. This addressed the electricity theft problem as an 'issue' for the first time in Pakistan. It not only neutralised the media scene, but also attracted support and empathy from our genuine consumers and honest sections of the society. The general public started to realise their responsibility towards the company as well.

A number of image building and tactical campaigns were launched through print, TV, radio and outdoor media, the Anti-Theft campaign being the most prominent. Public Safety and Energy Conservation were other key themes developed during the year.

External Newsletter-UMEED

To strike a balance between internal and external communications, we launched an internal electronic newsletter titled "Azm," and an external electronic newsletter called "Umeed." Our website was upgraded to showcase the business operations, contributing to stronger customer relations, with regular updates. A newly launched web based information portal, www.kescinfo.com.pk designed for our key media and stakeholders is updated on an hourly basis.

For establishing direct contact between the senior management and the consumers, we held a series of 'Khuli Katcheris' with general public in all 18 towns of the Metropolis. Through these open sessions, the CEO and senior management of the company directly dealt with electricity related issues of over 3500 consumers and ensured the public of Karachi that our company is dedicated to achieving customer satisfaction by enhancing the standards of our customer service.

Youth Football Training Camp

Keeping in view the significance of sports and KESC's longstanding association with this platform, we decided to focus on two sports, Football and Cricket. We set up a Youth Football Training Camp and joined hands with PFF and Geo Super to promote football all over the country, by organising the Super Football League. Meanwhile, KESC Cricket Team qualified for the semi-finals of the Patrons Trophy Grade II. Our Sports Newsletter "JAZBA" and the online hub soccerpak.com regularly reflect our fast-growing Grassroots Football Advancement Campaign for Youth, as well as Football Youth League and Academy.

Free Eye Camp at Ibrahim Hyderi

Under our Sustainable Community Development programme, we organised a Cleanliness Drive and Health Camps, kicked off the E-Force School Programme, supported system upgrading of various essential health care entities, sponsored heritage preservation plans, launched an environment protection drive, and built strategic partnerships. We also announced various educational and wedding packages for under privileged employees in an effort to enhance their standard of living.

While we have made good progress in regaining customers' trust, as indicated by independent research, we stand committed to strengthening our contact with multiple stakeholder groups and encourage the exchange of ideas and thoughts. As we move on, our single-minded focus remains on building a strong KESC brand that enjoys customers' respect, trust and support.

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 :-

Loss before taxation	(14,737)
Add taxation	96
Loss after taxation	(14,641)
Brought forward losses	(66,350)
Incremental depreciation/amortisation relating to surplus on revaluation of property, plant and equipment – net of deferred tax	178
Accumulated losses	(80,813)

WITH RESPECT TO AUDITORS' OBSERVATIONS IN THEIR REPORT TO THE MEMBERS, IT IS INFORMED THAT:

i. The key factors responsible for Transmission & Distribution (T&D) losses, as explained in note 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.

ii. The actions being taken by the Company for operational and infrastructure rehabilitation programme with the commitment and support of the sponsors of the Company have been fully explained in note 1.2 to the financial statements.

iii. 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 and spirit.

STATUTORY PAYMENTS
Government levies outstanding as on 30 June 2010 have been disclosed in note 27 to the financial statements.

COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE
The Directors are pleased to report and the Auditors, in their Report to the Shareholders, certified that:

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

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

c. Appropriate accounting policies 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 therefrom 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. The operational and infrastructure rehabilitation programme being implemented by the Company with the commitment and support of the sponsors has been fully explained in note 1.2 to the financial statements.

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

i. Key operating and financial data of the Company for the last ten (10) years are given on page 36.

j. The Company is in the process of consolidation and restructuring to extinguish the accumulated loss and stage a turnaround and has therefore not declared dividend/bonus shares. Loss per share (LPS) for the year under review is PKR 0.74 (basic) and PKR 0.66 (diluted).

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

l. The value of the investments of KESC Provident Fund is PKR 6.293 billion as on 30.06.2010, whereas gratuity scheme of the Company is not funded and pension scheme does not exist.

m. Statement of the Board and Audit Committee's meetings held during the year is given on page 109.

n. Pattern of shareholding is placed on page 111.

FUTURE PROSPECTS

Abraaj's capital commitment of USD 361 million over a 3 year period, together with its strong operational track record, will facilitate a comprehensive turnaround of KESC's operations. With the support of the principal shareholder and the GOP, KESC will be able to execute a five (5) year plan, aimed at increasing generation capacity by 1,100 MW. The plan also includes the establishment of a modern generation and T&D system and automation of the entire billing system, in addition to improvement in customer service.

After successfully increasing generation by 450MW, increasing its transmission capacity and embarking upon construction activities for the 560MW BQPS, the Management's focus for the next financial year is on Distribution. The main areas of focus in distribution will be billing and recovery, aimed at achieving significant and sustainable reduction in commercial losses, in order to address related issues that affect the financial stability of the business.

The key area of focus will be to ensure that the gap between electricity demand and supply is minimised, while also catering to the increase in demand in the coming years. Improvement and expansion of the network infrastructure, reduction in technical & commercial losses, developing human resource capital of the Company and improving the quality and standard of customer service shall continue to be main areas of focus for KESC.

It is important to note that the new management has inherited a business with deep-seated challenges arising from decades of underinvestment; fully recovering from these challenges will require some time. Fundamental issues such as timely tariff determination and other regulatory issues which directly impact the cost of doing business and commercial viability of the Company, recovery/adjustment of GOP and GOP-related entities, and availability of fuel at affordable price will require the active support of the Federal and Provincial governments. However, the strategic investment and continuous support of the principal shareholder and the GOP will enable KESC to finally realise its goal of implementing an ambitious turnaround and growth plan, in accordance with the original privatisation plan. With time, operational improvements will translate into tangible financial improvements, as is evident with the results posted for the fiscal year ended 30 June 2010.

BOARD OF DIRECTORS

KESC's Board of Directors (BOD) comprises 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 PEPCO. Election of thirteen (13) members of the BOD was held in the AGM of the Company on 26 October 2009. Two (2) GOP nominees on the Board of the Company, Mr. Fazal Ahmed Khan and (Late) Jalaluddin Qureshi were substituted and replaced by Mr. Tahir Basharat Cheema, MD PEPCO and Mr. Muhammad Sarwar, Joint Secretary (CF), Finance Division, respectively.

The policy/major decisions are taken by the Board after in-depth discussions based on objective analysis, reports and recommendations of the management, board committees and professional consultants in the best interest of the Company and all stakeholders. The Board, considering the advice that there was a significant need for suitable qualified personnel in the Company, agreed to nominate certain acting (non-executive) directors on the Board of the Company to act as executive directors. The shareholders approved the Board's recommendations and unanimously resolved in the EGM of the Company held on 20 January 2010, that Mr. Zulfiqar Haider Ali be appointed as Head of Special Projects, Mr. Arshad Masood Zahidi be appointed as Chief Strategic Officer (Generation & Transmission), Syed Nayyer Hussain be appointed as Chief Strategic Officer (Distribution), and Mr. Muhammad Tayyab Tareen be appointed as Group Head, HR Management / GCFO.

During the review year, Mr. Naveed Ismail relinquished the position of CEO and Mr. Tabish Gauhar assumed the office of CEO effective from 2 November 2009. Mr. Naveed Ismail continues to act as a non-executive director of the Company. Mr. Muhammad Tayyab Tareen substituted and replaced Mr. Jalil Tarin as GCFO of the Company effective from 2 November 2009. Syed Farrukh Abbas resigned from the Company's directorship and Mr. Nadir Salar Qureshi was appointed as a director in his place on 4 February 2010. The Board wishes to place on record appreciation of services of the outgoing CEO, Directors and GCFO and welcomes the incoming CEO, Directors and GCFO.

AUDITORS

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Tabish Gauhar
CHIEF EXECUTIVE OFFICER
Karachi, 26 August 2010

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF GOOD CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2010

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purposes of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:-

1. 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 0.89%), of an already negligible minority interest (just 2.84%), at election of directors in the AGM of 26 October 2009, was not considered effective and meaningful representation of minority interests.

3. Although the three (3) GOP nominated directors on the Board of the Company may not technically qualify as independent directors, they certainly qualify the test prescribed in the Code and they do exercise independent business judgements.

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

8. The Company has prepared a "Statement of Ethics & Business Practices" in the post-privatisation scenario matching current developments and applying best practices. The said statement has been duly approved by the Board of Directors and acknowledged by the Directors and its English/Urdu version has been 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 alongwith 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 of Directors 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 three (3) new Directors appointed since 27 May 2009 have been provided with the said guidelines and other related material. Process for the Directors of the Company to have certification under "The Board Development Series" programme of the Pakistan Institute of Corporate Governance (PICG), has been initiated in accordance with the requirement of and timelines set out in CCG.

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. 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 a Group Chief Financial Officer during the review year, including his 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 requirements of the Code and fully describes the salient matters required to be disclosed.

15. The financial statements of the Company were duly endorsed by the 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 five (5) members. Three (3) 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. The BAC met four (4) times during the year, once in each quarter 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 programme 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

Tabish Gauhar

Tabish Gauhar
Chief Executive Officer
Karachi, 26 August 2010

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

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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 prepared by the Board of Directors of **Karachi Electric Supply Company Limited** (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance 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, Listing Regulations of the Stock Exchanges where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval 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 separately 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 under taken 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 as applicable to the Company for the year ended 30 June 2010.

Date: 26 AUG 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

HISTORICAL HIGHLIGHTS

Description		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-07	2007-08	2008-09	2009-10
Units Generated	MILL KWH	6,613	7,745	7,989	8,709	8,908	9,274	9,304	9,130	8,169	8,662	8,262	7,964
Units Purchased	MILL KWH	4,007	3,701	3,688	3,406	3,809	3,664	4,289	5,370	6,708	6,527	7,005	7,842
Units Sold	MILL KWH	6,131	6,430	6,924	6,717	7,041	7,919	8,505	9,060	9,367	9,569	9,396	9,905
T&D loss	%	38.64%	40.25%	36.81%	41.11%	40.78%	37.84%	34.23%	34.43%	34.23%	34.12%	35.85%	34.89%
Revenue:													
Sale of Energy - net	RS.MILL	23,285	23,035	28,118	29,841	32,279	36,543	38,415	41,922	44,662	49,656	58,069	70,508
Tariff adjustment		-	-	-	-	-	-	1,491	9,482	14,447	17,283	26,950	33,220
Other Sources	RS.MILL	630	1,155	886	1,206	1,299	1,313	1,401	2,439	1,929	3,000	2,690	4,960
Total Revenue	RS.MILL	23,915	24,190	29,004	31,047	33,578	37,856	41,307	53,843	61,038	69,889	87,709	108,688
Expenses:													
Cost fuel and oil	RS.MILL	9,312	12,202	17,717	19,272	21,051	20,787	23,085	29,217	28,599	35,884	37,459	37,181
Purchase of Electricity	RS.MILL	11,401	13,916	13,780	13,191	15,582	14,925	17,707	23,991	29,364	32,861	44,921	59,881
Total fuel + Purchased	RS.MILL	20,713	26,118	31,497	32,463	36,633	35,712	40,792	53,208	57,963	68,745	82,371	97,062
O&M Expenses	RS.MILL	3,220	3,227	3,220	3,629	3,536	3,835	4,710	7,851	8,460	9,513	11,654	13,237
Depreciation	RS.MILL	2,860	2,969	2,919	2,829	3,157	3,760	3,845	3,413	3,329	3,508	2,986	4,074
Financial Charges	RS.MILL	3,042	5,481	5,725	7,750	1,585	910	138	379	1,376	1,875	5,620	6,824
Provision for doubtful debts	RS.MILL	1,213	1,094	1,729	1,071	2,036	2,249	2,308	3,329	1,881	1,171	776	1,993
Other Charges	RS.MILL	231	85	115	867	158	289	390	291	46	829	344	235
Total Expenses	RS.MILL	31,279	38,977	45,205	48,609	47,472	46,115	51,683	68,473	72,995	85,641	103,159	123,425
Net (Loss)	RS.MILL	(7,364)	(14,787)	(16,201)	(17,562)	(13,894)	(8,295)	(10,376)	(14,630)	(11,957)	(15,752)	(15,450)	(14,737)
Recoveries/Reciavable from Govt. Of Pak Under the terms 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	(7,364)	(14,787)	(16,201)	(17,562)	(8,143)	1,278	520	(7,054)	(11,957)	(15,752)	(15,450)	(14,737)
Taxation: Current	RS.MILL	(119)	(130)	(152)	(154)	(166)	(157)	(193)	(212)	(219)	(320)	-	-
Prior	RS.MILL	-	-	-	-	-	-	-	75	-	-	(34)	-
Deferred Tax	RS.MILL	-	-	-	-	-	-	-	-	-	-	-	96
Net Tax	RS.MILL	(119)	(130)	(152)	(154)	(168)	(187)	(199)	(137)	(219)	(320)	(34)	96
(Loss) / Profit after taxation	RS.MILL	(7,483)	(14,917)	(16,353)	(17,716)	(8,311)	1,086	321	(7,191)	(12,176)	(16,072)	(15,484)	(14,641)

OPERATING
RESULTS OF GENERATION SYSTEMS

THE KARACHI ELECTRIC SUPPLY CORPORATION LIMITED

OPERATING RESULTS OF GENERATING STATIONS

		JULY-JUNE 2009-10	JULY-JUNE 2008-9
MAXIMUM DEMAND	MW	2,562	2,462
UNITS GENERATED	MWH	7,964,073	8,262,115
AUXILIARY CONSUMPTION	MWH %	591,412 7.4%	618,726 7.5%
UNITS SENT OUT	MWH	7,372,661	7,643,389
TOTAL POWER PURCHASED	MWH	7,841,551	7,005,362
TOTAL UNITS AVAILABLE	MWH	15,214,212	14,648,751
UNITS BILLED	MWH	9,904,988	9,396,469
T & D LOSSES	MWH %	5,309,224 34.9 %	5,252,282 35.8 %

TURN OFF
THE LIGHT.
MAKE USE OF
SUNLIGHT.

AUDITORS' REPORT TO THE MEMBERS

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Karachi Electric Supply Company Limited** ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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 the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the loss, its cash flows and changes in equity for the year then ended; and

KPMG

KPMG Taseer Hadi & Co.

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 48 and note 1.2 to the accompanying financial statements:

As given in note 48 to the accompanying financial statements, transmission and distribution losses of the Company are approximately 34.89 percent (30 June 2009: 35.85 percent) of the total electricity generated and purchased 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.

Further note 1.2 explains in detail the measures that the Company is taking with respect to operational and infrastructure rehabilitation program and financial measures designed to improve the financial position of the Company which are duly supported by the sponsors of the Company; and

ii) note 17.10 to the accompanying financial statements, whereby 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.

The financial statements of the Company for the year ended 30 June 2009 were audited by another firm of chartered accountants whose report dated 3 September 2009, expressed modified opinion containing emphasis of matter paragraphs on certain matters.

KPMG Taseer Hadi & Co.

Date: 26 August 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

REPLACE
INCANDESCENT
BULBS WITH
ENERGY SAVERS.

BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2010	2009
		(Rupees in '000)	
			Restated
ASSETS			
Property, plant and equipment	4	141,432,310	82,193,852
Intangible asset	5	37,602	20,566
		141,469,912	82,214,418
Long-term loans	6	75,383	92,967
Long-term deposits and prepayments	7	22,399	234,275
Due from the Government	8	158,687	476,063
		141,726,381	83,017,723
CURRENT ASSETS			
Current portion of amount due from the Government	8	476,063	396,718
Stores and spares	9	4,945,239	4,696,625
Trade debts	10	29,029,574	19,114,219
Loans and advances	11	806,022	398,787
Trade deposits and prepayments	12	12,150,099	1,199,470
Other receivables	13	16,069,414	21,189,065
Derivative financial assets	14	766,453	575,000
Taxation - net	15	470,829	220,548
Cash and bank balances	16	1,189,424	1,127,644
		65,903,117	48,918,076
TOTAL ASSETS		207,629,498	131,935,799
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	74,966,045	52,068,169
Reserves			
Capital reserves	18	509,172	509,172
Revenue reserves	19	5,372,356	5,372,356
Accumulated losses		(80,812,538)	(66,350,117)
Other reserve		(560,147)	(337,050)
		(75,491,157)	(60,805,639)
Total equity		(525,112)	(8,737,470)
ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES		-	8,170,638
		(525,112)	(566,832)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	20	31,826,017	484,553
		31,300,905	(82,279)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	21	39,289,102	45,030,126
Liabilities against asset subject to finance lease	22	-	287,706
Long-term deposits	23	4,040,288	3,836,994
Deferred liabilities	24	5,767,124	5,325,528
Deferred revenue	25	16,249,362	14,237,770
Specific grant from the government	26	348,606	2,778,003
Deferred tax liability	20	17,137,086	260,913
		82,831,568	71,757,040
CURRENT LIABILITIES			
Trade and other payables	27	54,799,202	26,853,848
Accrued mark-up	28	4,770,125	2,325,237
Short-term borrowings	29	13,441,796	11,953,522
Short-term deposits	30	4,276,499	3,241,691
Provisions	31	12,127	15,927
Current maturity of non-current liabilities	32	16,197,276	15,870,813
		93,497,025	60,261,038
CONTINGENCIES AND COMMITMENTS	33		
TOTAL EQUITY AND LIABILITIES		207,629,498	131,935,799

The annexed notes 1 to 56 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		(Rupees in '000)	
REVENUE			
Sale of energy - net	34	70,508,120	58,069,074
Tariff adjustment	35	33,220,086	26,950,457
Rental of meters and equipment		208,309	204,553
		103,936,515	85,224,084
EXPENDITURE			
Purchase of electricity	36	(59,881,477)	(44,921,109)
Consumption of fuel and oil	37	(37,180,851)	(37,450,620)
		(97,062,328)	(82,371,729)
Expenses incurred in generation, transmission and distribution	38	(10,925,814)	(9,484,695)
GROSS LOSS		(4,051,627)	(6,632,340)
Consumers services and administrative expenses	39	(8,378,749)	(5,370,456)
Other operating income	41	4,751,526	2,485,368
Other operating expenses	40	(235,002)	(343,585)
		(3,862,225)	(3,228,673)
OPERATING LOSS		(7,913,852)	(9,861,013)
Finance cost	42	(6,823,638)	(5,589,991)
LOSS BEFORE TAXATION		(14,737,490)	(15,451,004)
Taxation	43		
- Current		-	(33,938)
- Deferred		96,274	-
		96,274	(33,938)
NET LOSS FOR THE YEAR		(14,641,216)	(15,484,942)
		(Rupees)	
			Restated
LOSS PER SHARE - basic	44	(0.74)	(1.18)
- diluted	44	(0.66)	(0.98)

The annexed notes 1 to 56 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	45	6,861,934	3,209,175
Payment in respect of fatal accident	31	(3,800)	(2,505)
Deferred liabilities paid	24.1	(552,638)	(430,714)
Income tax paid		(250,281)	(22,618)
Receipts in deferred revenue	25	644,768	1,359,885
Finance cost paid		(4,497,601)	(1,996,604)
Interest received on bank deposits	41	338,386	101,431
Net cash generated from operating activities		2,540,768	2,218,050
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(14,156,765)	(21,025,903)
Proceed from disposal of fixed assets	4.1.7	151,009	72,637
Receipt from GoP		-	238,031
Receipt from PSO PIRKOH		238,031	-
Long term loans		17,584	7,039
Long term deposits		227,184	(213,748)
Net cash used in investing activities		(13,522,957)	(20,921,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against subscription of right shares		14,869,122	8,170,638
Liabilities against assets subject to finance lease repaid		(330,826)	(6,497)
Payment of long term financing - net		(4,946,042)	-
Transaction cost incurred on right issue		(141,884)	-
Short term borrowing repaid / acquired - net		1,488,274	(1,093,709)
Long term financing paid - PIRKOH and PSO		(97,969)	(238,031)
Receipts from derivative financial instruments - options		-	89,417
Receipt from long term financing - net		-	9,887,699
Receipt from Murhabha financing - net		-	410,000
Security deposit from consumers		203,294	177,614
Net cash generated from financing activities		11,043,969	17,397,131
Net increase / (decrease) in cash and cash equivalent		61,780	(1,306,763)
Cash and cash equivalent at beginning of the year		1,127,644	2,434,407
Cash and cash equivalent at end of the year	46	1,189,424	1,127,644

The annexed notes 1 to 56 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued, Subscribed and Paid-up Capital			Reserves					Total
	Ordinary shares	Redeemable Preference shares	Total	Capital reserves	Revenue reserve	Accumulated losses	*Other reserves	Total	
	(Rupees in '000)								
Balance as at 30 June 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
Total comprehensive income for the year ended 30 June 2009									
Net loss for the year	-	-	-	-	-	(15,484,942)	-	(15,484,942)	(15,484,942)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(171,992)	(171,992)	(171,992)
Total comprehensive income for the year	-	-	-	-	-	(15,484,942)	(171,992)	(15,656,934)	(15,656,934)
Balance as at 30 June 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)
Total comprehensive income for the year ended 30 June 2010									
Net loss for the year	-	-	-	-	-	(14,641,216)	-	(14,641,216)	(14,641,216)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(223,097)	(223,097)	(223,097)
Total comprehensive income for the year	-	-	-	-	-	(14,641,216)	(223,097)	(14,864,313)	(14,864,313)
Incremental depreciation / amortisation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	178,795	-	178,795	178,795
Transaction with owners, recorded directly in equity									
Issuance of 6,582,788,730 ordinary shares @ Rs. 3.5 each - net	22,897,876	-	22,897,876	-	-	-	-	-	22,897,876
Balance as at 30 June 2010	**68,982,638**	**5,983,407**	**74,966,045**	**509,172**	**5,372,356**	**(80,812,538)**	**(560,147)**	**(75,491,157)**	**(525,112)**

*Fair value of cash flow hedges

The annexed notes 1 to 56 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	(Rupees in '000)	
Net loss for the year	(14,641,216)	(15,484,942)
Other comprehensive loss - Hedging reserve	(223,097)	(171,992)
	(14,864,313)	(15,656,934)

The annexed notes 1 to 56 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

1. THE COMPANY AND ITS OPERATIONS

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

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

The registered office of the Company is situated at 6th Floor, State Life Building No. 11, Abdullah Haroon Road, Karachi. KES Power Limited (the holding company) holds 72.45 percent (30 June 2009: 71.5 percent) shares in the Company.

1.2 During the year, the Company has incurred a net loss of Rs. 14,641 million (2009: Rs. 15,485 million), resulting in accumulated losses of Rs. 80,812 million (2009: Rs. 66,350 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) During the year, second fast track power plant of total 90 MW capacity has been commissioned at Korangi. The first fast track plant of total 90 MW capacity was commissioned at SITE in June 2009. These new units are using 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, resulting in improved profit margin.

b) During the year, the first combine cycle power plant (CCPP-I) with ISO capacity of 220 MW became fully operational including the steam turbine, having significant impact on the overall efficiency.

c) The second combine cycle power plant (CCPP – II) having ISO capacity of 560 MW, is being set-up at Bin Qasim. The contract for setting up the plant was awarded in June 2008. This combine cycle plant is expected to be in operation by the end of the financial year 2011- 12, having significant impact on the overall fuel efficiency.

d) Overhauling of existing Bin Qasim Power Station to increase its reliability, capacity and efficiency. The main strategy is to maintain it and ensure minimal trippings / faults while enhancing its capacity upwards to its original rating and improve efficiency and reliability.

1.2.2 Transmission and Distribution Network – Expansion and Rehabilitation

The management has developed a comprehensive plan focused towards the transmission and distribution network to improve reliability and reduce technical and distribution losses. This will also enhance monitoring and control of the grid and rehabilitate and expand the existing network. Proper network planning, maintenance and capital expenditure will lead to reduced outages and will prevent network damage. Some of the transmission and distribution projects already completed and in progress are constructions of new grid stations, Model Town project for revamping of distribution infrastructure, implementation of SCADA system and launching of Integrated Business Centres (IBCs).

a) The management has accelerated the construction of new grid stations, augmenting transmission capacity by a total of 650 MVA and six new grid stations have been constructed and energized.

b) The Model Town Project is an initiative to improve KESC's network and customer service. It is a system improvement plan which aims to increase system reliability, enhance load capacity and revamp the distribution network in Karachi in a phased and prioritized manner. The 18 towns of Karachi have been divided into four phases and the project is expected to be completed by September 2010 at an estimated cost of Rs. 2,500 million.

c) The SCADA system provides up-to-date system electrical data which will help reduce losses through a systematic approach, increasing reliability, efficiency and safety of the power grid. SCADA system is fully operational across the network.

d) IBCs (a model for overall reform and rehabilitation of the KESC's distribution system) in Defence, Clifton, Gulshan and Nazimabad have been launched and the management plans to roll out more such IBCs across the city to provide one-stop service to all our consumers.

1.2.3 Financial measures

The financial measures which the Company has embarked upon include:

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 85.000 million has already been disbursed to the Company.

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 125.000 million has already been disbursed to the Company.

1.2.4 Sponsors support

The Sponsors of the Company are committed to invest in the Company for its ongoing as well as future projects and also to meet its operating shortfalls. As part of the commitment, KES Power Limited (holding company), has subscribed its share of rights issues announced on 27 May 2009 and on 27 October 2009 at the rate of 31 percent and 14.5 percent, respectively at par value of Rs. 3.50 per share amounting to Rs. 14,286 million and Rs. 8,754 million, respectively. Further, KES Power Limited has also subscribed the unsubscribed minority shares. The Government of Pakistan also subscribed for its share of 25.66 percent in the rights issues.

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 generate better results in the foreseeable future.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

- the derivative financial instruments which 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 3.21 and 14; and

- defined benefits obligations are stated at present value in accordance with the requirements of IAS – 19 "Employee Benefits", as referred to in notes 3.11 and 24.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 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.

2.4.3 Stores and spares

The Company reviews the net realizable value (NRV) and impairment of stores and spare parts to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made.

2.4.4 Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 24 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

2.4.5 Taxation

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

2.4.6 Derivatives

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

2.5 Changes in accounting policies

Starting 1 July 2009, the Company has changed its accounting policies in the following areas:

- Revised IAS 1 Presentation of Financial Statements (2007); became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a profit and loss account and a statement of comprehensive income.

- IFRS 8 - Operating Segments (effective from 1 January 2009). This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker, that is, the organisation's function which allocates resources to and assesses performance of its operating segments. Management has determined that the Company has a single reportable segment and therefore the adoption of the said IFRS has only resulted in some entity wide disclosures as described in note 53.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the change in accounting policies only affect presentation / disclosures of financial statements, there is no impact on loss for the year and loss per share.

2.6 Other accounting developments

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

2.7 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010:

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that landnormally has an indefinite economic life. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is unlikely to have any impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards–Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities not to reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is unlikely to have any impact on the Company's financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

- IFRIC 4 - "Determining whether an Arrangement contains a Lease" on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010. The Company has availed the relaxation given by SECP.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS

3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fairvalue or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have any impact on the Company's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Company's operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.5.

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

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

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

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

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

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

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

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

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

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

3.1.2 Asset subject to finance lease

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

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

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

3.1.3 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.

3.2 Intangible assets

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

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

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

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

3.3 Borrowing costs

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

3.4 Loans, advances and deposits

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

3.5 Stores and spares

These are stated at lower of moving average cost and net realizable value less impairment loss, if any, except items in transit, which are stated at cost. 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.

3.6 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.

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

3.7 Cash and cash equivalents

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

3.8 Surplus on revaluation of fixed assets

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

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

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

3.9 Interest / Mark-up bearing loans and borrowings

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

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

3.10 Deferred revenue

Deferred revenue represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the Transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, with 5% of completed jobs taken to the profit and loss account each year corresponding to the depreciation charge for the year (note 25).

3.11 Employee retirement and other service benefits

3.11.1 Defined benefit plans

Provisions are made to cover the obligations under defined benefit gratuity scheme, post retirement medical benefits and electricity rebate on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of 30 June 2010 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.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of present value of the Company's obligations are amortized over the expected service of current members.

(a) Defined benefit gratuity scheme

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

(b) Post retirement medical benefits

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

(c) Electricity rebate

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

3.11.2 Defined contributory provident fund

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

3.11.3 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.

3.12 Actuarial gains and losses

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

3.13 Taxation

3.13.1 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.

3.13.2 Deferred

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

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

3.14 Trade and other payables

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

3.15 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.16 Revenue recognition

3.16.1 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.

3.16.2 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.

3.16.3 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.

3.16.4 Rebate on electricity duty

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

3.16.5 Meter rentals

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

3.16.6 Interest / Mark-up income

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

3.16.7 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.

3.17 Impairment

Financial assets

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

Non-Financial assets

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

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

3.18 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.

3.19 Financial instruments

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

3.20 Offsetting of financial assets and financial liabilities

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

3.21 Derivative financial instruments and hedge accounting

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

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an on going 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 used for hedging purposes are disclosed in note to these financial statements. Movements on the hedging reserve are shown in statements of changes in equity and statement of comprehensive income.

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

3.22 Appropriations to reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
		(Rupees in '000)	
Operating fixed assets	4.1	120,865,072	58,971,309
Capital work-in-progress	4.2	20,567,238	23,222,543
		141,432,310	82,193,852

4.1 Operating fixed assets

30 June 2010	Note	COST / REVALUATION As at 01 July 2009	Additions / Revaluation*	(Disposals)	Adjustments	As at 30 June 2010	ACCUMULATED DEPRECIATION As at 01 July 2009	Charge for the year	Disposal	Adjustments	As at 30 June 2010	WRITTEN DOWN VALUE As at 30 June 2010	RATE %
		(Rupees in '000)											
Owned Assets													
Land:													
Leasehold land	4.1.1	1,067,600	2,448,723*	-	277	3,516,600	-	280,250	-	-	280,250	3,236,350	1.3 to 33.3
Other	4.1.2	415,862	-	-	(277)	415,585	-	-	-	-	-	415,585	-
Buildings on:													
Leasehold land		56,577	622,601	-	-	679,178	94	44,653	-	-	44,747	634,431	2
Other land		3,322,645	347,168	-	-	3,669,813	1,128,272	41,180	-	-	1,169,452	2,500,361	2
Plant and machinery	4.1.4.1	43,089,343	12,168,228 34,753,442*	-	(125,108)	89,885,905	21,759,571	1,501,418	-	(59,856)	23,201,133	66,684,772	3.3 to 20
Transmission grid equipments		16,645,926	2,540,128 11,290,541*	(9,471)	-	30,467,124	7,277,529	504,305	(4,712)	-	7,777,122	22,690,002	3 to 10
Transmission lines		12,877,935	343,663	(2,760)	-	13,218,838	5,535,154	377,358	(2,483)	-	5,910,029	7,308,809	3 to 10
Distribution networks		30,741,942	1,235,092	(183,452)	-	31,793,582	14,186,028	1,170,759	(159,480)	-	15,197,307	16,596,275	3 to 10
Renewals of mains and services		1,457,092	5,855	-	-	1,462,947	1,312,701	39,346	-	-	1,352,047	110,900	20
Furniture, air-conditioners and office equipment		502,232	61,558	(1,297)	-	562,493	387,876	15,890	(1,167)	-	402,599	159,894	10 to 15
Vehicles		510,376	6,583	(91,367)	-	425,592	408,147	8,075	(60,107)	-	356,115	69,477	15 to 20
Computers and related equipment		415,356	138,531	-	-	553,887	233,483	56,523	-	-	290,006	263,881	14.33-33.33
Tools and general equipment		446,449	110,955	(266)	-	557,138	349,170	13,873	(240)	-	362,803	194,335	10 to 15
Simulator equipment		67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	14.33
		111,617,048	66,073,068 48,492,706* 17,580,362	(288,613)	(125,108)	177,276,395	52,645,738	4,053,630	(228,189)	(59,856)	56,411,323	120,865,072	

Additions of Rs. 17,580.362 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.

30 June 2009	COST / REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	RATE
	As at 01 July 2008	Additions/ Revaluation*	(Disposals)	Adjustments	As at 30 June 2009	As at 01 July 2008	Charge for the year	Disposal	Adjustments	As at 30 June 2009	As at 30 June 2009	%
	(Rupees in '000)											
Owned Assets												
Leasehold land	371,977	745,466	-	(49,843)	1,067,600	-	-	-	-	-	1,067,600	-
Other	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	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	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	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 * 17,517,380	(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.

4.1.1 Leasehold land

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

4.1.2 Other land

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

	Note	2010	2009
		(Rupees in '000)	
Amenity:			
- Leasehold		**364,348**	364,625
- Freehold		**9,271**	9,271
Leasehold land – owned	4.1.2.1	**41,966**	41,966
		415,585	415,862

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

4.1.3 During the year ended 30 June 2009 and 30 June 2010, revaluation exercises were carried out by an independent valuer, Colliers International Pakistan (Pvt) Ltd, Iqbal Nanji and Company and Harvester Services (Pvt) Ltd.

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

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

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

	Cost	Book value
	(Rupees in '000)	
Lease hold land	322,413	322,413
Plant and machinery	50,802,746	30,727,998
Transmission grid equipments	19,176,583	11,399,460
	70,301,742	42,449,871

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

4.1.5 The cost of fully depreciated assets as at 30 June 2010 is Rs. 16,736 million (2009: Rs. 16,915 million).

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

4.1.7 **Depreciation charge for the year has been allocated as follows:**

	Note	2010	2009
		(Rupees in '000)	
Expenses incurred in generation, transmission and distribution	38	3,757,325	2,833,351
Consumer services and administrative expenses	39	296,305	152,340
		4,053,630	2,985,691

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

		Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain/(Loss) on Disposal	Mode of disposal	Particulars of buyers
		----------------------------	(Rupees in '000)	-------------------------				
Transmission and Distribution Networks								
75 MVA Transformer		4,000	3,600	400	8,931	8,531	Auction	Muhammad Siddique Awan
20/26 MVA, 132/11 KV Transformer		8,960	4,342	4,618	5,200	582	Auction	M/s Brothers Metal Works Private Limited
1500 KVA Transformer and Switch Gears		4,721	2,344	2,377	4,557	2,180	Insurance claim	-
Meters		156,517	140,865	15,652	17,772	2,120	Auction	M/s Brothers Metal Works Private Limited
Equipments - transmission		5,472	1,112	4,360	2,250	(2,110)	Insurance claim	-
Over head - transmission		2,759	2,484	275	7,129	6,854	Auction	M/s Universal Meter Private Limited
Over head - distribution		13,254	11,929	1,325	27,094	25,769	Auction	M/s Universal Metal Private Limited
		195,683	166,676	29,007	72,933	43,926		
Tools and General equipments								
Generator, water cooler, fridge		266	240	26	79	53	Auction	M/s Muhammad Ramzan
Furniture, Airconditioners and Office equipments								
Airconditioners		1,297	1,167	130	465	335	Auction	M/s Muhammad Ramzan
Vehicles								
Sold to KESC - Officers and employees								
Suzuki Cultus	ANV-482	482	434	48	319	271	As per Company's policy	Moula Buksh Shiekh
Toyota Corolla	AC-7832	549	494	55	338	283	"	Sajjad Ahmed
Suzuki Cultus	ANV-481	482	434	48	319	271	"	S.H. Haider Rizvi
Suzuki Potohar	BC-2260	210	189	21	214	193	"	Harichand Perchani
Suzuki Potohar	BC-4046	436	392	44	231	187	"	Waseem Ahmed Bablani
Suzuki Potohar	BD-7152	537	484	53	332	279	"	Aslam Khan
Suzuki Potohar	BD-6879	537	484	53	332	279	"	Mohammad Adil
Suzuki Ravi	CN-1280	271	244	27	226	199	"	Zulfiqar Hussain Amur
Suzuki Ravi	CN-7862	271	224	47	283	236	"	Sheeraz Ali
Suzuki Bolan	CR-0931	319	263	56	304	248	"	Abdul Hafeez Memon
Suzuki Mehran	AHV-044	273	226	47	246	199	"	Mohammad Tariq Khan
Suzuki Mehran	AHS-271	273	226	47	246	199	"	Syed Mohammad Younus
Suzuki Mehran	APA-807	265	219	46	223	177	"	S.M Azhar Zaidi
Toyota Corolla	AMA-540	879	277	602	792	190	"	Asif Raza
Suzuki Mehran	ANX-703	265	219	46	225	179	"	M. Ilyas Mansoor
Suzuki Cultus	ANW-355	482	398	84	372	288	"	Abdul Waheed
Suzuki Mehran	ANW-371	265	219	46	225	179	"	Albert Massey
Toyota Corolla	AHW-503	842	695	147	853	706	"	M.Anwar Ali Roomi
Suzuki Mehran	AHR-256	273	226	47	247	200	"	Hassanuddin Tunio
Suzuki Mehran	ANY-914	265	219	46	225	179	"	Irshad Ali
Suzuki Cultus	AQK-830	590	71	519	639	120	"	Farqud Raza
Suzuki Cultus	AQU-658	606	73	533	638	105	"	Sameer Ul Haq Siddiqui
Suzuki Cultus	AQZ-715	606	73	533	640	107	"	Muhammad Ali
Honda Civic	AQG-458	1,394	167	1,227	1,466	239	"	Muhammad Rizwan Dalia
Toyota Corolla	AQT-205	925	111	814	935	121	"	Muhammad Amir Ghaziani

		Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain/(Loss) on Disposal	Mode of disposal	Particulars of buyers
		--------	--------	(Rupees in '000)	--------	--------		
Suzuki CultusAQ	E-148	585	97	488	639	151	"	Saad Ali Siddiqui
Honda Civic	ASE-111	1,526	183	1,343	1,562	219	"	M. Shahzad Yousuf
Honda City	ARG-440	1,060	80	980	917	(63)	"	Syed Zahoor Akber
Suzuki Cultus	AQG-231	585	70	515	639	124	"	Muhammad Usman
Honda Civic	ALH-573	1,227	902	325	890	565	"	Munir Hussain
Toyota Corolla	Z-6075	549	494	55	138	83	"	Slaeem Sanjar
Toyota Corolla	Z-6150	549	494	55	138	83	"	S. Ahmed Mohiuddin
Toyota Corolla	AB-6244	599	539	60	151	91	"	Mahmood Ahmed
Suzuki Potohar	BC-4092	436	392	44	110	66	"	Nazir Ahmed
Suzuki Potohar	BC-0789	210	189	21	32	11	"	Akberuddin Ahmed
Suzuki Ravi	CJ-6888	175	158	17	160	143	"	M.Azam Khan
Toyota Corolla	ARA-111	1,005	256	749	980	231	"	Abdul Qadir
Honda Civic	ARE-211	1,575	260	1,315	1,400	85	"	Mohammad Mazhar Hussain
Honda Civic	AMM-038	1,248	543	705	890	185	"	Mohammad Ameen
Suzuki Cultus	ANV-480	482	398	84	372	288	"	Mukhtar Ahmed
Suzuki Mehran	AHR-298	273	226	47	247	200	"	M.Ali Qureshi
Suzuki Cultus	ANV-498	483	398	85	372	287	"	Syed Rashid Ali
Suzuki Mehran	AHR-294	274	226	48	247	199	"	Zakir Hussain
Suzuki Mehran	ANZ-827	265	219	46	225	179	"	M.Ajaz Ul Haq
Suzuki Mehran	ANW-359	265	219	46	225	179	"	Mustafa Hussain
Honda Civic	AMD-777	1,227	791	436	951	515	"	Hyder Ali
Suzuki Cultus	ANV-479	483	398	85	372	287	"	Amir Saeed Murad
Suzuki Mehran	ANW-364	265	219	46	225	179	"	Masood Ahmed
Suzuki Mehran	ANW-340	265	219	46	225	179	"	Ateeq Uzzaman Khan
Suzuki Mehran	APA-577	265	219	46	225	179	"	Muhammad Siddiq
Suzuki Mehran	ANX-704	265	219	46	225	179	"	Sirajuddin A Khan
Suzuki Mehran	ANW-372	265	219	46	225	179	"	Shamsul Arfin Qasmi
Suzuki Mehran	APB-304	265	219	46	225	179	"	Muazzam Khan
Suzuki Mehran	ANW-369	265	219	46	225	179	"	M.Waseem Ashfaque
Suzuki Ravi	CN-0086	271	244	27	206	179	"	Meraj Alam
Suzuki Ravi	CR-9870	271	244	27	268	241	"	Javed Iqbal
Suzuki Bolan	CJ-8776	260	234	26	214	188	"	Amjad Ali
Toyota Corolla	ANV-960	738	609	129	636	507	"	M.Imran Sheikh
Toyota Corolla	APJ-451	980	162	818	965	147	"	Pervez Musani
Honda Civic	AQT-065	1,551	186	1,365	1,557	192	"	Syed Moonis Abdullah Alvi
Honda City	AMJ-685	999	345	654	767	113	"	Sajjad Zahoor Syed
Honda City	AMU-348	1,036	357	679	814	135	"	Ahmed Moosa
Toyota Corolla	APY-063	1,005	166	839	966	127	"	Syed Khalil Ahmed
Suzuki Mehran	ANY-806	258	232	26	221	195	"	Abbas Ali
Suzuki Mehran	AFQ-572	258	232	26	221	195	"	Sarwat Sultana
Suzuki Mehran	AHR-286	274	226	48	247	199	"	Muhammad Iqbal
Suzuki Mehran	ANX-716	265	219	46	225	179	"	Abdur Rashid
Suzuki Mehran	ANW-348	265	219	46	225	179	"	Allah Dino
Suzuki Cultus	ANV-487	483	398	85	372	287	"	Syed Anwer Ali
Suzuki Mehran	ANW-360	265	219	46	225	179	"	Muhammad Ismail Khan
Suzuki Cultus	ANV-466	483	398	85	372	287	"	Syed Iftikhar Ahmed
Suzuki Mehran	AHR-253	274	226	48	247	199	"	Raees Ahmed Siddiqui
Suzuki Mehran	ANW-370	265	219	46	226	180	"	Samina Almas
Suzuki Mehran	ANZ-821	265	219	46	225	179	"	Abdul Basit
Suzuki Mehran	ANY-216	265	219	46	225	179	"	S.M.Mushtaq Ul Haq
Suzuki Mehran	ANW-350	265	219	46	225	179	"	Muhammad Yousuf
Suzuki Mehran	ANW-346	265	219	46	225	179	"	Muhammad Afzal Gafoor
Suzuki Mehran	ANY-815	265	219	46	225	179	"	Akhter Hussain Memon
Suzuki Mehran	ANX-705	265	219	46	225	179	"	Mirza Aziz Shahid
Suzuki Mehran	ANX-709	265	219	46	225	179	"	Sispal M Mulani
Suzuki Bolan	CN-2430	319	287	32	264	232	"	Jamshed Raza

		Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain/(Loss) on Disposal	Mode of disposal	Particulars of buyers
		(Rupees In '000)						
Suzuki Bolan	CJ-9287	278	250	28	226	198	"	Ramesh Kumar
Suzuki Bolan	CD-2137	135	122	13	151	138	"	Maqsood Khaliq
Suzuki Ravi	CN-7540	319	263	56	317	261	"	Mumtaz Ahmed Khan
Toyota Corolla	AB-0237	577	519	58	339	281	"	Muhammad Ashraf Memon
Toyota Corolla	ANE-440	969	291	678	968	290	"	Asif Siddiqui
Suzuki Mehran	ANW-357	258	232	26	221	195	"	Mehboob Alam
Suzuki Mehran	AFQ-598	258	232	26	221	195	"	Zeenat Ali
Suzuki Mehran	AFP-680	258	232	26	221	195	"	Nizamuddin Bhatti
Suzuki Mehran	AES-638	260	234	26	221	195	"	Zafar Hassan
Suzuki Mehran	AEU-208	260	234	26	221	195	"	Malik Dino Mahar
Suzuki Mehran	ANW-366	265	219	46	225	179	"	Dr.Zohra Rafat Anis
Suzuki Mehran	AHR-295	274	226	48	247	199	"	Ehtashamul Haque
Suzuki Cultus	ANV-468	483	398	85	372	287	"	Muhammad Qamar
Suzuki Mehran	ANZ-817	265	219	46	224	178	"	Shamim Alam
Suzuki Mehran	ANW-361	265	219	46	224	178	"	Hashmat Ali
Suzuki Mehran	ANY-205	265	219	46	224	178	"	Jamaluddin
Suzuki Mehran	ANZ-815	265	219	46	224	178	"	Ashfaq Ahmed
Suzuki Mehran	ANY-215	265	219	46	224	178	"	Gul Hassan Sheikh
Suzuki Mehran	ANX-714	265	219	46	224	178	"	Abid Latif
Suzuki Mehran	AHS-267	274	226	48	247	199	"	S.M.Sajid Ali
Suzuki Mehran	ANZ-819	265	219	46	224	178	"	Naseem Raza
Suzuki Mehran	ANW-344	265	219	46	224	178	"	Tariq Jamal
Suzuki Mehran	AHR-283	274	226	48	247	199	"	Sheikh Raza Ul Hassan
Suzuki Mehran	APA-815	265	219	46	223	177	"	Muhammad Iqbal
Suzuki Mehran	AHV-612	274	226	48	247	199	"	Javaid Jamil Khan
Suzuki Mehran	ANX-708	265	219	46	224	178	"	Muhammad Amin
Suzuki Mehran	AHV-043	274	226	48	247	199	"	Gobind Ram Narwani
Suzuki Mehran	APA-811	265	219	46	224	178	"	Muhammad Usman
Suzuki Mehran	ANY-213	265	219	46	225	179	"	Muhammad Maqsood Ali
Suzuki Mehran	AHR-284	274	226	48	247	199	"	Mohsin Mohiuddin
Suzuki Mehran	ANZ-825	265	219	46	224	178	"	Gulzar Ahmed
Suzuki Mehran	ANX-702	265	219	46	224	178	"	Ashfaquddin Ahmed
Suzuki Mehran	ANY-201	265	219	46	224	178	"	Nausheen Wajid
Suzuki Mehran	AHR-287	274	226	48	249	201	"	Ubaid Akhter
Suzuki Cultus	ANV-465	483	398	85	372	287	"	M.Ubedullah Tufail
Suzuki Mehran	ANW-367	265	219	46	225	179	"	Shams Tabrez Khan
Suzuki Mehran	APA-803	265	219	46	225	179	"	Amin Ul Hasnat
Suzuki Mehran	AHV-041	274	226	48	247	199	"	Hassan Raza Abbasi
Suzuki Mehran	ANZ-816	265	219	46	225	179	"	Sohail Ahmed
Suzuki Mehran	ANW-362	265	219	46	225	179	"	Muhammad Wasim
Suzuki Cultus	AHN-388	483	398	85	484	399	"	Khalid Jamil
Suzuki Jeep	BA-6252	100	90	10	126	116	"	Deedar Ali
Suzuki Jeep	BC-3979	437	392	45	231	186	"	Sohail Hussain
Suzuki Jeep	BC-4159	461	414	47	231	184	"	Zulfiqar Ahmed Jilani
Suzuki Jeep	BC-2279	211	189	22	215	193	"	Mushtaq Ahmed
Suzuki Jeep	BC-3215	211	189	22	221	199	"	S.M.Asif Ali
Suzuki Jeep	BC-1074	210	189	21	214	193	"	Inamullah Tariq
Suzuki Jeep	BC-0788	210	189	21	196	175	"	Syed Inam Mehdi
Suzuki Bolan	CR-9844	319	287	32	306	274	"	Ali Akber
Suzuki Ravi	CN-0081	271	244	27	206	179	"	Kamal Najmuddin
Suzuki Bolan	CR-9842	319	287	32	305	273	"	Mir Maqsood Rashid
Suzuki Ravi	CR-9876	271	244	27	268	241	"	Azhar Ali
Suzuki Ravi	CN-0130	271	244	27	206	179	"	Muhammad Moinuddin
Suzuki Bolan	CN-7548	320	263	57	317	260	"	Sultan Ahmed
Suzuki Bolan	CN-7547	320	263	57	317	260	"	Sheikh Umer Ahmed
Suzuki Ravi	CR-2120	312	201	111	300	189	"	Muhammad Mureed
Suzuki Bolan	CR-0616	320	263	57	305	248	"	Qazi Nisar Ahmed

		Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain/(Loss) on Disposal	Mode of disposal	Particulars of buyers
		----------	----------	(Rupees in '000)	----------	----------		
Honda Civic	ARE-209	1,576	118	1,458	1,481	23	"	Syed Abid Hussain
Honda Civic	APY-037	1,557	374	1,183	1,490	307	"	S.Arshad Masood Zahidi
Honda Civic	APS-572	1,554	396	1,158	1,490	332	"	S.Arshad Masood Zahidi
Suzuki Margalla	Z-6671	325	293	32	229	197	"	Mehmood Ahmed Khan
Suzuki Mehran	ANY-801	265	219	46	225	179	"	Zafar Ullah
Suzuki Mehran	ANY-209	265	219	46	225	179	"	Fida Hussain
Suzuki Mehran	AHV-615	274	226	48	247	199	"	Syed Haroon Rashid
Suzuki Mehran	APF-840	265	219	46	225	179	"	Ghulam Mustafa Khanzada
Suzuki Mehran	AHR-297	274	226	48	247	199	"	Asim Mukhtar
Suzuki Mehran	APG-809	265	219	46	225	179	"	Shabaz Naser
Suzuki Cultus	ANV-469	483	398	85	372	287	"	Syed Shakil Ahmed
Suzuki Mehran	ANX-710	265	219	46	225	179	"	Anwer Javed
Suzuki Mehran	ANZ-830	265	219	46	225	179	"	Hasan Tariq
Suzuki Jeep	BA-6270	138	124	14	151	137	"	Muzaffar Khan
Suzuki Bolan	CD-3581	136	122	14	161	147	"	Safdar Ali
Suzuki Bolan	CJ-0019	260	234	26	226	200	"	Zahoor Ahmed
Suzuki Bolan	CJ-8761	260	234	26	214	188	"	Syed Zahid Hussain
Suzuki Bolan	CN-7528	320	263	57	317	260	"	Nayer Mukhtar Khan
Suzuki Bolan	CR-1009	320	263	57	305	248	"	Muhammad Junaid Abbasi
Suzuki Jeep	BA-6258	110	99	11	136	125	"	Syed Riaz Mahmood
Suzuki Jeep	BC-3957	436	392	44	231	187	"	Syed Muhammad Noman
Suzuki Bolan	CR-0940	319	263	56	305	249	"	Muhammad Idrees
Toyota Corolla	ARB-487	980	74	906	936	30	"	Syed Muhammad Rizvi
Suzuki Potohar	BC-2281	210	189	21	32	11	"	Syed Shabbir Hasnain
Suzuki Mehran	AFQ-502	259	232	27	221	194	"	Muhammad Aqeel Khan
Suzuki Mehran	APG-310	265	218	47	225	178	"	Muhammad Pervez Iqbal
Suzuki Mehran	ANW-342	265	218	47	225	178	"	Muhammad Baga
Suzuki Mehran	ANY-807	265	218	47	225	178	"	Faiz Muhammad Jalbani
Suzuki Mehran	AHS-269	274	226	48	247	199	"	Tahir Jamil Mir
Suzuki Mehran	ANW-349	265	218	47	225	178	"	Jawed Akhter
Suzuki Mehran	AHV-610	274	226	48	247	199	"	Niaz Ahmed
Suzuki Jeep	BC-2278	210	189	21	214	193	"	Irshad Ur Rahim
Suzuki Jeep	BD-7151	537	484	53	335	282	"	Syed Nayyer Hussain
Suzuki Bolan	CN-7545	319	263	56	317	261	"	Nooruddin Panhwar
Suzuki Ravi	CN-7856	271	224	47	231	184	"	Arshad Ali
Suzuki Bolan	CN-7538	319	263	56	317	261	"	Muhammad Yasin Edhi
Suzuki Bolan	CR-9843	319	287	32	305	273	"	Abid Ali
Suzuki Ravi	CN-2370	271	244	27	246	219	"	Amir Ahmed
Honda Civic	AQC-610	1,420	170	1,250	1,478	228	"	Qazi Tameez Ahmed
Suzuki Bolan	CJ-6119	190	171	19	29	10	"	Barkatullah Khan
Suzuki Mehran	AFP-690	258	232	26	221	195	"	Mir Fakhir Ali
Suzuki Mehran	APG-311	265	219	46	225	179	"	Abdul Jabbar Dahar
Suzuki Mehran	AHR-293	274	226	48	246	198	"	Fatehullah Khan
Suzuki Mehran	AHV-608	275	226	49	246	197	"	Siraj Ahmed
Suzuki Mehran	ANW-358	266	219	47	224	177	"	Mohammad Ismail
Suzuki Mehran	APA-805	266	219	47	224	177	"	S.Muhammad Abid Hassan
Suzuki Mehran	ANX-701	266	219	47	224	177	"	Waseem Farooqi
Suzuki Mehran	AHV-611	276	226	50	247	197	"	Muhammad Irfan Ghani
Suzuki Jeep	BC-3792	250	225	25	230	205	"	Jamil Ur Rehman
Suzuki Jeep	BC-0791	210	188	22	196	174	"	Abdul Qudoos Memon
Suzuki Jeep	BD-7194	538	443	95	372	277	"	Mumtaz Alam Khan
Suzuki Bolan	CN-7542	320	262	58	316	258	"	Farrukh Saeed
Suzuki Bolan	CJ-8822	260	233	27	226	199	"	Hussain Akhter
Santro	APC-827	559	117	442	466	24	"	Muhammad Hayat
Toyota Corolla	AHT-671	843	758	85	807	722	"	Abdul Khaliq Shaikh
Suzuki Ravi	CE-5117	57	51	6	15	9	"	Muhammad Iqbal Khan
		80,712	50,536	30,176	69,168	38,992		

		Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain/(Loss) on Disposal	Mode of disposal	Particulars of buyers
		----------------------------	(Rupees in '000)	----------------------------				
Others: Outside party								
Suzuki Jeep	BA-6266	138	124	14	145	131	Auction	Imtiaz Ali
Suzuki Jeep	BC-0457	190	171	19	160	141	"	Abid Khokar
Suzuki Jeep	BC-0783	210	189	21	145	124	"	Sultan Ahmed
Suzuki Jeep	BA-6285	155	140	15	140	125	"	Muhammad Tariq
Suzuki Bolan	CE-5217	92	83	9	140	131	"	Sajid Mehmood
Suzuki Bolan	CJ-6312	190	171	19	145	126	"	Muhammad Saghir
Suzuki Pick-Up	CJ-4395	116	104	12	151	139	"	Abdul Aziz
Suzuki Ravi	CJ-4411	116	104	12	125	113	"	Muhammad Alam
Suzuki Pick-Up	CJ-6884	175	158	17	160	143	"	Malik Zahoor
Suzuki Pick-Up	CJ-6887	175	158	17	90	73	"	Abdul Rasheed
Suzuki Mehran	AB-2179	238	214	24	106	82	"	Imran Aslam
Suzuki Mehran	AB-1890	213	192	21	75	54	"	Khaliq Sharif
Suzuki Margala	AB-0038	325	293	32	175	143	"	Shujauddin
Suzuki Khayber	AB-6542	304	274	30	120	90	"	Abbas Khan
Nissan Sunny	AC-7804	527	474	53	158	105	"	Munir Ahmed
Honda Civic	AC-7833	671	604	67	280	213	"	Zafarullah sheikh
Suzuki Mehran	U-4364	120	108	12	75	63	"	Haji Khan
Suzuki Jeep	BA-6237	96	86	10	145	135	"	Noman Waheed
Suzuki Jeep	BA-6243	97	87	10	145	135	"	"
Suzuki Jeep	BA-6248	100	90	10	145	135	"	"
Suzuki Bolan	CJ-9397	260	234	26	146	120	"	Imran Riaz
Suzuki Bolan	CJ-0595	135	122	13	120	107	"	"
Suzuki Bolan	CJ-0576	135	122	13	121	108	"	"
Suzuki Bolan	CJ-6118	190	171	19	146	127	"	"
Suzuki Bolan	CJ-0577	135	122	13	124	111	"	Noman Waheed
Suzuki Bolan	CJ-0594	135	122	13	124	111	"	"
Suzuki Bolan	CE-5225	105	95	10	110	100	"	"
Suzuki Bolan	CD-3594	135	122	13	122	109	"	"
Suzuki Bolan	CE-5181	67	60	7	100	93	"	"
Suzuki Bolan	CE-5214	92	83	9	146	137	"	Imran Raiz
Suzuki Bolan	CE-5218	92	83	9	146	137	"	"
Suzuki Bolan	CJ-8762	260	234	26	148	122	"	
Toyota Pick-Up	CE-5032	118	106	12	170	158	"	Noman Waheed
Suzuki Mehran	W-0139	170	154	16	100	84	"	Asghar Ali
Suzuki Mehran	AAD-037	248	224	24	115	91	"	"
Suzuki Khayber	W-7453	179	160	19	118	99	"	Hayat Khan
Suzuki Khayber	AB-0495	298	267	31	118	87	"	"
Toyota Hilux	CG-6415	335	300	35	300	265	"	Noman Waheed
Mishtubishi Van	CP-1588	415	374	41	170	129	"	Saqib Aqeel
Mishtubishi Van	CD-0681	440	396	44	165	121	"	"
Mishtubishi Van	CJ-1556	385	347	38	170	132	"	"
Mishtubishi Van	CP-0243	419	377	42	163	121	"	
Mishtubishi Van	CJ-1553	385	347	38	163	125	"	"
Mishtubishi Van	EA-0467	419	378	41	164	123	"	"
Crane	JT-6993	-	-	-	1,800	1,800	"	Abdul Karim
		9,800	8,824	976	8,094	7,118		
Others: Insurance claim								
Suzuki Pick-up	CN-2611	271	244	27	-	(27)	Insurance claim	-
Suzuki Pick-up	CN-1285	271	244	27	-	(27)	Insurance claim	-
Suzuki Pick-up	CR-1380	313	259	54	270	216	Insurance claim	-
		855	747	108	270	162		
Vehicles Sub Total		91,367	60,107	31,260	77,532	46,272		
30 June 2010		288,613	228,190	60,423	151,009	90,585		
30 June 2009		121,694	88,456	33,238	72,637	39,399		

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 '000)				
Opening balance		14,374,134	6,066,602	2,417,353	364,454	23,222,543
Additions during the year:						
System improvement		4,496	757,648	3,983	-	766,127
220 MW Combine Cycle Power Plant		327,947	-	-	-	327,947
560 MW Combine Cycle Power Plant		5,360,543	-	-	-	5,360,543
180 MW Gas Turbine Power Plant		3,072,847	-	-	-	3,072,847
Others		535,743	1,154,047	3,010,010	735,549	5,435,349
		9,301,576	1,911,695	3,013,993	735,549	14,962,813
		23,675,710	7,978,297	5,431,346	1,100,003	38,185,356
Transferred to the:						
Operating fixed assets	4.1	(12,888,449)	(3,230,379)	(1,238,275)	(223,259)	(17,580,362)
Intangible assets	5.1	-	-	-	(37,756)	(37,756)
		(12,888,449)	(3,230,379)	(1,238,275)	(261,015)	(17,618,118)
	2010	10,787,261	4,747,918	4,193,071	838,988	20,567,238
	2009	14,374,134	6,066,602	2,417,353	364,454	23,222,543

5. INTANGIBLE ASSET

		Note	2010	2009
			(Rupees in '000)	
	Computer softwares			
	Cost	5.1	83,293	45,537
	Amortization during the year	5.2	(45,691)	(24,971)
			37,602	20,566
5.1	**Cost**			
	Opening balance	4.2.1	45,537	42,675
	Additions during the year	5.3	37,756	2,862
			83,293	45,537
5.2	**Amortization to-date**			
	Opening balance		(24,971)	(10,668)
	Amortization during the year	5.2.1	(20,720)	(14,303)
			(45,691)	(24,971)
	Useful Life		3 years	3 years
5.2.1	Amortization charge for the year has been allocated to administrative expenses	39	20,720	14,303

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

6. LONG-TERM LOANS

	Note	Secured House building loans (note 6.1)	Unsecured Festival loans (note 6.2)	2010	2009
		(Rupees in '000)			
Considered good - Secured					
Executives	6.6	1	258	259	348
Employees		8,953	78,830	87,783	100,171
		8,954	79,088	88,042	100,519
Recoverable within one year shown under current assets	6.2 & 11	(8,706)	(3,953)	(12,659)	(7,552)
		248	75,135	75,383	92,967
Considered doubtful					
Employees	6.3	4,333	-	4,333	4,333
		4,581	75,135	79,716	97,300
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
		248	75,135	75,383	92,967

6.1 House building loans, carrying mark-up @ 6% per annum (2009: 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 01 February 2003 approved the deferment of the recovery of these loans in instalments and decided that the said loans would be recovered against the final settlement of the employees at the time of their retirement. The amount disclosed as recoverable within one year is receivable from employees expected to retire within one year.

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

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

6.5 The maximum aggregate amount of loans due from the executives and employees of the Company at the end of any month during the year was Rs. 104.356 million (2009: Rs. 110.518 million).

6.6 **Reconciliation of carrying amount of loans to executives:**

	2010	2009
	(Rupees in '000)	
Balance at beginning of the year	348	656
Less: Repayments	(89)	(308)
Balance at end of the year	259	348

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2010	2009
		(Rupees in '000)	
Considered good			
Deposits			
Rental premises		18,322	18,322
Lease deposits		-	34,000
Utilities and others		4,077	2,687
Supplier	7.1	83,931	183,320
Recoverable within one year shown under current assets	12	(83,931)	(95,646)
		-	87,674
	7.3	22,399	142,683
Prepayments			
Rental projects	7.2	51,668	170,099
Adjustable within one year shown under current assets	12	(51,668)	(78,507)
		-	91,592
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		22,399	234,275

7.1 This represents amount equivalent to USD 2,555,280 given to Aggreko International Project Limited 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 instalments of US Dollars 49,140 for each facility through issuance of credit notes from commercial operation date of the plant (i.e. 17 March 2009).

7.2 This represents expenses incurred for mobilization, transportation, installation and commissioning of power plants under Rental Power Agreement. The said amount is taken to 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.

8. DUE FROM THE GOVERNMENT

	Note	2010	2009
Amount due from the Government of Pakistan (GoP)	8.1	634,750	872,782
Recoverable within one year shown under current assets (including overdue instalments of Rs.158.688 million (2009: Rs. 79.344 million)		(476,063)	(396,719)
		158,687	476,063

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 21.6. These are non-interest bearing and are receivables latest by 30 November 2011.

		Note	2010	2009
			(Rupees in '000)	
9.	**STORES AND SPARES**			
	Stores and spares	9.2	5,554,188	5,380,348
	Provision against slow moving and obsolete stores and spares	9.1	(608,949)	(683,723)
			4,945,239	4,696,625

9.1 Provision against slow moving and obsolete stores and spares

	2010	2009
Opening balance	683,723	739,073
Provision made during the year	-	-
	683,723	739,073
Reversal during the year	(74,774)	(55,350)
	608,949	683,723

9.2 Included herein, stores in transit amounting to Rs. 153.118 million (2009: Rs. 270.621 million).

10. TRADE DEBTS

	Note	2010	2009
Considered good			
Secured – against deposits from consumers	23	724,389	661,651
Unsecured		28,305,185	18,452,568
	10.1&10.4	29,029,574	19,114,219
Considered doubtful	10.2	15,086,761	14,271,672
		44,116,335	33,385,891
Provision for impairment (against debts considered doubtful).	10.2	(15,086,761)	(14,271,672)
		29,029,574	19,114,219

10.1 This includes gross receivable of Rs. 15,696 million (2009: Rs. 11,376 million) due from Government and autonomous bodies.

10.2 Provision for impairment (against debts considered doubtful)

	2010	2009
Opening balance	14,271,672	13,495,664
Provision made during the year	1,992,962	776,008
	16,264,634	14,271,672
Provision written off during the year	(1,177,873)	-
	15,086,761	14,271,672

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 30 June, the age analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	> 30 days upto 1 years	Past due but not impaired 1-2 years	2 - 3 years	3 - 4 years	4 years and above
	----	----	----	(Rupees in '000)	----	----	
2010	29,029,574	2,625,032	8,985,212	6,537,346	4,587,069	2,245,730	4,049,185
2009	19,114,219	2,686,322	6,381,330	4,642,847	2,570,529	140,761	2,692,430

11. LOANS AND ADVANCES

	Note	2010	2009
		(Rupees in '000)	
Loans – secured			
Considered good			
Current portion of long term loans	6	12,659	7,552
Advances – unsecured			
Considered good			
Employees		20,044	10,379
Suppliers	11.1	773,319	380,856
		793,363	391,235
Considered doubtful			
Suppliers		130,340	130,340
		923,703	521,575
Provision for impairment (against advances - considered doubtful)		(130,340)	(130,340)
	11.2	793,363	391,235
		806,022	398,787

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

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

12. TRADE DEPOSITS AND PREPAYMENTS

	Note	2010	2009
Trade deposits			
Deposits	12.1 & 12.2	11,899,308	937,238
Current portion of long-term deposits	7	83,931	95,646
		11,983,239	1,032,884
Prepayments			
Rent		642	6,013
Insurance		55,882	33,538
Others	12.3	58,668	48,528
Current portion of rental projects	7	51,668	78,507
	12.4	166,860	166,586
		12,150,099	1,199,470

12.1 This includes Rs. 459.134 million (2009: Rs. 99.264 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

12.2 This includes Rs. 11,428.292 million (2009: Rs. 829.984 million) which represents deposits under lien against letter of credits with commercial banks. It carries mark up ranging from 5% to 9% per annum (2009: 12.77% to 13.26% per annum).

12.3 Represents amount paid to O&M Solutions to provide project management services in respect of generation and transmission of electricity.

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

13. OTHER RECEIVABLES

	Note	2010	2009
		(Rupees in '000)	
Considered good			
Sales tax - net	13.1	**4,742,230**	5,715,286
Due from the Government of Pakistan in respect of:			
- Sales tax on selected classes of consumers		**397,274**	285,884
- Tariff adjustment		**10,641,754**	14,034,104
- Interest receivable from GoP on Demand Finance facilities		**237,173**	1,151,664
		11,276,201	15,471,652
Insurance claim		-	2,127
Others		**50,983**	-
	13.2	**16,069,414**	21,189,065
Considered doubtful			
Sales tax	13.1	**232,050**	232,050
Provision for impairment	13.1	**(232,050)**	(232,050)
		-	-
Due from a Consortium of Suppliers of Power Plant		**363,080**	363,080
Provision for impairment		**(363,080)**	(363,080)
		-	-
		16,069,414	21,189,065

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

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

13.2 As at 30 June 2010 receivables aggregating to Rs. 16,069.414 million (2009: Rs. 21,189.065 million) were non-interest bearing and were past due but not impaired.

14. DERIVATIVE FINANCIAL ASSETS

	2010	2009
Cross currency swap	**766,453**	575,000

14.1 This represents the fair value of Cross Currency Swaps, net off loss Rs. 237.073 million (2009: Rs. 201.568 million). The Company has entered into a Cross Currency Swap with a commercial bank at the notional amount of Rs. 2,749.950 million (equivalent to USD 45 million), Rs. 4,067.500 million (equivalent to USD 50 million) and Rs.4,697.000 million (equivalent to USD 55 million) to hedge the Company's foreign currency obligations upto USD 150 million to International Finance Corporation (IFC) and Asian Development Bank (ADB) for Principal and LIBOR interest thereon, as discussed in note 21.1 and 21.3. Pursuant to the agreements, the Company's foreign currencies obligations upto USD 150 million have been converted into the hedged PKR amount and the interest rate accruing thereon has been paid to the hedging bank at 3 month KIBOR -0.10%. The above hedging exposures to variability in cash flows due to interest / currency risks are designated as cash flow hedges by the management of the Company.

15. TAXATION – net

	2010	2009
Advance income tax	**2,031,666**	1,781,385
Provision for taxation	**(1,560,837)**	(1,560,837)
	470,829	220,548

16. CASH AND BANK BALANCES

	Note	2010	2009
Cash in hand		**12,689**	3,287
Cash at banks in:			
Current accounts		**355,329**	283,159
Deposit accounts	16.1	**69,883**	783,847
Collection accounts		**751,523**	57,351
		1,176,735	1,124,357
		1,189,424	1,127,644

16.1 These carries mark up ranging from 5% to 12.5% per annum (2009: 5% to 6.5%) per annum.

17. SHARE CAPITAL

2010 (Number of shares)	2009 (Number of shares)		Note	2010 (Rupees in '000)	2009 (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
6,582,788,730	-	Ordinary shares of Rs. 3.5 each fully paid-net	17.2	22,897,876	-
1,714,285,713	1,714,285,713	Redeemable Preference shares of Rs. 3.5 each fully paid - net	17.3 & 17.10	5,983,407	5,983,407
8,342,445,548	1,759,656,818			29,334,994	6,437,118
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	17.4	3,045,123	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs. 10 each fully paid	17.5	17,834,560	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs. 10 each fully paid	17.6	65,340,773	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs. 3.50 each fully paid	17.7	15,283,738	15,283,738
12,988,827,989	12,988,827,989			101,504,194	101,504,194
21,331,273,537	14,748,484,807			130,839,188	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
21,464,149,426	14,881,360,696			132,167,947	109,270,071
-	-	**Reduction in capital**	17.8 & 17.9	(57,201,902)	(57,201,902)
21,464,149,426	14,881,360,696			74,966,045	52,068,169

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

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

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

17.2 This represents further share capital issued during the year net of transaction cost of Rs. 141.884 million. The Company issued 6,582,788,730 ordinary shares of Rs. 3.5 each. KES Power Limited (the holding Company) had subscribed for its share of right issue and also subscribed unsubscribed minority shares. The Government of Pakistan has also subscribed for its share in the right issue.

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

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

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

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

17.4 During the year ended 30 June 1999, the Company issued 304,512,300 Ordinary shares of Rs.10 each as a result of the conversion of overdue outstanding balance of (a) rescheduled foreign currency loan of Rs. 1,968.000 million and (b) cash development loan of Rs. 1,077.000 million, aggregating to Rs. 3,045.000 million at that date, into equity.

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

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

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

17.8 The shareholders of the Company during the year ended 30 June 2002, by way of a Special resolution, in an Extra Ordinary General Meeting, held on 27 May 2002, resolved the reduction of share capital of the Company, subsequent to the completion of the conversion of GoP and GoP guaranteed loans of Rs. 65,341 million into equity (note 17.6 above). The paid-up capital, which was lost or not represented by assets of the Company, to the extent of Rs. 6.50 per share on each of the issued Ordinary shares of the Company at such time, was reduced and a new nominal value thereof was fixed at Rs. 3.50 per share. The Company had also filed a petition in the Honourable High Court of Sindh, vide its order, dated 12 October 2002, ordered the reduction in the nominal value of share capital by Rs. 6.50 per share. The Board of Directors, in its 115th meeting held on 26 October 2002 also approved by way of a special resolution the reduction in the nominal value of share capital, amounting to Rs. 57,201.902 million.

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

17.9 As part of the process of the Company's privatization, the GoP and the new Owners agreed to inject additional equity by issuing Redeemable Preference Shares (RPS) in the aggregate value of Rs. 6,000 million. In this respect, a Subscription Agreement was executed between the President of Pakistan, on behalf of the GoP, the Company and the KES Power Limited on 14 November 2005 to issue the RPS, amounting to Rs. 6,000 million, divided into 1,714,285,714 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 07 November 2005. During the year ended 30 June 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 30 June 2008, further 422,340,725 Preference shares were issued against advance received in respect of these shares (note 17.3).

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

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

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

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

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

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

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

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

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

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

18. CAPITAL RESERVES

	Note	2010	2009
		(Rupees in '000)	
Unclaimed fractional bonus shares money	18.1	46	46
Workmen compensation reserve	18.2	700	700
Third party liability reserve	18.3	300	300
Fire and machinery breakdown insurance reserve	18.4	508,126	508,126
		509,172	509,172

18.1 Unclaimed fractional bonus shares money

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

18.2 Workmen compensation reserve

The reserve for workmen compensation was created and maintained at Rs. 0.700 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 30 June 1997, the Company discontinued its policy for providing the amount under self-insurance scheme. Fixed assets, which are insured under this scheme and on which claim lodged with respect to damages to such assets is not fully acknowledged by the insurer, the shortfall is charged to the said reserve.

19. REVENUE RESERVES

	2010	2009
	(Rupees in '000)	
General Reserve	5,372,356	5,372,356

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

20.1 This represent revaluation surplus relating to leasehold land, plant and machinery and transmission grid equipments (refer note 4.1.3).

	2010	2009
	(Rupees in '000)	*Restated*
Balance as at 01 July	745,466	-
Surplus arising on revaluation of leasehold land, plant & machinery and transmission grid equipments (2009: leasehold land)	48,492,706	745,466
	49,238,172	745,466
Transferred to accumulated losses in respect of incremental depreciation / amortisation charged during the year, net of deferred tax	178,795	-
Related deferred tax liability	96,274	-
	275,069	-
Surplus on revaluation as at 30 June	48,963,103	745,466
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	260,913	-
- Surplus arising on revaluation of leasehold land, plant & machinery and transmission grid equipment	16,972,447	260,913
- Incremental depreciation charged during the year	(96,274)	-
	17,137,086	260,913
	31,826,017	484,553

21. LONG-TERM FINANCING

	Note	2010	2009
		(Rupees in '000)	
From banking companies and financial institutions - Secured			
International Finance Corporation (IFC)	21.1 & 21.4	7,275,997	3,658,500
Syndicate term loan	21.2 & 21.4	7,680,000	7,883,591
Asian Development Bank	21.3 & 21.4	10,699,997	4,065,000
Term loan from a banking Company	21.5	1,137,600	2,275,200
		26,793,594	17,882,291
Current maturity shown under current liabilities	32	(3,539,255)	(1,137,600)
		23,254,339	16,744,691
Others - Secured			
Due to Oil and Gas companies	21.6	868,188	966,156
Current maturity shown under current liabilities	32	(709,500)	(490,093)
		158,688	476,063
Unsecured			
GoP Loan for the electrification of Hub Area	21.7	26,000	26,000
Gul Ahmed Energy Limited	21.9	1,515,224	-
Tapal Energy (Private) Limited	21.10	1,200,000	-
		2,715,224	-
Current maturity thereof shown under current liabilities	32	(2,210,149)	-
Due to the Government and autonomous bodies - related parties	21.8	25,083,372	41,983,372
Current maturity thereof shown under current liabilities	32	(9,738,372)	(14,200,000)
		15,345,000	27,783,372
		39,289,102	45,030,126

21.1 This represents utilised portion amounting to USD 85 million (2009: USD 45 million) of a loan amount obtained under an agreement dated 22 March 2007, as amended by an Amendment Agreement dated 5 May 2010 with International Finance Corporation (IFC) for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project, as shown in note 4.2.1. The total facility available is USD 125 million (2009: USD 125 million) with availability period upto 31 March 2012. Under the Amended Loan Agreement the loan is divided in three tranches namely Tranche A, Tranche B1 and Tranche B2.Tranche A is payable in 29 equal quarterly instalments after the expiry of 3 year grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of an agreement. Tranche B1 carries interest at 3 months LIBOR + 4.25%up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 with final instalment due on 15 September 2017. The undrawn Tranche B2 carries interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. During the year the Company has drawn USD 40 million under the Loan Agreement. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. In the event of default in payments, the Company shall pay liquidated damages at the rate of 2 percent per annum and 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed a Cross Currency Swap with a commercial bank to hedge the Company's foreign currency payment obligation to IFC up to USD 65 million (2009: USD 45 million) together with LIBOR interest accruing thereon (note 14.1).

21.2 This represents utilised portion of a term loan obtained under a agreement dated 23 May 2007, aggregating to Rs. 8,000 million (2009: Rs. 8,000 million), with a Syndicate of local commercial banks, for the purposes of capital expenditure for 220 MW Korangi Generation Project and 560 MW Bin Qasim Power Generation Plant, as shown in note 4.2.1. The said loan is available for a period of 9 years maturing on 21 May 2016, with a 3 years grace period, having an availability period of 2 years upto 21 May 2009 and is payable in 25 equal quarterly instalments after the expiry of 3 year grace period with first instalment due on 15 June 2010. It carries mark-up at the rate of 6 months KIBOR + 3% and is payable quarterly in arrears from the effective date of the agreement.

21.3 This represents utilised portion amounting to USD 125 million (2009: USD 50 million) of total available facility amounting to USD 150 million (2009: USD 150 million) under an agreement dated 4 June 2007, as amended by an Amendment Agreement dated 5 May 2010 with the Asian Development Bank (ADB) for the purposes of capital expenditure for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project, as shown in note 4.2.1. The financing facility having an availability period up to 31 March 2012. Under the Amended Loan Agreement the loan is divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A is payable in 29 equal quarterly instalments after the expiry of 3 year grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest rate at 3 months LIBOR + 4.25%upto the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 and final instalment due on 15 September 2017. The undrawn Tranche B2 carries interest rate at 3 months LIBOR + 4.25%up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. In the event of default in payments, the Company shall pay liquidated damages at the rate of 2% per annum and 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed a Cross Currency Swap with a commercial bank to hedge the Company's foreign currency payment obligation to ADB up to USD 85 million (2009: USD 50 million) together with LIBOR interest accruing thereon (note 14.1).

21.4 The above facilities, discussed in notes 21.1, 21.2 and 21.3 are secured as follows:

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

- 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.

21.5 This represents medium 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 instalments and carries mark-up at the rate of 3 month KIBOR + 3% by 06 April 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.

21.6 Due to the Oil and Gas Companies - unsecured

	Note	2010	2009
		(Rupees in '000)	
Pakistan State Oil Company Limited (PSO)		261,250	359,220
Pirkoh Gas Company Limited (PGCL)		606,938	606,936
		868,188	966,156
Current maturity thereof, including overdue instalments of Rs. 392.125 million (2009: Rs.172.718 million)		(709,500)	(490,093)
		158,688	476,063

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

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

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

After the privatization of the Company, the sum owed by the Company to the Oil and Gas Companies is now being repaid upon the receipt of funds from the GoP. Further, Finance Division, Government of Pakistan, vide its letter No. F.5(24)CF.I/2004-05/Vol.V/1356, dated 21 December 2005, provided the decision taken in the meeting held on 10 November 2005 that the GoP would provide funds for the payment of these liabilities. Accordingly, a sum of Rs. 238.031 million (2009: Rs. 238.031 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.

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

21.8 Due to the Government and autonomous bodies - unsecured

	Note	2010	2009
		(Rupees in '000)	
National transmission and dispatch Company (NTDC)	21.8.1	20,145,000	29,745,000
Sui Southern Gas Company Limited	21.8.2	4,938,372	12,238,372
		25,083,372	41,983,372
Current maturity thereof shown under current liabilities		(9,738,372)	(14,200,000)
		15,345,000	27,783,372

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

The above decisions have determined a balance of Rs. 29,746 million upto 14 October 2008 to be paid by the Company to NTDC. This amount was converted into long term loan and payment mechanism was decided and documented in the amended implementation agreement. As per the amended implementation agreement, the Company is required to pay the said amount as per payment plan agreed in ECC decision dated 14 October 2008 (i.e. the Company will pay to NTDC Rs. 4,000 million upfront and balance amount of arrears in Rs. 400 million monthly instalments) along with mark-up at 6 months Treasury Bill Rate on the net outstanding dues. Due to the reason discussed in note 33.1.2, effective from 1 July 2009 the Company has discontinued accruing interest payable to NTDC.

21.8.2 On 30 June 2009, the Company has entered into an agreement with SSGC starting from 01 July 2009 in respect of payment of outstanding balances as on 31 May 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 delay in the payment of current bills on due dates, the Company is also liable to pay interest at the rate of 3 month KIBOR (ask side) + 2.5 percent per annum for delays from due date to the month end date and in case of further delays then mark-up will be charged at the rate applicable on Rs. 10,838.372 million or at the rate 3 month KIBOR (ask side) + 2.5% which ever is higher.

However, the Company has withheld payment of monthly instalment effective May 2010 on the principle that the payment was agreed based on the allocated gas supply 276 MMCFD. The reduction in gas supply,together with the delayed settlement of energy dues by Government Entities, have a direct impact on the liquidity of the company. This matter has been raised with SSGC and based on the same principle, the management is of the view that the Company is not liable and will not pay any interest on the amount payable.

21.9 During the current year the company had entered into an agreement with Gul Ahmed Energy Limited in respect of payment of outstanding balance as of 27 March 2010 amounting to Rs. 2,715.224 million.

As per the agreement the company would pay equal amount of Rs. 400.00 million from April 2010 to June 2010. Thereafter the Company will pay the remaining amount in equal monthly instalment of Rs. 84.179 million each. As per the agreement, in case of delay in payment the parties right and obligation shall revert to the status before entering the agreement.

21.10 During the current year the company had entered into an agreement with Tapal Energy (Private) Limited in respect of payment of outstanding balance as of 20 October 2009 amounting to Rs. 3,000 million.

As per the agreement the company would pay equal amount of Rs. 400.00 million from October 2009 to December 2009. Thereafter the Company will pay the remaining amount in equal monthly instalment of Rs. 100 million each. As per the agreement, in case of delay in payment, the Company shall pay late payment interest at the rate of State Bank of Pakistan discount rate prevailing on due date plus 2% per annum.

22. LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE

During the year the Company has paid the entire liability outstanding under finance lease obligations.

23. 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.

24. DEFERRED LIABILITIES

	Note	2010	2009
		(Rupees in '000)	
Gratuity	24.1	3,752,606	3,483,795
Post retirement medical benefits	24.1	1,536,619	1,413,739
Post retirement electricity benefits	24.1	477,899	427,994
		5,767,124	5,325,528

24.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at 30 June 2010, 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:

	2010	2009
Discount rate	13.00%	12.50%
Salary increase	10.85%	10.36%
Medical cost trend	7.62%	7.14%
Electricity price increase	7.62%	7.14%

	2010			
	Gratuity	Medical benefits	Electricity benefits	Total
	------------------ (Rupees in '000) ------------------			
24.1.1 The amount recognized in the profit and loss account is determined as follows:				
Current service cost	191,706	57,584	21,820	271,110
Interest cost	467,877	159,268	55,336	682,481
Recognised actuarial (gains) / losses	47,175	(9,293)	2,760	40,642
Expense recognized during the year	706,758	207,559	79,916	994,233
24.1.2 Movement in the liability recognized in the balance sheet is as follows:				
Provision at 01 July 2009	3,483,795	1,413,739	427,994	5,325,528
Charge for the year	706,758	207,559	79,916	994,233
Benefits paid	(437,947)	(84,680)	(30,011)	(552,638)

	Gratuity	Medical benefits	Electricity benefits	Total
Provision as at 30 June 2010	3,752,606	1,536,618	477,899	5,767,123

	2010			
	Gratuity	Medical benefits	Electricity benefits	Total
	(Rupees in '000)			
24.1.3 The amount recognized in the balance sheet is as follows:				
Obligation under defined benefit plan	4,819,403	1,439,396	692,987	6,951,786
Un recognised actuarial (losses) / gains	(1,066,797)	97,222	(215,088)	(1,184,663)
Provision as at 30 June 2010	3,752,606	1,536,618	477,899	5,767,123
	2009			
24.1.4 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 (gains) / losses	118,394	699	3,161	122,254
Expense finalized during the year	832,036	206,802	72,348	1,111,186
24.1.5 Movement in the liability recorded in the balance sheet as follows:				
Provision at 01 July 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 30 June 2009	3,483,795	1,413,739	427,994	5,325,528
24.1.6 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
Un recognised actuarial (losses) / gains	(471,751)	98,503	(29,259)	(402,507)
Provision as at 30 June 2009	3,483,795	1,413,739	427,994	5,325,528

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

Comparison for Five years	2010	2009	2008	2007	2006
Present value of defined benefit obligation	6,951,786	5,728,035	5,897,068	4,102,677	4,846,953
Percentage of experience adjustments on plan liabilities	12%	(13%)	26%	(21%)	6%

24.1.8 The effect of one percent movement in assumed medical cost trend rates would have following effects on 30 June 2010:

	30 June 2010 Increase	30 June 2010 Decrease
	(Rupees in '000)	
Effect on the aggregate of current service and interest costs	237,932	198,325
Effect on the defined benefit obligation	1,573,768	1,320,421

25. DEFERRED REVENUE

	Note	2010	2009
		(Rupees in '000)	
Opening balance		14,237,770	11,790,530
Additions during the year			
Recoveries from consumers	25.1	644,768	1,359,886
Transfer from specific grant from the Government of Pakistan for Financial Improvement Plan (FIP)	26	2,429,397	2,003,778
		3,074,165	3,363,664
		17,311,935	15,154,194
Amortisation for the year	41	(1,062,573)	(916,424)
		16,249,362	14,237,770

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

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

	Note	2010	2009
Opening balance	26.1	2,778,003	4,781,780
Transfer to deferred revenue	25	(2,429,397)	(2,003,777)
		348,606	2,778,003

26.1 This represents a demand finance facility arranged by the Company under the Syndicated Finance Agreement, executed between the Company and a Consortium of local commercial banks, on 24 September 2005. Under the terms of the said agreement, the Company had acquired a demand finance facility of Rs. 3,000 million for the improvement of network and reduction in transmission and distribution losses under the Financial Improvement Plan (FIP). The rate of mark-up on the said facility was 6 month KIBOR + 0.5 to 1.0 % and 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 29 September 2006. Moreover, the Ministry of Finance has also provided an undertaking, dated 01 October 2005, to repay the amount borrowed. In this respect, a letter has been issued by 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. During the year the demand finance facility have been repaid completely.

27. TRADE AND OTHER PAYABLES

	Note	2010	2009
		(Rupees in '000)	
Trade creditors			
Power purchases		28,775,214	15,468,661
Fuel and gas		15,617,432	2,503,203
Others		5,344,885	4,012,422
		49,737,531	21,984,286
Murabaha term finance		-	1,160,000
Accrued expenses	27.1	1,639,775	1,169,959
Advances / credit balances of consumers			
Energy	27.2	248,463	208,457
Others	27.3	687,640	523,059
		936,103	731,516
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		118,782	137,377
Payable to Provident Fund		111,776	39,014
Electricity duty	27.4	1,668,244	1,157,978
Tax deducted at source	27.4	358,028	278,025
PTV license fee	27.4	28,293	21,937
Payable to the then Managing Agent, PEA (Private) Limited		29,014	29,091
Others		171,006	144,015
		2,485,793	1,808,087
		54,799,202	26,853,848

27.1 This include an aggregate sum of Rs. 447.337 million (2009: Rs. 427.511 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. 5,553.140 million (2009: Rs. 4,161.642 million), have not been acknowledged by the Company as debts and, hence, these have been disclosed under contingencies and commitments (note 33.3.4).

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

27.3 This include Rs. 660.025 million (2009: Rs. 475.745 million) represent general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

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

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

28. ACCRUED MARK-UP

	Note	2010	2009
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	21	142,633	184,966
Long term deposits received from consumers	23	1,039,274	926,826
Borrowings relating to Financial Improvement Plans (FIP)	26	240,205	249,161
Murabaha term financing		-	28,593
Short term borrowing	29	168,957	149,068
Short term running finance	29	178,246	167,471
Financial charges on delayed payment to suppliers	28.1	3,000,810	619,152
		4,770,125	2,325,237

28.1 This includes Rs. 2,381.658 million representing financial charges due to Sui Southern Gas Company Limited and Rs. 619.152 million (2009: Rs. 619.152 million) representing financial charges due to National Transmission and Dispatch Company Limited.

29. SHORT-TERM BORROWINGS – Secured

	Note	2010	2009
From banking companies			
Bridge term finance facility	29.1	3,431,000	3,600,000
Bills payable	29.2	3,912,194	2,816,508
Import loan facility		-	18,000
		7,343,194	6,434,508
Short term running finances - Secured	29.3	6,069,320	5,498,689
KES Power limited - holding company	29.4	29,282	20,325
		6,098,602	5,519,014
		13,441,796	11,953,522

29.1 This represents a bridge term finance facility under Bridge Term Finance Agreement dated 20 January 2010 and 20 April 2010, executed between the Company and a Consortium of local commercial banks to meet short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs. 3,600 million (2009: Rs. 3,600 million). The principal amount is repayable at maturity and carries mark-up at 1 month KIBOR + 1% payable monthly in arrears latest by 20 July 2010 and is secured against Standby Letters of Credits (SBLCs) amounting to USD 27 million and USD 16 million, issued in favour of the Company by the Gulf International Bank (GIB) and HSBC Bank Middle East Limited, respectively.

29.2 These are payable to various local commercial banks at various dates latest by 15 October 2010 in respect of making payments to Sui Southern Gas Company Limited, Gul Ahmed Energy Limited and Tapal Energy (Private) Limited.

29.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs. 5,250 million (2009: Rs. 5,350 million). This also includes excess running finance facilities from Dubai Islamic Bank (Pakistan) Limited, National Bank of Pakistan and Habib Bank Limited in respect of fuel payments. These are for a period of 3 to 6 months and carries mark-up of 3 to 6 month KIBOR plus 1.7% to 2.25%.

These finances are secured against joint pari passu charge over current assets, aggregating to Rs. 28,066 million (2009: Rs. 8,133 million) and USD 14.8 million (2009: USD Nil). In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

The rates of mark-up in respect of running finances ranges between 1 to 3 month KIBOR + 1.75% to + 3.50% per annum (2009: 1 to 3 month KIBOR + 1.75% to + 3.50% per annum), payable quarterly. The purchase prices are repayable on various dates, latest by 27 July 2010.

29.4 During the year ended 30 June 2009 the holding Company, KES Power Limited has paid a sum of USD 0.250 million to Aggreko International Projects as deposit on behalf of the Company and also include a loan for Company use. The amount is interest free and payable on demand in foreign currency.

30. SHORT-TERM DEPOSITS

	Note	2010	2009
		(Rupees in '000)	
Service connection deposits	30.1	**2,468,863**	2,129,374
Suppliers' security deposits		**522,965**	1,108,624
Earnest money / Performance bond	30.2	**1,284,671**	3,693
		4,276,499	3,241,691

30.1 These include non-interest bearing amounts contributed by consumers in respect of service connections, extension of mains and streetlights. The same is refundable if concerned work is not completed. Upon completion of work, these deposits are transferred to deferred revenue (note 25).

30.2 These include non-interest bearing refundable deposits received from contractors in respect of installation of meters.

31. PROVISIONS

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

	2010	2009
Opening balance	**15,927**	18,432
Payment made during the year against contingencies	**(3,800)**	(2,505)
	12,127	15,927

32. CURRENT MATURITY OF NON- CURRENT LIABILITIES

	Note	2010	2009
Long term Financing	21	**16,197,276**	15,827,693
Liabilities against asset subject to finance lease		**-**	43,120
		16,197,276	15,870,813

33. CONTINGENCIES AND COMMITMENTS

33.1 Contingencies

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

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

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

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

33.1.2 In respect of mark-up on the overdue amount payable to a major Government owned power supplier, the Company has decided to reverse the mark-up accrued from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million (including mark-up accrued up to 31 December 2009 amounting to Rs. 1,069 million). Further, the Company has also decided to discontinue mark-up accrual on the overdue amounts of such supplier from 1 April 2010. The management is of the view that the debts have arisen due to circular debt situation caused by delayed settlement of the Company's tariff differential (subsidy) claims by Government of Pakistan (GoP) as well as delayed settlement of energy dues by certain Public Sector Consumers.

33.2 Claims not acknowledge as debts

A claim, amounting to Rs. 73.161 million , was lodged by Pakistan Steel Mills Corporation (Private) Limited (PASMIC), vide its letter, number Cost/Accts/EB/2007/622, dated, 19 April 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 19 July 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.

33.3 Others claim not acknowledged as debts

	2010	2009
	(Rupees in '000)	
33.3.1 Right of way charges	73,161	73,161
33.3.2 Fatal accident cases	561,733	524,021
33.3.3 Architect's fee in respect of the Head office project	50,868	50,868
33.3.4 Outstanding dues of property tax, water charges, ground rent and occupancy value	5,553,140	4,161,642
33.3.5 Claim by NTDC on account of power purchase and difference in marginal cost and DISCO rate	-	1,209,091

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

33.4 Commitments

	Note	2010	2009
		(Rupees in '000)	
33.4.1 Guarantees from banks		1,143,116	1,265,535
33.4.2 Contracts with respect to Transmission and Distribution Projects		1,242,000	2,543,671
33.4.3 Outstanding Letters of Credit		2,688,206	3,386,829
33.4.4 Commitment for payment in respect of Combined Cycle Power Plant (220 MW)		79,825	88,527
33.4.5 Commitment for payment in respect of 560 MW Project		9,200,684	-
33.4.6 Dividend on Preference Shares		674,516	494,516
33.4.7 SAP Implementation Cost		106,250	330,531

34. SALE OF ENERGY – net

	Note	2010	2009
Residential		24,170,918	19,709,949
Commercial		12,089,731	9,779,470
Industrial		32,126,673	27,123,056
Karachi Nuclear Power Plant		28,312	31,078
National Transmission and Dispatch Company		51,397	65,993
Pakistan Steel Mills Corporation (Private) Limited		811,151	621,298
Others	34.1	1,229,938	738,230
		70,508,120	58,069,074

34.1 This includes, a sum of Rs. 1,103.763 million (2009: Rs. 604.395 million) in respect of supply of energy through street lights.

35. TARIFF ADJUSTMENT

	Note	2010	2009
Tariff adjustment due to fuel and power purchase		29,453,496	26,950,457
Fuel Surcharge Adjustment	35.1	3,766,590	-
		33,220,086	26,950,457

35.1 During the year National Electric Power Regulatory Authority (NEPRA) has decided the matter of Fuel Price Adjustment for the months from July 2009 to March 2010 and Government of Pakistan (GoP) has notified the decision through SRO 387(I)/2010 dated 4 April 2010. As per the NEPRA's order, the monthly fuel cost and power purchase cost variation from July 2009 through March 2010 amounted to Rs. 6,388 million is adjustable against consumers monthly bills as Fuel Surcharge Adjustment (FSA) to the extent of Rs. 4,348 million and the balance of Rs. 1,448 million along with the variation in the O&M cost and Capacity Charge of IPPs and other external sources shall be adjusted separately in quarterly tariff determination.

The GOP through aforesaid SRO has directed the Company to charge consumers on a monthly basis from June 2010 through December 2010 in respect of FSA amounted to Rs. 4,348 million. Accordingly, at 30 June 2010, the Company has recorded a revenue amounting to Rs. 3,766 million representing FSA receivable determined on the billing history of comparative months of 2009. A petition was filed in the High Court of Sindh against the charging of FSA to the customers. After the initial stay order, the High Court of Sindh has vacated the stay order and allowed the Company to charge the above FSA in the monthly billing as per the schedule provided in the SRO. However, the petition is pending for final hearing in the court of law. The management is of the view that the FSA represents the valid claim of the Company which is determined by the NEPRA and even in case of any adverse decision is claimable against Government Subsidy.

36. PURCHASE OF ELECTRICITY

	2010	2009
	(Rupees in '000)	
National Transmission and Despatch Company	35,951,670	26,727,950
Independent Power Producers (IPPs)	20,391,644	15,476,012
Karachi Nuclear Power Plant	3,001,028	2,187,130
Pakistan Steel Mills Corporation (Private) Limited	537,135	530,017
	59,881,477	44,921,109

37. CONSUMPTION OF FUEL AND OIL

	2010	2009
Natural gas	22,561,915	27,104,843
Furnace and other oils	14,618,936	10,345,777
	37,180,851	37,450,620

38. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2010	2009
		(Rupees in '000)			
Salaries, wages and other benefits	38.1 & 38.2	958,741	3,713,941	4,672,682	4,155,429
Stores and spares		380,738	180,581	561,319	833,440
Office supplies		26,798	44,437	71,235	101,643
NEPRA license fee		6,900	20,770	27,670	43,182
Repairs and maintenance		86,694	221,601	308,295	460,586
Transport expense		65,057	300,779	365,836	359,396
Rent, rates and taxes		105,088	28,878	133,966	88,293
Depreciation	4.1.6	1,303,790	2,453,535	3,757,325	2,833,351
Interdepartmental consumption		-	443,293	443,293	146,693
Reversal of provision against slow moving and obsolete stores, spares and loose tools		(15,890)	(58,885)	(74,775)	-
Operation and management fee		215,640	113,039	328,679	338,330
Others		71,123	259,166	330,289	124,352
		3,204,679	7,721,135	10,925,814	9,484,695

38.1 This includes a sum of Rs. 465.457 million (2009: Rs. 658.636 million) in respect of staff retirement benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 130.585 million (2009: Rs. 118.131 million), has been included in salaries, wages and other benefits.

39. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumers services and billing expenses	Adminis-trative and general expenses	2010	2009
		(Rupees in '000)			
Salaries, wages and other benefits	39.1 & 39.2	2,602,636	1,662,800	**4,265,436**	3,338,401
Bank collection charges		-	19,169	**19,169**	12,598
Transport cost		177,677	48,344	**226,021**	310,816
Depreciation	4.1.6	20,212	276,093	**296,305**	152,340
Amortization	5.2.1	-	20,720	**20,720**	14,303
Repairs and maintenance		138,003	68,615	**206,618**	150,957
Rent, rates and taxes		44,497	52,875	**97,372**	113,648
Public relations and publicity		68	323,596	**323,664**	93,137
Legal expenses		424	37,602	**38,026**	21,319
Professional charges		11,168	354,132	**365,300**	80,210
Auditors' remuneration	39.3	-	2,355	**2,355**	2,306
Directors fee		-	390	**390**	300
Provision against debts considered doubtful		1,992,962	-	**1,992,962**	776,008
Office supplies		47,563	80,385	**127,948**	126,886
Other expenses		44,270	54,990	**99,260**	88,686
Interdepartmental consumption		158,319	31,664	**189,983**	73,144
Others		471	106,749	**107,220**	15,397
		5,238,270	3,140,479	**8,378,749**	5,370,456

39.1 This includes a sum of Rs. 528.775 million (2009: Rs. 444.876 million) in respect of staff retirement benefits.

39.2 Free electricity benefit to employees, amounting to Rs. 79.655 million (2009: Rs. 58.385 million), has been included in salaries, wages and other benefits.

39.3 Auditors' remuneration

	Note	2010	2009
		(Rupees in '000)	
Statutory audit, half yearly review and Report of compliance on Code of Corporate Governance		**2,000**	2,000
Out of pocket expenses		**210**	157
Other certification		**145**	149
		2,355	2,306

40. OTHER OPERATING EXPENSES

	Note	2010	2009
Interest on consumers deposits		**193,497**	190,228
Loss on derivative financial instruments - Options		-	137,194
Letters of credit charges for IPP payments		**39,974**	14,664
Donations	40.1	**1,316**	1,050
Listing Fee		**115**	248
Others		**100**	201
		235,002	343,585

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

41. OTHER OPERATING INCOME

	Note	2010	2009
		(Rupees in '000)	
Return on bank deposits		338,386	101,431
Late payment surcharge		1,372,319	883,760
Amortisation of deferred revenue	25	1,062,573	916,424
Rebate on electricity duty		24,120	12,003
Gain on disposal of property, plant and equipment		90,585	39,399
Scrap sale – stores and spares		136,838	12,159
Collection charges TV licence fee		62,457	62,445
Liquidated damages recovered from suppliers and contractors		29,388	72,210
Exchange gain - net		178,925	166,795
Rental income		134	372
Reversal of provision against stores and spares		-	55,350
Reversal of Operation and Management Fee		-	80,640
Fair value of Grid Stations received		507,239	-
Service connection charges		619,148	-
Others		329,414	82,380
		4,751,526	2,485,368

42. FINANCE COSTS

	Note	2010	2009
Mark-up / interest on:			
long term financing		1,820,264	1,447,503
Murabaha financing		-	156,571
short-term borrowings		551,816	668,728
short-term running finance		716,549	745,932
		3,088,629	3,018,734
Late payment surcharge on delayed payment to creditors	21.8.2	2,747,012	2,160,004
Bank charges, guarantee commission, commitment fee and other service charges		987,997	411,253
		6,823,638	5,589,991

43. TAXATION

43.1 In view of taxable loss and gross loss for the year before set off of depreciation and other inadmissible expenses under Income Tax Ordinance, 2001 (the Ordinance),no provision for current income tax has been made in these financial statements. Accordingly, tax expense reconciliation with the accounting profit is not reported.

43.2 The returns of income have been filed up to and including tax year 2009 (corresponding to financial year ended 31 June 2009), while the income tax assessments have been finalized up to and including tax year 2007. The return of income for tax 2003, 2008 and 2009 have been filed under the Universal Self Assessment Scheme and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001.

The Departmental appeal for the assessment year 1995-96 filed before the Honourable 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 24 May 2006 has withdrawn its appeal filed before the Honourable High Court on application of Section 80C of the repealed Ordinance.

During the year ended 30 June 2009, the Taxation Officer vide Order D.C. No. 123/183 dated 6 May 2009 passed under section 161/205 read with 152(5) of the Income Tax Ordnance, 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.

During the year, the tax department has revised the assessment orders for the tax year 2004, 2005, 2006 and 2007 raising tax demand of Rs. 51.437 million, Rs. 65.338 million, Rs. 95.150 million and Rs. 76.860 million, respectively, on account of levy of minimum tax at the rate of 0.5% of turnover on "other income" and "tariff adjustment subsidy from Government of Pakistan". Management based on the advice of its tax consultants believes that the tax demand is unjustified and not in accordance with the true interpretation of the law and the ultimate outcome will be in favour of the Company. Therefore, no provisions in these financial statements have been made.

43.3 Deferred taxation

	2010	2009
	(Rupees in '000)	
Deferred credits:		
- accelerated tax depreciation	16,029,114	14,411,363
Deferred tax debits:		
- available tax losses	(37,704,730)	(29,916,508)
- provision for gratuity and compensated absences	(2,018,493)	(1,863,935)
- others	(5,749,287)	(5,495,750)
	(45,472,510)	(37,276,193)
	(29,443,396)	(22,864,830)

43.3.1 Deferred tax asset, amounting to Rs. 29,443 million (2009: Rs. 22,865 million), has not been recognized in these financial statements as the Company is of the prudent view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilized. At the year end, the Company's tax losses amounted to Rs. 107,728 million (2009: Rs. 85,476 million).

44. LOSS PER SHARE

	2010	2009
	(Rupees in '000)	
Loss for the year after tax	(14,641,216)	(15,484,942)
	(Number of Shares in '000)	
Weighted average number of ordinary shares outstanding for basic loss per share	19,749,864	13,167,075
Effect of dilution:		
Convertible preference shares	1,285,714	1,285,714
Convertible shares IFC / ADB	1,300,000	1,300,000
	22,335,578	15,752,789
	(Rupees)	
Loss per share - basic	(0.74)	(1.18)
Loss per share - diluted	(0.66)	(0.98)

45. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
		(Rupees in '000)	
Loss before taxation		(14,737,490)	(15,451,004)
Adjustments for non-cash charges and other items:			
Depreciation & amortisation	4.1.6 & 5.2	4,074,350	2,999,994
Provision for deferred liabilities	24.1.1	994,233	1,111,186
Amortization of deferred revenue		(1,062,573)	(916,424)
Provision for debts considered doubtful - net		1,992,962	776,008
Un-realized exchange (gain) / loss - net		(219,379)	-
Gain on disposal of fixed assets	4.1.7	(90,585)	(39,399)
Interest on consumer deposits		193,497	190,228
Reversal of Operation and Management fee		-	(80,640)
Reversal of provision against stores and spares		(74,774)	(55,350)
Finance costs		5,470,287	3,018,734
Return on bank deposits		(338,386)	(101,431)
Loss on derivative financial instruments - options		-	137,194
Working capital changes	45.1	10,659,792	11,620,079
		6,861,934	3,209,175

45.1 Working capital changes

	2010	2009
(Increase) / decrease in current assets		
Stores and spares	(173,840)	89,003
Trade debts	(11,908,317)	(7,474,433)
Loans and advances	(407,235)	(117,010)
Trade deposits and prepayments	(10,950,629)	(1,172,474)
Other receivables	5,119,651	(12,850,494)
Derivative financial assets	-	(167,396)
	(18,320,370)	(21,692,804)
Increase / (decrease) in current liabilities		
Trade and other payables	27,945,354	33,002,134
Short-term deposits	1,034,808	310,749
	10,659,792	11,620,079

46. CASH AND CASH EQUIVALENTS

	2010	2009
Cash and bank balances	1,189,424	1,127,644

47. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer / Managing Director	Directors	Executives
	(Rupees in 000)					
Directors' fee	-	390	-	-	300	-
Managerial remuneration	12,337	-	646,023	11,484	-	307,087
House rent / accommodation	4,516	-	181,799	9,163	-	87,552
Retirement benefit	-	-	79,047	941	-	19,456
	16,853	390	906,869	21,588	300	414,095
Number of persons	2	11	311	2	11	140

47.1 The Executives and Chief Executive Officer of the Company are provided medical facility. Chief Executive officer is / was also provided with car facility and accommodation. Included is the remuneration of chief executive officer who worked part of the year.

48. TRANSMISSION AND DISTRIBUTION LOSSES

48.1 The transmission and distribution losses were 34.89% (June 2009: 35.85%). 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%
2009-2010	34.89%

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. No consideration has been given to units over billed in prior years and corrected during the year in the determination of transmission and distribution losses percentage as disclosed in paragraph 48.1 above.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Financial risk factors

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 a whole, the Company is exposed to market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the internal controls set on different activities of the Company by the Board of Directors through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Company finance and treasury departments oversee the management of these risks reflecting changes in market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risk are identified, measured and managed in accordance with the Company policies and risk appetite.

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

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

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

49.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

49.1.1 Currency risk

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

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

	30 June 2010						
	PKR (Rupees in '000)	USD	EUR	GBP	AED	*Others	Off-Balance Sheet USD
Non- Current Assets							
Long term deposits	83,931	982,200	-	-	-	-	-
Loans and Advances	254,967	2,433,392	395,248	15,634	107,271	709,827	-
Current Assets							
Derivative financial assets	766,453	-	-	-	-	-	150,000,000
Trade deposits and prepayments	4,355,715	51,003,686	-	-	-	-	-
Cash and bank balances	-	-	-	-	-	-	-
	5,461,066	54,419,278	395,248	15,634	107,271	709,827	150,000,000
Non-Current Liabilities							
Long term financing	(17,976,000)	(210,000,000)	-	-	-	-	-
Current Liabilities							
Short-term borrowings	(20,325)	(250,000)	-	-	-	-	-
Accrued mark-up on loans	(10,096)	(117,946)	-	-	-	-	-
	(18,006,421)	(210,367,946)	-	-	-	-	-
Gross balance sheet exposure	(12,545,355)	(155,948,668)	395,248	15,634	107,271	709,827	150,000,000

* Other Currencies include CHF,HKD,JPY and SGD.

	30 June 2009						
	PKR	USD	EUR	GBP	AED	*Others	off-Balance
	(Rupees in '000)						Sheet USD
Non-Current Assets							
Long term deposits	183,322	2,260,440	-	-	-	-	-
Loans and Advances	380,856	4,696,128	-	-	-	-	-
Current Assets							
Derivative financial assets	575,000	-	-	-	-	-	3,332,510
Trade deposits and prepayments	-	-	-	-	-	-	-
Cash and bank balances	305,909	3,772	-	-	-	-	-
	1,445,087	6,960,340	-	-	-	-	3,332,510
Non-Current Liabilities							
Long term financing	(7,723,500)	(95,000,000)	-	-	-	-	-
Current Liabilities							
Short-term borrowings	(20,325)	(250,000)	-	-	-	-	-
	(7,743,825)	(95,250,000)	-	-	-	-	-
Gross balance sheet exposure	**(6,298,738)**	**(88,289,660)**	-	-	-	-	3,332,510

Significant exchange rates applied during the year were as follows:

	Average Rate for the year		Spot Rate as at 30 June 2010	
	2010	2009	**2010**	2009
	(Rupees)		**(Rupees)**	
Rupees per				
EURO	**114.54**	107.90	**104.58**	114.82
USD	**84.35**	78.70	**85.60**	81.30
GBP	**129.10**	125.69	**128.66**	135.38
JPY	**1.08**	0.80	**0.97**	0.85
SGD	**59.85**	53.67	**61.13**	56.12

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currencyas at 30 June 2010 would have increased / (decreased) equity and profit and loss account by Rs. 899 million (2009: Rs.386 million) and 273 million. (2009: Rs. 53 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2009.

49.1.2 Interest rate risk

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

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

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

	Carrying amount 2010	Carrying amount 2009
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	11,510,999	1,250,276
Financial liabilities	(4,040,288)	(3,836,994)
Variable rate instruments		
Financial assets	766,453	575,000
Financial liabilities	(68,928,174)	(72,854,461)
	(68,161,721)	(72,279,461)

Fair value sensitivity analysis for fixed rate instruments

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

Cash Flow sensitivity analysis for variable rate instruments

If Kibor / Libor had been 1% higher/ lower with all other variables held constant, the profit after tax for the year would have been higher / lower by Rs. 682 million (2009: Rs. 723 million).

49.1.3 Other Price Risk

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

49.2 Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted.

Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. Out of the total financial assets of Rs. 58,536 million (2009: Rs. 42,958 million), the financial assets which are subject to credit risk amounted to Rs. 25,847 million (2009: Rs. 10,038 million.). The Company's electricity is sold to industrial and residential consumers and government organizations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Company manages its credit risk by obtaining security deposit from the consumers.

	2010		2009	
	Assets and liabilities	Maximum exposure	Assets and liabilities	Maximum exposure
	(Rupees in '000)			
Long term loans	**75,383**	**75,383**	92,967	92,967
Long term deposits and prepayments	**22,399**	**22,399**	234,275	142,683
Trade debts	**29,029,574**	**12,609,185**	19,114,219	7,738,219
Trade deposits and prepayments	**12,150,099**	**11,899,308**	1,199,470	937,238
Other receivables	**16,069,414**	**50,983**	21,189,065	-
Cash and bank balances	**1,189,424**	**1,189,424**	1,127,644	1,127,644
	58,536,293	**25,846,682**	42,957,640	10,038,751

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs 15,650 million (2009: Rs. 21,211 million) which mainly comprises of Sales Tax of Rs. 4,611 million (2009: Rs. 5,715 million) and Tariff Adjustment amounting to Rs. 10,383 million (2009: Rs. 4,034 million). Further trade debts includes due from Government and autonomous bodies (refer note 10.1).

Impairment losses

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

	2010		2009	
	Gross	Impairment	Gross	Impairment
	(Rupess in 000')			
Upto 1 year	**11,622,934**	**-**	8,785,908	-
1 to 2 years	**7,187,412**	**650,066**	5,428,376	614,768
2 to 3 years	**5,609,470**	**1,022,401**	4,236,617	966,886
3 to 4 years	**3,561,164**	**1,315,434**	2,689,611	1,244,008
Over 4 years	**16,148,046**	**12,103,193**	12,345,899	11,450,342
	44,129,026	**15,091,094**	33,486,411	14,276,004

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

		Rating	
Bank	**Rating agency**	**Short-term**	**Long-term**
Public sector commercial banks			
First Women Bank Limited	PACRA	A2	BBB+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Khyber	JCR-VIS	A-3	BBB+
	PACRA	A2	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 -
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	JCR-VIS	A-1+	AA
	PACRA	A1+	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	A2	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
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+
Citibank N.A.	Moody's	P-1	A1
	Fitch	F1+	A+
	Standard & Poor's	A-1	A+
Deutsche Bank AG	Moody's	P-1	Aa3
	Fitch	F1+	AA -
HSBC Bank Middle East Limited	Moody's	P-1	Aa3
	Fitch	F1+	AA -
Oman International Bank SAOG	JCR-VIS	A-2	BBB
Development Financial Institutions			
Dawood Islamic Bank Limited	JCR-VIS	A-3	BBB+
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Emirates Global Islamic Bank	PACRA	A2	A -
Meezan Bank Limited	JCR-VIS	A-1	AA-
Micro Finance Banks			
Network Micro Finance Bank Limited	PACRA	A2	BBB+

49.3 Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments:

	2010					
	Carrying amount	Contractual cash flows	Six Month or less	Six to twelve months	One to Five years	More than five years
	(Rupees in '000)					
Non-Derivative Financial liabilities						
Long term financing	55,486,378	(70,178,613)	(11,609,722)	(8,526,827)	(35,446,095)	(14,595,967)
Liabilities against asset subject to finance lease	-	-	-	-	-	-
Long-term deposits	4,040,288	(4,040,288)	-	-	-	(4,040,288)
Trade and other payables	54,799,202	(54,799,202)	(54,799,202)	-	-	-
Accrued mark-up	4,770,125	(4,770,125)	(561,084)	(3,379,792)		(829,249)
Short-term borrowings	13,441,796	(13,441,796)	(10,010,796)	(3,431,000)	-	-
Short-term deposits	4,276,499	(4,276,499)	(4,276,499)	-	-	-
	136,814,288	(151,506,523)	(81,257,303)	(15,337,619)	(35,446,095)	(19,465,504)

	2009					
	Carrying amount	Contractual cash flows	Six Month or less	Six to twelve months	Two to Five years	More than five years
	Rupees in '000					
Non-Derivative Financial liabilities						
Long term financing	60,900,939	(60,900,939)	(9,269,357)	(6,601,456)	(41,776,987)	(3,253,139)
Liabilities against asset subject to finance lease	287,706	(287,706)	(21,560)	(266,146)	-	-
Long-term deposits	3,836,994	(3,836,994)	-	-	-	(3,836,994)
Trade and other payables	26,853,848	(26,853,848)	(26,853,848)	-	-	-
Accrued mark-up	2,325,237	2,325,237	(1,581,504)	(743,733)	-	-
Short-term borrowings	11,953,522	(11,953,522)	(11,565,467)	(388,055)	-	-
Short-term deposits	3,241,691	(3,241,691)	(3,241,691)	-	-	-
	109,399,937	(104,749,463)	(52,533,427)	(7,999,390)	(41,776,987)	(7,090,133)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 21 to these financial statements.

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 3.21).

Cash flow Hedges

As at 30 June 2010, 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 21.1 and 21.3 to these financial statements.

	Note	2010	2009
		(Rupees in '000)	
Cross Currency Swaps			
Fair value	14	766,453	575,000

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 30 June 2010.

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 issued right shares amounting to Rs.23,040 million (notes 1.2.4).

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 30 June 2010 and 30 June 2009 were as follows:

	Note	2010	2009
		(Rupees in '000)	
Long term financing	21	39,289,102	45,030,126
Liabilities against asset subject to finance lease	22	-	287,706
Long-term deposits	23	4,040,288	3,836,994
Trade and other payables	27	54,799,202	26,853,848
Accrued mark-up	28	4,770,125	2,325,237
Short-term borrowings	29	13,441,796	11,953,522
Short-term deposits	30	4,276,499	3,241,691
Current maturity of non-current liabilities	31	16,197,276	15,870,813
Total Debt		136,814,288	109,399,937
Less: Cash and bank balance	16	(1,189,424)	(1,127,644)
Net debt		135,624,864	108,272,293
Total Equity		(525,112)	(8,737,470)
Total Capital		135,099,752	99,534,823
Gearing ratio (excluding advance against subscription for right share)		(1.00)	(1.09)
Advance against subscription for right shares		-	8,170,638
Gearing ratio (excluding advance against subscription for right issue)		(1.00)	(1.01)

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 fulfil the collateral requirements for various financing facilities. The counter parties have an obligation to return the securities to the Company. Further, the Company did not hold collateral of any sort at 30 June 2010 and 30 June 2009 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 / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise associates, directors, key management personnel and retirement benefit plans. Amounts due from and to related parties, amounts due from executives and remuneration of the Chairman, Chief Executive and Executives are disclosed below.

Details of transactions / balances with related parties except those under the terms of employment were as follows:

	2010	2009
	(Rupees In '000)	
50.1 KESP Power Limited, Parent company		
Advance against subscription for right shares	-	8,170,638
Short term Loan payable	29,282	20,325
Finance cost	14,127	56,770
Accrued mark-up payable	70,897	56,770
50.2 National Transmission and Despatch Company, a major supplier		
Sales	51,397	31,078
Purchases	35,951,670	26,727,950
Finance cost	-	619,152
Amount payable included in creditors	21,359,206	8,394,059
Amount payable included in long term financing	20,145,000	29,745,000
50.3 Pakistan State Oil Company Limited, a major supplier		
Purchases	14,618,936	10,345,777
Late payment surcharge	119,768	62,213
Advance given	-	70,462
Amount payable included in creditors	1,328,841	348,757
Amount payable included in long-term financing	-	359,220

50.4 Sui Southern Gas Company Limited, a major supplier

Purchases	22,561,915	27,104,843
Finance cost	2,381,659	1,684,214
Amount payable included in creditors	14,288,591	3,554,631
Amount payable included in long-term financing	-	12,238,372
Amount payable included in current maturity of non-current liabilities	4,938,372	-

50.5 Gul Ahmed Energy Limited, a major supplier

Purchases	7,121,964	5,839,382
Late payment surcharge	272,619	187,685
Amount payable included in creditors	1,637,840	3,007,546
Amount payable included in long-term financing	1,515,223	-

50.6 Tapal Energy (Private) Limited

Purchases	7,525,438	6,768,821
Late payment surcharge	156,833	227,976
Amount payable included in creditors	1,322,633	3,005,931
Amount payable included in long-term financing	1,200,000	-

50.7 Contribution to Provident Fund	381,014	283,402

51. CAPACITY AND PRODUCTION

The total derated available capacity was 1,596 MW(2009: 1,611 MW). The actual production during the year was 7,964.073 KWH (2009: 8,262.115 KWH). The actual production is lower as the power generating plant and machinery are normally operated at 60% load as compared to the installed 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 over hauling and repairs.

52. RECLASSIFICATION / RESTATEMENT

Certain prior year's figures have been reclassified / restated, consequent upon certain changes in current year's presentation for more appropriate comparison. However, there are no material reclassifications / restatement to report except for interest receivable from GOP on demand finance facilities of Rs. 237.173 million (2009: Rs. 1,151.664 million) previously netted off under specific grant from the government has been re-classified and shown under other receivables. Further, deferred tax liability has been recorded during the year in respect of revaluation surplus amounting to Rs. 260.913 million (refer note 20).

53. OPERATING SEGMENT

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

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

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

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

All non-current assets of the Company at 30 June 2010 are located in Pakistan.

54. BENAZIR EMPLOYEES STOCK OPTION SCHEME (BESOS)

The Federal Cabinet approved "Benazir Employees Stock Option Scheme (BESOS)" on 5 August 2009 for empowerment of employees of State Owned Entities through transfer of 12% of Government of Pakistan share holding. According to scheme, 12% shares owned by GoP are required to be transferred to an employees Trust to be registered. The Company's name is also included in the scheme for implementation of BESOS launched on 14 August 2009. The Company was privatized in 2005 in accordance with Share Purchase Agreement dated 14 November 2005 and GoP holds only 25.66% share holding of the Company, accordingly, the management has communicated to the GoP that the Scheme does not apply to the Company as it has been privatized. Pending resolution of such uncertainty, the cost of such scheme has not been accounted for in these financial statements.

55. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 August 2010 by the Board of Directors of the Company.

56. GENERAL

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

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

BOARD OF DIRECTORS
(BOD) MEETINGS 01 JULY 2009 TO 30 JUNE 2010

S. No.	Name of the Directors	No. of Board Meetings Attended	Remarks
1	Waqar Hassan Siddique	3	-
2	Tabish Gauhar	4	-
3	Nadir Salar Qureshi	2	-
4	Zulfiqar Haider Ali	4	-
5	Shan A. Ashary	4	-
6	Naveed Ismail	4	-
7	Syed Nayyer Hussain	4	-
8	Mubasher H. Sheikh	3	-
9	Muhammad Tayyab Tareen	4	-
10	Syed Arshad Masood Zahidi	4	-
11	Shahid Rafi	1	-
12	Tahir Basharat Cheema	1	-
13	Fazal Ahmed Khan	1	-
14	Farrukh Abbas	1	-
	Total Number of Board Meetings held during the year		4

BOARD AUDIT COMMITTEE
(BAC) MEETINGS 01 JULY 2009 TO 30 JUNE 2010

S. No.	Name of the Directors	No. of BAC Meetings Attended	Remarks
1	Tabish Gauhar	2	-
2	Nadir Salar Qureshi	2	-
3	Zulfiqar Haider Ali	4	-
4	Syed Nayyer Hussain	2	-
5	Mubasher H. Sheikh	3	-
6	Muhammad Tayyab Tareen	2	-
7	Fazal Ahmed Khan	1	-
8	Tahir Basharat Cheema	1	-
	Total Number of BAC Meetings held during the year		4

PATTERN OF SHAREHOLDING

AS ON 30 JUNE 2010 (ORDINARY SHARES)

Shareholders	Ranges		Shareholdings
	From	To	
4,616	1	100	135,862
2,860	101	500	814,553
1,840	501	1,000	1,629,265
3,550	1,001	5,000	10,360,510
1,251	5,001	10,000	10,437,116
405	10,001	15,000	5,291,852
315	15,001	20,000	5,943,297
172	20,001	25,000	4,102,609
107	25,001	30,000	3,097,508
76	30,001	35,000	2,547,748
67	35,001	40,000	2,617,720
42	40,001	45,000	1,819,413
118	45,001	50,000	5,839,615
29	50,001	55,000	1,529,799
33	55,001	60,000	1,949,339
24	60,001	65,000	1,528,063
19	65,001	70,000	1,308,631
26	70,001	75,000	1,925,590
12	75,001	80,000	945,967
7	80,001	85,000	586,540
15	85,001	90,000	1,338,900
9	90,001	95,000	842,860
92	95,001	100,000	9,184,147
12	100,001	105,000	1,225,746
6	105,001	110,000	652,898
7	110,001	115,000	792,500
7	115,001	120,000	830,000
11	120,001	125,000	1,371,219
6	125,001	130,000	766,942
4	130,001	135,000	539,000
10	135,001	140,000	1,387,600

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 2010 (ORDINARY SHARES)

Shareholders	Ranges		Shareholdings
	From	To	
2	140,001	145,000	289,000
14	145,001	150,000	2,090,407
1	150,001	155,000	153,646
3	155,001	160,000	476,097
1	160,001	165,000	165,000
5	165,001	170,000	840,288
2	170,001	175,000	345,500
2	175,001	180,000	356,126
2	180,001	185,000	367,000
4	185,001	190,000	755,500
3	190,001	195,000	579,607
28	195,001	200,000	5,598,100
2	200,001	205,000	405,062
3	205,001	210,000	628,000
2	210,001	215,000	427,500
4	220,001	225,000	898,500
1	225,001	230,000	230,000
1	230,001	235,000	231,500
3	235,001	240,000	718,000
5	245,001	250,000	1,245,761
2	250,001	255,000	504,000
3	255,001	260,000	776,700
6	260,001	265,000	1,568,619
1	270,001	275,000	275,000
1	280,001	285,000	281,381
3	290,001	295,000	880,508
9	295,001	300,000	2,700,000
1	300,001	305,000	302,732
1	305,001	310,000	308,000
1	310,001	315,000	315,000
2	315,001	320,000	638,157

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 2010 (ORDINARY SHARES)

Shareholders	Ranges		Shareholdings
	From	To	
2	330,001	335,000	666,000
1	340,001	345,000	341,999
3	345,001	350,000	1,045,883
1	350,001	355,000	353,500
1	365,001	370,000	370,000
1	385,001	390,000	385,548
5	395,001	400,000	2,000,000
1	420,001	425,000	425,000
1	425,001	430,000	428,500
1	430,001	435,000	431,000
1	435,001	440,000	438,952
1	455,001	460,000	456,000
1	460,001	465,000	461,000
1	465,001	470,000	467,000
1	475,001	480,000	480,000
12	495,001	500,000	5,998,639
1	545,001	550,000	550,000
2	560,001	565,000	1,126,872
2	565,001	570,000	1,137,500
1	570,001	575,000	575,000
1	590,001	595,000	593,729
1	605,001	610,000	608,000
1	615,001	620,000	620,000
1	695,001	700,000	700,000
1	715,001	720,000	720,000
2	745,001	750,000	1,500,000
1	780,001	785,000	784,887
1	790,001	795,000	794,500
1	795,001	800,000	800,000
1	800,001	805,000	802,004
1	850,001	855,000	853,100

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 2010 (ORDINARY SHARES)

Shareholders	Ranges		Shareholdings
	From	To	
1	910,001	915,000	912,500
1	950,001	955,000	950,509
1	995,001	1,000,000	1,000,000
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
3	1,095,001	1,100,000	3,300,000
1	1,180,001	1,185,000	1,184,623
1	1,190,001	1,195,000	1,192,810
1	1,305,001	1,310,000	1,305,841
1	1,475,001	1,480,000	1,476,724
1	1,695,001	1,700,000	1,700,000
2	1,855,001	1,860,000	3,720,000
1	2,010,001	2,015,000	2,012,537
1	2,215,001	2,220,000	2,218,401
1	2,395,001	2,400,000	2,400,000
1	2,415,001	2,420,000	2,415,319
1	2,575,001	2,580,000	2,576,449
1	3,255,001	3,260,000	3,258,000
1	3,435,001	3,440,000	3,437,676
1	5,720,001	5,725,000	5,722,384
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	95,455,001	95,460,000	95,455,750
1	5,066,975,001	5,066,980,000	5,066,978,824
1	14,308,190,001	14,308,195,000	14,308,194,103
15,951			19,749,863,713

CATEGORIES OF SHAREHOLDERS
AS ON 30 JUNE 2010 (ORDINARY SHARES)

As On 30 June 2010	Total		
Categories of Shareholders	**Number**	**Shares**	**%age**
Shareholders holding ten per cent or more voting interest in the Company			
KES Power Limited	1	14,308,194,103	72.447
President of the Islamic Republic of Pakistan	1	5,066,978,824	25.656
Associated Companies, Under- takings and	-	-	-
Related Parties NIT and ICP			-
Hasan Associates (Pvt.) Ltd.	1	95,455,750	0.483
Premier Mercantile Services (Pvt.) Ltd.	1	32,917,688	0.167
National Bank of Pakistan Trustee Dept.	1	14,837,775	0.075
Investment Corporation of Pakistan	1	9,639	0.000
National Investment Trust	3	135,691	0.001
Directors, CEO & Their Spouse and Minor Children			
Executives	2	26,000	0.000
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Mutual Funds	1	138,999	0.001
Banks, Financial Institutions	29	17,043,963	0.086
Investment Companies	22	681,642	0.003
Insurance Companies	15	1,555,342	0.008
Joint Stock Companies	137	42,319,948	0.214
Modarabah Management Companies	1	10,000	0.000
Modarabah Companies	10	336,189	0.002
Charitable Trusts	13	1,352,008	0.007
Leasing Companies	-	-	-
Individual	15,703	167,725,467	0.849
Others	9	144,685	0.001
	15,951	19,749,863,713	100.000

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 2010 (REDEEMABLE PREFERENCE SHARES)

Shareholders	Shareholdings		Shareholding
	From	To	
538	1	100	21,226
1,090	101	500	257,396
477	501	1,000	323,671
574	1,001	5,000	1,133,167
72	5,001	10,000	495,334
28	10,001	15,000	359,890
10	15,001	20,000	168,010
5	20,001	25,000	111,988
5	25,001	30,000	132,484
4	30,001	35,000	128,955
3	35,001	40,000	111,575
2	40,001	45,000	84,169
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
2,822			1,714,285,713

CATEGORIES OF SHAREHOLDERS
AS ON 30 JUNE 2010 (REDEEMABLE PREFERENCE SHARES)

	Total		
Categories of Shareholders	Number	Shares	%age
Shareholders holding ten per cent 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			-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Banks, Financial Institutions	3	98,192	0.006
Investment Companies	2	780	0.000
Insurance Companies	1	56	0.000
Joint Stock Companies	37	144,027	0.008
Modarabah Management Companies	-	-	-
Modarabah Companies	-	-	-
Co-Operative Societies	1	1,156	0.000
Charitable Trusts	1	2,001	0.000
Leasing Companies	-	-	-
Individual	2,771	3,963,101	0.231
Others	4	8,980	0.001
	2,822	1,714,285,713	100.000

KARACHI ELECTRIC
SUPPLY COMPANY

PROXY FORM

I/We ______________________ of ______________________ being a member of the Karachi Electric Supply Company Limited, hereby appoint ______________________ of ______________ or failing him/her ______________________ of ____________ as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Thursday, 21 October 2010 at 12:00 noon or at any adjournment thereof.

As witnessed, given under my/our hand(s) this ____________ day of October 2010.

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

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

Affix Revenue Stamp

Signature of Member : ______________________

Share Held ______________________

Shareholder's Folio # ______________________

CDC Account # ______________________

CNIC # ______________________

Proxy Holder'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 employees 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

**NO POSTAGE
NECESSARY IF
MAILED IN
PAKISTAN**

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

UNPLUG
ALL APPLIANCES
INSTEAD OF
LEAVING THEM IN
STANDBY MODE.