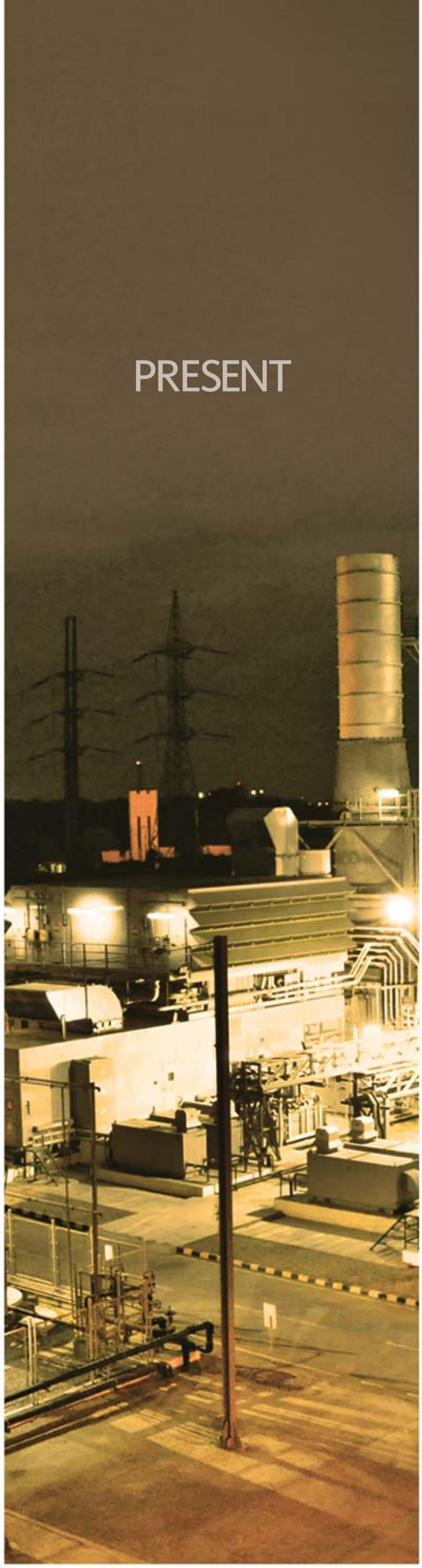
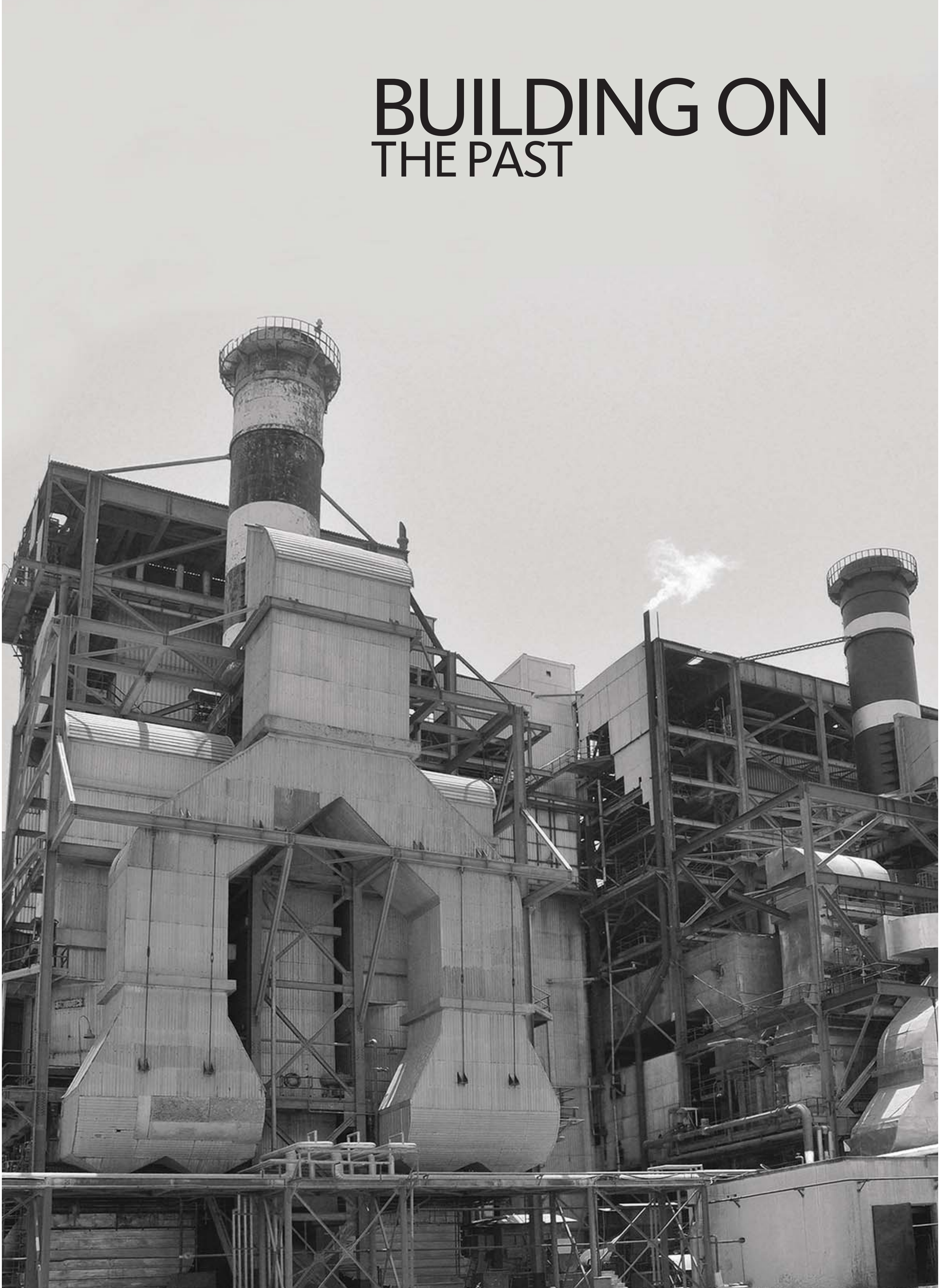
ANNUAL REPORT 2010-11



KESC KARACHI ELECTRIC SUPPLY COMPANY

KHIDMAT MEIN ROSHAN

BUILDING ON THE PAST



The year 2008 marked the dawn of a new era in the history of a 95 year old energy utility. Abraaj Capital had decided to take over the administrative control of KESC at a juncture when the energy crisis in the greatest metropolis of Pakistan was reaching new heights. The problems were manifold – complicated by a depreciating and shrinking production capability, increasing line losses and energy demand, decreasing supply of gas, mounting prices of furnace oil, and financial crisis due to theft and non payment of bills. And yet it was a challenge – and an opportunity to brighten up the lives of 20 million people and to make Karachi the City of Lights once again.

CONTENTS

OUR VISION
AND COMPANY MISSION

OUR VISION

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

COMPANY MISSION

- To generate, transmit and distribute electricity for the progress and prosperity of the city and of the country.
- To exceed our customers' expectations with reliable, stable and affordable electricity, with 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 needs.
- Playing a sustainable social role in the communities of Karachi.

COMPANY INFORMATION

BOARD OF DIRECTORS (BOD)

CHAIRMAN

Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER

Tabish Gauhar

DIRECTORS

Imtiaz Kazi	Muhammad Tayyab Tareen
Muhammad Zargham Eshaq Khan	Naveed Ismail
Naveed Alauddin	Syed Nayyer Hussain
Shan A. Ashary	Omar Khan Lodhi
Mubasher H. Sheikh	Zulfiqar Haider Ali
Syed Arshad Masood Zahidi	

GROUP CHIEF FINANCIAL OFFICER

Muhammad Tayyab Tareen

COMPANY SECRETARY

Syed Moonis Abdullah Alvi

BANKERS

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

LEGAL ADVISER

Abid S. Zuberi & Co.

SHARE REGISTRAR

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

REGISTERED OFFICE

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

AUDITORS

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

BOARD COMMITTEES

Board Audit Committee (BAC)		
1.	Omar Khan Lodhi	Chairman
2.	Mubasher H. Sheikh	Member
3.	Syed Nayyer Hussain	Member
4.	Naveed Ismail	Member
5.	Zulfiqar Haider Ali	Member

Board Finance Committee (BFC)		
1.	Zulfiqar Haider Ali	Chairman
2.	Shan A. Ashary	Member
3.	Syed Nayyer Hussain	Member
4.	Omar Khan Lodhi	Member

Board Technical Committee (BTC)		
1.	Tabish Gauhar	Chairman
2.	Syed Arshad Masood Zahidi	Member
3.	Naveed Ismail	Member
4.	Syed Nayyer Hussain	Member
5.	Syed Naveed Ahmed (Head of Corporate Strategy)	Member

Board HR Committee (BHRC)		
1.	Omar Khan Lodhi	Chairman
2.	Shan A. Ashary	Member
3.	Syed Nayyer Hussain	Member
4.	Tabish Gauhar	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

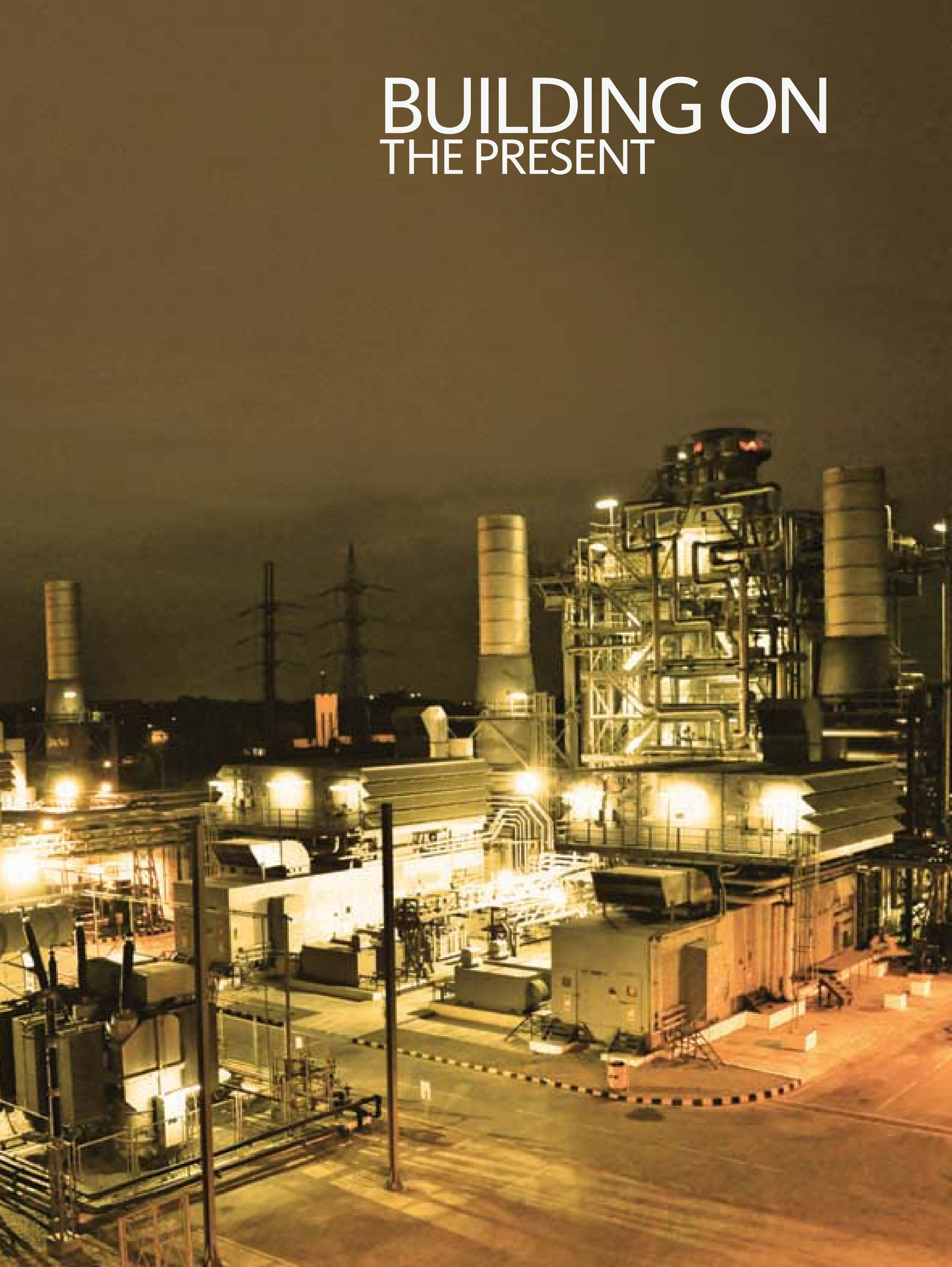
DR. NAVEED AHMED
HEAD OF CORPORATE
STRATEGY

ERAM HASAN
HEAD OF SUPPLY CHAIN

ASIR MANZUR
HEAD OF HUMAN RESOURCE

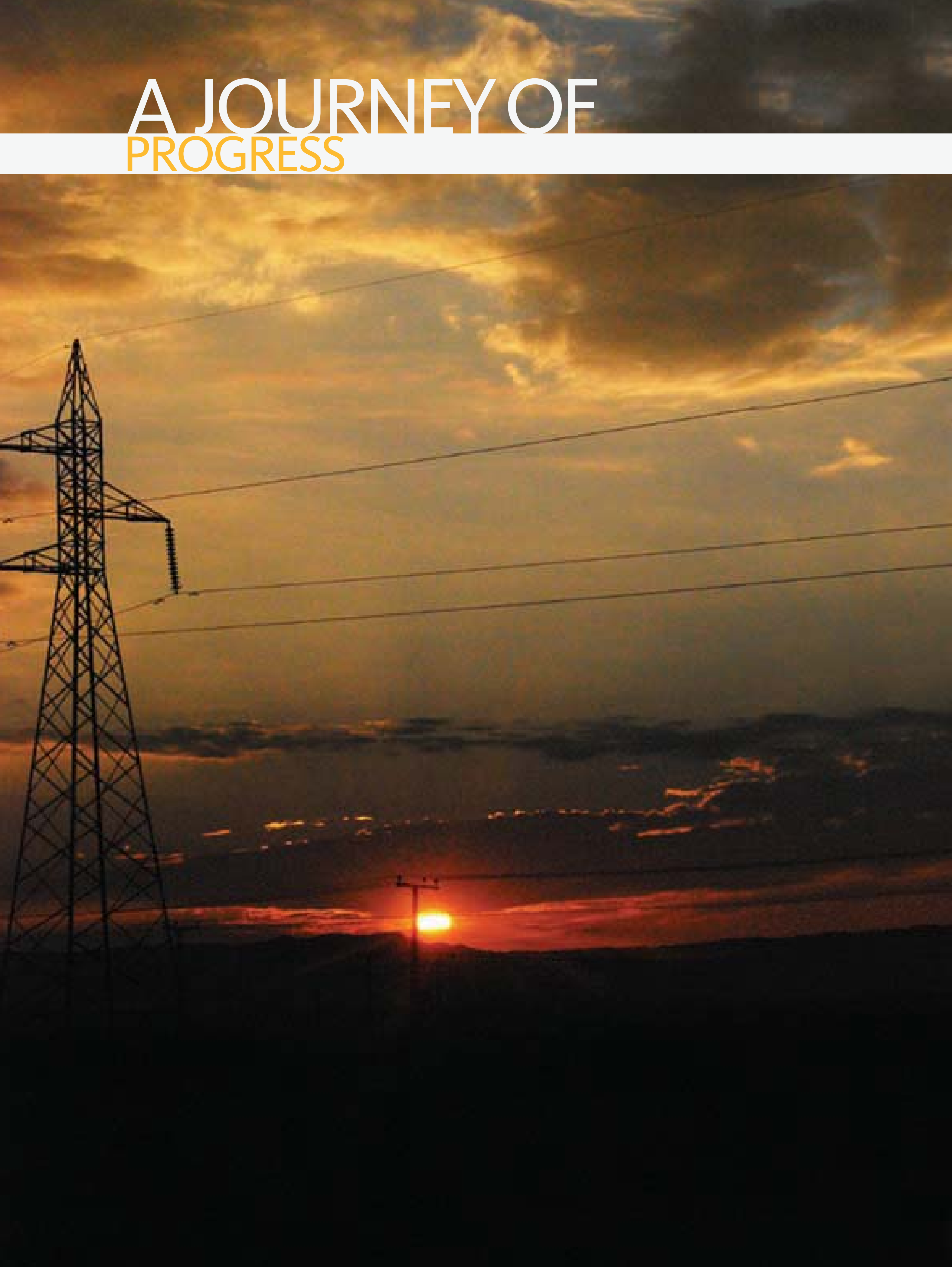
GHUFRAN ATTA KHAN
CHIEF MARKETING &
COMMUNICATION OFFICER

BUILDING ON THE PRESENT



Today 'KESC' stands for a progressive entity – resolute to bring a qualitative betterment to the lives of the people it serves. This great change in perception has emanated from a real experience of transformation – transformation that actually means a growing generation capacity, revamping of transmission and distribution network, efficient customer service, quicker complaint resolution and social, cultural and environmental contributions that have empowered the community at large. This has not been a smooth journey; but it has been a rewarding one and today we feel more determined as we move towards ensuring reliable, uninterrupted and affordable energy.

A JOURNEY OF PROGRESS



GENERATION

At KESC, provision of sustainable energy forms the core of the Company's vision. To realise this vision, the generation function of the Company adopted a three pronged approach to achieve excellence in the following areas; Generation Efficiency, Capacity Addition and Operational Reliability.

Generation Efficiency

Following the successful commissioning of the 220 MW Korangi combined cycle power plant and the 90 MW (each) Korangi and Site Engine plants, there was a strong focus on removing bottlenecks associated with availability of these power plants. A key initiative at the CCPP station was modification and expansion of the fuel gas compressor infrastructure to ensure station operation at reduced gas line supply pressures, as a result of which the station availability has improved considerably. Since their commissioning, the Site and Korangi reciprocating engine plants had experienced repeated problems with the alternators leading to reduced load operation. The issue was addressed last year with a design modification that has yielded very favourable results. Both these projects enabled a larger energy generation contribution from these high efficiency plants, to ultimately yield an improved KESC fleet generation efficiency.

EMERGENCY DIESEL GENERATOR

Capacity Addition

The key initiative for Capacity Addition to the KESC fleet has been the BQPS-II 560 MW Combined Cycle Greenfield project. Project milestones were met diligently through the year and success was realised in the form of first firing of Gas Turbine 1 towards the end of June 2011. The commercial handover of the three gas turbines in open cycle mode is expected by the end of Oct 2011, and the steam turbine's commercial operation is expected by the end of Financial Year 2011-12.

This is a landmark venture for the KESC and, once completed, it will raise the capacity of the Bin Qasim site from 1260 MW to 1820 MW, making it the largest single power station in the country. The project is unique in terms of its capacity, thermal efficiency and the magnitude of capital injection. The station has a stated capacity of 560 MW and would boost KESC fleet dependable capacity by approximately 33 percent.

Its efficiency in combined cycle mode will be 45.5 percent, the highest in the KESC fleet, or for any other plant of its size across the country.

The capital investment for the project has been approximately USD 450 million, financed by Sponsor Capital's equity, international institutional lender loans and loans from a syndicate of local banks. The Engineering, Procurement and Construction (EPC) contract for the project was awarded to Harbin Power Equipment Limited, a Chinese EPC contractor with a strong track record in execution of EPC contracts on a regional and international level.

The major equipments for the project are four prime movers, and three heat recovery steam generators. Three of the prime movers are 115 MW (each) gas turbines, each with its dedicated heat recovery steam generation system. The steam generated in the heat recovery systems enables operation of an additional steam turbine to generate a supplemental 180MW without additional fuel consumption, yielding a higher overall efficiency.

Keeping in mind the need for dependable solutions for Karachi's challenging electricity grid, KESC has selected the proven technology of GE's 9E Frame Gas Turbines, manufactured in France, in combination with a compatible Steam Turbine manufactured by Harbin. The gas turbines use state-of-the-art, Dry Low NOx (DLN) technology, which is the most apt technology to protect the environment as it reduces NOx emissions considerably, enabling KESC to meet the environmental guidelines of the World Bank and adhere to stringent global emission standards.

The required gas quota for this combined cycle power plant is 133 MMCFD of natural gas.

It is vital that the cost benefit enabled by the higher efficiency of the new plant is maximised by ensuring uninterrupted gas supply to the new facility.

Although the project was conceptualised prior to Abraaj Capital's management control of KESC, an intensive technical review was carried out by the new management to ensure a robust design that withstands real world challenges. Some of the key conceptual design changes were redesign of the fuel gas compressors to enable operation at a lower fuel gas pressure, gas turbine combustion system modification to handle a lower fuel gas calorific value and redesign of the air filtration system. These changes will prove vital to the plant's sustainable operation and adherence with the design specifications.

The project progress and milestones have been diligently monitored by the management, and the culmination of the hard work poured into the project over the last three years was the successful synchronisation of the first of three gas turbines on 22 June 2011. It is expected that the COD (commercial operation dates) of the gas turbines will be accomplished in the October to December 2011 timeframe, while the Steam Turbine COD will take place by the end of Financial Year 2011-12.

The addition of this power project will take KESC a big step closer to self reliance in power generation and meeting Karachi's long term power needs.

Operational Reliability

At the Korangi Combine Cycled station, four Emergency Diesel Generators were installed and successfully commissioned in the last year to facilitate power supply to gas turbine auxiliaries in case of a transmission line related tripping, thereby offsetting prolonged equipment lockout risks. At the BQPS-I station, the focus was on replenishing aging equipment and two major initiatives were major overhauling for the generator of Unit 1 and conversion of Unit 4 to a Digital Control System with an investment of approximately USD 1 million.

Bin qasim Power Station

TRANSMISSION

The management has focused upon implementing a phased plan for capacity and reliability enhancement of the transmission network. As a result of concerted efforts by the transmission team, a number of critically important transmission projects have been commissioned or are in advanced stages of completion.

During the previous year, two 132 kV grid stations were commissioned in the vicinity of Jail Road and Gulistan-e-Jauhar area. These new stations were integrated with the network by adding 2.2 km of overhead cable circuits and 15 km of underground cable circuits. As a result, transformer overloading has been reduced in various locations including Gulistan-e-Jauhar, Baloch Colony and Gulshan-e-Iqbal. These projects have enabled operational flexibility at Bin Qasim Power Station and offset transformation capacity limitations leading to clearance of pending new connection applications.

With a focus on reliability, duplication of a previously single line connected to Clifton Grid is in progress, to provide transmission redundancy. Another key initiative is integration of the SCADA capability at the nine newly constructed grid stations with the Load Dispatch Centre (LDC). Project material has been delivered and construction and commissioning activities will start shortly. With this initiative, the value proposition associated with SCADA will be realised and KESC will enter a new era of automated control and data acquisition of its transmitted load. Work is also being carried out on duplication of the 220 kV ring, where a section of underground cabling is being replaced with overhead lines, to minimise maintenance costs and resources associated with breakdowns.

A new project for an additional grid at the premises of Aga Khan University Hospital is underway, with contract award review in progress. Besides the enhanced transformation capability, KESC stands to benefit from the cost savings associated with being able to build the station on the Aga Khan Hospital premises. Lastly, a comprehensive transmission expansion/rehabilitation programme has been initiated which encompasses addition of three new grid stations at strategic locations, addition of transformation capacity and SCADA implementation at seven older KESC grids, and upgradation of transmission network through several smaller projects.

The project will enable KESC to cater to long term transformation load requirements and enhance system reliability, once completed.

The timeline for completion is three years, and currently vendor proposals are under review by an internal KESC team.

DISTRIBUTION

KESC distribution comprises four regions further sub-divided into distribution centres serving 2.2 million consumers in Karachi. The amount billed for the year ended 30 June 2011 was PKR 107 billion, an increase of 23.7 percent compared to the prior year. The increase was mainly driven by Transmission & Distribution (T&D) loss reduction of 2.7 percent and an increase in the average consumer-end tariff of 22 percent. 18,962 new connections have been added during the year, resulting in additional load of 207 MW in the system.

T&D losses as at 30 June 2011 stand at 32.2 percent this year against 34.9 percent last year, showing an improvement of 2.7 percent.

This has been achieved through process driven change involving greater accountability, and the rollout of the Integrated Business Centre (IBC) model.

Seven IBCs have been launched which account for 26% of the energy sent out and 37% of all billing, while eleven more are in the pipeline.

Features of IBC Roll Out

Implementation of the IBC structure has led to the following improvements:

- Restructured organisation with accountability for all operations in a particular geography
- Defined functions including an inspection and recoveries focused team
- Loss measurement at the distribution transformer level (check metres on Pole Mounted Transformers and Sub Stations) to allow increased local visibility on energy losses
- Purpose built work space leading to enhanced productivity and improved customer service
- Process improvements for more efficient operations
- Target driven incentivised employees leading to improved employee performance and satisfaction
- Loss segmented load-shedding which rewards consumers who pay regularly and reduces loss
- Replacement of faulty and old metres (130,000) and new metre connections (40,000) have increased accuracy of billing

IBC Performance Category-Wise

The 28 business centres in Karachi can be categorised as low loss, average loss and high loss on the basis of their distribution losses. Majority of the loss reduction to date has occurred within the low and average level loss areas where process driven initiatives have resulted in improvements.

The nine low loss business centres (distribution loss less than 22%) have combined losses of 15.2% down by 0.7% year on year. The reduction is relatively lower in these areas as the loss reduction from various process driven initiatives have been realised prior to the year ended 30 June 2011. The seven average loss business centres (distribution loss ranging from 26% to 32%) have had the biggest impact contributing over 50% of the loss reduction despite consuming only 21% of the total energy supplied. This group's losses are down by 3.9% to 28.8%.

The remaining 12 high loss business centres (distribution loss greater than 43%) have a total distribution loss of 49.4% with a reduction of only 1.4%. These areas comprise 42% of KESC consumers, with the majority in the low socio-economic bracket living in large clusters of slums and "no-go" areas – areas most affected by the poor law and order situation in Karachi. Addressing these difficult high loss areas of Karachi is key to bringing down the Company's T&D losses. Excluding these areas, KESC's distribution loss is 19.8%.

Recoveries

Recovery Ratio of the Company has seen an overall decrease of 4.2 percent. In absolute terms,

The amount recovered in the year ended 30 June 2011 was PKR 91.6 Billion, an increase of 17.9 percent compared to the prior year.

While KESC has taken significant measures to improve its recoveries, it faces significant challenges with consumers' propensity to pay being adversely impacted by tariff increases - a result of increased reliance on furnace oil due to gas shortages and also significant outstanding dues from the Government and related entities. Also, the Recovery Ratio and general performance in the last two months of the fiscal year were severely hampered by illegal strikes and lock-outs orchestrated by the labour union.

INTEGRATED BUSINESS CENTRE

Customer Service has also been augmented this year with the launch of Interactive Voice Response (IVR) at 118. A complete solution in terms of billing, real time load shedding and fault information, IVR has significantly reduced consumer wait time and almost 15 percent of 118 consumers are utilizing these services.

The Company has undergone expansion and augmentation of its Distribution System. High Tension (HT) and Low Tension (LT) networks have seen improvement via extensions in overhead cables from 2,511 km to 2,576 km, while 11 kV underground cables have increased by 156 km. The total number of 11 kV feeders is now 1,305, while the total number of 11 kV Distribution Transformers has increased from 14,863 to 15,233 during the year, increasing the distribution capacity of the 11 kV network by 68 MVA. 250 Knife Switches and 605 Earth Fault Indicators have been installed to achieve operational flexibility and quick fault localisation.

For next year, there are plans to explore many loss reduction options including implementation of several capital pilot projects including Aerial Bundle Cabling (ABC), High Voltage Distribution System (HVDS) and Automatic Meter Reading (AMR). The ABC pilot project's success has paved the way for more aggressive rollout.

HEALTH SAFETY ENVIRONMENT QUALITY DEPARTMENT

HSEQ Activities

Last year saw a very healthy improvement in all Health Safety Environment and Quality performance indicators. A number of initiatives were undertaken and designed to improve the general well-being of our employees and their families, consolidate the newly embedded safety culture within the Company, enhance public safety through proactive awareness campaigns, reduce environmental degradation by preventive maintenance of assets and regular inspection of sites, whilst simultaneously maintaining national and international regulatory standards.

The “We Care” project, focusing on the health of employees and their families, contributed towards national health programmes through the launch of a number of vaccination projects, with special emphasis on Hepatitis eradication amongst children.

Sanitation and Housekeeping, where people were educated on the benefits of a clean workplace, also figured prominently. Consequently, a 48 percent reduction in medical expenses compared to last year was witnessed.

Our “Nobody Gets Hurt” philosophy centred on the safety of both employees and public. We improved our safety standards and were able to integrate safety into the Company culture. Sustained trainings, monthly meetings, linking of individual annual reports to safety performance, safety reporting, a system of Rewards and Reprimands were just a few steps in that direction, resulting in a 33 percent reduction in industrial accidents.

Newly designed Emergency Response procedures and frequent drills ensured awareness amongst all staff members with respect to actions required to be taken in emergency situations. We knew we were on track when we were acknowledged by Distribution Companies (DISCOs), which requested us to assist them in developing a Safety Management System similar to ours.

Subsequently, we proceeded to win the “OHS&E Encouragement Award 2010” given by the Employer’s Federation of Pakistan.

Preventive measures taken for public safety were also well rewarded when we witnessed a 24 percent reduction in public fatalities. This was enabled through the introduction of engineering design controls and awareness messages pasted throughout safety critical areas of the city. A “Safety Hazard” reporting button was introduced on our website, allowing the public to notify us of safety hazards through “Safe Cards”. These measures have increased our public image, contributed positively towards our brand equity and placed us amongst the top caring companies in Pakistan, duly recognised by the regulators.

Our vision of becoming a “Green Company” is on track, as we surpassed conditions put forth by IFC and ADB regarding Social and Environmental responsibilities. Our pursuit for best practices bore fruit when we won the “National Environment Excellence Award” for the third year running.

Predictive Management brought about a radical change in the identification of weaknesses and recommendation of preventive actions - all meant to optimise the utilisation of available resources.

2011 ended on a satisfying note, we expect to become a company of national repute in the fields of health, safety, environment and quality.

INFORMATION TECHNOLOGY

IT Department launched one of its most successful campaigns - Project JOSH, which is a milestone achievement towards greater integration of processes at KESC.

Project Josh encompasses the implementation of SAP's Industry Solution for Utilities/Customer Care System (also referred to as IS-U/CCS) along with SAP Customer Relationship Management (CRM) and SAP Business Warehouse/Business Intelligence Solution (BW/BI).

SAP's IS-U/CCS module addresses the needs of a customer oriented utility company as well as managing day to day operations like metre-to-cash cycle, customer level financial data management, energy loss management, etc. SAP IS-U also supports soon-to-come regulations like 'Time of Use' tariffs and potential de-regulation of the power sector.

The CRM module of SAP provides unparallelled front office functionalities that complement industry specific processes and provide insight needed to build lasting and profitable customer relationships.

SAP BW/BI's state of the art warehousing and business intelligence tools provide accurate and reliable information across business units, which helps timely decision making. It offers powerful and sophisticated analytical tools to predict and help businesses grow as well as anticipate and avoid setbacks.

Project Josh Team

Project Josh Branding

The benefits of these integrated systems have been realised by many companies across the globe like Reliance Power, Dubai Electric and Power Authority, TATA Power

and are expected to make KESC more productive and transform its goal of being a truly customer driven utility into a reality.

Project Josh has made significant achievements in the fiscal year 2010-11 and the members working on this project share the same fervour and enthusiasm.

Following are some of the key milestones achieved as of June 2011:

- Completion of the Business Blueprint Documents (BBPs) outlining the business processes of KESC and the to-be process along with the improvements brought by the new system.
- June 2011 saw a successful completion of 'Cut-over simulation', an exercise carried out to simulate the last minute activities of implementation. This helps the team by eliminating surprises and enhances the confidence of management and the team members in the expected completion of Josh.
- The state of the art servers, microprocessor and data centres necessary for these systems have been acquired from IBM and tested to ensure that they are capable of running the most resource hungry systems.
- Comprehensive manuals have been developed to train end users and power users. One to one power user training was also completed to ensure that critical users of the system know it well.
- The ISU/CCS, CRM and BW/BI have already been configured by the consultants and have been rigorously tested in the form of Integration Testing 1 and 2 cycles. These IT cycles are completed successfully and the system has been found to be in good shape.

  The Project Josh team has been working diligently to ensure that the project successfully completes the final stages of its journey and thus brings about the positive mark.

ENERGY CONSERVATION

The Energy Conservation Department at KESC was established to foster sustained adoption of energy efficiency in all sectors. Since its inception in 2009, the department has made rapid strides towards successfully creating awareness among the masses. Impressive progress has been made in different fields and sectors necessitating growing consumption of energy for developmental and economic activities.

Our focus is on spreading best practices in sustainable energy technology, building alliances, and inspiring new energy ideas and actions. Different media were used for communication and interaction to create an effective platform on sustainable development, consumption and behaviour patterns. In collaboration with the marketing team, successful below the line (BTL) activities were carried out, which demonstrated a bigger picture to inspire change.

More than a hundred thousand consumers were reached via 13 events this year, ranging from festivals to seminars

- including mega events such as New Year at Park Towers, Youth Festival in collaboration with the Government of Sindh and Seminar/Interactive session at SSUET.

Some of the other unique events that stood out as our major achievements are: Earth Hour 2011 at Mazar-e-Quaid in collaboration with WWF and Ministry of Environment and Roshan Karachi Roshan Pakistan (RKRP) Imparting knowledge, a one year event for schools and colleges focusing mainly on the youth of Karachi, which holds our real future.

With communication getting faster and smarter, we plan to design mobile activities by developing mobile awareness units, which can be moved anywhere within the city. The youth being our primary target market, we further plan to conduct more energy seminars, cater to more schools, colleges and universities, fulfilling KESC's social initiative. Moreover, along with the ongoing internal communications over this noble cause, there are plans to start an in-house training programme for employees as well.

Load optimisation activities were also carried out in several big industrial concerns such as Brookes Pharma, Dawlance, Tapal (Pvt.) Ltd.,

ENERGY CONSERVATION ACTIVITIES

Thal Engineering and the likes. Technical counselling was offered to reduce load in lighting, climate control systems and other areas, resulting in considerable power savings for the consumer as well as reduction in the demand and supply gap in the long run. Additionally, Power Factor exercises were also carried out in industries where low power factor was improved to save the consumer from heavy penalties and improve the company's distribution network and quality of supply.

IN-HOUSE		
Total Load Optimised (MW)	**Annual Energy Saving (MWh)**	**Amount Saving Million (PKR)**
Total 0.3946	Total 2623.40	Total 25.415
OUTREACH		
Total 2.0129	Total 7232.034	Total 1.339

In short, through energy conservation a soft image of the Company as a positive and caring organisation is being established in the minds of consumers.

Energy Conservation Activities

Corporate Social Responsibility

KESC has played a leading role in implementing a multi-stakeholder engagement strategy in a partner company context. This has been achieved by integrating the business strategy with social considerations to deliver long-term value for the business, its customers and the community. By undertaking programmes that will prove to be sustainable in the long run, KESC helps create a strong impact upon the citizens of Karachi by radically improving the quality of their lives from both a social and economic standpoint. Corporate Social Responsibility (CSR) at KESC extends broadly over the following domains: health, youth and women empowerment, employee welfare, vocational training and sports.

The programmes are underpinned by a genuine commitment to create sustainable partnerships and effect a social and economic transformation within the communities. This initiative is radically improving the quality of life among ordinary citizens of Karachi.

Eye Camp

KESC is working in four communities in Karachi – Korangi Sector 10, Mehran Town, Ibrahim Hyderi and Lyari – to create model communities that are free of electricity theft.

KESC's programmes within the communities also extend to achieving improvements in health, education and employment opportunities, along with the provision of subsidised legal connections. Being viewed as exemplary and model citizens is important for each community, but the aim is to inspire other communities in Karachi to adopt and emulate a similar community empowerment programme. Political commitment, confidence building, educating and empowering women and mobilising youth are important components of model community creation. So far, we are in the process of providing subsidised and legalised connections to 6,000 customers, which will affect more than 30,000 people.

School Activity

Karachi Electric Supply Company has undertaken various initiatives to provide uninterrupted power supply to the significant health institutions of Karachi. This includes major healthcare facilities such as Aga Khan University Hospital, NICVD (Cardio Vascular Hospital), Civil Hospital, Pak Navy Army Depot Hospital, Jinnah Hospital, PNS Shifa Hospital, Kiran Hospital, CMS Hospital Malir, Abbasi Shaheed Hospital and Marie Adelaide Leprosy Centre. Some of them have been assigned dedicated feeders and pole mounted transformers in order to ensure reliable power supply while others are completely exempted from load shedding to ensure immaculate health services.

KESC will undertake other initiatives as well to guarantee uninterrupted power supply to other vital institutions of Karachi, so that the patients can rehabilitate as well as prosper.

KESC, with its philanthropic vigour and passion, played a pivotal role to reach out to over 30,000 Internally Displaced People (IDPs) in Thatta and adjacent areas of Sujjawal, Sunda, Challian and Karachi, helping them to start all over again and to return some normalcy to their lives. Overall, KESC managed to provide 3,000 tents, 117 trucks of food packages, 9 trucks of daily usage items (such as mosquito nets, floor mats, utensils etc.) and 2 water purification plants, in addition to free medical treatment to around 18,750 patients in collaboration with Aman Foundation. An amount of PKR 29.4 Million was spent for the relief and post relief work. The entire operation was looked after by over 250 internal and external volunteers managed by KESC.

We were able to raise donations of over PKR 73.3 Million, due to the contribution of our employees, who managed to raise PKR 15.84 Million, and our foreign shareholders, Abraaj Group and Al-Jomaih, who tripled the employee contribution through donations of over PKR 52.9 Million. Unutilised funds were donated to Aman Foundation, Sindh Institute of Urology and Transplant (SIUT) and the Edhi Foundation proportionately.

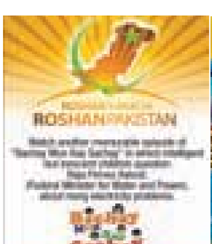
To apprise the youth of Karachi of the issues related to the energy sector, KESC has organised a series of awareness seminars on 'The Future of Power Generation in Pakistan' and 'Energy Efficient Lifestyles', in various top-notch institutes, including IBA, KU, NED, UET, SSUET, SZABIST, Indus Valley and Mehran University. Each session addressed diverse topics pertaining to various domains and strategies outlining the complex process of power generation in Pakistan, along with the issues affecting KESC. KESC was also the lead sponsor of IBA Leadership Conference. Field trips to our power plants BQPS and CCPP were also arranged for the students from NED, UET, Mehran University and TCF schools, with an aim to instill in the students a pragmatic approach towards learning by bridging the gap between theoretical and practical knowledge, and also to instill a sense of responsibility among the youth of Karachi towards solving the energy issues.

In collaboration with Jang and GEO Network, Roshan Karachi Roshan Pakistan was a platform created to propagate awareness regarding Electricity Conservation, Theft and Public Safety. This school programme reached out to 2,000 children from over 20 schools all over Karachi, who participated via inter-school competitions through debates, poetry, songs, tableau, and paintings. The winners of the inter-school competition participated in the Grand Finale in front of an eminent panel of judges for the RKRP Cup.

To inculcate in our workforce a sense of community welfare, we brought the TCF Rahbar Programme to our employees. The response was encouraging and over 25 committed employees from KESC volunteered to provide counselling and mentorship to the underprivileged students studying in TCF schools all over Karachi. A field trip to BQPS was also arranged for these students.

Health Sessions were also organised in collaboration with Marie Adelaide Leprosy Center (MALC) for the lower cadre employees working in the Power Stations, focusing on the prevention and cure of skin diseases that are prevalent amongst them due to the nature of their work. Furthermore, as per the Employee Support Fund, wedding and education packages have been made available for the non-management employees to facilitate them and their families in time of need.

Through such programmes and many more that are underway, KESC hopes to go a long way in its quest to achieve sustainable development and to play a vital role in bringing about a positive change in the lives of the citizens of Karachi.





CSR Activites

Sports

KESC believes that one of the best ways to serve the society is to inspire youth to get hooked on to healthy sports activities.

Creation of a powerful platform for sports is critical as it allows young and upcoming players to display and harness their talents and also offers us a communication platform to engage the segment and build a strong positive association.

With that strategic intent, KESC has undertaken a major football initiative in partnership with GEO Super.

In line with this, Karachi Electric Supply Company sponsored the KESC Lyari Football League in collaboration with Pakistan Football Federation from January 8th to 24th, 2011.

This tournament was organised for the underprivileged youth of Lyari to steer their energy in a positive manner and to keep them away from negative activities. Sixteen teams of under-14 footballers participated in this tournament, which led to opening brighter opportunities for 11 children who were selected for the Pakistan U13 team,

out of which 9 got an opportunity to represent the Pakistan team.

The KESC football team participated in many other events throughout the year; it secured fourth place in PPL 2010 as well as runner-up position in the National Challenge Cup and Aga Khan Gymkhana Ramazan Festival.

The entire team also played a positive role in sponsoring football and cricket activities at the recent flood relief camp.

Sports

MARKETING

Since the takeover of the Company by the new management, the role of Marketing has evolved to provide open, clear and transparent information about the internal and external factors impacting KESC. The Company feels that, besides keeping stakeholders informed, it is essential to reach out to its 20 million plus consumers with the ground realities so as to engage them in our journey of progress.

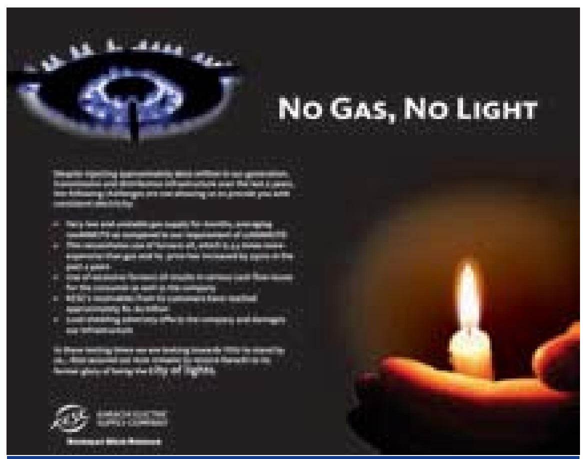
30 Days Campain

The highlight of the year was the launch of the 30 day countdown campaign in December 2010. This campaign was part of a chain of campaigns designed to bring about a change in consumer behaviour regarding electricity theft and non-payment of dues. The objective of the '30 day' campaign was very clear; to provide a deadline to all the defaulters and electricity thieves to come forward voluntarily to pay all outstanding bills and report their tampered metres. Otherwise they would face "disconnection, public defamation, up to 3 years imprisonment or a fine up to Rs. 5 million".

In order to gain the maximum impact from this 360 degree campaign, the '30 day' message was duly followed up and emphasised as a countdown by dividing the communication into 4 sub campaigns; In the first stage, the 30 day limit was announced, while subsequent iterations gave reminders of 20, 10 and then only 3 days remaining on the deadline. In this manner, the seriousness of the campaign in terms of recovery was firmly established.

The response was overwhelming, and this campaign achieved one of the highest recovery rates during the year for KESC.

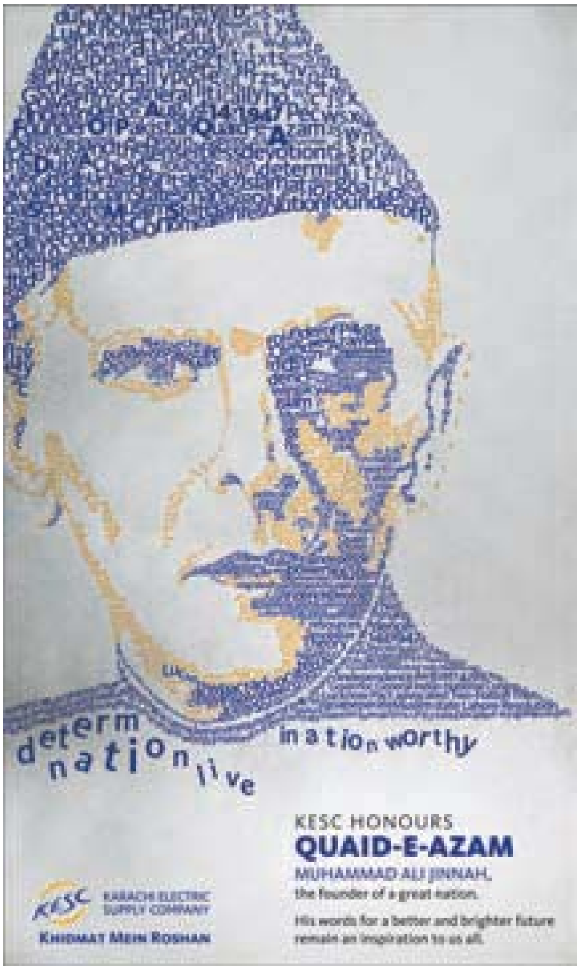
The "Right Decision for You" campaign was launched in February, which specifically communicated the steps and initiatives that KESC has taken for the betterment of its people and the community, respectively. In regards to the people, there were matters such as signing of a Charter of Demands with the CBA after 11 years, regularising of 6,000 employees with 25% increments, enhancement of benefits, uplift of colony and office environments, and safety training for over 7,000 technicians. For the community, the campaign cited the support provided to flood affected Pakistanis, uninterrupted power supply to 13 major health institutions, continuous work with various NGOs, tree plantation drive, and water purification, health, education and sports interventions in underprivileged areas.



No Gas, No light Ad

Another major communication was the 'No Gas, No Light' campaign, which clearly conveyed KESC's position on increasing load shedding. It made clear that KESC has significantly increased generation capacity and is making every attempt at maintaining a minimum load shedding routine, but due to reduced gas supply, increase in demand, and increase in Furnace Oil price by 250% in the last 2 years, the load management initiative could not be continued, nor could we get the full benefit of our generation capacity. However, the campaign also reassured consumers that KESC is working tirelessly to resolve the constraints at hand and that our Azm remains to restore Karachi to being the City of Lights.

As a progressive company that is moving forward with the times, KESC embraced new mediums in its



efforts to facilitate consumers. Using a technological platform, we enabled consumers to receive their electricity bill by electronic means. The Marketing team rolled out a campaign via SMS informing 2 million consumers that they could attain their bills online, through email, over SMS, or by calling 118. The response was overwhelming, with 217,000 consumers downloading their bills from our website, more than 10,448 emails received and 8,965 texts in just the first month of the campaign.

In addition to these strategic initiatives, tactical campaigns were also carried out throughout the year. These included 'Honouring the Quaid' on 25th December, a congratulatory message to our partner Citibank on their 50 years in Pakistan, a message to the people of UAE as part of their National Day celebration, and good wishes for the Pakistani cricket team during the Cricket World Cup. To showcase KESC's achievement in receiving the 'Asset Asian Award 2010' and the 'Islamic Finance News Award 2010,' we acknowledged these awards as a source of pride and recognition for us in leading newspapers.

Our continued focus on conveying our story to the consumer has resulted in measurable gains for the Company.

KESC's perception as a socially responsible company has shown improvement in our last Brand Tracker, which took place in December 2010,

continuing a progressive trend seen over the last four waves. KESC has also posted a gain of 13% in being perceived as an international company and a contemporary, modern organisation and an increase of 11% in the number of people who want to join hands with KESC to eliminate Electricity Theft.

CORPORATE COMMUNICATIONS

Corporate Communications serve as a pivotal communication point for all stakeholders of KESC. Many initiatives saw successful continuation and commencement on various media.

From campaigns to articles to press releases, media briefings and through an optimum presence on the electronic media via select programmes, forums and info bites, our highly articulate and proactive media strategy has helped KESC remain on top of a plethora of uncontrollable factors.

The special circumstances arising after the introduction of the Voluntary Separation Scheme in May brought out the best in everyone including Corporate Communications. Full fledged support was extended to the HR Group, in the forefront and behind the lines through a well planned media strategy. While trying to retain the 'business as

AZM Newsletter

usual' despite adverse circumstances, it was ensured that the customers, masses and the stakeholders were educated and kept abreast of the ground realities being faced by the utility.

Focus was maintained on countering any and all negative propaganda and false premise by utilising the electronic, print and e-mediums to issue timely rebuttals, updates, messages, mails, etc. A specially produced 73-second video clip was run on almost all television channels to highlight negative trade unionism which also carried a decree from a highly reputed religious scholar declaring sabotage and subversion un-Islamic.

Apart from articles in all the leading newspapers, more than twenty press releases were published each month at an average to articulate the Company's stance on various issues, such as condemnation and identification of sabotage and disruption caused by miscreants, plus shortage of fuel supply. Hence vigilance remains optimum for current issues and any others arising in the future.

Great headway was made in AZM Employee Engagement Programme, a unique endeavour involving refining of intra-communication channels. The completed pre-research phase comprised one-to-one sessions with the leadership team and collateral designs. Internal and external communication channels saw major development this year; a company intranet for business units within KESC was launched to ensure that our employees are constantly in touch with business updates.

Externally, we launched a dedicated website www.kescinfo.com.pk for our key media beat reports and other stakeholders.

The site is updated on an hourly basis with the most recent business updates. A revamped monthly newsletter, AZM, was regularly published and Umeed, the external e-mailer, made its presence felt.

In short, issues continuously arose in a highly volatile environment, where we proactively dealt with different challenges in the most effective manner.

NOTICE OF MEETING

Notice is hereby given that the 101st Annual General Meeting of the Karachi Electric Supply Company Limited shall be held at Bin Qasim Power Station (BQPS), Port Qasim, Karachi on Monday, 31 October 2011 at 12:00 noon to transact the following business:

ORDINARY BUSINESS

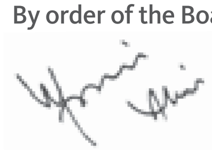
1. To confirm Minutes of the Annual General Meeting (AGM) held on 21 October, 2010.

2. To receive and adopt the Directors' Report and the Audited Financial Statements (with the Auditors' Report) for the year ended 30 June 2011.

3. To appoint Auditors in place of retiring Auditors, M/s. KPMG Taseer Hadi & Company, for the FY 2011-12 and to fix their remuneration.

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: 10 October 2011

N.B.

(I) Transfer Books of the Company will remain closed from 25 October 2011 to 31 October 2011 (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 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 under mentioned guidelines as laid down in Circular 1 dated 26 January, 2000 issued by the Securities and 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 corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies

(I) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

(II) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(III) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(IV) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

(V) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

DIRECTORS' REPORT
TO THE MEMBERS

The Directors of Karachi Electric Supply Company Limited are pleased to present the 99th Annual Report and Audited Financial Statements of the Company and the Auditors' Report thereon for the financial year ended 30 June 2011.

HIGHLIGHTS

New 560 MW Combined Cycle Power Plant at Bin Qasim Power Station.

Equity injection of **$388** million since October '08.

Improvement of **2.7 percent** in T&D system with T&D losses decreasing from 34.9 percent to 32.2 percent in the year ended 30 June 2011.

Network enhancement and new connections given to **18,962** consumers, equivalent to a total of 207 MW in terms of load.

Implementation of **SAP Industry Solution for Utilities** for better integration of business processes.

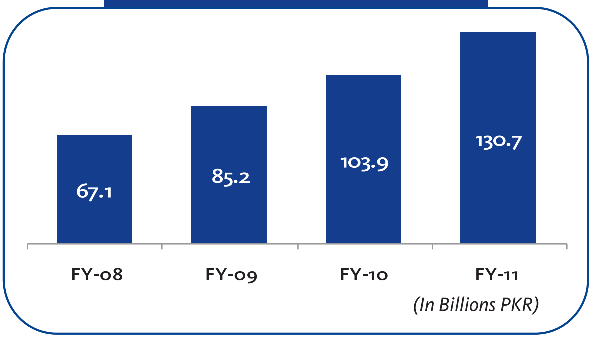
Launch of Integrated Business Centres (IBCs) in Defence, Clifton, Gulshan-e-Iqbal, North Nazimabad, Liaquatabad, SITE and Korangi Industrial Area; **11 more IBCs** are to be rolled out by June 2012.

Positive EBITDA amounting to **Rs. 3.5 billion**

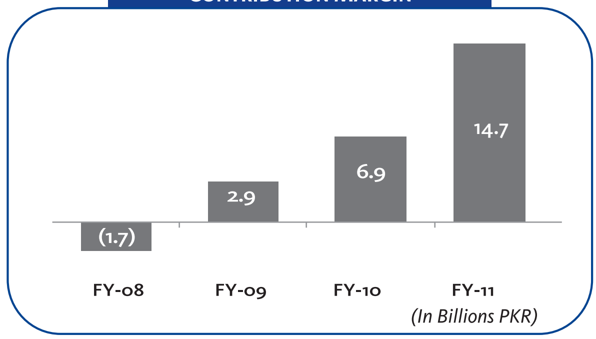
DIRECTORS' REPORT
TO THE MEMBERS

OPERATIONAL AND FINANCIAL SUMMARY

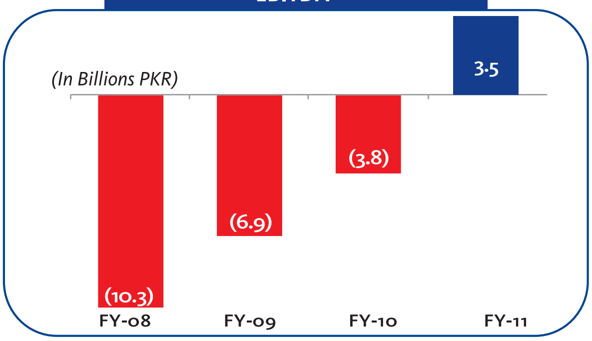
Revenue



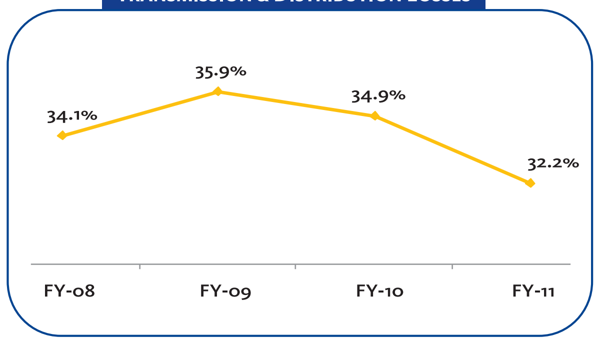
Contribution Margin



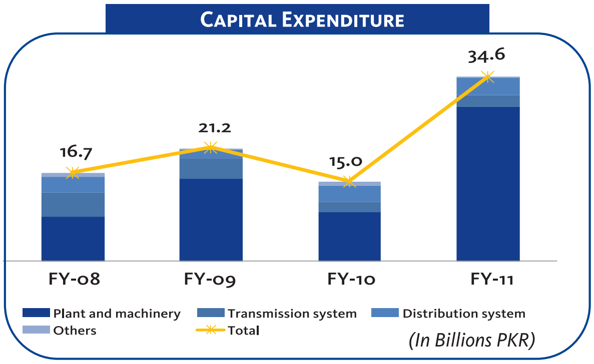
EBITDA



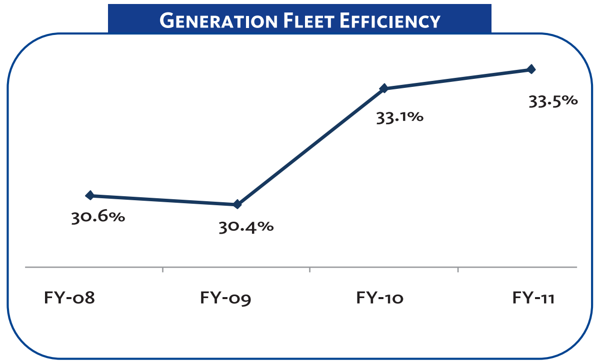
Transmission & Distribution Losses



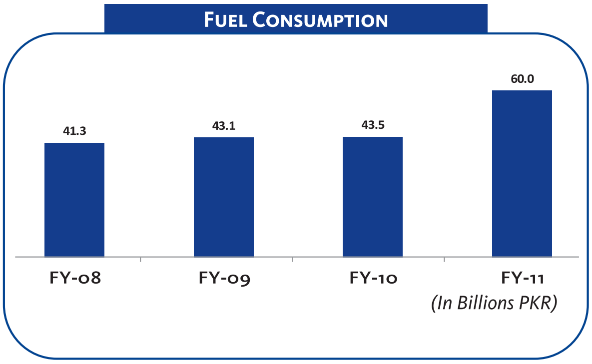
Capital Expenditure



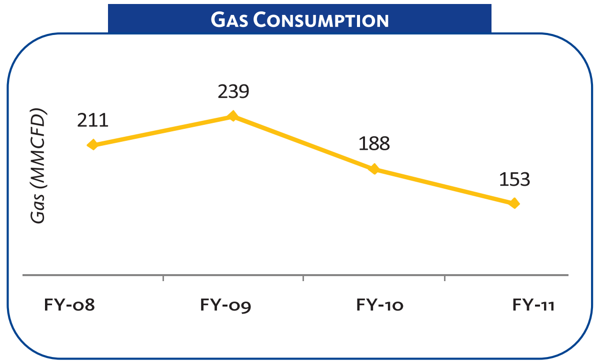
Generation Fleet Efficiency



Fuel Consumption



Gas Consumption



OVERVIEW

KESC was privatised in November 2005 with the transfer of 73.0 percent GoP shares of the Company to the consortium of KES Power Limited (71.5 percent), a company incorporated in the Cayman Islands, and others (1.5 percent). Post-privatisation, in September 2008, KES Power Limited (KESP) entered into an agreement with Abraaj Management Limited (Abraaj) and consequently Abraaj acquired equity stake in KESP.

KESC, on 13 April 2009, entered into an Amendment Agreement (AA) with the GoP, in accordance with GoP's desire for increased public-private partnership in previously state-held institutions. The AA came as an addition to an earlier Implementation Agreement (IA) signed by the GoP at the time of privatisation of the Company in November 2005. The signing of the AA led to finalisation of an agreement at KESP shareholders' level and, on completion of transaction, the Board of Directors of KESC was accordingly reconstituted on 27 May 2009.

SPONSORS' SUPPORT

The principal shareholder of the company, KESP, after entering into AA in April 2009, has so far invested USD 300 million in the equity of the Company. A sum of USD 255 million (PKR 21,136 million) was invested through three (3) successive right issues during the last two (2) years. Whereas, post-balance sheet date, the Company has announced a fourth (7.25 percent) right issue on 29 July 2011, and KESP has already remitted USD 45 million (PKR 3,921.31 million) as advance share subscription towards its 72.58 percent portion of the fourth right issue, which has increased the equity investment of KESP in KESC to USD 300 million. Such a colossal equity investment in a very short time period is unprecedented in the corporate history of Pakistan and exhibits support and commitment of sponsors to transform the company into a world class private utility. GoP is the second largest shareholder of the Company and has fully subscribed to its 25.66 percent portion of the previous three (3) right issues and made a cumulative equity investment of PKR 7,294 million (USD 88 million). GoP has undertaken to fully subscribe to its 25.66 percent portion of the fourth right issue in an amount of PKR 1,386 million. A summarised breakup of equity investment through said right issues is given below.

KESP, in addition to subscribing to its portion of the right issues, has also funded the unsubscribed right shares of the minority shareholders in the earlier three (3) right issues and has undertaken to do so for the fourth (4) right issue. As a result, the KESP shareholding in KESC has increased from 71.5 percent to 72.58 percent and minority shares decreased from 2.84 percent to 1.76 percent.

BUSINESS REVIEW

While KESC has made significant strides in operational improvements, over the last two (2)

PKR/USD MILLION

	KESP	GoP	Others	Total
First Right Issue	10,620.39	3,665.24	0.37	14,286.00
Second Right Issue	6,507.68	2,245.85	0.23	8,753.76
Third Right Issue	4,008.34	1,383.29	0.08	5,391.71
Sub-Total	**21,136.41**	**7,294.38**	**0.68**	**28,431.47**
Fourth Right Issue Advance Share Subscription	3,921.31			3,921.31
Grand Total (PKR)	25,057.72	7,294.38	0.68	32,352.78
(USD)	300.00	88.00	.01	388.01

months of the financial year under review the Company came under immense operational stress due to illegal strikes and lock-outs orchestrated by the labour union. This unrest was finally resolved at the end of July 2011. Fortunately, financial results have not been significantly affected by this unrest, due to an effective business continuity plan put into place by the management team which is reflected in the current year's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) which turned into profit of PKR 3.5 billion (PKR 4.6 billion before accounting for staff Voluntary Separation Scheme) from last year's loss of PKR 3.8 billion.

GENERATION

The financial year under review saw the company's annual efficiency scale to a higher level of performance. In addition to bringing about improvement in efficiency, several other steps were taken to improve the generation capacity of the system.

220 MW Korangi Combined Cycle Power Plant (CCPP) and GE Jenbacher (GEJB) 180 MW Power Plant

Three new high efficiency power plants were added to the KESC fleet in the year 2009/10; 90 MW (each) GE Jenbacher engines at SITE and Korangi Gas Turbine Power Stations, and a 220 MW Combined Cycle Power Plant at Korangi. During the current year, there was a strong focus on increasing the availability of these plants to enable a greater contribution of high efficiency power generation to the KESC fleet. Infrastructure changes were made at the CCPP to enable operation at reduced fuel gas pressure. As a result, a higher KESC fleet efficiency was accomplished in the current year that contributed to fuel savings. However, gas availability continued to be the major bottleneck, with reduced supply compared to the last year, so that the full benefit of the high efficiency plants could not be realised.

Bin Qasim Power Station - The 560 MW Project

In order to meet the future energy demand, the construction of a new 560 MW Combined Cycle Power Plant at BQPS is in progress. On completion of the project, KESC fleet capacity will be boosted by an additional 33 percent. In this regard, one of the milestone achievements was the synchronisation of the first Gas Turbine (GT) on 22 June 2011. The provisional takeover from the EPC (Engineering, Procurement and Construction) contractor for all three (3) GTs is expected towards the end of October 2011.

Bin Qasim 1 Power Station

One of the major achievements at the Bin Qasim 1 plant was fuel supply base diversification through a new Furnace Oil supply contract with Byco, and development of the infrastructure needed for fuel unloading from the new supplier. Additionally, one of the units at the plant was converted over to DCS (Distributed Control System) with a turnkey project of approximately USD 1 million, to enhance the reliability of the aging equipment. In the coming year, major activities are planned to further revitalise the mechanical equipment and consequently enhance the reliability of this station.

Decommissioning of Aggreko

Aggreko's two year rental power contract with KESC concluded in March 2011, following which its 50 MW rental power plants at West Wharf and Haroonabad were decommissioned. Earlier, rental power solution was envisaged by the management to expedite capacity addition to the KESC fleet on a fast track basis. Subsequently, a contract was reached with Aggreko and two 25 MW each gas fired engine based plants were commissioned in March 2009. This 50 MW capacity addition was vital to offset the immediate supply demand gap, while the 220 MW CCPP project at Korangi and 560 MW project at Bin Qasim were being developed. With the commissioning of the 220 MW project and planned commissioning of the 560 MW project by the end of Financial Year 2011-12, it was decided not to extend the rental power contract.

TRANSMISSION

During the year under review, two (02) 132 kV Grid Stations – Jail Road and KESC's Hospital Grid – were commissioned, adding 160 MVA of transformation capacity. These grid stations are linked with existing grids and 2.17 km of overhead transmission lines and 14.78 km of 132 kV underground cable circuits were laid for the purpose. A new project for an additional grid at the premises of Aga Khan University Hospital is underway, with contract award review in progress.

The automated Supervisory Control and Data Acquisition (SCADA) system capability is being extended with integration of the 9 new grids with the Load Dispatch Centre (LDC). The project is underway and construction activities will start shortly.

Lastly, a comprehensive transmission expansion/rehabilitation programme has been initiated which encompasses addition of 3 new grid stations at strategic locations, addition of transformation capacity, SCADA implementation at seven older KESC grids, and upgrading of the transmission network through several smaller projects. On completion, this project will enable KESC to cater to long term transformation load requirements and enhance system reliability. The timeline for this project is three years and currently vendor proposals are under review.

DISTRIBUTION

KESC's distribution system comprises four (4) regions further sub-divided into distribution centres serving 2.2 million consumers and 20 million people in Karachi. T&D losses as at 30 June 2011 stand at 32.2 percent against 34.9 percent last year, showing an improvement of 2.7 percent. This improvement has been made through process driven change involving greater accountability, and the rollout of the Integrated Business Centre (IBC) model. There are seven IBCs in Defence, Gulshan-e-Iqbal, North Nazimabad, Clifton, Liaquatabad, SITE and Korangi Industrial Area. A further 11 IBCs are to be rolled out by June 2012.

Further, the Company is exploring several capital expenditure pilot projects aimed at greater efficiency and energy loss reduction. These include Aerial Bundle Cabling (ABC), High Voltage Distribution Systems (HVDS) and Automatic Meter Reading (AMR) and installation of pre-paid meters. The ABC pilot has shown significant success in parts of Gulshan-e-Iqbal and a more aggressive rollout plan is being finalised.

Recoveries

The year under review witnessed a 4.2 percent decrease in the overall Recovery Ratio for the Company. However, in absolute terms, the amount recovered in the year ended June 2011 was PKR 91.6 billion, an increase of 17.9 percent compared to the last year. While KESC has taken significant measures to improve its recoveries, the Company faces significant challenges with consumers' propensity to pay being adversely impacted by tariff increases - a result of increased reliance on furnace oil due to gas shortages. Also, the Recovery Ratio in the last two months of the financial year under review has been severely affected by illegal strikes and lock-outs by the labour union.

Recovery of electricity dues outstanding against Government related entities is critical to restoring the financial viability of the Company. This recovery will allow KESC to meet its payment obligations and ensure that the Company's turnaround strategy and long term business plan are implemented. During the year, recovery from Government related entities was 58 percent (shortfall of PKR 6.5 billion from billing) as compared to 68 percent (shortfall of PKR 3.9 billion from billing) of last year. Low recoveries from Government related entities have direct impact on cash flows, which is affecting Company's liquidity and has an impact on financial charges.

New Connections

During the year under review, KESC provided 18,962 new connections, equivalent to a total of 207 MW in terms of load. Out of these, 18,500 were below 50 KW load connections while 462 connections were above 50 KW. There are six New Connection Front Offices operational in different parts of the city, out of which two are present in Korangi Industrial Area and SITE IBCs. It is part of our strategy to establish New Connection Front Offices in IBCs.

118 Response Centre

118 operations have been significantly enhanced from 70 to over 350 agents. Interactive Voice Response (IVR) has been launched at 118, which is a complete solution in terms of billing, real time load shedding and fault information. IVR has significantly reduced consumer wait time and almost 15 percent of consumers are utilising services through IVR.

Network Enhancement

The Distribution System of the Company has undergone expansion and augmentation. Overhead cables have increased from 2,511 km to

2,576 km, while 11 kV underground cables have increased by 156 km. The total number of 11 kV feeders is now 1,305, while the total number of 11 kV Distribution Transformers has increased from 14,863 to 15,233 during the year, increasing the distribution capacity of the 11 kV network by 68 MVA. 250 Knife Switches and 605 Earth Fault Indicators have been installed to achieve operational flexibility and quick fault localisation.

STRATEGY AND BUSINESS DEVELOPMENT

In line with our vision to provide affordable, reliable and uninterrupted power supply to the citizens of Karachi, KESC has started investing in long term, sustainable and economical alternative options of generation, keeping the environmental impact in mind.

Landhi Biogas Project

KESC entered into an agreement with Canadian technology providers M/s. Highmark Renewables Research (HRR) in November 2010 for conducting studies for the Landhi Biogas Project. On-site testing was carried out from May 2011 to July 2011 to evaluate the quality and quantity of biogas from organic waste sources. Results of the study demonstrate that it is feasible to construct a 20-25 MW biogas fired power plant using cattle waste from Landhi Cattle Colony along with organic food waste from restaurants, kitchens and vegetable markets. KESC is now going to advance into Phase II – development of a new biogas entity – through partnership with local and foreign entities.

LNG Option

The uncertainty looming over long term supply from indigenous gas reserves combined with KESC's recent investment in nearly 1,000 MW high efficiency gas fired power plants are the impetus to consider prospects of LNG import. KESC is currently in talks with potential terminal operators and LNG suppliers. To facilitate effective technical and commercial negotiations, KESC has shortlisted consultants to provide necessary advice. The development of LNG infrastructure is, however, contingent on substantial GoP role, LNG terminal construction periods and participation by international players in view of changing geopolitical risks. Once developed, KESC expects to receive 200 MMCFD equivalent of LNG.

Coal Option

The rapid decline in supply of gas to KESC over the past few years has meant greater usage of Furnace Oil ("FO") for power generation. This has increased the determined tariff substantially and has impacted consumer tariff as well. To arrest the rising trend in consumer tariff within the shortest possible time, KESC has taken up the initiative to convert 420 MW of its BQPS I facility from FO to coal. KESC has appointed Knight Piesold as feasibility consultants, who have started work on Phase I of the study. If found feasible, the conversion project shall be completed in 2.5 years. KESC has also signed a MoU with the Global Mining Company ("GMC") from China in relation to financing of such a project.

Unbundling

Initial assessment of the KESC unbundling is in process. The aim is to develop a road map for creation of independent legal entities - Generation (GENCO), Transmission (TRANSCO) and Distribution (DISCO(s)). Key constraints have been identified and solutions to deal with the deterrents will be devised in order to ensure that this process is executed in the most suitable manner. Furthermore, the assignment includes valuation of the independent entities and a comparison of integrated model vs. unbundled model on the overall efficiency of the utility.

INFORMATION TECHNOLOGY (IT)

Information Technology has played a pivotal role in introducing process innovations to ensure that the company and its consumers can benefit from the advancements in the technological horizons across the globe. Initiatives like Online Bill/eBill, Corporate Intranet, HR Portal, Monthly Overtime and Absence Recording System, Consumer Mapping to PMT/Transformer, Primary and Disaster Recovery Management, Establishment of IT Governance unit, have all contributed in moving the utility forward.

The highlight of this transformation has been "Project Josh", which encompasses the implementation of SAP's Industry Solution for Utilities/Customer Care System (also referred to as IS-U/CCS) along with SAP Customer Relationship Management (CRM) and SAP Business Warehouse/Business Intelligence Solution (BW/BI). The project is in go-live phase at two IBCs w.e.f. October 2011.

Across the globe many companies like Reliance Power, Dubai Electric and Power Authority, and TATA Power are reaping the benefits of these integrated systems, which are expected to make KESC more productive and transform it into a truly customer driven utility.

HUMAN RESOURCES

The second half of the financial year saw the violent face of the defunct labour union with illegal hunger strikes, lockouts, damage to property and personnel and forced closure of KESC offices. The management, however, withstood these testing times due to overwhelming support from workers and management staff who fully subscribe to the transformation and turnaround vision.

Industrial Relations

As an integral component of its business policy, envisaging the outsourcing of noncore functions, in December 2010 KESC Management offered Voluntary Separation Scheme (VSS) to around 4500 Non-Core workers. This legal right of privately managed KESC i.e. to rightsize by declaring non-core positions redundant was challenged by the Labour Union, the then CBA, through street power and violence. KESC management challenged these strong-arm tactics and unfair labour practices and KESC's stance was upheld by NIRC and Honorable Sindh High Court.

Nevertheless the Labour Union, which was rendered defunct, resorted to a spate of illegal measures: Dharnas, physical violence, blocking ingress and egress to employees and customers; inflicting physical injuries to employees attending offices and attending to technical break downs; sabotage at grids and distribution equipments leading to power interruptions; laying siege to the Head Office and holding senior management hostage.

In spite of the above, more than 50 percent of the non-core staff accepted VSS. The rank and file has accepted the distinction between Core and Non-Core. There was an increasing realisation that the KESC is not a public sector Corporation but a private Company under a determined and focused Management; as such, the old behaviour patterns had to be reformed to survive and prosper in the new dispensation.

Performance Management 2010

Human Resources group continued with its initiatives for the betterment of its employees and for inculcating a culture of meritocracy and, for the first time in the history of the Company, a performance management review was conducted to ensure transparency in increments and promotions. A total of 702 management employees have been promoted during the year. In addition 493 management employees, rated Meet Expectations and above, have also been granted salary alignments if their salaries were below 80 percent of the mid-point of their respective salary bands. These alignments are again performance based and have been put on a timeline through a "catch-up method".

Management Trainees & Trainee Engineers Programme

KESC also continued with Management Trainee/Trainee Engineers Programme with the objective of tapping young and dynamic talent and developing them into a pool of qualified managers. This is being done by giving trainees exposure in a variety of operational settings which allow them to acquire the necessary skills and know-how. With this support, graduates feed their interest for Distribution, Transmission, Generation, Strategy, Finance, HR, Marketing, Supply Chain and IT.

MARKETING

As part of the company's overall strategy of providing honest and transparent first-hand information to the people of Karachi, the marketing department developed and launched a number of advertising campaigns over the last 12 months. Various conventional touch-points such as electronic, print, outdoor etc. were used. However, innovative channels like Social Media and SMS advertising were also introduced to increase visibility and brand impact.

The highlight of the year was the launch of an aggressive 360 degree advertising campaign – "30 day Countdown" in December 2010. The objective of this campaign was two dimensional; give a deadline to electricity thieves and defaulters for voluntarily coming forward and inform them of the consequences resulting from nonpayment of dues and meter tampering when they are caught after the 30 day deadline expires.

In addition, a number of other marketing campaigns were launched, including: "The Right Decision", highlighting KESC's contribution to its internal and external stakeholders; "Passion is in our Blood", encouraging the Pakistani Cricket Team for the World Cup; "No Gas, No Light", highlighting the truth behind the reasons for load shedding; "Online billing" etc. Tactical advertising also continued throughout the year with Partnering Banks, Roshan Karachi Roshan Pakistan and International Agencies.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In line with its philosophy to create economic value through sustainable social and environmental initiatives, KESC has actively played its role as a responsible corporate citizen. KESC has adopted a comprehensive stakeholder engagement strategy to further strengthen its stance towards socially responsible initiatives.

Monsoon rains in 2010 uprooted millions of households and affected lives all across the country. KESC undertook tactical measures, to assist the government and non-governmental agencies, to provide aid to the flood victims on humanitarian grounds. Flood Relief Program, which was exclusively governed by the employees of KESC, provided support to 30,000 Internally Displaced People (IDPs). Contributions were made by all the major stakeholders, which amounted to Rs. 73.3 million and were utilised to purchase daily food supplies, tents for accommodation and other amenities facilitating the flood victims. Moreover, KESC also provided free medical assistance to over 18,750 IDPs residing in the temporary shelters established by the company.

In healthcare, "power quality" is a crucial part of patient care. The capability of responding quickly to changing requirements and providing high-quality solutions for power distribution is vital for optimal patient care. Karachi Electric Supply Company has undertaken various initiatives to provide uninterrupted power supply to the significant health institutes of Karachi. Major health care facilities such as Aga Khan University Hospital, Cardio Vascular Hospital, Civil Hospital, Pak Army Depot Hospital, Jinnah Hospital, PNS Shifa Hospital, Kiran Hospital, CMS Hospital Malir, Abbasi Shaheed Hospital and Marie Adelaide Leprosy Centre have been provided with dedicated networks and are exempted from load shedding.

KESC is involved in various drives pertaining to awareness creation about Energy Conservation, removal of clandestine connections and public safety. In the year 2010-11, we created strategic partnerships, whereby we engaged the youth and involved our leadership to address the students in different Seminars/Conferences. Leading schools such as the Institute of Business Administration, NED University of Engineering and Technology, Karachi University, Indus Valley School of Art and Architecture and Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology remained on the top of our list. These events helped us in bridging the communication gap between KESC and its consumers.

SPORTS

KESC believes that one of the best ways to serve the society is to inspire the youth to take part in healthy sporting activities. Creation of such a powerful platform is critical as it not only allows young and upcoming players to display and harness their talents, but also it provides us a means of communication to engage this segment and build a strong positive association with it.

With this strategic intent, KESC undertook a major football initiative in partnership with GEO Super. The company also sponsored the KESC Lyari Football League in collaboration with the Pakistan Football Federation in January 2011.

This tournament was organised for the underprivileged youth of Lyari, Hub, Vinder, Utal and Bela, to steer their energy in a positive manner and keep them away from negative activities. Sixteen teams of under-14 kids participated in this tournament, which led to opening brighter opportunities for 11 children who were selected for the Pakistan U13 team, out of which 9 got an opportunity to represent the Pakistan team.

The KESC football team participated in many other events throughout the year and secured fourth position in PPL 2010 and runner-up positions in the

National Challenge Cup and Aga Khan Gymkhana Ramazan Festival.

The KESC football team is presently 2nd in the Pakistan Premier League.

TURNAROUND

The support of the principal shareholders and GoP will facilitate a comprehensive turnaround of KESC's operations. With capital commitment of USD 361 million over a three (3) year period, of which USD 300 million have already been invested, and with GoP's proportionate investment in the additional equity, KESC has been able to execute a five (5) year business plan of which increasing the generation capacity by 1,000 MW is an integral element, in addition to establishment of a modern Generation and T&D system, automation of the entire billing system and improvement in customer service.

Since October 2008, over a period of 3 years, various local and international investors and lenders have injected (equity and debt) nearly USD 1 billion into KESC. As a result of this massive and unprecedented investment, the management's focused approach and concerted efforts in a strategic and prioritised manner backed by sponsor's strong professional and operational track record, the Company is now able to add around 1,000 MW of new generation capacity (of which 450 MW is already a reality and the balance 560 MW would be fully commissioned by the end of the financial year 2012).

The Company has also augmented the Transmission and Distribution network and Customer Service infrastructure. This is all driven by and in line with a Strategic Business Plan that is well on track on most work streams, notwithstanding fuel supply and circular debt issues that reflect the Government's failure to fulfill its commitments. Completion and commissioning of 9 grid stations in a record time of about 3 years, which is unprecedented in the company's 100 year history, has significantly improved transmission network capacity and reliability.

The shift in management's main focus last year to distribution, billing, recovery and loss reduction, has produced positive results. Through the process driven change involving greater accountability and rolling out of Integrated Business Centre (IBC) model, a significant and sustained reduction of 2.7 percent has been achieved in T&D losses on year-on-year basis, which has positively impacted the bottom line of P&L account and EBITDA for the review year has turned into profit of PKR 3.5 billion from loss of PKR 3.8 billion last year. Efforts are redoubled to further improve the T&D network as management is fully cognizant of its critical importance to make the Company a profitable and commercially viable entity to benefit all the stakeholders. 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 and commercial losses, development of human resource capital and improvement in the quality and standard of customer service shall continue to be main areas of focus for KESC.

CHALLENGES AND GOP SUPPORT REQUIRED

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 dues of GoP and GoP-related entities, and availability of gas as per the ECC approved allocation, will require the active support of the Federal and Provincial governments. At the time of management take over by the present group, sponsors committed an investment of USD 361 million and Government of Pakistan assured an ECC approved supply of 276 MMCFD gas for our existing power plants and another 130 MMCFD for the under construction USD 450 million, 560 MW capacity power plant. The fact is that the committed gas has never been supplied and KESC is suffering on account of insufficient gas supply. This has caused heavy reliance on furnace oil that is over three times more expensive. This has resulted in a sharp rise in determined tariff and eventually on circular debt. We are pursuing the Government's support for our approved quota of gas because we believe that less gas supply has a direct impact on load shedding and generation cost, which in turn increases the burden on consumers and the working capital of the Company.

FINANCIAL RESULTS

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

	PKR - Million 2011	PKR - Million 2010
Loss before taxation	(10,054)	(14,737)
Add taxation	661	96
Loss after taxation	(9,393)	(14,641)
Brought forward losses	(80,813)	(66,350)
Incremental depreciation/amortization relating to surplus on revaluation of property, plant and equipment – net of deferred tax	2,873	178
Accumulated losses	(87,333)	(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 47 to financial statements, are old and outdated distribution network and theft of electricity. With the completion of system improvement and loss reduction projects, it is expected that technical and commercial losses will be reduced to a reasonable level. The actions being taken by the Company for operational and infrastructure rehabilitation program with the commitment and support of the sponsors of the Company have been fully explained in note 1.2 to the financial statements.

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

III. As explained in note 32.1.3 to the financial statements, the issue of late payment surcharge/interest on delayed payment to/from Government Entities which are part of the circular debt situation, is likely to be settled on net receivable/payable basis without accounting for any delayed payment surcharge/interest. The contention of the Company is duly supported by legal opinions and accordingly accrual of interest has not been recorded since 1 July 2010, pending resolution of circular debt issue.

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

h. 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 44.

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 Rs. 0.44 (basic) and Rs. 0.39 (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 Rs. 6.976 billion as on 30.06.2011, 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 placed at page 112.

n. Pattern of shareholding is placed at page 113.

o. Government levies outstanding as on 30 June 2011 have been disclosed in note 25 to the financial statements.

BOARD OF DIRECTORS

During the review year, two (2) GoP nominees on the Board of the Company, Mr. Shahid Rafi and Mr. Tahir Basharat Cheema were substituted and replaced by Mr. Javed Iqbal, Secretary (W&P), Ministry of Water and Power and Mr. Muhammad Zargham Eshaq Khan, Joint Secretary (Power), Ministry of Water and Power, respectively. Subsequently Mr. Imtiaz Kazi replaced and substituted Mr. Javed Iqbal as Secretary (W & P), Ministry of Water and Power and Mr. Naveed Allauddin was posted as Joint Secretary (CF-II), Finance Division in place of Mr. Shabbir Ahmed. Mr. Imtiaz Kazi and Mr. Naveed Alauddin were accordingly appointed as directors of the Company in place of Mr. Javed Iqbal and Mr. Shabbir Ahmed respectively. Whereas a KESP nominee Mr. Nadir Salar Qureshi resigned from the Company's directorship and Mr. Omar Khan Lodhi was appointed as a director in his place. The Board wishes to place on record appreciation of services of the outgoing Directors and welcomes the incoming Directors.

AUDITORS

The present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, retire and, being eligible, have offered themselves for reappointment. BAC has recommended Messrs KPMG Taseer Hadi & Company, Chartered Accountants as auditors of the Company for the FY 2011-12.

ACKNOWLEDGEMENTS

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

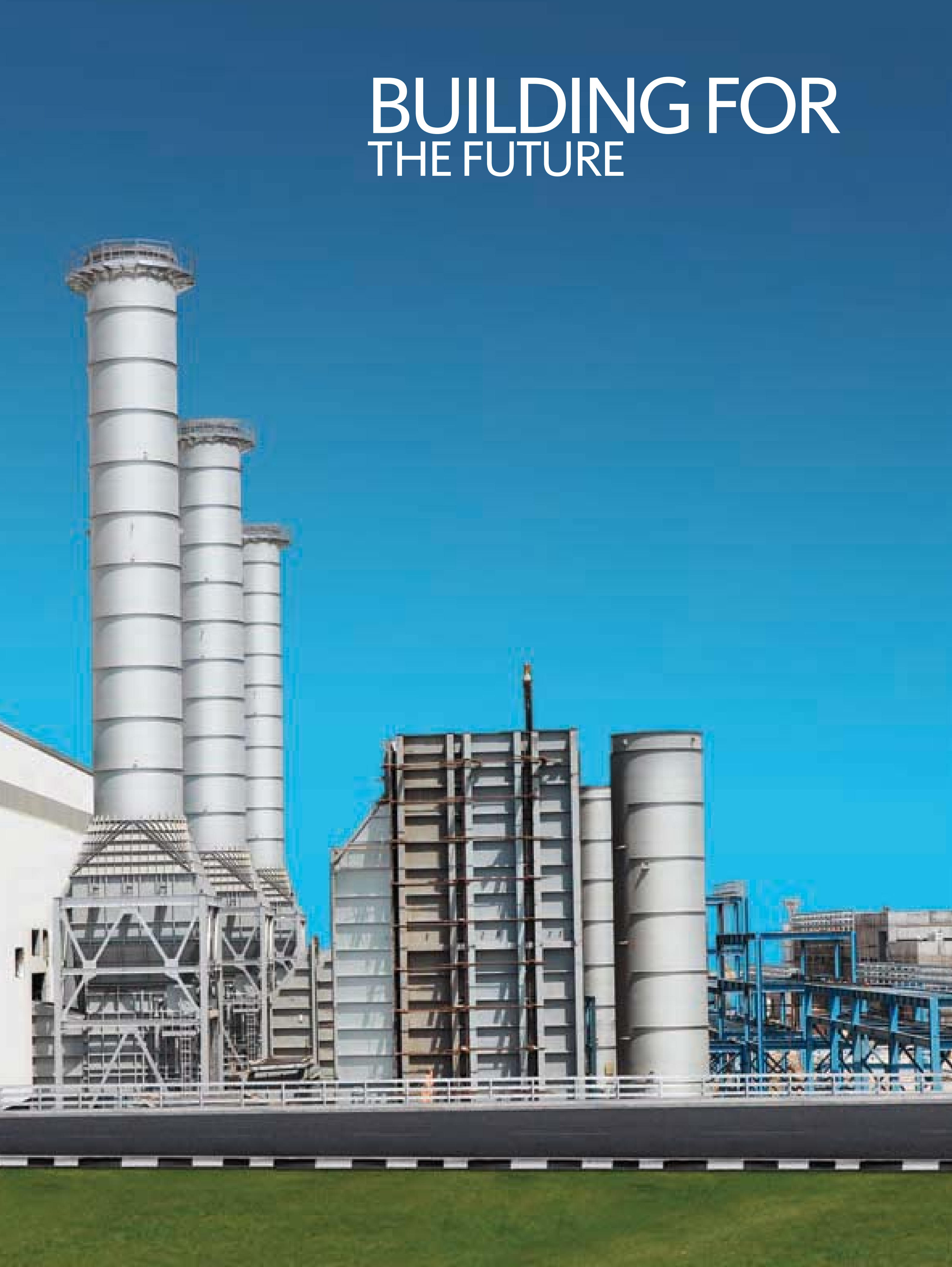
For and on behalf of the Board,

Tabish Gauhar

Chief Executive Officer

Karachi, 05 October, 2011

BUILDING FOR THE FUTURE



KESC is not just a power utility. It is a company linked with the lives of millions of people, dwelling in this great city of the world. A custodian of their future, KESC is undergoing an extensive expansion and upgrading process that involves installation and adoption of the most modern and efficient technologies and systems. This process of change - based on an extensive strategic plan - is bound to lead the city and its people towards a sustainable and brighter tomorrow.

STATEMENT OF COMPLIANCE

with Best Practices of Good Corporate Governance for the year ended 30 June 2011

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 was quite insignificant and has further decreased from 2.84 percent to 1.76 percent as minority shareholders did not subscribe to right shares offered to them through three (3) right issues of the Company during last two (2) years. On expiry of three year term, the directors' election will be held in the next AGM of the Company around October 2012.

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 percent 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 and Business Practices" in post-privatisation scenario matching current developments and applying best practices. The said statement has been duly approved by the Board of Directors and 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 along with the dates on which they were approved / amended, as conveyed by the Board's Secretariat, is maintained by the respective Departments.

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

11. The Directors are aware of their duties and responsibilities. With the reconstitution of the Board of Directors on 27 May 2009, the directors were provided with a "Guidelines for Directors on Strengthening Corporate Governance" and were given a brief presentation. The new Directors appointed since 27 May 2009 have been provided with the said guidelines and other related material and are briefed on the subject. Directors' certification process under "Corporate Governance Leadership Skills (CGLS) – Director Education Program" of the Pakistan

Institute of Corporate Governance (PICG), was initiated in accordance with the requirement of CCG. In fact, an executive director of the Company was registered with PICG to have said certification in May/June 2011 which could not materialise due to turbulent situation prevailing in the Company as a result of an illegal strike of the labour union. The said certification will now be obtained during the current year.

12. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for the purpose and the Board met five (5) 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 with the exception of one emergent Board Meeting for which waiver of notice period was approved by the Directors and was ratified in the Board Meeting. The minutes of the Board Meetings were appropriately recorded and circulated within thirty (30) days.

13. The Board has approved appointment of Company Secretary 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 CEO and GCFO 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 a Board Audit Committee [BAC], which comprises 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 Audit Committee (BAC) were held prior to approval of interim and final results of the Company and before and after completion of external audit, as required by the Code. The BAC met four (4) times during the year, once in each quarter prior, for approval of interim and final results of the Company. The terms of reference of the Committee have been framed and 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
Chief Executive Officer
Karachi, 05 October 2011

REVIEW REPORT
OF AUDITORS ON STATEMENT OF COMPLIANCE

with Best Practices of the 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 2011.

Date: 5 October 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

HISTORICAL HIGHLIGHTS

DESCRIPTION		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Units Generated	MILL KWH	8,709	8,908	9,274	9,304	9,130	8,169	8,662	8,262	7,964	7,826
Units Purchased	MILL KWH	3,406	3,809	3,664	4,289	5,370	6,708	6,527	7,005	7,842	7,605
Units Sold	MILL KWH	6,717	7,041	7,919	8,505	9,060	9,367	9,569	9,396	9,905	10,059
T&D Loss	%	41.11%	40.78%	37.84%	34.23%	34.43%	34.23%	34.12%	35.85%	34.89%	32.20%
REVENUE:											
Sale of Energy - net	PKR MILL	29,841	32,279	36,543	38,415	41,922	44,662	49,606	58,069	70,508	85,927
Tariff Adjustment		-	-	-	1,491	9,482	14,447	17,283	26,950	33,220	44,581
Other Sources	PKR MILL	1,206	1,299	1,313	1,401	2,439	1,929	3,000	2,690	4,960	5,094
Total Revenue	PKR MILL	31,047	33,578	37,856	41,307	53,843	61,038	69,889	87,709	108,688	135,602
EXPENSES:											
Cost - fuel and oil	PKR MILL	19,272	21,051	20,787	23,085	29,217	28,599	35,884	37,450	37,181	50,694
Purchase of Electricity	PKR MILL	13,191	15,582	14,925	17,707	23,991	29,364	32,861	44,921	59,881	65,296
Total fuel + Purchased	PKR MILL	32,463	36,633	35,712	40,792	53,208	57,963	68,745	82,371	97,062	115,990
O&M Expenses	PKR MILL	3,629	3,536	3,835	4,710	7,851	8,460	9,513	11,064	13,237	13,676
Depreciation	PKR MILL	2,829	3,157	3,160	3,345	3,413	3,329	3,508	2,986	4,074	8,380
Financial Charges	PKR MILL	7,750	1,985	910	138	379	1,316	1,875	5,620	6,824	5,127
Provision for doubtful debts	PKR MILL	1,071	2,008	2,249	2,308	3,329	1,881	1,171	776	1,993	2,240
Other Charges	PKR MILL	867	153	289	390	293	46	829	344	235	243
Total Expenses	PKR MILL	48,609	47,472	46,155	51,683	68,473	72,995	85,641	103,159	123,425	145,656
Net (Loss)	PKR MILL	(17,562)	(13,894)	(8,299)	(10,376)	(14,630)	(11,957)	(15,752)	(15,450)	(14,737)	(10,054)
Recoveries / Receivable from GoP under the terms of implementation agreement	PKR MILL	-	-	-	-	7,576	-	-	-	-	-
Other Subsidy from GoP	PKR MILL	-	5,751	9,572	10,896	-	-	-	-	-	-
(Loss) / Profit before taxation	PKR MILL	(17,562)	(8,143)	1,273	520	(7,054)	(11,957)	(15,752)	(15,450)	(14,737)	(10,054)
Taxation - net	PKR MILL	(154)	(168)	(187)	(199)	(137)	(219)	(320)	(34)	96	661
(Loss) / Profit after taxation	PKR MILL	(17,716)	(8,311)	1,086	321	(7,191)	(12,176)	(16,072)	(15,484)	(14,641)	(9,394)
INVESTMENT, RETURN & RATIOS											
Earning per share											
- Basic	PKR	(14.60)	(0.96)	0.12	0.07	(0.54)	(0.92)	(1.22)	(1.18)	(0.74)	(0.44)
- Diluted	PKR	(14.60)	(0.96)	0.12	0.07	(0.54)	(0.92)	(1.11)	0.98	(0.66)	(0.39)
Right share	%	-	-	-	-	-	-	-	-	31% & 14.5%	7.80%
Shareholders equity	PKR MILL	(37,939)	19,091	20,177	36,472	29,280	21,682	6,919	(8,737)	(525)	(2,449)

OPERATING RESULTS

		JULY-JUNE 2010-11	JULY-JUNE 2009-10
Maximum Demand	MW	2,565	2,562
Units Generated	MWH	7,826,278	7,964,073
Auxiliary Consumption	MWH	591,913	591,412
	%	7.56%	7.43%
Units Sent out	MWH	7,234,365	7,372,661
Total Power Purchased	MWH	7,602,760	7,841,551
Total Units Available	MWH	14,837,125	15,214,212
Units Billed	MWH	10,059,032	9,904,988
T & D Losses	MWH	4,778,093	5,309,224
	%	32.20%	34.90%

TRANSMISSION AND DISTRIBUTION SYSTEM

DESCRIPTION		As on 30 June 2010	Additions during 2010-11	As on 30 June 2011
TRANSMISSION SYSTEM - LENGTH				
220 kV Overhead	Circuit Km	321.204	-	321.204
220 kV Underground	Circuit Km	16.814	-	16.814
132 kV Overhead	Circuit Km	604.406	6.475	610.881
132 kV Underground	Circuit Km	120.02	30.097	150.117
66 kV Overhead	Circuit Km	149.4	-	149.4
66 kV Underground	Circuit Km	-	-	-
220/132/66/11 kV Grid Stations	Nos.	58	2	60
TRANSMISSION CAPACITY				
AUTO TRANSFORMERS:				
220/132 kV	MVA	3000	-	3000
132/66 kV	MVA	100	-	100
		3,100	-	3,100
GRID POWER TRANSFORMERS:				
132/11 kV	MVA	4,363	193.500	4,556.5
66/11 kV	MVA	60	-	60
		4,423	193.500	4,616.5
DISTRIBUTION SYSTEM				
11kV Overhead	Killometers	2,511	65	2,576
11kV Underground	Killometers	5,170	156	5,326
400 V Overhead	Killometers	10,745	43	10,788
400 V Underground	Killometers	1,197	3	1,200
11kV Distribution S/S/PMTs	Nos.	14,863	370	15,233
11kV Distribution Capacity	MVA	4,866	68	4,934
LOAD FREQUENCY		**2009-10**		**2010-11**
System evening peak demand	MW	2,562		2533
Day peak Demand	MW	2,553		2591
Base Demand (Night)	MW	1,102		1070
System Load Factor	%	67.65%		65.09%

FINANCIAL STATEMENTS OF
THE COMPANY FOR THE YEAR ENDED 30TH JUNE 2011

The Directors of Karachi Electric Supply Company Limited are pleased to present the Annual Report and Audited Financial Statements of the Company and the Auditors' Report thereon for the financial year ended 30 June 2011.

AUDITORS'
REPORT TO THE MEMBERS

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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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 2011 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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;

   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 2011 and of the loss, its cash flows and changes in equity for the year then ended; and

AUDITORS'
REPORT TO THE MEMBERS

KPMG Taseer Hadi & Co.

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

We draw attention to:

i) note 47 and note 1.2 to the accompanying financial statements:

- as given in note 47 to the accompanying financial statements, transmission and distribution losses of the Company are approximately 32.20 percent (30 June 2010: 34.89 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;

- 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 16.10 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; and

iii) note 32.1.3 to the accompanying financial statements which describes that during the year in view of the continuing circular debt situation and non recovery from various consumers in the public sector, the management considers that late payment surcharge / interest on delayed payment will ultimately be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The Company has also obtained legal opinions in this respect. Accordingly, the Company has decided to discontinue accrual of interest from 1 July 2010.

Our opinion is not qualified in respect of above matters.

KPMG Taseer Hadi

Date: 5 October 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

BALANCE SHEET
AS AT 30 JUNE 2011

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
Property, plant and equipment	4	**167,491,103**	141,432,310
Intangible asset	5	**22,927**	37,602
		167,514,030	141,469,912
Long-term loans	6	**61,360**	75,383
Long-term deposits and prepayments	7	**18,436**	22,399
Due from the Government	8	**-**	158,687
		167,593,826	141,726,381
CURRENT ASSETS			
Current portion of amount due from the Government	8	**634,750**	476,063
Stores and spares	9	**6,140,246**	4,945,239
Trade debts	10	**39,356,297**	29,029,574
Loans and advances	11	**463,238**	806,022
Trade deposits and prepayments	12	**2,999,092**	12,150,099
Other receivables	13	**17,860,046**	16,069,414
Derivative financial assets	14	**36,534**	766,453
Taxation - net	29	**-**	470,829
Cash and bank balances	15	**1,268,670**	1,189,424
		68,758,873	65,903,117
TOTAL ASSETS		**236,352,699**	207,629,498
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	**80,335,490**	74,966,045
Reserves			
Capital reserves	17	**509,172**	509,172
Revenue reserves	18	**5,372,356**	5,372,356
Accumulated losses		**(87,332,960)**	(80,812,538)
Other reserve		**(1,333,346)**	(560,147)
		(82,784,778)	(75,491,157)
Total equity		**(2,449,288)**	(525,112)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	**28,952,905**	31,826,017
		26,503,617	31,300,905
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	20	**47,157,037**	39,289,102
Long-term deposits	21	**4,332,650**	4,040,288
Deferred liabilities	22	**5,605,790**	5,767,124
Deferred revenue	23	**16,144,963**	16,249,362
Specific grant from the government	24	**348,606**	348,606
Deferred tax liability	19	**15,590,025**	17,137,086
		89,179,071	82,831,568
CURRENT LIABILITIES			
Trade and other payables	25	**75,299,452**	54,799,202
Accrued mark-up	26	**5,009,065**	4,770,125
Short-term borrowings	27	**21,374,141**	13,441,796
Short-term deposits	28	**8,215,674**	4,276,499
Taxation - net	29	**266,023**	-
Provisions	30	**9,978**	12,127
Current maturity of non-current liabilities	31	**10,495,678**	16,197,276
		120,670,011	93,497,024
CONTINGENCIES AND COMMITMENTS	32		
TOTAL EQUITY AND LIABILITIES		**236,352,699**	207,629,498

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

Tabish Gauhar	**Naveed Ismail**
Chief Executive Officer	Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		(Rupees in '000)	
REVENUE			
Sale of energy – net	33	85,926,679	74,274,710
Tariff adjustment	34	44,581,068	29,453,496
Rental of meters and equipment		213,433	208,309
		130,721,180	103,936,515
EXPENDITURE			
Purchase of electricity	35	(65,296,292)	(59,881,477)
Consumption of fuel and oil	36	(50,694,196)	(37,180,851)
		(115,990,488)	(97,062,328)
Expenses incurred in generation, transmission and distribution	37	(14,481,300)	(10,925,814)
GROSS PROFIT / (LOSS)		249,392	(4,051,627)
Consumers services and administrative expenses	38	(9,814,339)	(8,378,749)
Other operating income	40	4,880,547	4,751,526
Other operating expenses	39	(242,523)	(235,002)
		(5,176,315)	(3,862,225)
OPERATING LOSS		(4,926,923)	(7,913,852)
Finance cost	41	(5,127,376)	(6,823,638)
LOSS BEFORE TAXATION		(10,054,299)	(14,737,490)
Taxation	42		
- Current		(874,964)	-
- Prior		(11,331)	-
- Deferred		1,547,060	96,274
		660,765	96,274
NET LOSS FOR THE YEAR		(9,393,534)	(14,641,216)
		(Rupees)	
LOSS PER SHARE - basic	43	(0.44)	(0.74)
- diluted	43	(0.39)	(0.66)
		(Rupees in '000)	
Earning / (loss) before Interest, Tax, Depreciation and Amortisation (EBITDA)		3,470,568	(3,839,502)

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 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	44	16,599,586	6,861,934
Payment in respect of fatal accident		(2,149)	(3,800)
Deferred liabilities paid		(890,346)	(552,638)
Income tax paid		(149,444)	(250,281)
Receipts in deferred revenue		1,000,477	644,768
Finance cost paid		(6,698,823)	(4,497,601)
Interest received on bank deposits		218,132	338,386
Net cash generated from operating activities		10,077,433	2,540,768
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(30,865,389)	(14,156,765)
Proceed from disposal of fixed assets		116,530	151,009
Receipt from GoP - PSO and PIRKOH		-	238,031
Long term loans		14,023	17,584
Long term deposits		3,963	227,184
Net cash used in investing activities		(30,730,873)	(13,522,957)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against subscription of right shares		5,391,713	14,869,122
Liabilities against assets subject to finance lease repaid		-	(330,826)
Payment of long term financing - net		(9,427,749)	(4,946,042)
Transaction cost incurred on right issue		(22,265)	(141,884)
Short term borrowing repaid / acquired - net		7,932,342	1,488,274
Long term financing paid - PSO and PIRKOH		(163,716)	(97,969)
Receipt from long term financing - net		16,729,999	-
Security deposit from consumers		292,362	203,294
Net cash generated from financing activities		20,732,686	11,043,969
Net increase / (decrease) in cash and cash equivalent		79,246	61,780
Cash and cash equivalent at beginning of the year		1,189,424	1,127,644
Cash and cash equivalent at end of the year	45	1,268,670	1,189,424

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 2011

	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 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)
Total comprehensive income for the year ended 30 June 2011									
Net loss for the year	-	-	-	-	-	(9,393,534)	-	(9,393,534)	(9,393,534)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(773,199)	(773,199)	(773,199)
Total comprehensive income for the year	-	-	-	-	-	(9,393,534)	(773,199)	(10,166,733)	(10,166,733)
Incremental depreciation / amortisation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	2,873,112	-	2,873,112	2,873,112
Transaction with owners, recorded directly in equity									
Issuance of 1,540,489,369 ordinary shares @ Rs. 3.5 each - net	5,369,445	-	5,369,445	-	-	-	-	-	5,369,445
Balance as at 30 June 2011	**74,352,083**	**5,983,407**	**80,335,490**	**509,172**	**5,372,356**	**(87,332,960)**	**(1,333,346)**	**(82,784,778)**	**(2,449,288)**

* 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 2011

	2011	2010
	(Rupees in '000)	
Net loss for the year	**(9,393,534)**	(14,641,216)
Other comprehensive income - Hedging reserve	**(773,199)**	(223,097)
Total comprehensive income for the year	**(10,166,733)**	(14,864,313)

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 KESC House, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi. KES Power Limited (the holding company) holds 72.58 percent (30 June 2010: 72.45 percent) shares in the Company.

1.2 During the year, the Company has incurred a net loss of Rs. 9,394 million (2010: Rs. 14,641 million), resulting in accumulated losses of Rs. 87,333 million (2010: Rs. 80,813 million) as of the balance sheet date. The management of the Company is continuing with the operational and infrastructure rehabilitation program commenced after the privatization of the Company, with the objective of converting the Company into a profitable entity and has taken financial measures to support such rehabilitation program. The program includes:

1.2.1 Generation – Expansion and Rehabilitation

a) The 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. The first turbine is expected to be in operation by the end of first quarter of financial year 2011-12 and the plant will be fully operational by the end of the financial year 2011-12, having significant impact on the overall fuel efficiency and profit margin.

b) During last year, second fast track power plant of 90 MW capacity was commissioned at Korangi. The first fast track plant of total 90 MW capacity was commissioned at SITE in June 2009. These units are using the existing gas allocation of SITE and Korangi Gas Turbines and have almost doubled the generation with the same gas consumption due to higher efficiency, resulting in improved profit margin which will continue over the useful life of the plant. In addition, during last 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 and improved profit margin over the useful life of the plant.

c) 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 improved efficiency and reliability.

1.2.2 Transmission and Distribution Network – Expansion and Rehabilitation

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

1.2.3 Financial measures

The financial measures which the Company has embarked upon included loan agreements with foreign lenders including International Financial Corporation (IFC), Asian Development Bank (ADB) and Oesterreichische Kontrol Bank (Oekb) Austria - ECA as well as local lenders. The loans have been obtained for the purpose of capital expenditure on power generation, transmission and network improvement projects. A substantial amount of the facilities has already been disbursed to the Company and remaining is being disbursed in parallel with the progress of Capital expenditure projects.

1.2.4 Sponsors support

The Sponsors of the Company are committed to invest in the Company for its ongoing as well as future projects and also to meet its operating shortfalls. As part of the commitment, KES Power Limited (holding company) has subscribed its share of rights issues announced on 27 May 2009, 27 October 2009 and 26 August 2010 at the rate of 31%, 14.5% and 7.8% respectively at par value of Rs. 3.50 per share amounting to Rs. 10,620 million, Rs. 6,507 million and Rs 4,008 million, respectively. Further, KES Power Limited has also subscribed the unsubscribed minority shares. The Government of Pakistan (GOP) also subscribed for its share of 25.66 percent in the above right issues amounting in total to Rs. 7,293 million.

Subsequent to 30 June 2011, the Company, on 29 July 2011, has announced fourth right issue, at the rate of 7.25 % at par value of 3.50 per share amounting to Rs 5,403 million. KES Power Limited has given undertaking for subscription against its shares in the right issue as well as for the unsubscribed portion of the minority shares, if any. GOP has also given undertaking for subscribing its share of 25.66 percent in the right issue.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 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. The calculation of provision involves the use of estimates with regards to future estimated use and past consumption along with stores and spares holding period.

2.4.4 Employees retirement benefits

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

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

2.5 Accounting developments

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

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for either accounting periods beginning on or after 1 January 2011 or accounting periods beginning on or after 1 July 2011:

- 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 – 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 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

- 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 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.

- 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 in respect of all agreements entered on or before 30 June 2010 till conclusion of respective agreements. The Company has availed the relaxation given by SECP.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendment has no impact on financial statements of the Company.

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

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment is not likely to have any impact on Company's financial statements.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment has no impact on financial statements of the company.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)- (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendment has no impact on financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

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 or net realizable value less impairment loss, if any, except items in transit, which are stated at cost. Provision is made for obsolete and 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, if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

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

3.7 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 23).

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 2011 using the "Projected Unit Credit Method".

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

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

(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 the scheme in 2003, 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 all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

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

3.14 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.

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, cost of power purchase and operation and maintenance cost 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 estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

3.18 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, however in case of monetary assets and liabilities designated as hedge items in a cash flow hedge the gains and losses on translation are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the 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 re-measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.20 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 ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

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

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

Cash flow hedges

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

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

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

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

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

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

3.22 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	2011	2010
		(Rupees in '000)	
Operating fixed assets	4.1	**117,391,574**	120,865,072
Capital work-in-progress	4.2	**50,099,529**	20,567,238
		167,491,103	141,432,310

4.1 Operating fixed assets

	Note	COST/ REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	RATE
		As at 01 July 2010	Additions	(Disposals)	Adjustments	As at 30 June 2011	As at 01 July 2010	Charge for the year	(On disposal)	Adjustments	As at 30 June 2011	As at 30 June 2011	%
		---(Rupees in '000)---											
Owned Assets													
Land:													
Leasehold land	4.1.1	3,516,600	145,372	-	-	3,661,972	280,250	410,635	-	-	690,885	2,971,087	1.3 to 33.3
Other	4.1.2	415,585	-	-	-	415,585	-	-	-	-	-	415,585	-
Buildings on:													
Leasehold land		679,178	349,115	-	-	1,028,293	44,747	54,027	-	-	98,774	929,519	2
Other land		3,669,813	257,823	20	-	3,927,616	1,169,452	51,304	4	-	1,220,752	2,706,864	2
Plant and machinery	4.1.4.1	89,885,905	344,918	-	(75,164)	90,155,659	23,201,133	4,775,667	-	(6,386)	27,970,414	62,185,245	3.3 to 20
Transmission grid equipments		30,467,124	1,084,348	268,582	-	31,282,890	7,777,122	1,280,519	240,461	-	8,817,180	22,465,710	3 to 10
Transmission lines		13,218,838	896,208	80	-	14,114,966	5,910,029	394,036	24	-	6,304,041	7,810,925	3 to 10
Distribution networks		31,793,582	1,697,352	14,404	-	33,476,530	15,197,307	1,246,230	12,963	-	16,430,574	17,045,956	3 to 10
Renewals of mains and services		1,462,947	88,129	6,000	-	1,545,076	1,352,047	43,969	6,000	-	1,390,016	155,060	20
Furniture, air-conditioners and office equipment		562,493	84,343	-	-	646,836	402,599	23,691	-	-	426,290	220,546	10 to 15
Vehicles		425,592	5,881	72,324	-	359,149	356,115	6,016	57,328	-	304,803	54,346	15 to 20
Computers and related equipment		553,887	49,513	484	-	602,916	290,006	70,255	484	-	359,777	243,139	14.33-33.33
Tools and general equipment		557,138	18,824	2,628	-	573,334	362,803	23,741	802	-	385,742	187,592	10 to 15
Simulator equipment		67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	14.33
		177,276,395	5,021,826	364,522	(75,164)	181,858,535	56,411,323	8,380,090	318,066	(6,386)	64,466,961	117,391,574	

Additions of Rs. 5,021.826 million, as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in-progress in note 4.2.1.

		COST/ REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	RATE
		As at 01 July 2009	Additions/ Revaluation*	(Disposals)	Adjustments	As at 30 June 2010	As at 01 July 2009	Charge for the year	Disposal	Adjustments	As at 30 June 2010	As at 30 June 2010	%
	Note	--------------------	--------------------	--------------------	--------------------	--------------------	(Rupees in '000	--------------------	--------------------	--------------------	--------------------	--------------------	
Owned Assets													
Leasehold land		1,067,600	2,448,723 *	-	277	3,516,600	-	280,250	-	-	280,250	3,236,350	1.3 to 33.3
Other		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		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 year ended 30 June 2010.

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	2011	2010
		(Rupees in '000)	
Amenity:			
- Leasehold		**364,348**	364,348
- Freehold		**9,271**	9,271
Leasehold land – owned	4.1.2.1	**41,966**	41,966
		415,585	415,862

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 independent valuers, 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 arised were as follow:

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

4.1.4 Had there been no revaluation, the values of specific classes of leasehold land, plant and machinery and transmission grid equipments at 30 June 2011 would have been amounted to:

	Cost	Book value
	(Rupees in '000)	
Lease hold land	**322,413**	322,413
Plant and machinery	**50,802,746**	29,336,187
Transmission grid equipments	**19,176,583**	10,836,862
	70,301,742	40,495,462

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 2011 is Rs. 8,660.657 million (2010: Rs. 8,918.662 million).

4.1.6 Due to nature of Company's operations, certain assets included in transmission and distribution network are not inpossession 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	**2011**	**2010**
		(Rupees in '000)	
Expenses incurred in generation, transmission and distribution	37	**8,254,913**	3,757,325
Consumer services and administrative expenses	38	**125,177**	296,305
		8,380,090	4,053,630

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

		Original cost	Accumu-lated deprec-iation	Written down value	Net sales proceeds	Gain/ (Loss) on Disposal	Mode of disposal	Particulars of buyers
		(Rupees in '000)						
Distribution Network								
Meters		14,403	12,963	1,440	6,552	5,111	Auction	Syed Bhais (Pvt) Ltd.
Transmission Network								
Transmission equipments	4.1.8.1	264,045	236,464	27,580	32,815	5,235	Insurance claim	Adamjee Insurance Co. Ltd.
Transmission equipments		550	407	143	268	126	Insurance claim	Adamjee Insurance Co. Ltd.
Transformers		3,988	3,589	399	9,393	8,994	Auction	M/s New Delite (Pvt) Ltd.
Transformers		6,000	6,000	-	1,726	1,726	Insurance claim	Adamjee Insurance Co. Ltd.
Power and feeder cables		80	24	56	161	105	Insurance claim	Adamjee Insurance Co. Ltd.
Civil Structure of 11kv Room		20	4	16	45	29	Insurance claim	Adamjee Insurance Co. Ltd.
Computer								
Printers, type writers, monitors, etc.		484	484	-	147	147	Auction	M/s Muhammad Saleem
General Equipments								
Photocopier, type writers		204	184	20	154	134	Auction	M/s Muhammad Saleem
X-Rays Machine		8	7	1	60	59	Auction	M/s A.Rehman Iron Merchant
MTLs Trackers		2,416	611	1,805	1,805	-	As per Sale Agreement	M/s Perfect Transport Network
Vehicles:								
Sold to KESC Officers and Employees								
Suzuki Jeep-BC-2275		210	189	21	214	193	As per Company's policy	Bashir Ahmed Sheikh
Suzuki Bolan-CR-0969		319	263	56	305	249	As per Company's policy	Syed Asif Ali
Suzuki Baleno-APA-561		643	578	64	348	283	As per Company's policy	Chander Perkash
Suzuki Cultus-ANV-471		483	434	48	319	270	As per Company's policy	Muhammad Amir Khan
Suzuki Cultus-AQH-911		590	97	493	642	150	As per Company's policy	Shariq Nadeem
Suzuki Cultus-AQC-695		590	97	493	642	150	As per Company's policy	Abdul Saleem Kimani
Suzuki Cultus-ANL-653		555	117	438	550	112	As per Company's policy	Syed Itaat Hussain
Suzuki Mehran-ANX-711		265	219	46	220	174	As per Company's policy	Nasir Abbas
Suzuki Mehran-ANY-203		265	219	46	225	178	As per Company's policy	Amir Ahmed Sheikh
Suzuki Mehran-AHR-296		274	226	48	247	199	As per Company's policy	Abdul Haque Buriro
Honda City-ANM-731		834	250	584	840	256	As per Company's policy	Abdul Rauf Yousuf
Suzuki Bolan-CN-7521		319	263	56	317	261	As per Company's policy	Abdul Latif Mahesar
Suzuki Ravi-CN-2755		271	244	27	246	219	As per Company's policy	Muhammad Rafique
Suzuki Mehran-AHR-291		274	226	48	247	199	As per Company's policy	Ghulam Mohiuddin Jamali
Suzuki Bolan-CN-7543		319	263	56	317	261	As per Company's policy	Syed Fazal Ali Shah
Suzuki Mehran-AHR-258		274	226	48	247	199	As per Company's policy	Shabir Ahmed Sheikh
Suzuki Mehran-ANW-365		265	219	46	225	178	As per Company's policy	Abdul Raseed Janjua
Suzuki Mehran-ANX-706		265	219	46	225	178	As per Company's policy	Muhammad Farooq
Suzuki Mehran-AHR-257		274	226	48	247	199	As per Company's policy	Abdul Majeed Palijo
Toyota Corola-Z-5219		690	621	69	376	307	As per Company's policy	Syed Riffat Ali Rizvi
Suzuki Bolan-CJ-5175		174	157	17	26	9	As per Company's policy	Muhammad Javaid Iqbal
Suzuki Mehran-AFQ-591		258	232	26	221	195	As per Company's policy	Asadullah Shah
Suzuki Mehran-APA-576		265	219	46	225	178	As per Company's policy	Bashir Ahmed Sheikh
Suzuki Cultus-APG-802		483	398	84	372	287	As per Company's policy	Omeal Ahmed
Suzuki Mehran-AHR-285		274	226	48	247	199	As per Company's policy	Raza Ali Naqvi
Suzuki Bolan-CD-1566		135	122	14	151	137	As per Company's policy	Ahmed Ali Khan
Honda Civic-ANM-557		1,308	392	916	971	55	As per Company's policy	Faisal Jahangir Malik
Suzuki Cultus-ARB-268		662	50	612	644	31	As per Company's policy	Saif Ul Haque
Honda Civic-ALB-987		1,043	673	370	845	475	As per Company's policy	Tariq Noor
Honda Civic-AQG-198		1,395	167	1,227	1,477	250	As per Company's policy	Muhammad Rafiq
Toyota Corola-APQ-678		915	151	764	938	174	As per Company's policy	Muhammad Iqbal
Honda Civic-AMX-486		1,258	264	994	979	(15)	As per Company's policy	Zahir Hussain Rizvi

	Original cost	Accumu-lated deprec-iation	Written down value	Net sales proceeds	Gain/ (Loss) on Disposal	Mode of disposal	Particulars of buyers
	----------------------------	----(Rupees in '000)	--------------------------				
Suzuki Mehran-APA-809	265	219	46	225	178	As per Company's policy	Muhammad Pervez Akhter
Suzuki Bolan-CR-9862	319	287	32	307	275	As per Company's policy	Ejaz Rashid
Suzuki Bolan-CN-7531	319	263	56	317	261	As per Company's policy	Amir Jalaluddin
Suzuki Bolan-CR-0655	319	263	56	305	249	As per Company's policy	Aftab Ahmed
Suzuki Cultus-APM-166	585	97	488	552	63	As per Company's policy	Nazir Ahmed Jatoi
Suzuki Cultus-ARB-485	662	50	612	641	28	As per Company's policy	Asif Khan
Suzuki Cultus-AQD-349	590	97	493	642	150	As per Company's policy	Shakil Ahmed Khan
	19,209	**9,524**	**9,685**	**17,082**	**7,397**		
Others : Outside Parties							
Suzuki Jeep-BA-6297	178	160	18	177	160	Auction	Muhammad Ateeq
Suzuki Jeep-BC-2268	210	189	21	177	156	Auction	Muhammad Ateeq
Suzuki Jeep-BA-6259	117	105	12	177	166	Auction	Muhammad Ateeq
Suzuki Jeep-BA-6278	150	135	15	152	137	Auction	Muhammad Ateeq
Suzuki Jeep-BA-6273	138	124	14	152	139	Auction	Muhammad Ateeq
Suzuki Jeep-BA-6276	138	124	14	152	139	Auction	Muhammad Ateeq
Suzuki Bolan-CD-3582	135	122	14	133	120	Auction	Muhammad Ateeq
Suzuki Bolan-CJ-6114	190	171	19	133	114	Auction	Muhammad Ateeq
Suzuki Bolan-CD-3595	135	122	14	133	120	Auction	Muhammad Ateeq
Suzuki Bolan-CJ-4387	174	157	17	91	74	Auction	Gul Zamin
Suzuki Bolan-CJ-0584	135	122	14	91	78	Auction	Gul Zamin
Suzuki Bolan-CJ-7198	235	212	24	91	68	Auction	Gul Zamin
Suzuki Ravi-CD-4368	94	85	9	130	121	Auction	Asher Impex
Suzuki Alto-K-1922	110	99	11	95	84	Auction	Gul Zamin
Suzuki Mehran-AB-1106	213	192	21	95	74	Auction	Gul Zamin
Suzuki Alto-Q-0969	110	99	11	95	84	Auction	Gul Zamin
Suzuki Mehran-S-1733	120	108	12	108	96	Auction	Muhammad Afzal
Suzuki Mehran-W-7449	160	144	16	108	92	Auction	Muhammad Afzal
Suzuki Mehran-S-5095	120	108	12	108	96	Auction	Muhammad Afzal
Nissan Sunny-K-1881	315	283	31	130	99	Auction	Nusrat Iqbal
Nissan Sunny-K-1883	315	283	31	130	99	Auction	Nusrat Iqbal
Toyota Hilux-CE-5060	115	103	11	90	79	Auction	Asher Impex
Hundai Shehzore-KM-6183	512	461	51	333	282	Auction	Asher Impex
Hino Truck-JT-6954	226	204	23	355	332	Auction	Muhammad Ateeq
Hino Truck-JT-6964	226	204	23	355	332	Auction	Muhammad Ateeq
Hino Truck-JT-6955	226	204	23	355	332	Auction	Muhammad Ateeq
Mazda T-3000-JX-1180	162	146	16	309	292	Auction	Muhammad Ateeq
Mazda T-3000-JX-1197	167	150	17	309	292	Auction	Muhammad Ateeq
Mazda T-3000-JX-1101	221	199	22	309	287	Auction	Muhammad Ateeq
Toyota Hiace-CE-5258	360	324	36	485	449	Auction	Muhammad Ateeq
Toyota Hiace-CE-5259	464	417	46	485	439	Auction	Muhammad Ateeq
Toyota Hiace-CE-5267	464	417	46	485	439	Auction	Muhammad Ateeq
Toyota Hiace-CE-5193	320	288	32	376	344	Auction	Muhammad Ateeq
Toyota Hiace-CE-5264	464	417	46	376	329	Auction	Muhammad Ateeq
Toyota Hiace-CE-5245	168	151	17	376	359	Auction	Muhammad Ateeq
Toyota Hiace-CE-5263	464	417	46	470	423	Auction	Zahid Shafi
Toyota Hiace-CE-5261	464	417	46	470	423	Auction	Zahid Shafi
Toyota Hiace-CP-2120	168	151	17	470	453	Auction	Zahid Shafi
	8,682	**7,814**	**868**	**9,069**	**8,201**		
Motorised Tower Ladder (94 numbers)	**44,433**	**39,990**	**4,443**	**37,253**	**32,810**	As per Sale Agreement	M/s Perfect Transport Network
30 June 2011	**364,522**	**318,066**	**46,456**	**116,530**	**70,074**		
30 June 2010	288,613	228,190	60,423	151,009	90,585		

4.1.8.1 During the year the Company has disposed off in bulk, transmission equipment having original cost of Rs. 264.045 million and book value of Rs. 27.580 million against insurance claim received from M/s Adamjee Insurance Co. Ltd.

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 as at 1 July 2010		10,787,261	4,747,918	4,193,071	838,988	20,567,238
Additions during the year:						
560 MW Combine Cycle Power Plant		27,988,333	-	-	-	27,988,333
Others		872,337	2,291,249	3,140,423	264,501	6,568,510
		28,860,670	2,291,249	3,140,423	264,501	34,556,843
		39,647,931	7,039,167	7,333,494	1,103,489	55,124,081
Transferred to the:						
Operating fixed assets	4.1	(375,845)	(2,660,204)	(1,781,232)	(204,545)	(5,021,826)
Intangible assets	5.1	-	-	-	(2,726)	(2,726)
		(375,845)	(2,660,204)	(1,781,232)	(207,271)	(5,024,552)
Balance as at 30 June 2011		39,272,086	4,378,963	5,552,262	896,218	50,099,529
30 June 2010		10,787,261	4,747,918	4,193,071	838,988	20,567,238

5. INTANGIBLE ASSET

		Note	2011	2010
			(Rupees in '000)	
	Computer softwares			
	Cost	5.1	**86,019**	83,293
	Amortization to date	5.2	**(63,092)**	(45,691)
			22,927	37,602
5.1	**Cost**			
	Opening balance		**83,293**	45,537
	Additions during the year	4.2.1	**2,726**	37,756
		5.3	**86,019**	83,293
5.2	**Amortization to-date**			
	Opening balance		**(45,691)**	(24,971)
	Amortization during the year	5.2.1	**(17,401)**	(20,720)
			(63,092)	(45,691)
	Useful Life		**3 years**	3 years
5.2.1	Amortization charge for the year has been allocated to administrative expenses	38	**17,401**	20,720

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)	2011	2010
		(Rupees in '000)			
Considered good					
Executives	6.6	1	191	192	259
Employees		4,592	71,784	76,376	87,783
		4,593	71,975	76,568	88,042
Recoverable within one year shown under current assets	6.2 & 11	(4,593)	(10,615)	(15,208)	(12,659)
		-	61,360	61,360	75,383
Considered doubtful					
Employees	6.3	4,333	-	4,333	4,333
		4,333	61,360	65,693	79,716
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
		-	61,360	61,360	75,383

6.1 House building loans, carrying mark-up @ 6% per annum (2010: 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. 91.434 million (2010: Rs. 104.356 million).

6.6 Reconciliation of carrying amount of loans to executives:

	2011	2010
	(Rupees in '000)	
Balance at beginning of the year	259	348
Less: Repayments	(67)	(89)
Balance at end of the year	192	259

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Deposits			
Rental premises and others	7.1	**18,436**	22,399
Supplier		-	83,931
Recoverable within one year shown under current assets		-	(83,931)
		-	-
		18,436	22,399
Prepayments			
Rental projects		-	51,668
Adjustable within one year shown under current assets		-	(51,668)
		-	-
Considered doubtful			
Rental premises		**1,020**	1,020
Provision for impairment		**(1,020)**	(1,020)
		-	-
		18,436	22,399

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

8. DUE FROM THE GOVERNMENT

	Note	2011	2010
Amount due from the Government of Pakistan (GoP)	8.1	**634,750**	634,750
Recoverable within one year shown under current assets (including overdue instalments of Rs. 476.063 million (2010: Rs. 158.687 million)		**(634,750)**	(476,063)
		-	158,687

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

9. STORES AND SPARES

	Note	2011	2010
Stores and spares	9.2	**6,472,666**	5,554,188
Provision against slow moving and obsolete stores and spares	9.1	**(332,420)**	(608,949)
		6,140,246	4,945,239

9.1 Provision against slow moving and obsolete stores and spares

	2011	2010
Opening balance	**608,949**	683,723
Reversal during the year - net	**(276,529)**	(74,774)
	332,420	608,949

9.2 Included herein, stores in transit amounting to Rs. Nil million (2010: Rs. 153.118 million).

10. TRADE DEBTS

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Secured – against deposits from consumers	21	914,373	724,389
Unsecured		38,441,924	28,305,185
	10.1&10.4	39,356,297	29,029,574
Considered doubtful	10.2	16,530,649	15,086,761
		55,886,947	44,116,335
Provision for impairment (against debts considered doubtful)	10.2	(16,530,649)	(15,086,761)
		39,356,297	29,029,574

10.1 This includes gross receivable of Rs. 21,964 million (2010: Rs. 15,696 million) due from Government and autonomous bodies.

10.2 Provision for impairment (against debts considered doubtful)

	2011	2010
Opening balance	15,086,761	14,271,672
Provision made during the year	2,239,698	1,992,962
	17,326,459	16,264,634
Provision written off during the year	(795,810)	(1,177,873)
	16,530,649	15,086,761

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)						
2011	**39,356,297**	**6,371,810**	**12,991,870**	**7,734,942**	**5,036,704**	**2,934,747**	**4,286,224**
2010	29,029,574	2,625,032	8,985,212	6,537,346	4,587,069	2,245,730	4,049,185

11. LOANS AND ADVANCES

	Note	2011	2010
		(Rupees in '000)	
Loans – secured			
Considered good			
Current portion of long term loans	6	**15,208**	12,659
Advances – unsecured			
Considered good			
Employees		**31,332**	20,044
Suppliers	11.1	**416,698**	773,319
		448,030	793,363
Considered doubtful			
Suppliers		**130,340**	130,340
		578,370	923,703
Provision for impairment (against advances - considered doubtful)		**(130,340)**	(130,340)
	11.2	**448,030**	793,363
		463,238	806,022

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

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

12. TRADE DEPOSITS AND PREPAYMENTS

	Note	2011	2010
Trade deposits			
Deposits	12.1 & 12.2	**2,917,203**	11,899,308
Current portion of long-term deposits	7	**-**	83,931
		2,917,203	11,983,239
Prepayments			
Rent		**810**	642
Insurance		**17,992**	55,882
Others	12.3	**63,087**	58,668
Current portion of rental projects	7	**-**	51,668
	12.4	**81,889**	166,860
		2,999,092	12,150,099

12.1 This includes Rs. 105.344 million (2010: Rs. 459.134 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

12.2 This includes Rs. 2,801.106 million (2010: Rs. 11,428.292 million) which represents deposits under lien against letter of credits with commercial banks. It carries mark up ranging from 5% to 9% per annum (2010: 5% to 9% per annum).

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

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

13. OTHER RECEIVABLES

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Sales tax - net	13.1	**4,237,301**	4,742,230
Due from the Government of Pakistan in respect of:			
- Sales tax on selected classes of consumers		**702,072**	397,274
- Tariff adjustment		**12,573,041**	10,641,754
- Interest receivable from GoP on Demand Finance facilities		**237,173**	237,173
		13,512,286	11,276,201
Others		**110,459**	50,983
	13.2	**17,860,046**	16,069,414
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)
		-	-
		17,860,046	16,069,414

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 2011 receivables aggregating to Rs.17,860.046 million (2010: Rs. 16,069.414 million) were non-interest bearing and were past due but not impaired.

14. DERIVATIVE FINANCIAL ASSETS

	2011	2010
Cross currency swap	**100,202**	766,453
Interest rate swap	**(63,668)**	-
	36,534	766,453

14.1 This represents the fair value of Cross Currency Swaps, net off loss Rs. 775.000 million (2010: Rs. 237.073 million) and Interest Rate Swap. The Company has entered into various Cross Currency Swaps with commercial banks as discussed in note 20.1, 20.3 and 20.4 respectively. Pursuant to the agreements, the Company's foreign obligations upto USD 245 (2010 : 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 plus spread ranging from (85) to 80 basis points. During the year the Company also entered into an interest rate swap arrangement whereby the Company has converted the PKR floating rate liability as discussed in note 20.2 into fixed rate liability. The amortizing notional amount hedged against interest rate risk was amounted to Rs. 2,300 million.

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

15. CASH AND BANK BALANCES

	Note	2011	2010
		(Rupees in '000)	
Cash in hand		**11,629**	12,689
Cash at banks in:			
Current accounts		**242,971**	355,329
Deposit accounts	15.1	**364,748**	69,883
Collection accounts		**649,322**	751,523
		1,257,041	1,176,735
		1,268,670	1,189,424

15.1 These carry mark up ranging from 5% to 12.5% per annum (2010: 5% to 12.5% per annum).

16. SHARE CAPITAL

2011	2010		Note	2011	2010
(Number of shares)				(Rupees in '000)	
		Authorized share capital			
32,857,142,857	25,714,285,714	Ordinary shares of Rs. 3.5 each fully paid	16.1	**115,000,000**	90,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs. 3.5 each fully paid	16.1	**10,000,000**	10,000,000
35,714,285,714	28,571,428,571			**125,000,000**	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
8,123,278,099	6,582,788,730	Ordinary shares of Rs. 3.5 each fully paid - net	16.2	**28,267,321**	22,897,876
1,714,285,713	1,714,285,713	Redeemable Preference shares of Rs. 3.5 each fully paid - net	16.3, 16.9 & 16.10	**5,983,407**	5,983,407
9,882,934,917	8,342,445,548			**34,704,439**	29,334,994
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	16.4	**3,045,123**	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs. 10 each fully paid	16.5	**17,834,560**	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs. 10 each fully paid	16.6	**65,340,773**	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs. 3.50 each fully paid	16.7	**15,283,738**	15,283,738
12,988,827,989	12,988,827,989			**101,504,194**	101,504,194
22,871,762,906	21,331,273,537			**136,208,633**	130,839,188
		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
23,004,638,795	21,464,149,426			**137,537,392**	132,167,947
-	-	Reduction in capital	16.8	**(57,201,902)**	(57,201,902)
23,004,638,795	21,464,149,426			**80,335,490**	74,966,045

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

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

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

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

16.2 This represents 8,123,278,099 (2010: 6,582,788,730) ordinary shares issued at Rs. 3.5 each, net of transaction cost of Rs. 164.152 million (2010: Rs.141.884 million). KES Power Limited (the Holding Company) has 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 02 March 2006.
- Return of allotment of shares was filed under section 73(1) of the Ordinance.
- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.

- Dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.
- The requirements of the Ordinance take precedence over the requirements of International Accounting Standards.
- The preference shareholders have the right to convert these shares into Ordinary shares.

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

17. CAPITAL RESERVES

	Note	2011	2010
		(Rupees in '000)	
Unclaimed fractional bonus shares money	17.1	**46**	46
Workmen compensation reserve	17.2	**700**	700
Third party liability reserve	17.3	**300**	300
Fire and machinery breakdown insurance reserve	17.4	**508,126**	508,126
		509,172	509,172

17.1 Unclaimed fractional bonus shares money

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

17.2 Workmen compensation reserve

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

17.3 Third party liability reserve

This reserve has been created to meet the third party liabilities, arising due to accidents by electrocution, 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.

17.4 Fire and machinery breakdown insurance reserve

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

18. REVENUE RESERVES

	2011	2010
	(Rupees in '000)	
General Reserve	**5,372,356**	5,372,356

19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

	Note	2011	2010
		(Rupees in '000)	
Balance as at 01 July		**48,963,103**	745,466
Surplus arising on revaluation of leasehold land, plant & machinery and transmission grid equipments		**-**	48,492,706
		48,963,103	49,238,172
Transferred to accumulated losses in respect of incremental depreciation / amortisation charged during the year, net of deferred tax		**2,873,112**	178,795
Related deferred tax liability		**1,547,061**	96,274
		4,420,173	275,069
Surplus on revaluation as at 30 June		**44,542,930**	48,963,103
Less: Related deferred tax liability on:			
- Revaluation at the beginning of the year		**17,137,086**	260,913
- Surplus arising on revaluation of leasehold land, plant & machinery and transmission grid equipment		**-**	16,972,447
- Incremental depreciation charged during the year		**(1,547,061)**	(96,274)
		15,590,025	17,137,086
		28,952,905	31,826,017

20. LONG-TERM FINANCING

	Note	2011	2010
From banking companies and financial institutions - Secured			
International Finance Corporation (IFC)	20.1 & 20.7	**8,931,392**	7,275,997
Syndicate term loan	20.2 & 20.7	**6,400,000**	7,680,000
Asian Development Bank (ADB)	20.3 & 20.7	**11,023,386**	10,699,997
Term loan from a banking company		**-**	1,137,600
Foreign currency term loan	20.4	**1,564,613**	-
Syndicated commercial facility	20.5	**1,652,778**	-
Syndicated structured term finance facility	20.6	**8,500,000**	-
Structured Islamic Term Financing - Musharka	20.8	**3,000,000**	-
		41,072,169	26,793,594
Current maturity shown under current liabilities	31	**(4,486,132)**	(3,539,255)
		36,586,037	23,254,339
Others - Secured			
Due to Oil and Gas companies	20.9	**704,471**	868,188
Current maturity shown under current liabilities	31	**(704,471)**	(709,500)
		-	158,688
Unsecured			
GoP Loan for the electrification of Hub Area	20.10	**26,000**	26,000
Gul Ahmed Energy Limited	20.12	**505,075**	1,515,224
Tapal Energy (Private) Limited		**-**	1,200,000
		505,075	2,715,224
Current maturity thereof shown under current liabilities	31	**(505,075)**	(2,210,149)
Due to the Government and autonomous bodies - related parties	20.11	**15,345,000**	25,083,372
Current maturity thereof shown under current liabilities	31	**(4,800,000)**	(9,738,372)
		10,545,000	15,345,000
		47,157,037	39,289,102

20.1 This represents utilised portion amounting to USD 103.793 million (2010: USD 85 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 (2010: 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 years grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 with final instalment due on 15 September 2017. Tranche B2 carries interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. During the year the Company has drawn USD 25 million under the Loan Agreement and repaid USD 6.208 million as per the terms of the Agreement. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. In the event of default in payments, the Company shall pay liquidated damages at the rate of 2 percent per annum and 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed Cross Currency Swaps with commercial banks to hedge the Company's foreign currency payment obligation to IFC up to USD 101.293 million (2010: USD 65 million) together with LIBOR interest accruing thereon (note 14.1).

20.2 This represents utilised portion of a term loan obtained under an agreement dated 23 May 2007, aggregating to Rs. 8,000 million (2010: Rs. 8,000 million), with a Syndicate of local commercial banks, for the purposes of capital expenditure for 220 MW Korangi Generation Project and 560 MW Bin Qasim Power Generation Project, as shown in note 4.2.1. The said loan is available for a period of 9 years maturing on 15 June 2016, with a 3 years grace period, having an availability period of 2 years 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. During the year, the Company has executed an Interest Rate Swap with a commercial bank to hedge the Company's PKR floating rate liability on an amortizing notional outstanding Rs. 2,300 million as at 30 June 2011.

20.3 This represents utilised portion amounting to USD 128.104 million (2010: USD 125 million) of total available facility amounting to USD 150 million (2010: 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 years grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 and final instalment due on 15 September 2017. Tranche B2 carries interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. In the event of default in payments, the Company shall pay liquidated damages at the rate of 2% per annum and 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed Cross Currency Swaps with commercial banks to hedge the Company's foreign currency payment obligation to ADB up to USD 125.603 million (2010: USD 85 million) together with LIBOR interest accruing thereon (note 14.1).

20.4 This represents fully utilized foreign currency loan arranged by the Company amounting to US$ 23.377 million under an agreement dated 5 May 2010 with Citibank Europe plc and Bank Alfalah Kabul for purchase of Gas engines in relation to Jenbacher Project expansion. The loan is under Political risk insurance from OeKB (Oesterreichische Kontrol bank AG) - ECA Austria. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carries interest at 3 month LIBOR + 1.7% per annum payable quarterly in arrears from the date of signing of the agreement. The Company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment. The company has executed Cross Currency Swaps with a commercial bank to hedge the Company's foreign currency payment obligations to Citibank Europe plc and Bank Alfalah Kabul together with LIBOR interest accruing thereon.

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

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

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

- mortgage (by deposit of title deeds) over all lands and buildings located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all fixed assets relating to the Generation Expansion);
- an exclusive hypothecation over all movable fixed assets whether now or at any time in the future located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all movable assets relating 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.

20.8 This represents fully utilized loan obtained under an agreement dated 22 April 2010 amounted to Rs.3,000 million for the purpose of working capital financing. The said loan is payable in 5 years term with 15 equal quarterly instalments, with first instalment due on 28 July 2011. It carries mark-up at the rate 3 months KIBOR plus 2.5% per annum and is payable quarterly in arrears from the date of first drawdown. The facility is secured as follows:

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

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

20.9 Due to the Oil and Gas Companies - unsecured

	2011	2010
	(Rupees in '000)	
Pakistan State Oil Company Limited (PSO)	**97,533**	261,250
Pirkoh Gas Company Limited (PGCL)	**606,938**	606,938
	704,471	868,188
Current maturity thereof, including overdue instalments of Rs. 545.784 million (2010: Rs.392.125 million)	**(704,471)**	(709,500)
	-	158,688

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

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

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

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

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

20.11 Due to the Government and autonomous bodies- unsecured

	Note	2011	2010
		(Rupees in '000)	
National transmission and dispatch Company (NTDC)	20.11.1	**15,345,000**	20,145,000
Sui Southern Gas Company Limited		**-**	4,938,372
		15,345,000	25,083,372
Current maturity thereof shown under current liabilities		**(4,800,000)**	(9,738,372)
		10,545,000	15,345,000

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

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

20.12 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. 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.

22. DEFERRED LIABILITIES

	Note	2011	2010
		(Rupees in '000)	
Gratuity	22.1	**4,010,930**	3,752,606
Post retirement medical benefits	22.1	**1,183,939**	1,536,619
Post retirement electricity benefits	22.1	**410,921**	477,899
		5,605,790	5,767,124

22.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS–19 “Employee Benefits”, actuarial valuation was carried out as at 30 June 2011, 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:

	2011	2010
Discount rate	**14.00%**	13.00%
Salary increase	**11.75%**	10.85%
Medical cost trend	**8.50%**	7.62%
Electricity price increase	**8.50%**	7.62%

	2011			
	Gratuity	Medical benefits	Electricity benefits	Total
	----------------- (Rupees in '000) -----------------			

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

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

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

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

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

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

	2010			
	Gratuity	Medical benefits	Electricity benefits	Total
	----------------- (Rupees in '000) -----------------			

22.1.4 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 finalized during the year	706,758	207,559	79,916	994,233

22.1.5 Movement in the liability recorded in the balance sheet 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)
Provision as at 30 June 2010	3,752,606	1,536,618	477,899	5,767,123

22.1.6 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

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

Comparison for five years	**2011**	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	**6,496,339**	6,951,786	5,728,035	5,897,068	4,102,677
Percentage of experience adjustments on plan liabilities	**(1%)**	12%	(13%)	26%	(21%)

22.1.8 The effect of one percent movement in assumed medical cost trend rates would have following effects on 30 June 2011:

	30 June 2011	
	Increase	**Decrease**
	(Rupees in '000)	
Effect on the aggregate of current service and interest costs	**209,386**	**170,228**
Effect on the defined benefit obligation	**1,025,422**	**886,704**

23. DEFERRED REVENUE

	Note	**2011**	**2010**
		(Rupees in '000)	
Opening balance		**16,249,362**	14,237,770
Additions during the year:			
Recoveries from consumers	23.1	**990,243**	644,768
Transfer from specific grant from the Government of Pakistan for Financial Improvement Plan (FIP)	24	**-**	2,429,397
		990,243	3,074,165
		17,239,605	17,311,935
Amortisation for the year	40	**(1,104,876)**	(1,062,573)
		16,134,729	16,249,362
Amount recoverable from supplier		**10,574**	-
Amount transferred to income		**(340)**	-
	23.2	**10,234**	-
		16,144,963	16,249,362

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

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

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

	Note	2011	2010
		(Rupees in '000)	
Opening balance	24.1	348,606	2,778,003
Transfer to deferred revenue		-	(2,429,397)
		348,606	348,606

24.1 This represents a demand finance facility arranged by the Company under the Syndicated Finance Agreement, executed between the Company and a Consortium of local commercial banks, on 24 September 2005. Under the terms of the said agreement, the Company had acquired a demand finance facility of Rs. 3,000 million for the improvement of network and reduction in transmission and distribution losses under the Financial Improvement Plan (FIP). The rate of mark-up on the said facility was 6 month KIBOR + 0.5 to 1.0 % and 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 ended 30 June 2010 the demand finance facility have been repaid completely.

25. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in '000)	
Trade creditors			
Power purchases		32,615,328	28,775,214
Fuel and gas	32.1.3	32,202,304	15,617,432
Others		3,952,956	5,344,885
		68,770,588	49,737,531
Accrued expenses	25.1	2,318,153	1,639,775
Advances / credit balances of consumers			
Energy	25.2	371,466	248,463
Others	25.3	417,571	687,640
		789,037	936,103
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		127,353	118,782
Payable to Provident Fund		64,842	111,776
Electricity duty	25.4	2,711,327	1,668,244
Tax deducted at source	25.4	238,338	358,028
PTV license fee	25.4	28,788	28,293
Payable to the then Managing Agent, PEA (Private) Limited		28,942	29,014
Others		221,434	171,006
		3,421,674	2,485,793
		75,299,452	54,799,202

25.1 This include an aggregate sum of Rs. 504.640 million (2010: Rs. 447.337 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. 5,832.802 million (2010: Rs. 5,553.140 million), have not been acknowledged by the Company as debts and, hence, these have been disclosed under contingencies and commitments (note 32.3.3).

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

25.3 This include Rs. 404.333 million (2010: Rs. 660.025 million) which represent general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

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

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

26. ACCRUED MARK-UP

	Note	**2011**	**2010**
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	20	**383,818**	142,633
Long term deposits received from consumers	21	**1,145,884**	1,039,274
Borrowings relating to Financial Improvement Plans (FIP)	24	**15,357**	240,205
Short term borrowing	27	**136,325**	168,957
Short term running finance	27	**326,871**	178,246
Financial charges on delayed payment to suppliers	26.1	**3,000,810**	3,000,810
		5,009,065	4,770,125

26.1 This includes Rs. 2,381.658 million (2010: 2,381.658 million) representing financial charges accrued in respect of Sui Southern Gas Company Limited and Rs. 619.152 million (2010: Rs. 619.152 million) representing financial charges accrued in respect of National Transmission and Dispatch Company.

27. SHORT-TERM BORROWINGS – Secured

From banking companies			
Bridge term finance facility	27.1	**2,465,143**	3,431,000
Bills payable	27.2	**6,861,895**	3,912,194
		9,327,038	7,343,194
Short term running finances	27.3	**6,482,837**	4,641,489
Short term loan	27.4	**4,026,895**	1,427,831
Structured invoice financing	27.5	**1,092,289**	-
KES Power limited - holding company	27.6	**445,082**	29,282
		12,047,103	6,098,602
		21,374,141	13,441,796

27.1 This represents a bridge term finance facility under Bridge Term Finance Agreement dated 20 January 2011 and 20 April 2011, executed between the Company and a Consortium of local commercial banks to meet short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs. 2,465 million (2010: Rs. 3,600 million). The principal amount is repayable on demand and carries mark-up at 1 month KIBOR + 1% payable monthly in arrears and is secured against Standby Letters of Credit (SBLC) amounting to USD 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.

27.2 These are payable to various local commercial banks at a maturity ranging 90 to 180 days from the date of discounting in respect of making payments to Sui Southern Gas Company Limited, Gul Ahmed Energy Limited, Tapal Energy (Private) Limited and Pakistan State Oil Company Limited.

27.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs. 5,750 million (2010: Rs. 5,250 million). These are for a period of one year and carry mark-up of 1 to 3 month KIBOR plus 1.75% to 3.50%. These finances are secured against joint pari passu charge over current assets, aggregating to Rs. 32,867 million (2010: Rs. 28,066 million) and USD Nil (2010: USD 14.8 million). In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

27.4 This represents excess running finance facilities from various local commercial banks to the extent of Rs. 5,250 million (2010: Rs. 2,115 million).These are for a period ranging from 3 month to one year with rollover at respective maturities and carries mark-up of 1 to 3 months KIBOR plus 2.25% to 3.25 % (2010: 1 to 3 month KIBOR plus 2.25% to 3 .0%).

These finances are secured against securities mentioned in note 27.3.

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

27.6 This includes USD 5 million received from KES Power holding limited against issue of right shares. and a sum paid by KES Power holding Limited amounting to USD 0.250 million to a supplier as deposit on behalf of the Company.

28. SHORT-TERM DEPOSITS

	Note	2011	2010
		(Rupees in '000)	
Service connection deposits	28.1	**2,828,125**	2,468,863
Suppliers' security deposits		**379,753**	522,965
Earnest money / Performance bond	28.2	**5,007,796**	1,284,671
		8,215,674	4,276,499

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

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

29. TAXATION – net

		2011	2010
		(Rupees in '000)	
Advance income tax		**2,181,110**	2,031,666
Provision for taxation		**(2,447,133)**	(1,560,837)
		(266,023)	470,829

30. PROVISIONS

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

Opening balance		**12,127**	15,927
Payment made during the year against contingencies relating to fatal accidents		**(2,149)**	(3,800)
		9,978	12,127

31. CURRENT MATURITY OF NON- CURRENT LIABILITIES

Long term Financing	20	**10,495,678**	16,197,276

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

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

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

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

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

32.1.2 In respect of mark-up on the overdue amount payable to a major Government owned power supplier, the Company has reversed the mark-up accrued for the period from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million during the year ended 30 June 2010 and also has not accrued mark-up amounting to Rs. 1,779 million for the period from 1 April 2010 to 30 June 2011 on the overdue amounts of such supplier. 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 (including Late Payment Surcharge receivable from KW&SB, CDGK, etc., refer note 40.1) by certain Public Sector Consumers.

32.1.3 During the current year, in view of the continuing circular debt situation and non recovery from various public sector consumers, the management considers that late payment surcharge / interest on delayed payment to

/ from Government Entities will ultimately be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The Company decided to discontinue to record the accrual of interest effective from 01 July 2010 till circular debt issue is settled and the Company is supplied with the gas as committed. The interest not accrued for the current twelve month period amounts to Rs. 3,511 million. The management is of the view that the reduction in gas supply, together with the delayed settlement of energy dues (including Late Payment Surcharge receivable from KW&SB, CDGK, etc., refer note 40.1) by Government Entities, have a direct impact on the liquidity of the Company. This matter has been raised with SSGC and based on the same principle, the management is of the view that the Company is not liable and will not pay any interest on the amount payable.

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

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

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

32.2 Claims not acknowledge as debts

A claim, amounting to Rs. 73.161 million, was lodged by Pakistan Steel Mills Corporation (Private) 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.

32.3 Others claim not acknowledged as debts

		2011	2010
		(Rupees in '000)	
32.3.1	Fatal accident cases	**578,338**	561,733
32.3.2	Architect's fee in respect of the Head office project	**50,868**	50,868
32.3.3	Outstanding dues of property tax, water charges, ground rent and occupancy value	**5,832,802**	5,553,140

32.3.4 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.

		Note	2011	2010
			(Rupees in '000)	
32.4	**Commitments**			
32.4.1	Guarantees from banks		**1,839,307**	1,143,116
32.4.2	Contracts with respect to Transmission and Distribution Projects		**1,127,100**	1,242,000
32.4.3	Outstanding Letters of Credit		**1,690,818**	2,688,206
32.4.4	Commitment for payment in respect of Combined Cycle Power Plant (220 MW)		**45,072**	79,825
32.4.5	Commitment for payment in respect of 560 MW Project		**86,474**	9,200,684
32.4.6	Dividend on Preference Shares		**854,516**	674,516
32.4.7	SAP Implementation Cost		**-**	106,250

33. SALE OF ENERGY – net

	Note	2011	2010
Residential		**29,651,242**	24,170,918
Commercial		**13,662,574**	12,089,731
Industrial		**37,729,867**	32,126,673
Karachi Nuclear Power Plant		**156,134**	28,312
National Transmission and Dispatch Company		**73,458**	51,397
Pakistan Steel Mills Corporation (Private) Limited		**1,161,204**	811,151
Fuel Surcharge Adjustment	33.1	**2,450,780**	3,766,590
Others	33.2	**1,041,420**	1,229,938
		85,926,679	74,274,710

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

33.2 This includes, a sum of Rs. 994.723 million (2010: Rs. 1,103.763 million) in respect of supply of energy through street lights.

34. TARIFF ADJUSTMENT

	Note	2011	2010
Tariff adjustment due to fuel and power purchase	34.1	**44,581,068**	29,453,496

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

35. PURCHASE OF ELECTRICITY

	2011	2010
	(Rupees in '000)	
National Transmission and Dispatch Company	38,862,872	35,951,670
Independent Power Producers (IPPs)	24,526,966	20,391,644
Karachi Nuclear Power Plant	1,404,041	3,001,028
Pakistan Steel Mills Corporation (Private) Limited	502,413	537,135
	65,296,292	59,881,477

36. CONSUMPTION OF FUEL AND OIL

	2011	2010
Natural gas	20,574,658	22,561,915
Furnace and other oils	30,119,538	14,618,936
	50,694,196	37,180,851

37. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2011	2010
		(Rupees in '000)			
Salaries, wages and other benefits	37.1,37.2 & 37.3	1,102,388	3,504,394	4,606,782	4,672,682
Stores and spares		376,238	54,747	430,985	561,319
Office supplies		23,326	48,589	71,915	71,235
NEPRA license fee		15,794	18,841	34,635	27,670
Repairs and maintenance		106,882	254,034	360,916	308,295
Transport expense		78,453	383,220	461,673	365,836
Rent, rates and taxes		67,789	19,189	86,978	133,966
Depreciation	4.1.7	4,890,237	3,364,676	8,254,913	3,757,325
Interdepartmental consumption		-	126,555	126,555	443,293
Reversal of provision against slow moving and obsolete stores and spares		(140,517)	(136,012)	(276,529)	(74,775)
Operation and management fee		12,355	153,698	166,053	328,679
Others		137,250	19,174	156,424	330,289
		6,670,195	7,811,105	14,481,300	10,925,814

37.1 This includes a sum of Rs. 391.722 million (2010: Rs. 465.457 million) in respect of staff retirement benefits.

37.2 Free electricity benefit to employees, amounting to Rs. 193.757 million (2010: Rs. 130.585 million), has been included in salaries, wages and other benefits.

37.3 This includes Rs. 531.563 million (2010:Nil) relating to staff Voluntary Separation Scheme.

38. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2011	2010
		(Rupees in '000)			
Salaries, wages and other benefits	38.1,38.2 & 38.3	3,842,505	1,962,654	5,805,159	4,265,436
Bank collection charges		-	18,682	18,682	19,169
Transport cost		240,710	62,119	302,829	226,021
Depreciation	4.1.7 & 5.2.1	8,539	134,039	142,578	317,025
Repairs and maintenance		187,237	107,145	294,382	206,618
Rent, rates and taxes		38,950	45,276	84,226	97,372
Public relations and publicity		149	153,167	153,316	323,664
Legal expenses		-	65,177	65,177	38,026
Professional charges		8,650	175,610	184,260	365,300
Auditors' remuneration	38.4	-	2,593	2,593	2,355
Directors fee		-	300	300	390
Provision against debts considered doubtful		2,239,698	-	2,239,698	1,992,962
Office supplies		52,796	128,019	180,815	127,948
Other expenses		49,262	61,597	110,859	99,260
Interdepartmental consumption		68,921	9,040	77,961	189,983
Others		63,208	88,296	151,504	107,220
		6,800,625	3,013,712	9,814,339	8,378,749

38.1 This includes a sum of Rs. 337.282 million (2010: Rs. 528.775 million) in respect of staff retirement benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 87.621 million (2010: Rs. 79.655 million), has been included in salaries, wages and other benefits.

38.3 This includes Rs. 591.126 million (2010: Nil) relating to staff Voluntary Separation Scheme.

38.4 Auditors' remuneration

	Note	2011	2010
		(Rupees in '000)	
Statutory audit, half yearly review and Report of compliance on Code of Corporate Governance		2,400	2,000
Out of pocket expenses		193	210
Other certification			145
		2,593	2,355

39. OTHER OPERATING EXPENSES

	Note	2011	2010
Interest on consumers deposits		193,820	193,497
Donations	39.1	10,874	1,316
Listing Fee		37,678	115
Others		151	40,074
		242,523	235,002

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

40. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in '000)	
Return on bank deposits		**218,132**	338,386
Late payment surcharge	40.1	**1,356,349**	1,372,319
Amortisation of deferred revenue	23	**1,104,876**	1,062,573
Gain on disposal of property, plant and equipment		**70,074**	90,585
Scrap sale – stores and spares		**16,582**	136,838
Collection charges TV licence fee		**60,655**	62,457
Liquidated damages recovered from suppliers and contractors		**68,684**	29,388
Exchange gain - net		**62,352**	178,925
Fair value of Grid Stations received		**872,492**	507,239
Service connection charges		**435,485**	619,148
Others		**614,866**	353,668
		4,880,547	4,751,526

40.1 In accordance with the Company's policy, upto 30 June 2011, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government / Government controlled entities amounting to Rs. 2,101 million has not been recorded in these financial statements and will be accounted for on receipt basis.

41. FINANCE COSTS

	2011	2010
	(Rupees in '000)	
Mark-up / interest on: long term financing	**1,703,828**	1,820,264
short-term borrowings	**523,680**	551,816
short-term running finance	**936,890**	716,549
	3,164,398	3,088,629
Late payment surcharge on delayed payment to creditors	**320,607**	2,747,012
Bank charges, guarantee commission, commitment fee and other service charges	**1,642,371**	987,997
	5,127,376	6,823,638

42. TAXATION

	2011	2010
For the year:		
- Current	**(874,964)**	-
- Prior	**(11,331)**	-
- Deferred	**1,547,060**	96,274
	660,765	96,274

42.1 This represents Rs. 874.964 million (2010: Rs. Nil) charged in respect of minimum tax @ 1% under section 113 of the Income Tax Ordinance, 2001.

42.2 The returns of income have been filed up to and including tax year 2010 (corresponding to financial year ended 30 June 2010), while the income tax assessments have been finalized up to and including tax year 2010. The return of income for tax year 2009 filed under the Universal Self Assessment Scheme is 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 passed order under section 161/205 read with 152(5) of the Income Tax Ordinance, 2001 raised tax demand of Rs. 22.368 million for withholding income tax on payments of rentals of power plant to a non-resident company at the rate of 12.5% instead of 30% under section 152 of the Ordinance. The Management consider that under Article 12 of the double taxation treaty between Pakistan and UK, such rentals are subject to 12.5% and therefore, no provision in these financial statements have been made in this regard. An appeal filed before the CIT (Appeals) is pending.

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

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

42.3 During the year, the tax department has imposed minimum tax amounting to Rs. 53.440 million for tax year 2010 by revising the order under section 221 of the Income Tax Ordinance, 2001. Under proviso to section 113, minimum tax is not applicable in case of a company which has declared gross loss before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001. Based on that provision, the Company filed return with no minimum tax liability. The Commissioner Inland Revenue Appeal has decided the case against the company, following which the company has filed appeal in Tribunal against the order of the commissioner Inland Revenue Appeals. Based on the consultant’s advise, the management is confident that the ultimate outcome will be in favour of company.

The Tax Department also raised tax demands of 179.858 million and 109.307 million on account of Default Surcharge under section 205 of Income Tax ordinance, 2001 for the year 2010 and 2011 respectively for delayed depositing of withholding income tax. The management contends that the demands are illegal and against natural justice as the delay was caused due to pendency of substantially high GST refunds which were available with the tax department. Appeal filed by the company is pending for decision before the Commissioner Inland Revenue Appeals. Simultaneously, the Company has also filed a writ petition with the High Court of Sindh who has granted the stay and maintained the case “Status quo”.

42.4 Deferred taxation

	2011	2010
	(Rupees in '000)	
Deferred credits:		
- accelerated tax depreciation	**15,629,275**	16,029,114
Deferred tax debits:		
- available tax losses	**(40,794,324)**	(37,704,730)
- provision for gratuity and compensated absences	**(2,158,707)**	(2,018,493)
- others	**(6,157,863)**	(5,749,287)
	(49,110,894)	(45,472,510)
	(33,481,621)	(29,443,396)

42.4.1 Deferred tax asset, amounting to Rs. 33,482 million (2010: Rs. 29,443 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. 116,555 million (2010: Rs. 107,728 million).

43. LOSS PER SHARE

	Note	2011	2010
		(Rupees in '000)	
Loss for the year after tax		(9,393,534)	(14,641,216)
		(Number of Shares in'000)	
Weighted average number of ordinary shares outstanding for basic loss per share		21,290,353	19,749,864
Effect of dilution:			
Convertible preference shares		1,285,714	1,285,714
Convertible shares IFC / ADB		1,300,000	1,300,000
		23,876,067	22,335,578
		(Rupees)	
Loss per share - basic		(0.44)	(0.74)
Loss per share - diluted		(0.39)	(0.66)

44. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
Loss before taxation		(10,054,299)	(14,737,490)
Adjustments for non-cash charges and other items:			
Depreciation and amortisation	4.1.7 & 5.2	8,397,491	4,074,350
Provision for deferred liabilities		729,013	994,233
Amortization of deferred revenue		(1,104,876)	(1,062,573)
Provision for debts considered doubtful - net		2,239,698	1,992,962
Un-realized exchange (gain) / loss - net		(77,107)	(219,379)
Gain on disposal of fixed assets	4.1.8	(70,074)	(90,585)
Interest on consumer deposits		193,821	193,497
Reversal of provision against stores and spares		(276,529)	(74,774)
Finance costs		3,121,268	5,470,287
Return on bank deposits		(218,132)	(338,386)
Working capital changes	44.1	13,719,312	10,659,792
		16,599,586	6,861,934

44.1 Working capital changes

	2011	2010
(Increase) / decrease in current assets		
Stores and spares	(918,478)	(173,840)
Trade debts	(9,362,952)	(11,908,317)
Loans and advances	342,784	(407,235)
Trade deposits and prepayments	9,151,007	(10,950,629)
Other receivables	(4,994,101)	5,119,651
	(5,781,740)	(18,320,370)
Increase / (decrease) in current liabilities		
Trade and other payables	15,561,878	27,945,354
Short-term deposits	3,939,174	1,034,808
	13,719,312	10,659,792

45. CASH AND CASH EQUIVALENTS

	2011	2010
Cash and bank balances	1,268,670	1,189,424

46. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive Officer	Directors (note 46.3)	Executives	Chief Executive Officers (note 46.2)	Directors (note 46.3)	Executives
	(Rupees in 000)					
Directors' fee	-	300	-	-	390	-
Managerial remuneration	12,371	17,340	1,125,537	12,337	11,304	792,366
House rent / accommodation	4,529	6,968	268,949	4,516	4,626	189,288
	16,900	24,608	1,394,486	16,853	16,320	981,654
Number of persons	1	11	525	2	11	354

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

46.2 Included in FY 2010 is the remuneration of chief executive officer who worked part of the year.

46.3 Includes remuneration of 4 executive directors who worked part of the year in FY 2010 and full year in FY 2011.

47. TRANSMISSION AND DISTRIBUTION LOSSES

47.1 The transmission and distribution losses were 32.20% (June 2010: 34.89%). The trend of transmission and distribution losses over the years is as follows:

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

47.2 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 47.1 above.

48. 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 its source of finance. It is the Company policy that no trading in derivatives for speculative purposes shall be undertaken.

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

48.1 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.

48.1.1 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It 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 2011						
	PKR (Rupees in '000)	USD	EUR	GBP	AED	*Others	Off-Balance Sheet USD
Non- Current Assets							
Long term deposits	-	-	-	-	-	-	-
Loans and Advances	244,161	2,074,075	459,478	15,520	109,309	1,613,973	-
Current Assets							
Derivative financial assets	100,202	-	-	-	-	-	245,079
Trade deposits and prepayments	1,460,487	17,012,084	-	-	-	-	-
Cash and bank balances	155	1,800	-	-	-	-	-
	1,805,005	19,087,959	459,478.00	15,520.00	109,309.00	1,613,973.00	245,079
Non-Current Liabilities							
Long term financing	(21,519,336)	(250,079,441)	-	-	-	-	-
Current Liabilities							
Short-term borrowings	(21,513)	(250,000)	-	-	-	-	-
Accrued mark-up on loans	(38,878)	(451,805)	-	-	-	-	-
	(21,579,727)	(250,781,246)	-	-	-	-	-
Gross balance sheet exposure	(19,774,722)	(231,693,287)	459,478	15,520	109,309	1,613,973	245,079

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

	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	-	-	-	-	-	
Trade deposits and prepayments	4,355,715	51,003,686	-	-	-	-	150,000,000
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

Significant exchange rates applied during the year were as follows:

	Average Rate for the year		Spot Rate as at 30 June 2011	
	2011	2010	**2011**	2010
	(Rupees)		**(Rupees)**	
Rupees per				
EURO	**116.68**	114.54	**124.75**	104.58
USD	**85.50**	84.35	**85.95**	85.60
GBP	**136.13**	129.10	**138.46**	128.66
JPY	**1.03**	1.08	**1.07**	0.97
SGD	**66.11**	59.85	**69.96**	61.13

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2011 would have increased / (decreased) equity and profit and loss account by Rs. 1,076 million (2010: Rs. 899 million) and Rs. 82 million (2010: Rs. 273 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2010.

48.1.2 Interest rate risk

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

The 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	
	2011	**2010**
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	**3,170,447**	11,510,999
Financial liabilities	**4,332,650**	(4,040,288)
Variable rate instruments		
Financial assets	**273,707**	766,453
Financial liabilities	**77,346,227**	(68,928,174)
	77,619,934	(68,161,721)

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 Rs. 776 million (2010: Rs. 682 million).

48.1.3 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.

48.2 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. 61,564 million (2010: Rs. 58,536 million), the financial assets which are subject to credit risk amounted to Rs. 19,881 million (2010: Rs. 25,847 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.

	2011		2010	
	Assets and liabilities	Maximum exposure	Assets and liabilities	Maximum exposure
	(Rupees in '000)			
Long term loans	**61,360**	**61,360**	75,383	75,383
Long term deposits and prepayments	**18,436**	**18,436**	22,399	22,399
Trade debts	**39,356,297**	**17,392,297**	29,029,574	12,609,185
Trade deposits and prepayments	**2,999,092**	**2,917,203**	12,150,099	11,899,308
Other receivables	**17,860,046**	**110,459**	16,069,414	50,983
Cash and bank balances	**1,268,670**	**1,268,670**	1,189,424	1,189,424
	61,563,901	**21,768,425**	58,536,293	25,846,682

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs.18,737 million (2010: Rs.15,650 million) which mainly comprises of Sales Tax of Rs. 4,237 million (2010: Rs. 4,742 million) and Tariff Adjustment amounting to Rs.14,461 million (2010: Rs.10,641 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:

	2011		2010	
	Gross	Impairment	Gross	Impairment
	(Rupess in 000')			
Upto 1 year	**19,548,068**	**-**	11,622,934	-
1 to 2 years	**8,640,543**	**905,600**	7,187,412	650,066
2 to 3 years	**6,170,580**	**1,133,876**	5,609,470	1,022,401
3 to 4 years	**4,769,829**	**1,835,081**	3,561,164	1,315,434
Over 4 years	**16,757,926**	**12,656,092**	16,148,046	12,103,193
	55,886,946	**16,530,649**	44,129,027	15,091,093

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

Bank	**Rating agency**	**Rating**	
		Short-term	**Long-term**
Public sector commercial banks			
First Women Bank Limited	PACRA	A2	BBB+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Khyber	JCR-VIS	A-2	A-
The Bank of Punjab	PACRA	A1+	AA -
SME Bank Limited	JCR-VIS	A-3	BBB
Sindh Bank Limited	JCR-VIS	A-1	AA -
Private sector commercial banks			
Allied Bank Limited	JCR-VIS	A-1+	AA
Summit Bank Limited (formerly Arif Habib Bank Limited)	JCR-VIS	A-2	A
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A
KASB Bank Limited	PACRA	A2	A-
MCB Bank Limited	PACRA	A1+	AA+
NIB Bank Limited	PACRA	A1+	AA -
Silkbank Limited	JCR-VIS	A-2	A -
Soneri Bank Limited	PACRA	A1+	AA -
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Foreign Banks Operating In Pakistan			
Al-Baraka Islamic Bank	JCR-VIS	A-1	A
	Standard & Poor's	A-1	A+
Bank of Tokyo-Mitsubishi UFJ Limited	Moody's	P-1	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+	AA-
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			
Burj Bank Limited (formerly Dawood Islami Bank Limited)	JCR-VIS	A-2	A
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Meezan Bank Limited	JCR-VIS	A-1 +	AA-
BankIslami Pakistan Limited	PACRA	A-1	A
Micro Finance Banks			
Zarai Taraqiti Bank Limited	JCR-VIS	A-1+	AAA
Tameer Micro Finance Bank	PACRA	A-1	A
Network Micro Finance Bank Limited	PACRA	A-3	BBB

48.3 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:

	2011					
	Carrying amount	Contractual cash flows	Six Months or less	Six to twelve months	One to Five years	More than five years
	(Rupees in '000)					
Non-Derivative Financial liabilities						
Long term financing	57,652,714	(70,453,711)	(7,354,782)	(6,772,780)	(48,244,864)	(8,081,284)
Long-term deposits	4,332,650	(4,332,650)	(4,332,650)	-	-	-
Trade and other payables	75,814,870	(75,814,870)	(75,814,870)	-	-	-
Accrued mark-up	5,009,065	(5,009,065)	(5,009,065)	-	-	-
Short-term borrowings	21,374,000	(21,374,000)	(21,374,000)	-	-	-
Short-term deposits	8,616,334	(8,616,334)	(8,616,334)	-	-	-
	172,799,633	(185,600,630)	(122,501,701)	(6,772,780)	(48,244,864)	(8,081,284)

	2010					
	Carrying amount	Contractual cash flows	Six Months or less	Six to twelve months	One to Five years	More than five years
	(Rupees in '000)					
Non-Derivative Financial liabilities						
Long term financing	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)

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

48.4 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.

48.5 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 2011, 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 20.1 and 20.3 to these financial statements.

	Note	2011	2010
		(Rupees in '000)	
Fair Value			
Cross Currency Swaps	14	**100,202**	575,000
Interest Rate Swap	14	**(63,668)**	-

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

48.6 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 2011.

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. 4,008 million (note 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 2011 and 30 June 2010 were as follows:

	Note	2011	2010
		(Rupees in '000)	
Long term financing	20	**47,157,037**	39,289,102
Long-term deposits	21	**4,332,650**	4,040,288
Trade and other payables	25	**75,299,452**	54,799,202
Accrued mark-up	26	**5,009,065**	4,770,125
Short-term borrowings	27	**21,374,141**	13,441,796
Short-term deposits	28	**8,215,674**	4,276,499
Current maturity of non-current liabilities	31	**10,495,678**	16,197,276
Total debt		**171,883,697**	136,814,288
Cash and bank balance	15	**(1,268,670)**	(1,189,424)
Net debt		**170,615,027**	135,624,864
Total equity		**(2,449,288)**	(525,112)
Total capital		**168,165,739**	135,099,752
Gearing ratio		**(1.01)**	(1.00)

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).

48.7 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 2011 and 30 June 2010 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.

49. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise associates, directors, key management personnel, retirement benefit plans, major suppliers and GoP.

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

49.1 KESP Power Limited, Parent company

	2011	2010
	(Rupees in '000)	
Short term loan payable	445,082	29,282
Finance cost	-	14,127
Accrued mark-up payable	80,346	80,346

49.2 National Transmission and Despatch Company, a major supplier

	2011	2010
Sales	73,458	51,397
Purchases	38,862,872	35,951,670
Amount payable included in creditors	24,255,973	21,359,206
Amount payable included in long term financing	15,345,000	20,145,000

49.3 Pakistan State Oil Company Limited, a major supplier

	2011	2010
Purchases	30,316,686	14,618,936
Late payment surcharge	230,396	119,768
Amount payable included in creditors	7,188,725	1,328,841
Amount payable included in current maturity of long-term financing	97,534	195,937

49.4 Sui Southern Gas Company Limited, a major supplier

	2011	2010
Purchases	20,574,658	22,561,915
Finance cost	-	2,381,659
Amount payable included in creditors	23,884,907	14,288,591
Amount payable included in current maturity of non-current liabilities	-	4,938,372

	2011	2010
	(Rupees in '000)	
49.5 Gul Ahmed Energy Limited, a major supplier		
Purchases	**9,934,891**	7,121,964
Late payment surcharge	**28,541**	272,619
Amount payable included in creditors	**2,710,484**	1,637,840
Amount payable included in long-term financing	**505,075**	1,515,223
49.6 Tapal Energy (Private) Limited		
Purchases	**10,656,937**	7,525,438
Late payment surcharge	**29,310**	156,833
Amount payable included in creditors	**3,032,992**	1,322,633
Amount payable included in long-term financing	**-**	1,200,000
49.7 Contribution to Provident Fund	**580,560**	381,014

50. CAPACITY AND PRODUCTION

The total derated available capacity was 1,584 MW (2010: 1,596 MW). The actual production during the year was 7,826.277 GWH (2010: 7,964.073 GWH). The actual production is lower as the power generating plant and machinery are normally operated at 65% 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.

51. OPERATING SEGMENT

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

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

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

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

All non-current assets of the Company at 30 June 2011 are located in Pakistan.

52. BENAZIR EMPLOYEES STOCK OPTION SCHEME (BESOS)

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

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

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

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

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

53. RECLASSIFICATION

Certain prior year's figures have been reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, there are no material reclassifications to report except for Fuel surcharge adjustment of Rs. 2,450 million (2010: Rs. 3,767 million) previously shown under tariff adjustment has been reclassified and shown under sale of energy.

54. SUBSEQUENT EVENT

Subsequent to the year end the Board of Directors of the Company has approved 7.25 percent issue of right shares at par value of Rs. 3.5 per share. The Sponsor / Holding Company has remitted USD 45 million in this respect out of which USD 5 million was received before 30 June 2011.

55. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 5 October 2011 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 2010 to 30 June 2011

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

BOARD AUDIT COMMITTEE

(BAC) Meetings 01 July 2010 to 30 June 2011

S. No.	Name of the Directors	No. of Board Meetings Attended	Remarks
1	Omar Khan Lodhi	2	-
2	Mubasher H. Sheikh	4	-
3	Nadir Salar Qureshi	-	-
4	Syed Nayyer Hussain	4	-
5	Tahir Basharat Cheema	1	-
6	Zulfiqar Haider Ali	3	-
Total number of BAC Meetings held during the year			4

PATTERN OF SHAREHOLDINGS

ORDINARY SHARES				As on June 30, 2011
# Of Shareholders	Shareholdings'Slab			Total Shares Held
4,872	1	to	100	136,953
2,782	101	to	500	778,924
1,723	501	to	1000	1,513,415
3,341	1001	to	5000	9,713,198
1,150	5001	to	10000	9,500,592
390	10001	to	15000	5,094,146
312	15001	to	20000	5,895,128
186	20001	to	25000	4,456,350
93	25001	to	30000	2,679,999
60	30001	to	35000	2,013,396
63	35001	to	40000	2,463,449
34	40001	to	45000	1,487,195
109	45001	to	50000	5,416,691
38	50001	to	55000	2,016,745
34	55001	to	60000	1,996,096
23	60001	to	65000	1,454,641
18	65001	to	70000	1,240,895
27	70001	to	75000	1,997,565
16	75001	to	80000	1,269,787
7	80001	to	85000	581,778
11	85001	to	90000	979,491
13	90001	to	95000	1,215,318
85	95001	to	100000	8,475,317
10	100001	to	105000	1,022,626
11	105001	to	110000	1,202,351
5	110001	to	115000	565,910
9	115001	to	120000	1,066,269
14	120001	to	125000	1,734,969
5	125001	to	130000	639,500
6	130001	to	135000	806,500
5	135001	to	140000	690,784
3	140001	to	145000	431,000
13	145001	to	150000	1,945,838
1	150001	to	155000	153,646
3	155001	to	160000	475,097
2	160001	to	165000	328,500
1	165001	to	170000	168,000
5	170001	to	175000	871,899
2	175001	to	180000	356,000

PATTERN OF SHAREHOLDINGS

# Of Shareholders	Shareholdings'Slab			Total Shares Held
4	180001	to	185000	730,664
6	185001	to	190000	1,132,075
3	190001	to	195000	581,500
29	195001	to	200000	5,795,456
3	200001	to	205000	606,533
6	205001	to	210000	1,252,000
1	210001	to	215000	210,600
3	220001	to	225000	673,500
3	225001	to	230000	687,955
4	235001	to	240000	950,708
1	240001	to	245000	244,841
2	245001	to	250000	493,500
1	250001	to	255000	251,000
2	255001	to	260000	520,000
3	260001	to	265000	784,100
1	275001	to	280000	280,000
1	285001	to	290000	287,000
1	290001	to	295000	293,500
9	295001	to	300000	2,700,000
5	315001	to	320000	1,587,480
2	330001	to	335000	669,500
7	345001	to	350000	2,449,176
1	355001	to	360000	357,000
1	365001	to	370000	366,500
2	375001	to	380000	755,249
2	385001	to	390000	774,117
2	390001	to	395000	785,199
4	395001	to	400000	1,599,000
1	415001	to	420000	417,615
1	420001	to	425000	425,000
1	440001	to	445000	442,490
2	460001	to	465000	923,000
1	465001	to	470000	467,000
1	475001	to	480000	480,000
1	490001	to	495000	491,236
2	495001	to	500000	1,000,000
1	505001	to	510000	507,190
1	520001	to	525000	521,796
1	545001	to	550000	550,000
2	565001	to	570000	1,136,334
1	590001	to	595000	595,000
1	595001	to	600000	600,000

ORDINARY SHARES — **As on June 30, 2011**

# Of Shareholders	Shareholdings'Slab			Total Shares Held
1	615001	to	620000	620,000
2	645001	to	650000	1,295,426
1	650001	to	655000	655,000
2	695001	to	700000	1,400,000
2	715001	to	720000	1,437,436
1	735001	to	740000	736,483
2	745001	to	750000	1,500,000
1	760001	to	765000	763,813
1	790001	to	795000	794,500
1	795001	to	800000	800,000
1	865001	to	870000	870,000
1	910001	to	915000	914,467
1	930001	to	935000	935,000
1	950001	to	955000	950,509
2	995001	to	1000000	1,995,500
1	1025001	to	1030000	1,025,529
1	1055001	to	1060000	1,059,784
1	1070001	to	1075000	1,073,017
2	1095001	to	1100000	2,200,000
1	1180001	to	1185000	1,184,623
1	1220001	to	1225000	1,221,328
1	1435001	to	1440000	1,439,239
1	1465001	to	1470000	1,467,101
1	1495001	to	1500000	1,500,000
1	1815001	to	1820000	1,820,000
1	1865001	to	1870000	1,869,225
1	1995001	to	2000000	1,997,676
1	2495001	to	2500000	2,500,000
1	3435001	to	3440000	3,437,676
1	4440001	to	4445000	4,440,999
1	4750001	to	4755000	4,754,200
1	9705001	to	9710000	9,706,969
1	9995001	to	10000000	10,000,000
1	10890001	to	10895000	10,895,000
1	14835001	to	14840000	14,837,775
1	15045001	to	15050000	15,050,000
1	19580001	to	19585000	19,583,042
1	32915001	to	32920000	32,917,688
1	91855001	to	91860000	91,855,650
1	5462200001	to	5462205000	5,462,203,172
1	15453430001	to	15453435000	15,453,434,484
15,655				21,290,353,083

PATTERN OF SHAREHOLDINGS

CATEGORIES OF SHAREHOLDERS AS ON 30 JUNE 2011 ORDINARY SHARES

	Total		
Categories of Shareholders	**Number**	**Shares**	**%age**
Shareholders holding ten percent or more voting interst in the Company			
KES Power LTD	1	15,453,434,484	72.584
President of the Islamic Republic of Pakistan	1	5,462,203,172	25.656
Associated Companies, Under-takings and Related Parties			
NIT and ICP			
Hasan Associates (Private) Limited	1	91,855,650	0.431
Premier Mercantile Services (Pvt) Ltd	1	32,917,688	0.155
National Bank Of Pakistan-trustee Department Ni(U)T Fund	1	14,837,775	0.070
Investment Corporation Of Pakistan.	1	9,639	0.000
Directors, CEO & Their Spouse and Minor Children	-	-	-
Executives	1	2,500	0.000
Public Sector Companies	11	2,451,474	0.012
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Mutual Funds	1	136,183	0.001
Banks, Financial Institutions	15	5,471,807	0.026
Investment Companies	5	135,510	0.001
Insurance Companies	13	800,200	0.004
Joint Stock Companies	116	33,047,616	0.155
Modarabah Management Companies	2	10,001	0.000
Modarabas	9	5,189	0.000
Charitable Trusts	12	674,543	0.003
Leasing Companies	-	-	-
General Public - Local	15,393	163,356,476	0.767
General Public - Foreign	60	28,663,726	0.135
Others	11	339,450	0.002
	15,655	**21,290,353,083**	**100.000**

Redeemable Preference Shares				As on June 30, 2011
# Of Shareholders	Shareholdings'Slab			Total Shares Held
531	1	to	100	21,023
1084	101	to	500	256,044
475	501	to	1000	322,299
566	1001	to	5000	1,113,068
74	5001	to	10000	507,942
26	10001	to	15000	333,038
11	15001	to	20000	183,669
5	20001	to	25000	111,988
5	25001	to	30000	132,484
2	30001	to	35000	64,444
3	35001	to	40000	111,575
1	40001	to	45000	40,945
1	45001	to	50000	46,349
2	50001	to	55000	104,784
2	55001	to	60000	113,450
1	60001	to	65000	64,511
3	65001	to	70000	195,291
1	75001	to	80000	78,116
1	90001	to	95000	91,787
2	95001	to	100000	195,292
1	130001	to	135000	130,194
1	439655001	to	439660000	439,658,388
1	1270405001	to	1270410000	1,270,409,032
2,799				1,714,285,713

PATTERN OF SHAREHOLDINGS

CATEGORIES OF SHAREHOLDERS AS ON 30 JUNE 2011 REDEEMABLE PREFERENCE SHARES

	Total		
Categories of Shareholders	**Number**	**Shares**	**%age**
Shareholders holding ten percent or more voting interst 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, Undertakings and Related Parties	-	-	-
NIT and ICP	-	-	-
Directors, CEO & Their Spouse and Minor Children	-	-	-
Executives	-	-	-
Public Sector Companies	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Banks, Financial Institutions	2	6,405	0.000
Investment Companies	1	130	0.000
Insurance Companies	1	56	0.000
Joint Stock Companies	33	63,733	0.004
Modarabah Management Companies	-	-	-
Modarabah Companies	-	-	-
Co-/Operative Societies	1	1,156	0.000
Charitable Trusts	-	-	-
Leasing Companies	-	-	-
General Public - Local	2,753	4,045,624	0.236
General Public - Foreign	1	91,787	0.005
Others	5	9,402	0.001
	2,799	**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 Bin Qasim Power Station (BQPS), Karachi on Monday, 31 October 2011 at 12:00 noon or at any adjournment thereof.

As witnessed given under my / our hand(s) this _______ day of ___ October 2011.

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

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

Affix Revenue
Stamp of
Rs. 5/-

Signature of Member : ______________________________

Share Held ______________________________

Shareholder's Folio # ______________________________

/CDC Account # ______________________________

CNIC # □□□□□□□□□□□□□□□

Proxy Holder's

Folio # / CDC Account # ______________________________

CNIC # □□□□□□□□□□□□□□□

NB:
1. Name should be written in BLOCK LETTERS and please mention your Ledger Folio / CDC Account No. and also the Ledger Folio / CDC Account No. of the Proxy Holder.
2. Proxy must be given to a person who is a member of the Company, except in the case of Companies where the proxy may be given to any of its employee for which certified true copy of Power of Attorney and / or Board Resolution with regard to appointment of proxy should be attached.
3. In case the proxy is the beneficial owner of CDC, an attested copy of his / her CNIC or Passport must be enclosed.

KARACHI ELECTRIC
SUPPLY COMPANY

NO POSTAGE NECESSARY IF MAILED IN PAKISTAN

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

LET'S MOVE TOWARDS A BRIGHTER TOMORROW.

KARACHI ELECTRIC SUPPLY COMPANY

KHIDMAT MEIN ROSHAN

KARACHI ELECTRIC SUPPLY COMPANY LIMITED

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

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