PPL Corp
Form 11-K
June 28, 2013

PPL EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011
&
REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM
&
SUPPLEMENTAL SCHEDULE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to ___________

Commission file number 001-11459

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PPL EMPLOYEE STOCK OWNERSHIP PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PPL CORPORATION
TWO NORTH NINTH STREET
ALLENTOWN, PENNSYLVANIA 18101-1179

PPL EMPLOYEE STOCK OWNERSHIP PLAN

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Report of Independent Registered Public Accounting Firm

Participants and Administrator of
PPL Employee Stock Ownership Plan:

We have audited the accompanying financial statements of net assets available for benefits of PPL Employee Stock Ownership Plan (the "Plan") as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, Line 4(i) - schedule of assets (Held at End of Year) as of December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ ParenteBeard LLC
Allentown, Pennsylvania
June 28, 2013

PPL EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AT DECEMBER 31,
(Thousands of Dollars)

	2012	2011
ASSETS		
Investments, at fair value (Note 4):		
PPL Corporation common stock	$ 224,952	$ 231,476
Mutual funds	2,113	2,383
Plan interest in PPL Defined Contribution Master Trust (Note 3)	937	868
Total investments	228,002	234,727
Receivables:		
Employer contribution	7,985	7,864
Accrued dividends	2,855	2,760
Due from broker for securities sold	12	-
Total receivables	10,852	10,624
Total assets	238,854	245,351
LIABILITIES		
Dividends payable to participants	2,855	2,760
Administrative expenses	50	29
Total liabilities	2,905	2,789
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	235,949	242,562
Adjustment from fair value to contract value for interest in master trust relating to fully benefit-responsive investment contracts (Note 2)	(35)	(33)
NET ASSETS AVAILABLE FOR BENEFITS	$ 235,914	$ 242,529

The accompanying notes are an integral part of these financial statements.

PPL EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31,
(Thousands of Dollars)

	2012	2011
ADDITIONS		
Investment Income:		
Net (depreciation)/appreciation in fair value of investments	$ (5,892)	$ 24,771
Dividend income	11,565	11,121
Plan interest in investment income of PPL Defined Contribution Master Trust (Note 3)	18	18
	5,691	35,910
Employer contributions	7,985	7,864
Total additions	13,676	43,774
DEDUCTIONS		
Distributions of dividends to participants	(4,644)	(4,597)
Distributions of stock and cash to participants	(15,513)	(11,789)
Administrative expenses	(134)	(113)
Total deductions	(20,291)	(16,499)
Net (decrease)/increase	(6,615)	27,275
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	242,529	215,254
End of year	$ 235,914	$ 242,529

The accompanying notes are an integral part of these financial statements.

PPL EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. PLAN DESCRIPTION

The PPL Employee Stock Ownership Plan (the "Plan") was adopted effective January 1, 1975 to provide for employee ownership in PPL Corporation ("PPL"). The Plan is currently sponsored by PPL Services Corporation (the "Company"), an unregulated subsidiary of PPL. Amounts contributed to the Plan are used to purchase shares of PPL Common Stock ("Common Stock"). The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan provisions.

Employees of participating PPL companies, as defined in the Plan document, are eligible to participate in the Plan on the first day of the month following their date of hire.

The shares of Common Stock ("Shares") allocated to a participant's account may not exceed the maximum permitted by law. All Shares credited to a participant's account are 100% vested and nonforfeitable, but cannot be pledged as security by the employee. The Common Stock is held by Fidelity Management Trust Company (the "Trustee").

The Plan allows for dividends on Shares held to be reinvested in the Plan or paid in cash. Under existing income tax laws, PPL is permitted to deduct the amount of those dividends for income tax purposes on its consolidated federal income tax return and to contribute the resulting tax savings (dividend-based contribution) to the Plan. The dividend-based contribution can be made in cash that is used to buy shares of Common Stock or PPL can issue new shares of its Common Stock. The dividend-based contribution is expressly conditioned upon the deductibility of the contribution for federal income tax purposes. Shares are allocated to participants' accounts, 75% on the basis of Shares held in a participant's account and 25% on the basis of the participant's compensation.

Participants may elect to withdraw from their accounts Shares that have been allocated with respect to a Plan year ending at least 36 months prior to the end of the Plan year in which the election is made. Participants so electing may receive cash or Common Stock for the number of whole Shares, cash for any fractional Shares available for withdrawal, or may make a rollover to a qualified plan.

Participants who have attained age 55 and have completed ten years of participation in the Plan may elect to withdraw Shares or diversify the value of Shares held into other investment options under the Plan. For the first five years after meeting the requirement, participants may withdraw or diversify up to an aggregate of 25% of such Shares. In the sixth year, qualified participants may withdraw or diversify up to an aggregate of 50% of such Shares. Participants who elect to diversify may direct the Trustee to invest their eligible diversification amounts into various mutual funds and investments, which are similar to those provided through PPL's 401(k) savings plans.

Upon termination of service with a participating PPL company, participants are entitled to receive cash or Common Stock for the number of whole Shares, cash for any fractional Shares allocated to them, or may make a rollover to a qualified plan. Participants who terminate service with a participating PPL company and whose account balance exceeds, or exceeded at the time of any prior distribution, $1,000, may defer distribution of the Shares in their account until April 1st of the calendar year following the year in which the participant reaches age 70-1/2. If a participant wishes to withdraw prior to age 70-1/2, the entire account balance must be withdrawn.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

Provisions of the Plan regarding vesting, distributions and other matters are more fully described in the Plan document and Summary Plan Description.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared under the accrual basis of accounting.

Dollar amounts are presented in thousands.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

The Plan's investments are stated at fair value as discussed in Note 4. Realized gains and losses from the sale or distribution of Common Stock by the Trustee are based on the average cost of Common Stock held at the time of sale. Net appreciation/depreciation as reported in the accompanying financial statements includes both realized and unrealized gains and losses. Dividend income and dividend distributions to participants are recorded on dividend record dates. The purchases and sales of securities are recorded on a trade-date basis.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present the fair value of the fully benefit-responsive investment contracts held in the Blended Interest Rate Fund as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis.

3. INTEREST IN PPL DEFINED CONTRIBUTION MASTER TRUST

PPL maintains a Defined Contribution Master Trust (the "Master Trust") with the Trustee to pool the investments of its defined contribution benefit plans. The Blended Interest Rate Fund (the "Fund") is the only investment option of the Plan included in the Master Trust, and represented less than 1% of Plan assets at December 31, 2012 and 2011. Therefore, no detailed disclosures related to the Master Trust have been presented in these financial statements.

Investments directed by participants to the Fund within the Master Trust are combined with similar investments applicable to other plans participating in the Master Trust and invested in high-grade investment contracts issued by insurance companies and banks, as well as other high-quality debt obligations and short-term money market instruments. Wrap contracts are purchased from another party, which are agreements that allow for the Fund to maintain a constant Net Asset Value ("NAV") and provide for participant transactions to be made at contract value. In a typical wrap contract, the wrap issuer agrees to pay the Fund the difference between the contract value and the market value of the covered assets if the market value becomes totally exhausted as a result of significant participant redemptions. Purchasing wrap contracts is similar to buying insurance, in that the Fund pays a relatively small amount to protect against the relatively unlikely event of participant redemption of most of the shares of the Fund. The fair value of the wrap contracts is determined using the replacement cost methodology that incorporates various inputs including the difference between the market for wrap fees and the actual wrap fees currently charged.

Wrap contracts accrue interest using a formula called the "crediting rate." Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between the market and contract value of the covered assets over time. Using the crediting rate formula, an estimated future market value is calculated by compounding the Fund's current market value at the Fund's current yield to maturity for a period equal to the Fund's duration. The crediting rate is the discount rate that equates estimated future market value with the Fund's current contract value. Crediting rates are reset monthly.

4. FAIR VALUE MEASUREMENTS

The Plan measures on a recurring basis its investments at fair value in accordance with the Financial Accounting Standards Board (FASB) codification "Fair Value Measurement," which provides the framework for measuring fair value. That framework provides fair value hierarchy used to classify the inputs used in measuring fair value. That hierarchy prioritizes the inputs used in determining valuations into three levels. The levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices in active markets that are accessible to the Plan for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Inputs to the valuation methodology include significant inputs other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs

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include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes instruments measured at fair value on a recurring basis at December 31, 2012:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Common stock	$ 224,952	$ 224,952	$ -	$ -
Mutual funds:				
Growth funds	136	136	-	-
Balanced funds	471	471	-	-
Blended / Target date funds	812	812	-	-
Index funds	126	126	-	-
International funds	137	137	-	-
Money market funds	160	160	-	-
Government bond funds	91	91	-	-
Corporate bond funds	139	139	-	-
Value funds	41	41	-	-
Total mutual funds	2,113	2,113	-	-
Stable value funds:				
Blended Interest Rate Fund	937	-	937	-
	$ 228,002	$ 227,065	$ 937	$ -

The following table summarizes instruments measured at fair value on a recurring basis at December 31, 2011:

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		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Common stock	$ 231,476	$ 231,476	$ -	$ -
Mutual funds:				
Growth funds	169	169	-	-
Balanced funds	464	464	-	-
Blended / Target date funds	733	733	-	-
Index funds	119	119	-	-
International funds	124	124	-	-
Money market funds	195	195	-	-
Government bond funds	331	331	-	-
Corporate bond funds	216	216	-	-
Value funds	32	32	-	-
Total mutual funds	2,383	2,383	-	-
Stable value funds				
Blended Interest Rate Fund	868	-	868	-
	$ 234,727	$ 233,859	$ 868	$ -

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

The fair value measurement of common stock is based on its quoted market price in an active market.

The fair value measurements of mutual funds are based on quoted market prices in an active market.

The fair value measurement of the Blended Interest Rate Fund is based principally on the underlying debt securities that make up the underlying assets of that fund. The fair value measurements of debt securities are generally based on evaluated prices that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. When this information is not available, the fair value of debt securities is measured using present value techniques, which incorporate other observable inputs. In addition, the fair value measurement of the wrap contracts held by the Fund are calculated by projecting the future cash flows for the contract at the contractual crediting rate, and then discounting it by a rate that approximates the current market rates for a contract of equal credit quality and duration. The calculation assumes that future cash flows are predictable (i.e. no withdrawals will be made from contracts). For synthetic investment contracts, contract value consists of cost plus accrued interest. There are no redemption restrictions on this fund.