Company Information

BOARD OF DIRECTORS

CHAIRMAN
Mr. Abdulaziz Hamad Aljomaih

VICE CHAIRMAN
Mr. Naser Al-Marri

CHIEF EXECUTIVE OFFICER
Syed Muhammad Amjad

DIRECTORS
Mr. Shan A. Ashary
Mr. Reyadh S. Al-Edrissi
Mr. Peter Hertog
Mr. Ariful Islam
Mr. Fazal Ahmad Khan
Mr. M. Ismail Qureshi
Mr. Mubasher H. Sheikh
Mr. Imran Siddiqui
Mr. S.M. Akhtar Zaidi

CHIEF FINANCIAL OFFICER
Mr. Mohammad Asghar

EXECUTIVE DIRECTOR (LEGAL) & COMPANY SECRETARY
Ms. Uzma Amjad Ali

BOARD's AUDIT COMMITTEE (BAC)
(constituted in compliance with Code of Corporate Governance)

Mr. Naser Al-Marri	...	Chairman
Mr. Shan A. Ashary	...	Member
Mr. Mubasher H. Sheikh	...	Member

BANKERS
National Bank of Pakistan
Habib Bank Limited
United Bank Limited
MCB Bank Limited (formerly Muslim Commercial Bank Ltd.)
Allied Bank of Pakistan Limited
First Women Bank Limited
my bank Limited (formerly Bolan Bank)
Citi Bank N.A.
Standard Chartered Bank Limited
Askari Commercial Bank Limited
KASB Bank Limited
Faysal Bank Limited

AUDITORS
M/s. Ford Rhodes Sidat Hyder & Co.

REGISTERED OFFICE
2nd Floor, Pakistan Handicraft Building, Abdullah Haroon Road, Karachi.

Brief Review

I am pleased to present Quarterly Financial Statements of the Company for the period ended 30 September 2007 on behalf of Board of Directors.

	Jul-Sep 2007	Jul-Sep 2006
OPERATIONAL	**(IN MILLIONS - KwH)**	
Units generated KESC	2,415.95	2,215.68
Units generated KESC	2,415.95	2,215.68
Units sent out KESC	2,234.61	2,037.20
Units purchased	1,952.89	1,771.33
Total units available for Distribution	4,187.50	3,808.53
Units billed (including interdepartmental consumption)	2,696.13	2,460.90
Transmission & Distribution losses %	35.6%	35.4%
	(RUPEES IN MILLIONS)	
FINANCIAL		
Sale of Energy	13,704.63	11,747.48
Other Revenue	489.35	432.56
Gross Revenue	**14,193.98**	**12,180.04**
Cost of fuel and Power purchased after tariff adjustment	14,631.67	12,319.64
Depreciation	887.68	871.45
Provision for doubtful debts	338.00	525.00
Operation & maint Expenses	2,540.17	2,078.58
Finance Cost	444.60	221.93
Total Cost of Sales	**18,842.12**	**16,016.60**
(Loss) before tax	(4,648.14)	(3,836.56)

KESC own generation has increased by 9% during the quarter under review over the corresponding period last year. Total KESC units sent out registered an increase of 9.7% outpacing 9% increase in units generated, which is attributable to 0.5% reduction in auxiliary consumption. Power purchases increased by 10.2% over corresponding quarter last year to cater for ever increasing power demand. Peak demand has increased by 6.43% to 2365 MW as compared to 2222 MW in July-September 2006. Units sold increased by 09.6% as against 10% increase in units available for sale primarily due to increase in T&D losses by 0.2%.

Revenue from sale of energy has gone up by 16.7% due to collective impact of 9.6% increase in sales, enhancement of average selling rate by Ps 31 /kwh (6.5%) and favourable sale mix.

Increase in revenue was more than offset by phenomenal increase in fuel bill by 13.5% outbalancing 9.7% increase in units sent out. Short supply of gas to the extent of 30 mmcfd compelled the Company to use expensive furnace oil to facilitate our valuable consumers as much as possible. Consequently, fuel bill spiralled by Rs.1147 million over corresponding period last year which adversely impacted the bottom line of P&L account, Cost of power purchases increased by 15.4% due to combined impact of 10.2% increase in number of units purchased and increase in furnace oil price registered during the period under review. Generation, transmission & distribution expenses increased by 19.02% to ensure maintenance and operation of dilapidated T&D network inherited to the new management, whereas administrative and consumer services expenses decreased by approximately 6%. Loss before tax, as a result of cumulative impact of contributing factors as above, increased by 21.10% from Rs.3827 million to Rs.4648 million, which is mainly attributable to inflated fuel bill due to short supply of gas, partly offset by increased revenue through additional number of units generated and sold.

Activities under Review

Injection of efficient & economical generation in KESC system has been an integral component of turnaround strategy of the new management from day one. Contract for new power plant - Phase-I of 220 MW has already been awarded and first Gas Turbine (GT) of 48 MW is likely to be commissioned in November 2007. Bid evaluation process with respect to setting up of 560 MW power plant - phase-II at BQPS is in final stage and contract is likely to be awarded in near future. Fresh injection of efficient & economical generation shall help redress the electricity supply deficit faced by city of Karachi and shall also significantly contribute to profitability of the Company benefiting all the stakeholders.

Strategic Plan was prepared and being implemented in a phased and prioritized manner for rehabilitation of transmission & distribution system. A number of critically important projects have been commissioned or in the final stage of completion which have relatively improved network reliability, reduced technical losses and enhanced transmission & distribution capacity.

Future Prospects

Commissioning of eleven new grid stations in a phased manner by September 2008 and establishment of computerized system for management of modern power generation, transmission & distribution network known as SCADA shall significantly improve network capacity & reliability and reduce system overloading & T&D losses and substantially contribute to operational & financial viability of the Company.

The structured & systematic turn around strategy adopted by Company shall be continued and reinforced in future. Each issue shall be addressed with concentration on improving core activity of the Company and bridging the prevailing gap between electricity demand & supply. The Company shall continue to pursue the objective of improving output and service and relationship with the customers. Improving & expending network infrastructure, reducing technical & administrative losses, developing human resources capital of the Company and improving quality & standard of customer service shall continue to be among the top priority areas, to benefit all the stakeholders. The concerted efforts of the management is likely to produce further improved operating & financial results in future.

Acknowledgements

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

Syed Muhammad Amjad
Chief Executive Officer

INTERIM CONDENSED BALANCE SHEET
AS AT SEPTEMBER 30, 2007
(UnAudited)

	Note	Jul-Sep 2007 (Un-Audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**56,352,564**	50,769,714
Long-term loans		**109,111**	113,981
Long-term deposits		**18,700**	18,700
Due from the Government		**1,031,469**	1,110,813
		57,511,844	52,013,208
CURRENT ASSETS			
Current portion of amount due from the Government		**396,719**	317,375
Stores, spares and loose tools	5	**4,266,972**	4,668,113
Trade debts	6	**10,532,925**	8,640,510
Loans and advances	7	**357,067**	293,518
Trade deposits and prepayments		**81,323**	28,270
Accrued interest on bank deposits		**4,050**	6,868
Other receivables	8	**8,179,824**	6,529,655
Taxation- net		**285,745**	278,486
Short-term investment		**-**	607,717
Cash and bank balances		**2,235,371**	3,937,319
		26,339,996	25,307,831
TOTAL ASSETS		**83,851,840**	77,321,039
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	9	**52,068,169**	50,594,063
Reserves			
Capital reserves		**509,172**	509,172
Revenue reserves		**5,372,356**	5,372,356
		5,881,528	5,881,528
Accumulated losses		**(39,511,029)**	(34,793,268)
		18,438,668	21,682,323
ADVANCE AGAINST REDEEMABLE PREFERENCE SHARES		**-**	1,478,193
NON-CURRENT LIABILITIES			
Long term financing	10	**6,389,553**	1,136,813
Long-term deposits		**3,429,529**	3,353,849
Deferred liabilities		**4,502,326**	4,389,582
Deferred revenue		**7,222,947**	6,979,190
Specific grant from the Government of Pakistan	11	**4,467,053**	4,702,421
		26,011,408	20,561,855
CURRENT LIABILITIES			
Trade and other payables	12	**28,424,579**	22,098,688
Accrued mark-up		**1,102,640**	917,581
Short-term borrowings	13	**6,741,652**	7,596,128
Short-term deposits		**2,286,581**	2,175,989
Provisions		**482,250**	492,907
Current maturity of long-term financing		**364,062**	317,375
		39,401,764	33,598,668
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		**83,851,840**	77,321,039

The annexed notes from 1 to 24 form an integral part of these interim condensed financial statements.

SYED MUHAMMAD AMJAD
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THREE MONTHS ENDED SEPTEMBER 30, 2007 (Un-Audited)

	Note	Three Months Ended Sep 30, 2007	Sep 30, 2006
		(Rupees in Thousand)	
REVENUE			
Sale of energy - net		**13,704,629**	11,747,471
Rental of meters and equipment		**50,049**	49,445
		13,754,678	11,796,916
EXPENDITURE			
Purchase of electricity	15	**(8,971,313)**	(7,771,853)
Consumption of fuel and oil	16	**(9,667,496)**	(8,520,509)
		(18,638,809)	(16,292,362)
Tariff adjustment on account of increase in fuel prices and cost of power purchase		**4,007,145**	3,972,721
		(14,631,664)	(12,319,641)
Expenses incurred in generation, transmission & distribution		**(2,332,986)**	(1,961,452)
		(3,209,972)	(2,484,177)
Consumers services and administrative expenses		**(1,383,135)**	(1,473,423)
Other operating income		**439,299**	383,122
Other operating expenses		**(49,731)**	(40,149)
		(993,567)	(1,130,450)
OPERATING LOSS		**(4,203,539)**	(3,614,627)
Finance cost	17	**(444,600)**	(221,937)
LOSS BEFORE TAXATION		**(4,648,139)**	(3,836,564)
Taxation	18	**(69,622)**	(59,470)
LOSS AFTER TAXATION		**(4,717,761)**	(3,896,034)
BASIC AND DILUTED PER SHARE		**(0.37)**	(0.30)

The annexed notes from 1 to 24 form an integral part of these interim condensed financial statements.

SYED MUHAMMAD AMJAD
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

CASH FLOW STATEMENT
FOR THREE MONTHS ENDED SEPTEMBER 30, 2007
(UN-AUDITED)

	Note	Three Months Ended Sep 30, 2007	Sep 30, 2006
		(Rupees in Thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized / generated from operations	19	**(1,247,728)**	(220,233)
Payment in respect of fatal accident		**(15,457)**	-
Deferred liabilities paid		**(69,740)**	(41,545)
Income tax paid		**(76,881)**	(57,257)
Receipt in deferred revenue		**367,192**	82,000
Issuance cost on preference capital		**(4,087)**	-
Interest on running finance		**(96,677)**	(134,193)
Interest received on bank deposits		**28,737**	15,475
Net cash generated from / (used in) operating activities		**(1,114,641)**	(355,753)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(6,470,525)**	(1,488,827)
Long-term loans		**4,870**	20,332
Long-term deposits		**-**	(1,020)
Net cash used in investing activities		**(6,465,655)**	(1,469,515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Specific grant from the Government of Pakistan		**-**	(28,674)
Paid against long term financing		**(32,657)**	-
Receipt from IFC and Syndicate loans		**5,332,084**	-
Receipt against reedeemable preference shares capital		**-**	1,496,835
Security deposit from consumers		**75,680**	90,613
Net cash generated from financing activities		**5,375,107**	1,558,774
NET DECREASE IN CASH AND CASH EQUIVALENT		**(2,205,189)**	(266,494)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**(3,051,092)**	(874,866)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**(5,256,281)**	(1,141,360)

The annexed notes from 1 to 24 form an integral part of these interim condensed financial statements.

SYED MUHAMMAD AMJAD
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Reserves			
	Ordinary Shares	Perference Shares	Capital Reserves	Revenue Reserves	Accumulated Loss	Total
	----------------	----------------	(Rupees in thousand)	----------------	----------------	----------------
Balance as at June 30, 2006	**46,084,762**	**-**	**509,172**	**5,372,356**	**(22,686,001)**	**29,280,289**
Issue of 849,613,330 Redeemable preference shares at Rs. 3.5 each	-	2,973,646	-	-	-	2,973,646
Net loss for the three months ended September 30, 2006	-	-	-	-	(3,896,034)	(3,896,034)
Balance as at September 30, 2006	**46,084,762**	**2,973,646**	**509,172**	**5,372,356**	**(26,582,035)**	**28,357,901**
Balance as at June 30, 2007	**46,084,762**	**4,509,301**	**509,172**	**5,372,356**	**(34,793,268)**	**21,682,323**
Issue of 422,340,723 Redeemable preference shares at Rs. 3.5 each - net	-	1,474,106	-	-	1,474,106	-
Net loss for the three months ended September 30, 2007	-	-	-	-	(4,717,761)	(4,717,761)
Balance as at September 30, 2007	**46,084,762**	**5,983,407**	**509,172**	**5,372,356**	**(39,511,029)**	**18,438,668**

SYED MUHAMMAD AMJAD
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 (UN-AUDITED)

1. THE CORPORATION AND ITS OPERATIONS

The Karachi Electric Supply Corporation Limited (the Corporation) was incorporated as a limited liability company on September 13,1913 under the Indian Companies Act, 1882. The Corporation is listed on Karachi, Lahore and Islamabad stock exchanges.

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

The registered office of the Corporation is situated at 2nd Floor, Handicraft Chamber, Abdullah Haroon Road, Karachi.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements are un-audited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan.

3. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed for the preparation of these three months interim condensed financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Corporation for the year ended June 30, 2007.

		Sep 30, 2007 (Un-Audited)	June 30, 2007 **(Audited)**
PROPERTY, PLANT AND EQUIPMENT		**(Rupees in Thousand)**	
Operating fixed assets	4.1	**39,366,151**	39,874,984
Capital work-in-progress	4.2	**16,986,413**	10,894,730
		56,352,564	50,769,714

4.1 Operating fixed assets

Following are the major additions, disposals and write-offs of fixed assets during the current period:

	Additions	Disposals		Write-offs	
		Cost	Accumulated depreciation	Cost	Accumulated Depreciation
	--------------------------(Rupees in thousand)--------------------------				
Freehold land	-	-	-	-	-
Leasehold land	-	-	-	-	-
Buildings on leasehold land	505	-	-	-	-
Plant and machinery	118,653	-	-	-	-
Transmission and distribution network	229,863	-	-	-	-
Furniture, air-conditioners and office equipment	7,151	-	-	-	-
Tools and general equipment	6,245	-	-	-	-
Computers and related equipment	17,055	-	-	-	-
Vehicles	-	1,964	1,335	-	-
	379,472	**1,964**	**1,335**	**-**	**-**

4.2 Capital work-in-progress	**16,986,413**	**10,894,730**

4.2.1 Out of the amount of Rs. 9,518 million disbursed / arranged through banks uptil March 31, 2007 pursuant to various approval of Ministry of Water and Power, vide its various letters for necessary system improvement, the Corporation incurred an aggregate sum of Rs 9,771 million (June 30, 2007: Rs. 8,585 million) leaving an overdue of 1,198 million (June 30, 2007: Nil) thereon up to the end of the current period.

The request for the arrangement of funds has been forwarded to GoP which will be received in near future.

	Note	**Sep 30, 2007 (Un-Audited)**	June 30, 2007 **(Audited)**
		(Rupees in Thousand)	
5. STORES, SPARES AND LOOSE TOOLS			
In hand			
Stores, spares and loose tools		**5,066,045**	5,461,138
In transit			
Stores		**73,621**	57,969
		5,139,666	5,519,107
Provision against slow moving and obsolete stores, spares and loose tools	5.1	**(872,694)**	(850,994)
		4,266,972	4,668,113

5.1 During the current period, a further sum of Rs. 21.70 million has been provided against slow moving and obsolete stock by the Corporation.

		Sep 30, 2007	June 30, 2007
6. TRADE DEBTS		**(Rupees in Thousand)**	
Considered good			
Secured - against deposits from consumers		**659,378**	604,934
Unsecured		**9,873,547**	8,035,576
		10,532,925	8,640,510
Considered doubtful		**13,550,461**	13,389,552
		24,083,386	22,030,062
Provision against debts considered doubtful		**(13,550,461)**	(13,389,552)
		10,532,925	8,640,510
6.1 Provision against debts considered doubtful			
Opening Balance		**13,389,552**	12,530,667
Provision made during the period		**582,445**	1,881,461
		13,971,997	14,412,128
Provision written off during the period		**(177,091)**	(1,022,576)
Provision earlier provided now written back		**(244,445)**	-
		13,550,461	13,389,552
7. LOANS AND ADVANCES			
Loans - secured			
Considered good			
Current portion of long term loans due from employees		**10,543**	10,543
Advances - unsecured			
Considered good			
Employees		**20,110**	22,883
Contractors and Suppliers	7.1	**326,414**	260,092
		346,524	282,975
Considered doubtful			
Contractors and Suppliers		**130,340**	130,340
Provision against advances considered doubtful		**(130,340)**	(130,340)
		346,524	282,975
		357,067	293,518

7.1 This includes a sum of Rs.109.067 million (June 30, 2007: Rs. 116.398 million), representing advance extended to Siemens Pakistan Engineering Limited, a related party.

		Sep 30, 2007	June 30, 2007
8. OTHER RECEIVABLES			
Rebate due on electricity duty		**81,645**	77,910
Sales tax	8.1	**3,768,484**	2,987,464
Due from the Government in respect of:			
- sales tax on selected classes of consumers		**636,130**	450,541
- tariff adjustment		**2,880,421**	2,258,390
- provision against Sabah Shipyard		**409,168**	409,168
		3,925,719	3,118,099
Employees' Provident Fund		**51,399**	7,528
Accrued income for TV license fees collection charges		**4,415**	4,414
Insurance claim		**6,270**	7,028
Others		**341,892**	327,212
		8,179,824	6,529,655

8.1 Included herein is a sum of Rs.2,708 million, representing sales tax-net, claimed by the Corporation as refundable due to excess input credits

9. SHARE CAPITAL

Sep 30, 2007 (Unaudited) (Number of shares)	June 30, 2007 (Audited) (Number of shares)		Sep 30, 2007 (Unaudited) (Rupees in thousand)	June 30, 2007 (Audited) (Rupees in thousand)
		Authorized Share Capital		
25,714,285,714	25,714,285,714	Ordinary shares of Rs. 3.5 each fully paid	90,000,000	90,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs.3.5 each fully paid	10,000,000	10,000,000
28,571,428,571	28,571,428,571		100,000,000	100,000,000
		Issued, Subscribed and Paid-up Capital		
		Issued for cash		
45,371,105	45,371,105	Ordinary shares of Rs.10 each fully paid	453,711	453,711
1,714,285,714	1,291,944,991	Redeemable Preference shares of Rs.3.5 each fully paid - net	5,983,407	4,509,301
1,759,656,819	1,337,316,096		6,437,118	4,963,012
		Issued for consideration other than cash		
304,512,300	304,512,300	Ordinary shares of Rs.10 each fully paid	3,045,123	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs.10 each fully paid	17,834,560	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs.10 each fully paid	65,340,773	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs.3.5 each fully paid	15,283,738	15,283,738
12,988,827,989	12,988,827,989		101,504,194	101,504,194
14,748,484,808	14,326,144,085		107,941,312	106,467,206
		Issued as bonus shares		
132,875,889	132,875,889	Ordinary shares of Rs.10 each fully paid as bonus shares	1,328,759	1,328,759
14,881,360,697	14,459,019,974		109,270,071	107,795,965
-	-	**Reduction in capital**	(57,201,902)	(57,201,902)
14,881,360,697	14,459,019,974		52,068,169	50,594,063

9.1 As part of the process of the Corporation'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 Corporation and the KES Power Limited on November 14, 2005 to issue the RPS, amounting to Rs.6,000 million, divided into 1,714,285,714 preference shares of Rs.3.50 each as right to the existing Ordinary shareholders of the Corporation. The issue of Redeemable Preference Shares was finalized by the Board of Directors of the Company and NOC was obtained from the Securities and Exchange Commission of Pakistan, vide Letter No. EMD/CI/16/2004-4417, dated November 07, 2005. During the current period total number of preference shares have been allotted to the existing shareholders.

The issue of redeemable preference shares by way of right, offered to the minority shareholders of the Corporation, 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 Corporation, KES Power Limited. The said undersubscribed shares were, thereafter, subscribed by the KES Power Limited.

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

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

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

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

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

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

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

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

	Note	Sep 2007 (Un-Audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
10. LONG-TERM FINANCING			
Unsecured			
GoP Loan for the electrification of Hub Area		**26,000**	26,000
Payable to the Oil and gas companies		**1,395,531**	1,428,188
Current maturity thereof shown under current liabilities		**(364,062)**	(317,375)
		1,031,469	1,110,813
Loan agreement - IFC	10.1	**2,732,084**	-
Syndicate term loan agreement	10.2	**2,600,000**	-
		6,389,553	1,136,813

10.1 This represents loan agreement signed on March 22, 2007 amounting to USD 125 million with International Finance Corporation (IFC), for the purpose of capital expenditure on power generation, tranmission and network improvement project. The said is available for 10 years with a 3 years grace period with an availability period upt0 March 31, 2010. It carries interest rate at 3 Months LIBOR + 2.85% upto the project completion date, thereafter 3 Months LIBOR + 2.5%. To date an amount of USD 45 milion has been disbursed to the Corporation.

10.2 This represents Syndicate term loan agreement signed on May 23, 2007 amounting to Rs. 8,000 million with a consortium of local banks and financial institutions, for the purpose of utilization for 220 MW Korangi Generation Project. The said is available for 9 years with a 3 years grace period with an availability period of 2 years from the effective date and it carries markup at 6 Months KIBOR + 3%. To date an amount of Rs. 2,600 milion has been disbursed to the Corporation.

10.3 The above two facilities are secured by the following security package:-

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

b- a 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);

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

d- a 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

e- a hypothecation over all receivables payable to the Borrower under all insurance and reinsurance policies of all insurable assets that are subject to the Security.

11. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN

	Note	Sep 2007 (Un-Audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
Opening balance		**4,702,421**	1,985,878
Received during the current period / year	11.1	**-**	3,970,105
Interest accrued on grant received from the GoP		**-**	4,861
		4,702,421	5,960,844
Transfer to deferred revenue	11.2	**(160,974)**	(940,032)
Interest on bank borrowings	11.3	**(74,394)**	(318,391)
		4,467,053	4,702,421

11.1 Out of the total receipts from the GoP under the FIP, the Corporation transferred a sum of Rs. 160.974 million to deferred revenue against work completed during the current period.

11.2 This represents interest on funds borrowed under the Syndicated Finance Agreement from commercial banks in respect of the FIP.

12. TRADE AND OTHER PAYABLES

	Note	Sep 2007	June 30, 2007
Creditors			
Power purchases		**12,199,508**	7,020,439
Fuel		**10,071,688**	8,859,340
Others		**1,846,264**	2,736,246
		24,117,460	18,616,025
Accrued liabilities			
Accrued expenses	12.1	**1,549,093**	1,378,866
Murabaha			
Murabaha term finance	12.2	**750,000**	750,000
Advances/credit balances of consumers			
Energy		**284,283**	381,752
Others		**528,250**	408,097
		812,533	789,849
Other liabilities			
Unclaimed and unpaid dividend		**650**	650
Employee related dues		**575,874**	71,463
Electricity duty		**415,126**	280,664
Tax deducted at source		**98,310**	99,845
PTV license fee		**25,005**	22,451
Payable to the then Managing Agent, PEA (Private) Limited		**29,283**	29,295
Others		**51,245**	59,580
		1,195,493	563,948
		28,424,579	22,098,688

12.1 Included herein is an aggregate sum of Rs. 530.395 million, representing (a) outstanding claims / dues of property taxes, water charges, ground rent and occupancy value payable to various government authorities and (b) accrual in respect of these charges recorded by the Corporation during the year ended June 30, 2006 pertaining to a number of prior years.
In addition to the above, claims in respect of property tax, ground rent and occupancy value payable to various government authorities, aggregating to Rs. 3,977.873 million, have not been acknowledged by the Corporation as debts and, hence, these have been disclosed under 'contingencies' (note 14.1.2).

12.2 This represents a short term murabaha term finance arranged from a bank during the current year to meet the working capital requirements of the Corporation. It is repayable in one year with principal repayment at maturity on July 22, 2007. It carries mark-up at the rate of 3 months KIBOR + 2%, payable quarterly, and is secured against first pari passu charge on the current assets of the Corporation, aggregating to Rs.1,000.000 million, with 25% margin.

	Note	**Sep 2007 (Un-Audited)**	June 30, 2007 (Audited)
		(Rupees in Thousand)	
13. SHORT TERM BORROWINGS			
Short term borrowings			
Bridge term finance facility	13.1	**3,000,000**	3,000,000
Short term running finances			
From commercial bank - secured	13.2	**3,741,652**	4,596,128
		6,741,652	7,596,128

13.1 This represents a bridge term finance facility arranged by the Corporation during the year under the Bridge Term Finance Agreement, executed between the Corporation and a Consortium of local commercial banks, for the purpose of financing its short term funding requirement. Under the terms of the said agreement, the Corporation has acquired a term finance facility of Rs.3,000 million to finance the short term funding needs of the Corporation. The said facility carries mark-up at KIBOR + 1% with a cap of 20%, payable monthly in arrears and is secured against standby letters of credit amounting to USD 50.000 million, issued in favour of the Corporation by the Gulf International Bank

13.2 The Corporation has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs.4,600,000 (June 2007: Rs.4,600,000) million.

The faciliteies are secured against joint pari passu charge over current assets together with pari passu charge on book debts and receiveables of the Corporation. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Corporation

The rates of markup in respect of running finances range between 1-3 month KIBOR + 1.25% to KIBOR + 1.5% per annum (June 2007: KIBOR +1.25% and KIBOR + 1.5% per annum), payable quarterly. The purchase prices are repayable on various dates, latest by May 28, 2008.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The NEPRA determined NTDC tariff for sale of power to KESC on marginal cost basis effective from July 2004. The NTDC raised the bills on monthly/daily marginal cost basis from time to time but KESC refused to acknowledge the same and approached NEPRA. The NEPRA decided that the rate of Rs.3.69 per kWh, the rate on which KESC was paying to NTDC, should be maintained till a mechanism for calculation on hourly marginal cost basis is put into place by NTDC. The decision was conveyed vide letter No. NEPRA/Director (accord)/2261, dated May 09, 2006. Thereafter, the Authority devised a mechanism for calculation of sale rate on marginal cost to KESC as intimated in their letter dated 21 February 2007.

Now, as per NTDC, the total claim on account of power purchases for the period June 2006 to June 2007 works out to Rs.39,001 billion on daily marginal cost basis. Out of the above claim, the Corporation has recorded a sum of Rs.25,385 million @ Rs.3.69/kWh and has not acknowledged the remaining balance of Rs.13,616 million. Besides, NTDC has also claimed the amount for the month of April and May 2006 on marginal cost basis and use of system charge from July 2004 amounting to Rs.3,847 million which has not been accepted by KESC on the plea that the payment of Rs.3.69/kWH is inclusive of all charges. The total disputed amount works out to Rs.16,415 million.

The management contends that NEPRA made another determination in September 2006 regarding removal of maximum limit of 4% on quarterly tariff adjustment on account of variation in fuel prices and cost of power purchases which has not yet been notified. In the absence of this notification KESC shall continue to face the dilemma of sustaining losses by itself and the operation of the Company shall not be sustainable. The management further contends that it is unfair to treat (a) NTDC-KESC marginal cost billing dispute and (b) waiver of 4% price cap as two separate issues. As a matter of fact the above two decisions are inter linked and that any additional cost billed by NTDC to KESC has either to be subsidized by GOP or has to be passed on to the consumers. The management is also of the view that the average tariff should be applied on power sale to KESC as applicable to other DISCOs and Al-Tuwairqi to avoid huge impact on KESC tariff if charged at marginal cost which may create anomaly in tariff between the consumers of KESC and rest of the country

The management is confident that the ultimate outcome of the matter will not result in any financial impact. Accordingly, no provision has been made by the Corporation for the above referred sum in these financial statements.

14.1.2 Other continencies, as disclosed in note 30.1 to the annual financial statements of the Corporation for the year ended June 30, 2007, remained unchanged.

	Note	**Sep 30, 2007 (Un-Audited)**	June 30, 2007 **(Audited)**
14.2 Commitments		**(Rupees in Thousand)**	
14.2.1 Contracts with respect to Transmission and Distribution Projects		**6,679,000**	5,664,000
14.2.2 Commitment for payment in respect of Combined Cycle Power Plant		**3,361,066**	6,615,184
14.2.3 Outstanding Letters of Credit		**2,691,386**	4,021,205
14.2.4 Claim by a Contractor		**1,170,694**	990,000

14.2.5 Other commitments, as disclosed in notes 30.2 to the annual financial statements of the Corporation for the year ended June 30, 2007, remained unchanged.

	Sep 30, 2007	Sep 30, 2006
	(Rupees in Thousand)	
15. PURCHASE OF ELECTRICITY		
National Transmission and Despatch Company	**4,973,026**	5,179,181
Independent Power Producers (IPPs)	**3,412,843**	2,540,686
Karachi Nuclear Power Plant	**515,998**	-
Pakistan Steel Mills Corporation (Private) Limited	**69,446**	51,986
	8,971,313	7,771,853
16. CONSUMPTION OF FUEL AND OIL		
Natural gas	**4,240,892**	5,432,808
Furnace and other oils	**5,426,604**	3,087,701
	9,667,496	8,520,509
17. FINANCE COST		
Mark-up / interest on short term borrowings	**239,591**	134,194
Bank service charges	**162**	23
LPS on delayed payment to creditors	**204,847**	87,720
	444,600	221,937

	Sep 30, 2007	Sep 30, 2006
	(Rupees in Thousand)	
18. TAXATION		
Current	**69,622**	59,470

18.1 Deferred tax asset, amounting to Rs.21,228 (June 30, 2007: Rs.19,630) million, has not been recognized in these financial statements as the Corporation is of the 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 period end, the Corporation's assessed tax losses amounted to Rs.74,357 (June 30, 2007: Rs.70,233) million.

	Sep 30, 2007	Sep 30, 2006
	(Rupees in Thousand)	
19. CASH (UTILIZED) / GENERATED FROM OPERATIONS		
Loss before taxation	**(4,648,139)**	(3,836,564)
Adjustments for non-cash charges and other items:		
Depreciation	**887,675**	871,451
Provision for deferred liabilities	**182,484**	159,137
Provision for slow moving stores, spares and loose tools	**21,700**	50,000
Amortization of deferred revenue	**(123,436)**	(107,470)
Provision for unpaid property taxes	**10,500**	-
Provision for debts considered doubtful - net	**338,002**	525,000
Tariff adjustment accrued	**(1,398,360)**	(1,750,792)
Interest on consumer deposits	**42,147**	40,000
Finance costs	**239,591**	134,193
Provision against fatal accident cases	**4,800**	-
Return on bank deposits	**(25,919)**	(11,384)
Working capital changes	**3,221,227**	3,706,196
	(1,247,728)	(220,233)

19.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**379,441**	(40,597)
Trade debts	**(2,230,417)**	(370,116)
Loans and advances	**(63,549)**	(110,539)
Trade deposits and prepayment	**(53,053)**	(122,322)
Other receivables	**(251,808)**	1,111,119
	(2,219,386)	467,545
Increase / (decrease) in current liabilities		
Trade and other payables	**5,330,021**	3,140,276
Short-term deposits	**110,592**	98,375
	3,221,227	3,706,196

20. TRANSMISSION AND DISTRIBUTION LOSSES

20.1 The transmission and distribution losses were 35.61% (June 2007: 34.23%). The trend of transmission and distribution losses over the years is as follows:

1999-2000	40.23%
2000-2001	36.81%
2001-2002	41.11%
2002-2003	40.78%
2003-2004	37.84%
2004-2005	34.23%
2005-2006	34.43%
2006-2007	34.23%
Sep-07	35.61%

20.2 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 Corporation. 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 20.1 above.

21. TRANSACTIONS / BALANCES WITH RELATED PARTIES

The following table provides the total amount of transactions / balances which have been entered into with related parties during the nine months ended September 30, 2007 and September 30, 2006:

		Sep 2007	Sep 2006
		(Rupees in Thousand)	
21.1	**Siemens (Pakistan) Engineering Company Limited, the operation and management contractor**		
	Purchases	**604,136**	180,066
	Operation and Management fee	**214,025**	285,450
	Operation and Management fee accrued	**581,691**	150,000
	included in accrued expenses	**-**	-
	Amount of advance	**109,067**	123,019
21.2	**National Transmission and Despatch Company, a major supplier**		
	Sales	**7,251**	4,138
	Purchases	**4,973,026**	5,179,181
	Amount payable included in creditors	**9,737,177**	3,698,247
21.3	**Pakistan State Oil Company Limited, a major supplier**		
	Purchases	**5,426,604**	3,087,701
	Amount receivable included in debtors	**-**	-
	Amount payable included in creditors	**515,521**	937,949
21.4	**Sui Southern Gas Company Limited, a major supplier**		
	Purchases	**4,240,892**	5,432,808
	Amount payable included in creditors	**9,556,167**	6,242,334
21.5	**Karachi Nuclear Power Plant, a major supplier**		
	Sales	**10,548**	28,457
	Purchases	**515,998**	-
	Amount receivable included in debtors	**-**	61,246
	Amount payable included in creditors	**481,273**	-
21.6	**Pakistan Steel Mills Corporation (Private) Limited, a major supplier**		
	Sales	**185,794**	189,120
	Purchases	**69,446**	51,986
	Amount receivable included in debtors	**257,894**	189,213
21.7	**Gul Ahmed Energy Limited, a major supplier**		
	Purchases	**1,851,247**	1,375,164
	Amount payable included in creditors	**1,311,588**	584,971
21.8	**Tapal Energy (Private) Limited**		
	Purchases	**1,507,238**	1,107,522
	Amount payable included in creditors	**646,000**	443,461
21.9	**Anoud Power Generation Limited, a major supplier**		
	Purchases	**54,358**	58,000
	Amount payable included in creditors	**23,470**	26,692

22. CORRESPONDING FIGURES

22.1 Following corresponding figures have been reclassified for the purposes of better presentation:

(Rupees in thousand)

From	To	
Other operating expenses	Expenses incurred in generation, transmission & distribution	**50,000**

22.2 Further, following figures, which were netted off in the previous period are shown on a gross basis for the purposes of better presentation:

(Rupees in thousand)

Sale of energy	Expenses incurred in generation, transmission & distribution	**54,979**
Sale of energy	Consumers services and administrative expense	**22,755**

23. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on October 28, 2007 by the Board of Directors of the Corporation.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED MUHAMMAD AMJAD
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director