Contents

KARACHI ELECTRIC SUPPLY COMPANY LIMITED

(Formerly Karachi Electric Supply Corporation Limited)

FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 MARCH 2008

CONTENTS

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
Mr. Fazal Ahmad Khan	...	Member

BANKERS
National Bank of Pakistan
Habib Bank Limited
United Bank Limited
MCB Bank Limited
Allied Bank Limited
First Women Bank Limited
Mybank Limited (formerly Bolan Bank)
Citi Bank N.A.
Standard Chartered Bank
Askari Bank Limited(formerly Askari Commercial Bank Ltd.)
KASB 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 Financial Statements of the Company for the period July 07-March 08 on behalf of Board of Directors. Key operational and financial results are listed below:

	Jul-Mar 2008	Jul-Mar 2007
	(In Millions KwH)	
OPERATIONAL		
Units generated KESC	**6,164**	5,867
Unites sent out KESC	**5,685**	5,402
Units purchased	**4,752**	4,846
Total units available for distribution	**10,437**	10,248
Units billed (including interdepartmental consumption)	**7,221**	6,753
`Transmission & Distribution Losses %	**30.8%**	34.1%
	(Rupees in Million)	
FINANCIAL		
Sale of Energy	**36,567**	31,562
Other Revenue	**2,272**	1,472
Gross Revenue	**38,839**	33,034
Cost of fuel & power purchase after tariff adjustment	**35,632**	30,054
Depreciation	**2,673**	2,642
Provision for doubtful debts	**2,059**	1,644
Operation & maintenance expenses	**6,668**	5,852
Finance cost	**1,380**	801
Other expenses	**148**	140
Total cost of sales	**48,560**	41,133
(Loss) before tax	**(9,721)**	(8,098)
Loss per share	**Re. 0.75**	Re. 0.63

KESC own generation has increased by 5.1% during the period Jul 07-Mar 08 over the corresponding period last year. Increase in KESC generation is attributable to 11.5% increased generation at BQPS which was partly offset due to reduced generation at KTPS, SGTPS and KTGTPS due to short supply of gas, outages and de-commissioning of KTPS Unit-1. Auxiliary consumption reduced from 8% to 7.8% mainly due to closure of uneconomical KTPS unit-1. Total KESC units sent out registered an increase of 5.2% as compared to 5.1% increase in units generated. Power purchase decreased by 1.9% over corresponding period last year due to short supply from WAPDA by 15.8% which was offset by increased purchases from other sources. Total units available for sale increased by 1.8%, whereas units sold increased by 6.9%, the additional units sold were contributed through significant reduction in T&D losses by 3.3% from 34.1% in Jul 06-Mar 07 to 30.8% in Jul 07-Mar 08.

Revenue from sale of energy has gone up by 15.9% due to collective impact of 6.9% increase in sales, enhancement of average selling rate by 7.5% and 10% on account of tariff increase allowed by NEPRA from 24 February 2007 and 01 March 2008 respectively and favourable sale mix.

Increase in revenue was more than offset by phenomenal increase in fuel bill by 22.1% outbalancing 6.9% increase achieved in units sent out. Availability of gas for power generation decreased to 192 mmcfd depicting 70% of total requirement of 274 mmcfd during the period under review as compared to availability of 207 mmcfd during Jul-Mar 07 constituting 80% of total requirement of 258 mmcfd. Short supply of gas, as a result of increased winter demand and GOP's decision to divert maximum gas supply to northern parts of the Country, compelled the Company to use expensive furnace oil to minimize load shedding and to facilitate our valued consumers as much as possible. Consequently, fuel bill spiralled by Rs.4576 million over corresponding period last year which adversely impacted the bottom line of P&L account. Cost of power purchases increased by 10.1% despite 1.9% reduction in number of units purchased which is exclusively attributable to steep rise in furnace oil price registered during the period under review. Operation & Maintenance (O&M) expenses increased by 14% mainly to ensure maintenance and operation of dilapidated Transmission & Distribution (T&D) network inherited by the new management. Loss before tax, as a result of cumulative impact of contributing factors as above, increased by 20.04% from Rs.8,098 million to Rs.9,721 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. It is pertinent to mention that cost of fuel & power purchase, depreciation, provision for bad debts and financial charges collectively constitute approximately 83% (Rs.40,119 million) of total expenditures (Rs.48,560 million) of the Company which are, by and large, beyond the control of Management.

Activities under Review

Generation

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 was awarded in January 2007 and first two Gas Turbines (GTs) of 48 MW each are likely to be commissioned during next month. Third & fourth GTs would be commissioned later in the year whereas combined cycle is expected to be operational by July 2009. Contract for setting up of 560 MW power plant - phase-II at BQPS is likely to be awarded shortly. 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. Additionally, the Company is trying to get a net of approximately 100 MW through direct rental and another 130 MW through indirect rental. Options are being looked at for utilization of another 28 mmcfd of gas in an optimal manner.

Transmission & Distribution

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 already been commissioned or are in the final stage of completion which have relatively improved network reliability, reduced technical losses and enhanced transmission & distribution capacity.

Commitment & Support of the Purchaser

The commitment, support and interest of purchaser and GOP to transform the Company into an efficient and profitable organization are evident from the below given facts:

i. Equity injection of Rs.6 billion (USD 100 M) through Redeemable Preference Shares (RPS) by KES Power (74.1%) and GOP (25.65%) to finance equity component of cost of new power plants.

ii. The financing facilities from local & international lenders for enhancing generation capacity through setting up of new power plants, could only be managed with the sponsors support and their corporate guarantees. Financing arrangements for such a colossal sum of USD 125 M from IFC, USD150 M from ADB and PKR 12,500 M from local syndicate were simply not possible on the strength of KESC's balance sheet.

iii. In May 2007, the new owners arranged another USD 50 million to meet their obligation towards capital expenditure (primarily on network) to add to the FIP of the GOP.

iv. The GOP funded Financial Improvement Plan (FIP) has also been contributing positively towards system improvement and loss reduction.

Future Prospects

Commissioning of eleven (11) 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 and substantial augmentation & expansion of distribution system (in HT as well as LT sections) shall significantly improve network capacity & reliability and reduce system overloading and T&D losses and shall substantially contribute to operational & financial viability of the Company.

The structured & systematic turnaround strategy adopted by the Company shall be continued and reinforced in future. Each issue shall be addressed with concentration on improving the core activity of the Company and bridging the prevailing electricity demand & supply gap. The Company shall continue to pursue the objective of improving output & service and its relationship with customers. Improving & expanding network infrastructure, further reducing technical & administrative losses, developing human resource capital of the Company and improving quality & standard of customer service shall continue to be the main focus of the management aiming to benefit all the stakeholders. The concerted efforts of the management are likely to produce improved operating & financial results in future and add value to shareholders investment in the Company.

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

Karachi, 26 April 2008

INTERIM CONDENSED BALANCE SHEET
AS AT MARCH 31, 2008
(Un-audited)

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**61,271,157**	50,769,714
Intangible software		**35,563**	-
Long-term loans		**103,584**	113,981
Long-term deposits		**20,528**	18,700
Due from the Government		**952,125**	1,110,813
		62,382,957	52,013,208
CURRENT ASSETS			
Current portion of amount due from the Government		**317,375**	317,375
Stores, spares and loose tools	5	**4,353,567**	4,668,113
Trade debts	6	**11,757,863**	8,640,510
Loans and advances	7	**374,607**	293,518
Trade deposits and prepayments		**50,049**	28,270
Accrued interest on bank deposits		**-**	6,868
Other receivables	8	**8,617,009**	6,529,655
Taxation- net		**260,696**	278,486
Short-term investment	9	**-**	607,717
Cash and bank balances		**436,219**	3,937,319
		26,167,385	25,307,831
TOTAL ASSETS		**88,550,342**	77,321,039
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	10	**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		**(44,699,155)**	(34,793,268)
Unrealised loss on cross currency swap		**(72,636)**	-
		13,177,906	21,682,323
ADVANCE AGAINST REDEEMABLE PREFERENCE SHARES		**-**	1,478,193
NON-CURRENT LIABILITIES			
Long term financing	11	**8,015,231**	1,136,813
Long-term deposits		**3,565,676**	3,353,849
Deferred liabilities		**4,757,045**	4,389,582
Deferred revenue		**7,559,080**	6,979,190
Specific grant from the Government of Pakistan	12	**6,426,772**	4,702,421
		30,323,804	20,561,855
CURRENT LIABILITIES			
Trade and other payables	13	**32,676,429**	22,098,688
Accrued mark-up		**1,082,211**	917,581
Short-term borrowings	14	**7,845,843**	7,596,128
Short-term deposits		**2,690,474**	2,175,989
Provisions		**436,300**	492,907
Current maturity and overdue installment of long-term financing		**317,375**	317,375
		45,048,632	33,598,668
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		**88,550,342**	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 THE NINE MONTHS ENDED MARCH 31, 2008 (Un-audited)

	Note	Nine Months Ended		Quarter Ended	
		March 31 2008	March 31, 2007	**March 31, 2008**	March 31, 2007
		(Rupees in Thousand)			
REVENUE					
Sale of energy - net		**36,567,099**	31,562,454	**10,391,471**	9,123,270
Rental of meters and equipment		**150,850**	148,516	**50,607**	49,815
		36,717,949	31,710,970	**10,442,078**	9,173,085
EXPENDITURE					
Purchase of electricity	16	**(23,339,357)**	(21,195,866)	**(7,170,027)**	(6,093,767)
Consumption of fuel	17	**(25,280,490)**	(20,704,691)	**(7,192,549)**	(5,716,908)
		(48,619,847)	(41,900,557)	**(14,362,576)**	(11,810,675)
Tariff adjustment on account of increase in fuel prices and cost of power purchase		**12,988,255**	11,846,365	**4,282,012**	3,318,337
		(35,631,592)	(30,054,192)	**(10,080,564)**	(8,492,338)
Expenses incurred in generation, transmission and distribution		**(6,901,962)**	(5,983,289)	**(2,306,138)**	(2,142,024)
		(5,815,605)	(4,326,511)	**(1,944,624)**	(1,461,277)
Consumers services and administrative expenses		**(4,499,185)**	(4,154,083)	**(1,767,069)**	(1,432,165)
Other operating income		**2,121,386**	1,323,311	**633,008**	552,506
Other operating expenses		**(146,020)**	(140,200)	**(52,363)**	(47,090)
		(2,523,819)	(2,970,972)	**(1,186,424)**	(926,749)
OPERATING LOSS		**(8,339,424)**	(7,297,483)	**(3,131,048)**	(2,388,026)
Finance cost	18	**(1,381,340)**	(800,759)	**(446,446)**	(276,573)
LOSS BEFORE TAXATION		**(9,720,764)**	(8,098,242)	**(3,577,494)**	(2,664,599)
Taxation	19	**(185,123)**	(159,985)	**(52,539)**	(45,734)
(LOSS) AFTER TAXATION		**(9,905,887)**	(8,258,227)	**(3,630,033)**	(2,710,333)
LOSS PER SHARE (Rupees)		**(0.75)**	(0.63)	**(0.28)**	(0.21)

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 CASH FLOW STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2008 (Un-audited)

	Note	Nine Months Ended March 31, 2008	Nine Months Ended March 31, 2007
		(Rupees in Thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized / generated from operations	20	**(702)**	730,174
Payment to worker's profit participant fund		**-**	(100)
Payment in respect of fatal accident		**(56,607)**	(1,260)
Deferred liabilities paid		**(173,599)**	(146,860)
Income tax paid		**(167,333)**	(217,051)
Receipt in deferred revenue		**972,909**	1,226,169
Issuance cost on preference capital		**(4,088)**	-
Interest on running finance		**(761,773)**	(294,622)
Interest received on bank deposits		**60,911**	58,696
Net cash generated from / (used in) operating activities		**(130,282)**	1,355,146
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(13,212,827)**	(8,446,271)
Proceeds from disposal of fixed assets		**2,725**	3,250
Long-term loans		**10,397**	3,088
Long-term deposits		**(1,828)**	(10,316)
Net cash used in investing activities		**(13,201,533)**	(8,450,249)
		(13,331,815)	(7,095,103)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid against long term financing		**(32,657)**	-
Specific grant from the Government of Pakistan-net		**1,724,351**	2,800,844
Receipt against reedeemable preference shares capital		**-**	3,044,996
Receipt from IFC and Syndicate loans		**7,069,762**	163,220
Security deposit from consumers		**211,827**	-
Net cash generated from financing activities		**8,973,283**	6,009,060
NET DECREASE IN CASH AND CASH EQUIVALENT		**(4,358,532)**	(1,086,043)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**(3,051,092)**	(874,867)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**(7,409,624)**	(1,960,910)

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 NINE MONTHS ENDED MARCH 31, 2008 (Un-audited)

	Issued, Subscribed and paid-up Capital		RESERVES				
	Ordinary Shares	Preference Shares	Capital reserves	Revenue reserves	Accumulated losses	Unrealised loss on cross currecy Swap	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	-	2,973,647	-	-	-	-	2,973,647
Net loss for the nine months ended March 31, 2007	-	-	-	-	(8,258,227)	-	(8,258,227)
Balance as at March 31, 2007	46,084,762	2,973,647	509,172	5,372,356	(30,944,228)	-	23,995,709
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
Unrealised loss on cross currency swap						(72,636)	(72,636)
Net loss for the nine months ended	-	-	-	-	(9,905,887)	-	(9,905,887)
Balance as at March 31, 2008	**46,084,762**	**5,983,407**	**509,172**	**5,372,356**	**(44,699,155)**	**(72,636)**	**13,177,906**

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2008 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

Karachi Electric Supply Company Limited [formerly Karachi Electric Supply Corporation Limited] (the Company) was incorporated as a limited liability Company on September 13,1913 under the Indian Companies Act, 1882. 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, as amended to-date, to its licensed areas.

The registered office of the Company 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 nine months interim condensed financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2007 except for intangible assets which are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method from the date an asset is available for use over its estimated useful life over which economic benefits are expected to flow to the Company .The useful life and amortization method is reviewed and adjusted , if appropriate, at each balance sheet date. Further, the Company uses cross currency swaps to hedge its risks associated with interest rate and currency fluctuations. Such derivative financial instruments are stated at fair value.

		June 30,	March 31,	
			2008	2007
		Note	(Un-audited)	(Audited)
4.	**PROPERTY, PLANT AND EQUIPMENT**		(Rupees in Thousand)	
	Operating fixed assets	4.1	**38,836,754**	39,874,984
	Capital work-in-progress	4.2	**22,434,403**	10,894,730
			61,271,157	50,769,714

4.1 Operating fixed assets

Following are the major additions and disposals of fixed assets during the current period:

	Additions	Disposals	
		Cost	Accumulated depreciation
	--------(Rupees in thousand)--------		
Leasehold land	1,058	-	-
Buildings on leasehold land	4,739	-	-
Plant and machinery	270,226	39	35
Transmission and distribution network	1,289,865		
Furniture, air-conditioners and office equipment	10,203	3,016	2,715
Tools and general equipment	7,152	263	236
Computers and related equipment	66,559	-	-
Vehicles	30,706	9,677	6,952
	1,680,508	**12,995**	**9,938**

4.2 Capital work-in-progress

	Note	As at March 31, 2008 (Un-audited)	Additions / (transfer)	As at June 30, 2007 (Audited)
		--------(Rupees in thousand)--------		
Leasehold land			(1,058)	1,058
Plant and machinery	4.2.1& 4.2.2	**12,306,153**	7,863,539 (270,226)	4,712,839
Transmission and distribution network		**9,752,390**	5,004,717 (1,268,311)	6,015,984
Renewals of mains and services		**124,448**	48,628	75,820
Vehicles		**29,359**	42,598 (30,706)	17,467
Furniture,tools, computers and others		**222,053**	260,698 (110,207)	71,562
		22,434,403	13,220,180 (1,680,508)	10,894,730

4.2.1 This includes an aggregate sum of Rs .10,882.605 million incurred by the company on the 220 MW Combined Cycle Power Plant at Korangi, Karachi.

4.2.2 During the period under review an amount of Rs 438.480 million (June 30, 2007: Rs. Nil), representing interest on borrowings has been capitalized and included in the project cost of Combine Cycle Power Plant.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
5. STORES, SPARES AND LOOSE TOOLS			
In hand			
Stores, spares and loose tools		**5,041,953**	5,461,138
In transit			
Stores		**227,708**	57,969
		5,269,661	5,519,107
Provision against slow moving and obsolete stores, spares and loose tools	5.1	**(916,094)**	(850,994)
		4,353,567	4,668,113

5.1 During the current period, a further sum of Rs. 65.100 (June 30, 2007: Rs.50.000) million has been provided by the Company against slow moving and obsolete stock.

	Note	March 31, 2008	June 30, 2007
6. TRADE DEBTS			
Considered good			
Secured - against deposits from consumers		**574,378**	604,934
Unsecured		**11,183,485**	8,035,576
		11,757,863	8,640,510
Considered doubtful		**14,493,407**	13,389,552
		26,251,270	22,030,062
Provision against debts considered doubtful	6.1	**(14,493,407)**	(13,389,552)
		11,757,863	8,640,510

6.1 Provision against debts considered doubtful

		March 31, 2008	June 30, 2007
Opening Balance		**13,389,552**	12,530,667
Provision made during the current period		**2,058,793**	1,881,461
		15,448,345	14,412,128
Provision written off during the current period		**(954,938)**	(1,022,576)
		14,493,407	13,389,552

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

	Note	March 31, 2008	June 30, 2007
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		**16,386**	22,883
Contractors and Suppliers	7.1	**347,678**	260,092
		364,064	282,975
Considered doubtful			
Contractors and Suppliers		**130,340**	130,340
Provision against advances considered doubtful		**(130,340)**	(130,340)
		-	-
		374,607	293,518

7.1 This includes a sum of Rs. 138.658 million (June 30, 2007: Rs. 116.398 million), representing advance extended to Siemens Pakistan Engineering Limited.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
8. OTHER RECEIVABLES			
Rebate due on electricity duty		**89,115**	77,910
Sales tax - net	8.1	**2,877,017**	2,987,464
Due from the Government in respect of:			
- sales tax on selected classes of consumers		**498,088**	450,541
- tariff adjustment	8.2	**4,355,570**	2,258,390
- provision against Sabah Shipyard		**409,168**	409,168
		5,262,826	3,118,099
Employees' Provident Fund		**15,373**	7,528
Fair value of cross currency swap	11.1	**3,414**	-
Accrued income for TV license fees collection charges		**4,414**	4,414
Insurance claim		**1,770**	7,028
Others		**363,080**	327,212
		8,617,009	6,529,655

8.1 Included herein is a sum of Rs.1,794.722 (June 30, 2007: Rs.2,612.964) million, representing sales tax-net, claimed by the Company as refundable on account of excess input credits.

8.2 This includes a sum of Rs. 1,109.000 million accrued by the Company in the light of the legal opinion obtained by the Company in respect of the determination made by NEPRA, dated September 14, 2006, regarding removal of the maximum limit of 4% on quarterly tariff adjustment on account of variation in fuel prices and cost of power purchases. The same is currently pending notification by the GoP. (15.1.1). However, the Company is pursuing a total claim of Rs .4,274.000 million being the shortfall in revenue on account of variation in fuel prices and cost of power purchases , suffered over the period starting January 2005.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
9. SHORT-TERM INVESTMENT			
Held to maturity			
Term Deposit Receipts (TDR)		**-**	607,717

9.1 These TDRs placed with the commercial banks on a short term basis have been matured during the period.

10. SHARE CAPITAL

March 31, 2008 (Un-audited) (Number of shares)	June 30, 2007 (Audited) (Number of shares)		Note	March 31, 2008 (Un-audited) (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	10.1 & 10.2	**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

10.1 As part of the process of the Company's privatization, the GoP and the new owners agreed to inject additional equity by issuing Redeemable Preference Shares (RPS) in the aggregate value of Rs.6,000 million. In this respect, a Subscription Agreement was executed between the President of Pakistan, on behalf of the GoP, the Company and the KES Power Limited on November 14, 2005 to issue the RPS, amounting to Rs.6,000 million, divided into 1,714,285,714 preference shares of Rs.3.50 each as right to the existing Ordinary shareholders of the Company. The issue of Redeemable Preference Shares was finalized by the Board of Directors of the Company and NOC was obtained from the Securities and Exchange Commission of Pakistan, vide Letter No. EMD/CI/16/2004-4417, dated November 07, 2005.

During the current period, 422,340,723 preference shares have been allotted to the existing shareholders, against advance against redeemable preference shares of Rs.1,478,193,000. 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 Rupees 3.50 per Redeemable Preference share and are redeemable within a period of 90 days from 7 years after November 28, 2005. 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.

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.

The above referred Preference shares (the shares) have been treated as part of equity on the following basis:

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

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

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

- The Company is required to set-up a reserve for 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.

10.2 This is stated net of Rs.16.593 (June 30, 2007: Rs.12.505) million representing transaction costs incurred on issue of redeemable preference shares.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
11. LONG-TERM FINANCING			
Secured			
GoP Loan for the electrification of Hub Area		**26,000**	26,000
Due to the Oil and Gas companies		**1,236,844**	1,428,188
Current maturity thereof shown under current liabilities		**(317,375)**	(317,375)
		919,469	1,110,813
Loan - IFC	11.1	**2,826,000**	-
Syndicate term loan	11.2	**4,243,762**	-
		8,015,231	1,136,813

11.1 This represents utilised portion (USD45.000 million) of loan agreement, signed on March 22, 2007, amounting to USD150 million with International Finance Corporation (IFC)/Asian development Bank (ADB), for the purposes of capital expenditure on power generation, transmission and network improvement project. The said financing is available for a period of 10 years, with 3 years grace period, having an availability period upto March 31, 2010. It carries interest rate at 3 Months LIBOR + 2.85% up to the project completion date, thereafter, 3 months LIBOR + 2.5%. Under the terms of the IFC loan agreement, the Company has executed a cross currency swap with Citibank N.A., (hedging bank) to hedge the Company's foreign currency payment obligation to IFC up to USD125 million in principal together with LIBOR interest accruing thereon. Pursuant to the agreement, the Company's foreign currency's obligations have been converted into hedged PKR amount and the interest accruing thereon has been paid to the hedging bank at KIBOR -0.10 %. In this regard, the Company has accrued interest of Rs. 168.670 million (June 30, 2007: Nil).

11.2 This represents utilised portion of a 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 purposes of utilization for 220 MW Korangi Generation Project. The said loan is available for 9 years with a 3 years grace period, having an availability period of 2 years from the effective date, carrying mark-up at the rate of 6 months KIBOR + 3%. To date, a sum of Rs.4,243.762 million has been disbursed to the Company. In this regard, the Company has accrued interest amounted to Rs. 269.810 million (2007:Nil) .

11.3 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.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
12. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN			
Opening balance		**4,702,421**	1,985,878
Received during the current period / year	12.1	**2,300,000**	3,970,105
Interest accrued on grant received from the GoP		**-**	4,861
		7,002,421	5,960,844
Transfer to deferred revenue	12.2	**(339,160)**	(940,032)
Interest on bank borrowings	12.3	**(236,489)**	(318,391)
		6,426,772	4,702,421

12.1 This represents amount received from the GoP under the FIP during the current period.

12.2 Out of the total receipts from the GoP under the FIP, the Company transferred a sum of Rs.339.160 (June 30, 2007: Rs.940.032) million to deferred revenue against work completed during the current period.

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

12.4 Included in specific grants is sum of Rs. 6,831.786 (June 30, 2007: Rs.3,965.265) million pertaining to expenditure incurred on FIP classified as capital work-in-progress.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
13. TRADE AND OTHER PAYABLES			
Creditors			
Power purchases		**17,625,641**	7,020,439
Fuel	13.1	**8,537,439**	8,859,340
Others		**3,092,237**	2,736,246
		29,255,317	18,616,025
Murabaha			
Murabaha term finance	13.2	**750,000**	750,000
Accrued liabilities			
Accrued expenses	13.3 & 13.4	**1,029,169**	1,378,866
Advances/credit balances of consumers			
Energy		**224,137**	381,752
Others		**481,645**	408,097
		705,782	789,849
Other liabilities			
Unclaimed and unpaid dividend		**650**	650
Employee related dues		**70,588**	71,463
Electricity duty		**647,644**	280,664
Tax deducted at source		**91,853**	99,845
PTV license fee		**25,457**	22,451
Payable to the then Managing Agent, PEA (Private) Limited		**29,241**	29,295
Others		**70,728**	59,580
		936,161	563,948
		32,676,429	22,098,688

13.1 Included herein is a sum of Rs. 63.970 (June 30, 2007: Rs.322.662) million representing financial charges due to a creditor for making late payment in respect of gas purchases.

13.2 This represents a short term murabaha term finance arranged from a bank to meet the working capital requirements of the Company. 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 Company, aggregating to Rs.1,000.000 million, with 25% margin.

13.3 Included herein is an aggregate sum of Rs. 567.530 (June 30, 2007: Rs.519.895) 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 Company 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 (June 30, 2007: Rs.3,977.873) million, have not been acknowledged by the Company as debts and, hence, these have been disclosed under 'contingencies'. (note 15.1.2)

13.4 This is stated net of a sum of Rs. 583.846 million due to the O&M Contractor Siemens (Pakistan) Engineering Company Limited,written back during the current period on account of facts disclosed under 'contingencies'. (note 15.1.2).

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
14. SHORT TERM BORROWINGS			
Short term borrowings			
Bridge term finance facility	14.1	**3,000,000**	3,000,000
Structured trade finance facility	14.2	**2,194,000**	-
Short term running finances			
From commercial bank - secured	14.3	**2,651,843**	4.596.128
		7,845,843	7,596,128

14.1 This represents a bridge term finance facility arranged by the Company under the Bridge Term Finance Agreement, executed between the Company and a Consortium of local commercial banks, for the purposes of financing its short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs.3,000 million to finance the short term funding needs of the Company. 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 Company by the Gulf International Bank.

14.2 This represent a finance facility from Standard Chartered bank arranged by the Company to bridge the short term finance facility for a tenor of three months. The mark up is payable on quarterly basis and is based on ; base rate plus a) for the first 30 days from the date of disburesement of facility , 200 basis points ; thereafter b) 250 basis point till the repayment of entire Purchase price. This facility is secured by specific 1st charge with 25% margin over site fixed assets.

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

The rates of mark-up in respect of running finances range between 1-3 month KIBOR + 1.25% to KIBOR + 1.9% per annum (June 2007: KIBOR +1.25% and KIBOR + 1.9% per annum), payable quarterly.

The purchase prices are repayable on various dates, latest by May 28, 2008.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 The NEPRA determined NTDC tariff for sale of power to Company 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 Company 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 Company as intimated in their letter dated February 21, 2007.

Now, as per NTDC, the total claim on account of power purchases for the period from July 2004 to March 2008 works out to Rs.74,969 million (inclusive of amount related to use of system charge)on daily marginal cost basis. Out of the above claim, the Company has recorded a sum of Rs.52,371 million @ Rs.3.69/kWh and has not acknowledged the remaining balance of Rs. 22,598 million.

The management is also of the view that the average tariff should be applied on power sale to KESC as applicable to other DISCOs.The marginal cost as presently billed to KESC by NTDC is neither comparable to the billing to other DISCOs , nor fair since its economic and social impact will jeopardize the commercial viability of the company and will be seen by the consumer as discriminatory in nature.

However , the management is confident that the ultimate outcome of the matter will not result in any financial impact since the disputed amount of Rs. 22,598 million will be a pass through item as per NEPRA determination regarding the removal of capping on 4% tariff adjustment on account of variation in fuel price and cost of power purchase.

In such case additional tariff due to marginal cost will be charged to consumers or paid by the GOP as tariff subsidy. Accordingly , no provision has been made by the company for the above referred sum in these financial statements.

In the mean time , the Company during the current period recorded a sum of Rs. 1,109 million as due from the Government on account of tariff adjustment arising from the removal of capping on quarterly adjustment due to variation in fuel price and cost of power purchases as discussed in note 8.2

15.1.2 Other contingencies, as disclosed in the financial statements for the half year ended 31, December 2007 have remained unchanged.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Audited)
		(Rupees in Thousand)	
15.2 Commitments			
15.2.1 Contracts with respect to Transmission and Distribution Projects		**5,337,000**	5,664,000
15.2.2 Commitment for payment in respect of Combined Cycle Power Plant		**3,020,481**	6,615,184
15.2.3 Outstanding Letters of Credit		**3,562,004**	4,021,205
15.2.4 SAP implementation cost		**21,276**	-

15.2.5 Other commitments, as disclosed in notes 30.2.4 to 30.2.6 in the annual financial statements of the Company for the year ended June 30, 2007, have remained unchanged.

	Note	March 31, 2008 (Un-audited)	June 30, 2007 (Un-audited)
		(Rupees in Thousand)	
16. PURCHASE OF ELECTRICITY			
National Transmission and Despatch Company		**11,201,273**	13,304,479
Independent Power Producers (IPPs)		**10,303,355**	7,469,405
Karachi Nuclear Power Plant		**1,449,109**	281,851
Pakistan Steel Mills Corporation (Private) Limited		**385,620**	140,131
		23,339,357	21,195,866
17. CONSUMPTION OF FUEL AND OIL			
Natural gas		**11,649,141**	14,099,639
Furnace and other oils		**13,631,349**	6,605,052
		25,280,490	20,704,691
18. FINANCE COST			
Mark-up / interest on short term borrowings		**704,248**	446,480
LPS on delayed payment to creditors		**666,839**	327,272
Others		**10,253**	27,007
		1381,340	800,759
19. TAXATION			
Current		**185,123**	159,985

19.1 Deferred tax asset, amounting to Rs. 21,939.454 million (June 30, 2007: Rs.19,427.374 million) , has not been recognized in these financial statements as the Company 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 Company's assessed tax losses amounted to Rs. 73,179.000 million(June 30, 2007: Rs.70,233 million).

	Note	March 31, 2008 (Un-audited)	March 31, 2007 (Un-audited)
		(Rupees in Thousand)	
20. CASH (UTILIZED) / GENERATED FROM OPERATIONS			
Loss before taxation		**(9,720,764)**	(8,098,242)
Adjustments for non-cash charges and other items:			
Depreciation		**2,673,095**	2,641,968
Provision for deferred liabilities		**541,062**	410,339
Provision for slow moving stores, spares and loose tools		**65,099**	75,200
Amortization of deferred revenue		**(393,022)**	(346,598)
Provision for unpaid property taxes		**-**	31,500

Provision for debts considered doubtful - net		**2,058,793**	1,643,948
Gain on disposal of fixed assets		**-**	(549)
Tariff adjustment accrued		**(1,262,975)**	(1,082,000)
Interest on consumer deposits		**129,176**	122,055
Finance costs		**704,247**	446,480
Provision against fatal accident cases		**-**	14,800
Return on bank deposits		**(54,043)**	(58,279)
Working capital changes	20.1	**5,258,630**	4,929,552
		(702)	730,174

20.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	**249,446**	(989,119)
Trade debts	**(5,176,147)**	(1,608,653)
Loans and advances	**(81,089)**	(695,222)
Trade deposits and prepayments	**(21,779)**	(163,572)
Other receivables	**(824,379)**	33,957
	(5,853,948)	(3,422,609)
Increase / (decrease) in current liabilities		
Short-term deposits	**514,485**	499,058
Trade and other payables	**10,598,093**	7,853,103
	5,258,630	4,929,552

21. TRANSMISSION AND DISTRIBUTION LOSSES

21.1 The transmission and distribution losses were 30.80% (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%
July to March 2008	30.80%

21.2 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 21.1 above.

22. 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 March 31, 2008 and March 31, 2007:

	March 31, 2008	March 31, 2007
	(Rupees in Thousand)	
22.1 National Transmission and Despatch Company, a major supplier		
Sales	**18,133**	23,935
Purchases	**11,201,273**	13,304,480
Amount payable included in creditors	**15,062,149**	5,470,363
22.2 Pakistan State Oil Company Limited, a major supplier		
Purchases	**13,631,349**	6,605,052
Amount payable included in creditors	**812,881**	1,240,268
22.3 Sui Southern Gas Company Limited, a major supplier		
Purchases	**11,649,141**	14,099,639
Amount payable included in creditors	**7,724,556**	6,347,410
22.4 Karachi Nuclear Power Plant, a major supplier		
Sales	**41,829**	90,103
Purchases	**1,449,109**	281,851
Amount payable included in creditors	**794,854**	113,747
22.5 Pakistan Steel Mills Corporation (Private) Limited, a major supplier		
Sales	**499,220**	647,366
Purchases	**385,620**	140,131
Amount payable included in creditors	**2,249**	-
Amount receivable included in debtors	**-**	78,918
22.6 Gul Ahmed Energy Limited, a major supplier		
Purchases	**5,339,421**	3,960,934
Amount payable included in creditors	**855,444**	680,317
22.7 Tapal Energy (Private) Limited		
Purchases	**4,676,166**	3,295,209
Amount payable included in creditors	**787,474**	476,187
22.8 Anoud Power Generation Limited, a major supplier		
Purchases	**130,789**	213,262
Amount payable included in creditors	**15,648**	21,498

23. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 26 April 2008 by the Board of Directors of the Company.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED MUHAMMAD AMJAD
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director