Financial Statements for the Half Year ended 31 December 2008

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Company Information

BOARD OF DIRECTORS

CHAIRMAN
Mr. Abdulaziz Hamad Aljomaih

VICE CHAIRMAN
Mr. Naser Al-Marri

CHIEF EXECUTIVE OFFICER
Mr. Naveed Ismail

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

GROUP CHIEF FINANCIAL OFFICER
Mr. Jalil Tarin

CHIEF LEGAL ADVISER & COMPANY SECRETARY
Ms. Uzma Amjad Ali

BOARD's AUDIT COMMITTEE (BAC)

Mr. Naser Al-Marri	…	Chairman
Mr. Shan A. Ashary	…	Member
Mr. Fazal Ahmad Khan	…	Member
Mr. Mubasher H. Sheikh	...	Member

BANKERS
Allied Bank Limited
Askari Bank Limited
Citi Bank N.A.
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
Mybank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

AUDITORS
M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants

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

Brief Review

I am pleased to present the Interim Financial Statements of the Company for the half year ended 31 December 2008 on behalf of Board of Directors. Key operational and financial results are listed below:

	Jul-Dec 2008	Jul-Dec 2007
OPERATIONAL		
	(IN MILLIONS - KwH)	
Units generated KESC	3,999	4,483
Unites sent out KESC	3,686	4,138
Units purchased	3,600	3,432
Total units available for distribution	7,286	7,570
Units billed	4,912	5,192
Transmission & Distribution (T&D) Losses %	32.58%	31.41%
	(RUPEES IN MILLIONS)	
FINANCIAL		
Sale of Energy	29,163	26,176
Other Revenue	1,180	1,588
Gross Revenue	**30,343**	**27,764**
Cost of fuel & power purchased (net of subsidy)	28,585	25,551
	1,758	**2,213**
O&M Expenses	5,096	4,259
Provision for doubtful debts	750	1,294
Depreciation	1,891	1,775
Financial & other charges	1,985	1,028
(Loss) before tax	**(7,964)**	**(6,143)**
(Loss) per share	Re. (0.60)	Re. (0.48)

KESC generation decreased by 10.80% over the corresponding period last year as a result of reduced generation at BQPS which was partly offset by increased generation at other power stations. Total KESC units sent out decreased by 10.92% as a direct result of 10.80% decline in KESC generation. Total units available for distribution decreased by 3.75% whereas total units billed decreased by 5.39% and consequently T&D losses increased by 1.17% to 32.58% from 31.41% in corresponding period last year.

Revenue from sale of energy has registered an increase of 11.41% which is attributable to 18.50% tariff increase allowed by NEPRA in October 2008. Cost of fuel increased by 3.28% due to rise in Gas prices. The Power Purchase cost increase is mainly attributable to higher FO based IPPs prices.

O&M expenses increased by 19.65% whereas financial charges higher by 93% on account of increased interest payments on KIBOR-linked running finance facilities availed by the Company in order to meet working capital shortfall and as KIBOR had scaled up during the period under review. Additionally increased interest charges on deferred payments on account of Gas consumption bills also contributed to enhanced financing cost. Loss before tax as a result of cumulative impact of contributing factors as stated above, increased by 29.64% from Rs.6,143 M to Rs.7,964 M. It is pertinent to underscore that cost of power purchase & fuel, depreciation and financial charges collectively constitute approximately 85% (Rs.32,461 M) of total expenditure (Rs.38,307 M).

ACTIVITIES UNDER REVIEW

Generation

The policy adopted in pre-privatization era of deferring indigenous generation virtually resulted in no injection of fresh generation in KESC system since 1997 when BQPS Unit-6 of 210 MW was put on bar. In the interest of the Company, its customers, the city of Karachi and in the best national interest, the said policy has been done away which is evident from entering into contracts for 220 MW combined cycle power plant at KTPS and 560 MW combined power plant at BQPS and New Fast Track Gas Engine Power Plant Project of approximately 192 MW at KGTPS & SGTPS.

Units 1 & 2 of the new 220MW combined cycle plant have achieved commercial operation in November 2008 and Unit 3 in February 2009. Whereas the 4th unit is scheduled to achieve the commercial operation by middle of March 2009. The final completion of the project, including the combined cycle portion is scheduled to be completed by May 2009.

GE Jenbacher project is well under way with first delivery of engines scheduled for the end of March. SGTPS will be on line in June where as KGTPS will be on line in the middle of August.

The discussions with Harbin on the 560MW combined cycle are underway and resolution on the outstanding contractual amendments shall be concluded in the first week of March 2009.

Transmission & Distribution

Strategic Plan with implementation mechanism was prepared for rehabilitation of outdated and dilapidated transmission and distribution network which has been under execution in a phased and prioritized manner. A number of critically important projects have been commissioned or are in the final stage of completion which have relatively improved network reliability and increased transmission & distribution capacity and reduced technical losses. 132 kV GIS Grid Station (extensions) Queens Road, 132 kV Hybrid Grid Station Korangi South and 220 kV GIS Grid Station at KTPS have been completed and commissioned. Whereas, eight (8) 132 KV GIS Hybrid Grid Stations are in various stages of completion and shall be commissioned in a phased manner which would further improve network reliability and capacity of the transmission network.

Establishment of computerized system for management of generation, transmission and distribution known as SCADA had been planned and is being executed as one of the prioritized projects and provisional taking over of the project is scheduled by 31 March 2009. The commissioning of this critically important project would significantly improve efficiency of power system control & monitoring, facilitate timely operational decisions & economic dispatch of power and would minimize outages and technical losses.

Distribution system has been augmented & expanded through significant addition of 11KV overhead & underground lines and 400V overhead & underground lines and 11KV distribution substations / PMTs.

It is stated that:

i. All contingent liabilities have been duly disclosed in note 12.1. It is also clarified that after resolution of the disputes it is expected that there will be no material financial impact in this regard.

ii. The key factors responsible for Transmission & Distribution (T&D) losses are old and outdated distribution network and theft of electricity. Improvement of the system is undertaken with the help of Financial Improvement Plan (FIP), financed by GOP as well as through capex budget of the Company. It is expected that after completion of network improvement, the technical T&D losses shall stand reduced to a reasonable level.

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

Future Prospects

In September 2008, the new management team comprising of in-house professional engineers, managers and contract specialists representing core activity areas, was inducted in KESC. The team is led by Mr. Naveed Ismail, CEO who is himself a high profile engineer and possesses hands on experience and exposure with proven international track record of managing companies operating under difficult circumstances and turning them into efficient and profitable entities. The new management is fully capable and firmly committed to implementing a comprehensive strategy with an emphasizes on developing an essential and positive change in both qualitative and quantitative areas of operations & management and to introduce cultural and corporate structural changes designed to introduce best practices framework and corporate governance across all activity areas focusing on main objective to restore operational & financial viability of the Company.

The new management identified critical areas & core issues to be focused upon and immediately embarked upon a strategic action plan to improve and economize core activities of the Company. As a result of professional approach and concerted efforts, financial results for Oct-Dec 08 (Q2) have significantly improved as compared to Jul-Sep 08 (Q1). Loss before tax in Q2 has reduced to Rs.1,376 M from Rs.6,588 M in Q1 depicting an improvement of approximately 79% partly also because of subsidy claim received from GoP received during this quarter. However, a few months are grossly insufficient for a company which has been besieged by severe technical, operational, financial and other difficulties for a number of years, to be transformed into an efficient and profitable company. The positive results in tangible and sustainable form would be visible during the forthcoming period.

The structured and systematic approach adopted by the Company to address each issue with the objective of improving output, services and relationship with customers shall be continued and reinforced in future. Improving & expanding 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, in order to benefit all stakeholders. The concerted and committed efforts of the management with the support of its employees, shareholders and customers, are likely to produce 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.

Naveed Ismail
Chief Executive Officer

Karachi, 23 February 2009

Ford Rhodes Sidat Hyder & Co.
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REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of **THE KARACHI ELECTRIC SUPPLY COMPANY LIMITED** as at 31 December 2008 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the interim condensed interim profit and loss account for the quarters ended 31 December 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2008.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended 31 December 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Other matters

Without qualifying our review report, we draw attention to the following matters:

(i) the ultimate outcome of contingencies, stated in note 12.1, cannot presently be determined and, hence, pending the resolution thereof, no provision has been made for the same in the accompanying interim condensed financial statements;

(ii) as referred to in note 18 to the accompanying interim condensed financial statements, transmission and distribution losses are approximately 32.55% (June 30, 2008: 34.12%) of the total electricity generated during the current period. The management of the Company maintains that one of the factors attributable to these losses is the alleged theft of electricity, which has directly affected the profitability of the Company. These factors, in view of the management, if controlled effectively, may enable the Company to minimize its overall losses. The amount of theft, however, remains indeterminate; and

(iii) as fully explained in note 7.1 to the interim condensed financial statements, redeemable preference shares have been treated as part of equity in view of the requirements of the Companies Ordinance, 1984 and, as such, the matter of its classification will be dealt with in accordance with the clarification from the Securities and Exchange Commission of Pakistan.

Karachi-23 February 2009 **Chartered Accountants**

Balance Sheet

INTERIM CONDENSED BALANCE SHEET
AS AT DECEMBER 31, 2008
(UN-AUDITED)

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
ASSETS		----- (Rupees in '000) -----	
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**69,740,808**	63,905,168
Intangibles		**24,897**	32,007
Long-term loans		**95,550**	100,006
Long-term deposits		**220,796**	20,527
Due from the Government		**714,094**	793,438
		70,796,145	64,851,146
CURRENT ASSETS			
Current portion of amount due from the Government		**317,375**	317,375
Stores and spares		**4,555,307**	4,730,278
Trade debts	5	**15,550,033**	12,415,794
Loans and advances		**766,512**	407,154
Trade deposits and prepayments		**220,381**	26,996
Other receivables	6	**15,175,738**	7,286,993
Derivative financial asset		**674,619**	407,604
Taxation – net		**205,881**	197,930
Short-term investment		**-**	100,259
Cash and bank balances		**5,181,921**	2,334,148
		42,647,767	28,224,531
TOTAL ASSETS		**113,443,912**	93,075,677
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	7	**52,068,169**	52,068,169
Reserves			
Capital reserves		**509,172**	509,172
Revenue reserves		**5,372,356**	5,372,356
Accumulated losses		**(58,829,378)**	(50,865,175)
		(52,947,850)	(44,983,647)
Unrealised loss on cross currency swap		**(125,931)**	(165,058)
		(1,005,612)	6,919,464
NON-CURRENT LIABILITIES			
Long-term financing	8	**16,924,842**	8,814,029
Long-term deposits		**3,762,261**	3,659,380
Deferred liabilities		**4,754,614**	4,645,056
Deferred revenue		**11,737,931**	11,790,530
Specific grant from the Government of Pakistan	9	**3,840,611**	4,036,441
		41,020,259	32,945,436
CURRENT LIABILITIES			
Trade and other payables	10	**56,166,458**	38,507,051
Accrued mark-up		**1,462,718**	1,112,879
Short-term borrowings	11	**11,093,736**	10,230,723
Short-term deposits		**3,109,421**	2,930,942
Provisions		**15,927**	18,432
Current maturity of long-term financing		**1,581,005**	410,750
		73,429,265	53,210,777
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		**113,443,912**	93,075,677

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Naveed Ismail
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE HALF-YEAR ENDED DECEMBER 31, 2008 (UN-AUDITED)

	Note	Half-Year Ended		Quarter Ended	
		December 31 2008	December 31, 2007	**December 31, 2008**	December 31, 2007
		--------(Rupees in '000)--------			
REVENUE					
Sale of energy – net		**29,163,134**	26,175,627	**12,891,467**	12,470,998
Rental of meters and equipment		**102,205**	100,243	**51,093**	50,194
		29,265,339	26,275,870	**12,942,560**	12,521,192
EXPENDITURE					
Purchase of electricity	13	**(21,121,777)**	(16,169,330)	**(9,972,575)**	(7,198,017)
Consumption of fuel and oil	14	**(18,682,727)**	(18,087,941)	**(7,135,365)**	(8,420,445)
		(39,804,504)	(34,257,271)	**(17,107,940)**	(15,618,462)
Tariff adjustment on account of increase in fuel prices and cost of power purchase		**11,218,721**	8,706,243	**7,057,644**	4,699,098
		(28,585,783)	(25,551,028)	**(10,050,296)**	(10,919,364)
Expenses incurred in generation, transmission & distribution		**(4,803,339)**	(4,595,824)	**(2,198,663)**	(2,262,838)
		(4,123,783)	(3,870,982)	**693,601**	(661,010)
Consumers services and administrative expenses		**(2,932,701)**	(2,732,116)	**(1,526,994)**	(1,348,981)
Other operating income		**1,077,894**	1,488,378	**691,814**	1,049,079
Other operating expenses		**(192,347)**	(93,657)	**(145,644)**	(43,926)
		(2,047,154)	(1,337,395)	**(980,824)**	(343,828)
OPERATING LOSS		**(6,170,937)**	(5,208,377)	**(287,223)**	(1,004,838)
Finance costs	15	**(1,793,266)**	(934,894)	**(1,089,120)**	(490,294)
LOSS BEFORE TAXATION		**(7,964,203)**	(6,143,271)	**(1,376,343)**	(1,495,132)
Taxation	16	-	(132,584)	**-**	(62,962)
NET LOSS FOR THE PERIOD		**(7,964,203)**	(6,275,855)	**(1,376,343)**	(1,558,094)
LOSS PER SHARE	(Rupees)	**(0.60)**	(0.48)	**(0.10)**	(0.12)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Naveed Ismail
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

INTERIM CONDENSED CASH FLOW STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2008
(UN-AUDITED)

	Note	Half Year Ended December 31, 2008	Half Year Ended December 31, 2007
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	**1,115,424**	2,954,700
Payment in respect of fatal accident cases		**(2,505)**	(26,907)
Deferred liabilities paid		**(178,957)**	(123,485)
Income tax paid		**(7,951)**	(118,354)
Receipts in deferred revenue		**329,763**	761,983
Issuance cost on preference capital		**-**	(4,086)
Interest on running finance facilities		**(869,360)**	(463,496)
Interest received on bank deposits		**23,356**	48,343
Net cash generated from operating activities		**409,770**	3,028,698
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(7,728,271)**	(10,167,642)
Proceeds from disposal of fixed assets		**9,240**	629
Long-term loans		**4,456**	7,566
Long-term deposits		**(200,269)**	(237)
Receipt from Government of Pakistan		**79,344**	-
Net cash used in investing activities		**(7,835,500)**	(10,159,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid against long term financing		**-**	(32,656)
Specific grant from the Government of Pakistan-net		**-**	1,156,866
Receipt against morhaba financing		**350,000**	-
Receipt from IFC and Syndicate loans		**9,053,180**	5,970,711
Interest on FIP Funds		**(195,830)**	-
Security deposit from consumers		**102,881**	126,044
Net cash generated from financing activities		**9,310,231**	7,220,965
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,884,501**	89,979
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**(7,796,316)**	(3,051,092)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**(5,911,815)**	(2,961,113)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

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Naveed Ismail
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED DECEMBER 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 '000)						
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 @ Rs.3.5 each - net	-	1,474,106	-	-	-	-	1,474,106
Unrealised loss on cross currency swap	-	-	-	-	-	(43,125)	(43,125)
Net loss for the half-year ended December 31, 2007	-	-	-	-	(6,275,855)	-	(6,275,855)
Balance as at December 31, 2007	46,084,762	5,983,407	509,172	5,372,356	(41,069,123)	(43,125)	16,837,449
Balance as at June 30, 2008	46,084,762	5,983,407	509,172	5,372,356	(50,865,175)	(165,058)	6,919,464
Unrealised loss on cross currency swap	-	-	-	-	-	39,127	39,127
Net loss for the half-year ended December 31, 2008	-	-	-	-	(7,964,203)	-	(7,964,203)
Balance as at December 31, 2008	**46,084,762**	**5,983,407**	**509,172**	**5,372,356**	**(58,829,378)**	**(125,931)**	**(1,005,612)**

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Naveed Ismail
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED DECEMBER 31, 2008 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

The Karachi Electric Supply Company 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.

During the current period, the Company incurred a net loss of Rs.7,914 (2008: Rs.6,276) million, resulting in accumulated losses of Rs.58,829 (2008: Rs.50,865) million as of the balance sheet date. Further, as of that date, the current liabilities of the Company exceeded its current assets by Rs.30,782 (2008: Rs.24,986) million. In view of this situation, the management of the Company is continuing with the operational and infrastructure rehabilitation program, commenced after the privatization of the Company, with the objective of converting the Company into a profitable entity and has taken financial measures to support such rehabilitation program. The program includes:

- **Generation – Expansion & Rehabilitation**

a) The company is setting up two new Combined Cycle Power Generation Plants, to increase its power generation capacity. The new power plants, in addition to bridging the demand and supply gap, will also contribute towards profit margin improvement due to better efficiency and fuel economy.

- The first project (CCPP – I) has an ISO capacity of 220 MW, has been set-up at Korangi. The first two units of this combined cycle plant have already started commercial production in December 2008and rest of the two units are expected to be in operation before end of this financial year, having significant impact on the overall fuel efficiency

- The second project (CCPP – II) has an ISO capacity of 560 MW, is planned to be set-up at Bin Qasim. The contract for setting up the plant has been awarded to in June 2008.

b) Replacement of Gas Turbines generation at SITE and Korangi by advanced and highly efficient units through power rentals companies. These new units will use the existing gas allocation of SITE and Korangi Gas Turbines and will almost double the generation with the same gas consumption due to higher efficiency. Thus, resulting in improved profit margin. Power generation from one of the units has already started from December 2008 and the rest of the project is expected to commission by April 2009.

c) Agreement for another fast track power project (180 MW) has been entered into in November 2008. The project will start commercial production early next financial year.

- **Transmission and Distribution Network – Expansion and Rehabilitation**

Strategic Plan was prepared for rehabilitation of transmission and distribution network and the same has been and is being implemented in a phased and prioritized manner. The objectives/goals of this plan are to improve network reliability; expansion of network to facilitate distribution of power and provide operational flexibility; reduction of T&D losses and management of transmission network through up-gradation of Load Dispatch System. Some of these projects have been commissioned and others are in the final stage of completion, the improved results of these projects would become more visible in the near future.

- **Financial measures**

  The financial measures which the Company has embarked upon include:

  a. A Syndicate term loan agreement with a consortium of local banks and financial institutions, amounting to Rs. 8.0 billion, for the purpose of capital expenditure on the 220 MW Korangi Thermal Power Station was signed in 2007. Out of the total facility of Rs. 8.0 billion, a sum of Rs.7.347 billion has already been disbursed to the Company.

  b. A loan agreement amounting to USD 125.000 million with the International Finance Company (IFC), for the purpose of capital expenditure on power generation, transmission and network improvement projects was signed in 2007. Out of the total facility of USD 125.000 million, an amount of USD 45.000 million has already been disbursed to the Company.

  c. A loan agreement amounting to USD 150.000 million with the Asian Development Bank (ADB), for the purpose of capital expenditure on power generation, transmission and network improvement projects was signed in 2007. Out of the total facility of USD 125.000 million, an amount of USD 50.000 million has already been disbursed to the Company.

  In addition, the Company management had been continuously taking up long pending issues with relevant Ministry and authorities regarding NTDC power purchase pricing and removal of 4% cap on increase in tariff due to increase in fuel prices and power purchase cost. As a result of constant efforts, the Economic Coordination Committee of the Cabinet (ECC) has decided to remove the 4% cap on increase in tariff due to variation in fuel price and power purchase. The ECC decision will result in improving the cash flows of the Company.

- **Sponsor Support**

Furthermore, the Sponsors of the Company are committed to invest in KESC for its ongoing as well future projects and to meet its operating shortfalls.

As part of the commitment, during the period:

a. The Company has entered into an agreement with KES Power (holding company) to provide a loan amounting to USD 50.000 million to facilitate the Company in providing consideration and warranties in respect of new power projects and to meet any working capital shortfall. Out of the said facility, an amount of USD 32.000 million has already been disbursed to the company.

b. KES Power (holding company) has also arranged USD 0.250 million as deposit on behalf of the Company in respect of a rental power project.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements are un-audited but subjected to a limited scope review by the auditors 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 six 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, 2008.

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT		------ (Rupees in '000) ------	
Operating fixed assets	4.1	**43,486,816**	44,634,318
Capital work-in-progress	4.2	**26,253,992**	19,270,850
		69,740,808	63,905,168

4.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	----------------------(Rupees in 000)---------------------		
Plant and machinery	48,560	-	-
Transmission and distribution network	668,154	2,000	1,800
Furniture, air-conditioners and office equipment	5,191	-	-
Tools and general equipment	122	-	-
Computers and related equipment	5,894	-	-
Vehicles	16,782	13,487	11,593
	744,703	**15,487**	**13,393**

4.2 Capital work-in-progress

	Generation system (Note 4.2.1 & 4.2.2.)	Transmission system	Distribution system	Others	Total
	------------------------- (Rupees in '000) ----------------------------				
Opening balance	12,310,959	4,637,070	1,966,684	356,137	19,270,850
Additions during the current period:					
System improvement	-	1,233,118	18,595	-	1,251,713
Others	5,329,174	180,393	871,179	95,386	6,476,132
	5,329,174	1,413,511	889,774	95,386	7,727,845
	17,640,133	6,050,581	2,856,458	451,523	26,998,695
Transfer to operating fixed assets	(48,560)	(12,448)	(655,706)	(27,989)	(744,703)
December 31, 2008	**17,591,573**	**6,038,133**	**2,200,752**	**423,534**	**26,253,992**
June 30, 2008	12,310,959	4,637,070	1,966,684	356,137	19,270,850

4.2.1 This includes an aggregate sum of Rs.14,865.219 (June 30, 2008: Rs.11,142.436) million incurred by the Company on the 220MW Combined Cycle Power Plant at Korangi, Karachi.

4.2.2 During the current period, a sum of Rs.776.757 (June 30, 2008: Rs.701.496) million, representing interest on borrowings has been capitalized and included in the project cost of the 220 MW Combined Cycle Power Plant (refer notes 8.1 and 8.2).

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
		------ (Rupees in '000) ------	
5. TRADE DEBTS			
Considered good			
Secured - against deposits from consumers		**620,679**	633,353
Unsecured		**14,929,354**	11,782,441
		15,550,033	12,415,794
Considered doubtful			
Trade debts – unsecured		**14,245,664**	13,495,664
Provision against debts considered doubtful	5.1	**(14,245,664)**	(13,495,664)
		-	-
		15,550,033	12,415,794

5.1 Provision against debts considered doubtful

		December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
Opening balance		**13,495,664**	13,389,552
Provision made during the current period		**750,000**	1,170,989
		14,245,664	14,560,541
Provision written off during the current period		**-**	(1,064,877)
		14,245,664	13,495,664

5.2 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.

6. OTHER RECEIVABLES

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
Considered good			
Rebate due on electricity duty		**102,876**	95,406
Sales tax – net	6.1	**4,902,859**	3,493,808
Due from the Government in respect of:			
- sales tax subsidy to the selected classes of consumers		**151,350**	211,568
- tariff adjustment	6.2	**9,914,933**	3,471,440
		10,066,283	3,683,008
Employees' Provident Fund		**99,040**	4,228
Accrued income for TV license fees collection charges		**4,680**	4,680
Insurance claim		**-**	5,863
		15,175,738	7,286,993
Considered doubtful			
Sales tax		**232,050**	232,050
Provision thereagainst		**(232,050)**	(232,050)
		-	-
Due from a consortium of suppliers of a new power plant		**363,080**	363,080
Provision thereagainst		**(363,080)**	(363,080)
		-	-
		15,175,738	7,286,993

6.1 This includes a sum of Rs.185.225 million, relating to the refund claims for the period 2006-07, and Rs.425.234 million, relating to the refund claims for the period 2000-2006, aggregating to Rs.610.459 million, withheld by the Sales Tax Department on account of sales tax on connection service charges, sales tax on meter burnt charges, input inadmissible under SRO and some other matters. The audit observations issued by the Department in this regard have already been responded by the Company's lawyer, however, no show cause notice has been issued in this matter.

The management is of the view that the ultimate outcome of this matter will be decided in favor of the Company. However, to be prudent, the Company has made an aggregate provision of Rs.232.050 million, against Rs.610.459 million, as discussed above, relating to the refund claims of the above referred period.

6.2 This is stated net of a sum of Rs.11,219 million accrued by the Company during the current period on account of tariff adjustment, after the revision in the mechanism for adjustment in tariff due to variation in fuel price and power purchase cost whereby 2.5% cap of fuel price variation and 1.5% cap on power purchase, aggregating to 4%, was removed and approved by the Economic Coordination Committee of the Cabinet on August 26, 2008. Accordingly, the Ministry of Water and Power (GoP) has notified the said decision, vide its SRO No.979(1)/2008, dated September 12, 2008. Against Rs.11,219 million accrued by the Company during the current period, a sum of Rs.2,720 million has been received whereas a sum of Rs.2,056 million has been received against Rs.3,471 million outstanding on June 30, 2008.

7. SHARE CAPITAL

December 31, 2008 (Un-audited)	June 30, 2008 (Audited)		Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
(Number of shares)				------ (Rupees in '000) ------	
		Authorised 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	1,714,285,714	Redeemable preference shares of Rs.3.5 each fully paid - net	7.1	**5,983,407**	5,983,407
1,759,656,819	1,759,656,819			**6,437,118**	6,437,118
		Issued for consideration other than cash			
8,622,045,600	8,622,045,600	Ordinary shares of Rs.10 each fully paid		**86,220,456**	86,220,456
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	14,748,484,808			**107,941,312**	107,941,312
		Issued as bonus shares			
132,875,889	132,875,889	Ordinary shares of Rs.10 each fully paid as bonus shares		**1,328,759**	1,328,759
14,881,360,697	14,881,360,697			**109,270,071**	109,270,071
-	-	**Reduction in capital**		**(57,201,902)**	(57,201,902)
14,881,360,697	14,881,360,697			**52,068,169**	52,068,169

7.1 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 year ended June 30, 2007, out of the 1,714,285,714 Preference shares, 1,291,944,992 Preference shares were allotted to the existing shareholders, aggregating to Rs.4,509.302 million. During the year ended June 30, 2008, further 422,340,725 Preference shares were issued against advance against such shares. 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.

8. LONG-TERM FINANCING

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
		-------(Rupees in '000)------	
From banking Companies and Financial Institutions - **Secured**			
International Finance Corporation (IFC)	8.1	**3,550,500**	3,096,000
Term loan from a Syndicate of commercial banks	8.2	**7,346,591**	4,898,591
Asian Development Bank	8.3	**3,945,000**	-
Term loan from a Banking Company	8.4	**2,559,600**	-
		17,401,691	7,994,591
Current maturity thereof shown under current liabilities		**(1,137,600)**	-
		16,264,091	7,994,591
Others – secured			
Due to the Oil and gas companies		**1,078,156**	1,204,188
Current maturity thereof, including overdue instalment of Rs.126.030 (June 2008: Rs.93.375) million due to PGCL		**(443,405)**	(410,750)
		634,751	793,438
GoP Loan for the electrification of Hub Area		**26,000**	26,000
		16,924,842	8,814,029

8.1 This represents utilised portion (USD 45.000 million) of loan obtained by the Company under an agreement, signed on March 22, 2007, amounting to USD 125 million, with International Finance Corporation (IFC) for the purposes of capital expenditure on power generation, transmission and network improvement project. The said financing facility is available for a period of 10 years, with 3 years grace period, having an availability period up to March 31, 2010. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter. Under the terms of the said agreement, the Company has executed a Cross Currency Swap with a commercial bank to hedge the Company's foreign currency payment obligation to IFC up to USD 45 million together with LIBOR interest accruing thereon.

8.2 This represents utilised portion of a term loan obtained by the Company under an agreement, signed on May 23, 2007, aggregating to Rs.8,000 million, with a Syndicate of local banks, for the purposes of capital expenditure on 220 MW Korangi Generation Project, as shown in note 4.2.2. 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%.

The above two facilities as mentioned in notes 8.1 to 8.2 are secured against 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 Kor angi 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.

8.3 This represent utilized portion of a loan obtained by the Company during the current period under a agreement, signed on June 04, 2007, aggregating to US$ 150.000 million, with the Asian Development Bank, for the purposes of capital expenditure on power generation, transmission and network improvements project. The loan is available up to March 31, 2010 and is secured against hypothecation charge over all movable fixed assets whether now or at any time in the future, located at the Bin Qasim Plant. It carries interest rate at 3 months LIBOR + 2.85 % up to the project completion date and 3 months LIBOR+ 2.5% thereafter.

8.4 This represent Medium Term Loan (Structured Term Financing Facility) arranged by the Company from a bank, payable in 10 equal quarterly installment with mark up at the rate of 3 months KIBOR + 3%. The said facility was converted from a structured trade finance (Bridge Loan) from the same financial Institution, dated October 6, 2008, previously disclosed under short term borrowings.

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
		--------(Rupees in '000)--------	
9. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN			
Opening balance		**4,036,441**	4,702,421
Received during the current period / year under Financial Improvement Plan (FIP)		**-**	4,180,000
Interest accrued on grant received from the GoP		**-**	394
		4,036,441	8,882,815
Transfer to deferred revenue		**-**	(4,525,548)
Interest on bank borrowings	9.1	**(195,830)**	(320,826)
		3,840,611	4,036,441

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

9.2 Included in specific grant is sum of Rs.1,251.713 (June 30, 2008: Rs.4,320.981) million pertaining to expenditure incurred on FIP classified as capital work-in-progress

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
10. TRADE AND OTHER PAYABLES			
Trade			
Creditors			
Power purchases		**35,728,703**	22,593,374
Fuel and gas purchases		**12,506,741**	8,693,803
Others		**2,638,224**	3,442,470
		50,873,668	34,729,647
Other payables			
Murabaha term finance		**1,100,000**	750,000
Accrued liabilities	10.1	**1,319,533**	1,137,705
Advances/credit balances of consumers			
Energy		**254,966**	257,180
Others		**420,160**	399,714
		675,126	656,894
Unclaimed and unpaid dividend		**650**	650
Employee related dues		**73,800**	94,410
Electricity duty due to the Government		**1,031,329**	754,239
Tax deducted at source		**897,597**	216,932
PTV license fee		**31,033**	25,218
Payable to the then Managing Agent, PEA (Private) Limited		**29,126**	29,208
Others		**134,596**	112,148
		2,198,131	1,232,805
		56,166,458	38,507,051

10.1 Included herein is an aggregate sum of Rs. 477.280 (June 30, 2008: Rs.430.286) million representing outstanding claims/dues of property taxes, water charges, ground rent and occupancy value payable to various Government Authorities. In addition to the above, claims in respect of property tax, ground rent and occupancy value payable to various government authorities, aggregating to Rs.4,105.906 (June 30, 2008: Rs.4,105.906) million, have not been acknowledged by the Company as debts and, hence, these have been disclosed under 'contingencies'.

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
		------(Rupees in '000)------	
11. SHORT TERM BORROWINGS			
From banking companies - secured			
Bridge term finance facility	**11.1**	**3,600,000**	3,000,000
Structured trade finance facility	**8.4**	**-**	2,844,000
		3,600,000	5,844,000
From KES Power – Parent Company – unsecured			
Foreign currency loan	**11.2**	**2,524,800**	-
Local currency loan	**11.3**	**19,725**	-
		2,544,525	-
Short term running finances			
From commercial banks – secured	**11.4**	**4,949,211**	4,386,723
		11,093,736	10,230,723

11.1 This represents a bridge term finance facility arranged by the Company on April 20, 2008 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. During the current period, the Company enhanced the facility amount by a further Rs.600 million for working capital requirement. The said facilities carries mark-up at the rate of One month KIBOR + 1% with a cap of 20%, payable monthly in arrears and is secured against standby letters of credit amounting to USD 70.000 million, issued in favour of the Company by the Gulf International Bank.

11.2 During the current period, the Company entered into an agreement with the Parent company, as a result of which the Parent compnay agreed to provide a loan of US Dollar 50.0 million to the Company at 6 month LIBOR plus 1.0% to 1.5% in consideration of representations and warranties which the company provided. The term of the loan is 6 months and is repayable on demand. Out of the said facility amount, US Dollars 32.0 million has been disbursed.

11.3 During the current period, the Parent company paid a sum of USD 0.250 million to Aggreko International Projects Limited as deposit on behalf of the Company. This amount is interest free and payable on demand.

11.4 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs.5,350.000 (June 30, 2008: 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 rate of markup in respect of running finance facilities range between 1-3 month KIBOR + 1.25% to KIBOR + 3.5% per annum (June 2008: 1-3 months KIBOR +1.25% to KIBOR + 2.5% per annum), payable quarterly.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Contingencies, aggregating to Rs.56,985.811 (June 30, 2008: Rs. 56,985.811) million, as disclosed in note 31.1.1 to the annual financial statements of the Company for the year ended June 30, 2008, have remained unchanged.

	Note	December 31, 2008 (Un-audited)	June 30, 2008 (Audited)
		------- (Rupees in '000) -------	

12.1.2 Claims not acknowledged as debts:

Fatal accident cases		**499,046**	466,132
Guarantees from banks		**60,715**	5,113
Claim by NTDC on account of power purchase		**49,263,000**	**31,026,000**

Claims not acknowledged as debt aggregating to Rs.4,229.935 (June 30, 2008: Rs. 4,229.935) million as disclosed in note 31.1.2 to the annual financial statements of the Company for the year ended June 30, 2008, have remained unchanged.

12.2 Commitments

12.2.1	Contracts with respect to Transmission and Distribution Projects	**3,767,000**	4,773,000
12.2.2	Outstanding Letters of Credit	**3,570,000**	3,397,180
12.2.3	Commitment for payment in respect of Combined Cycle Power Plant	**224,010**	2,018,980
12.2.4	Dividend on Preference shares	**403,283**	314,516
12.2.5	Payment and equipment guarantee in respect of a rental power project	**2,346,643**	-
12.2.6	Software license and implementation costs	**336,127**	336,127

	December 31, 2008 (Un-audited)	December 31, 2007 (Un-audited)
	------- (Rupees in '000) -------	
13. PURCHASE OF ELECTRICITY		
National Transmission and Despatch Company	**10,772,230**	8,552,410
Independent Power Producers (IPPs)	**8,947,825**	6,424,773
Karachi Nuclear Power Plant	**1,145,236**	1,000,549
Pakistan Steel Mills Corporation (Private) Limited	**256,486**	191,598
	21,121,777	16,169,330
14. CONSUMPTION OF FUEL AND OIL		
Natural gas	**13,499,780**	8,179,426
Furnace and other oils	**5,182,947**	9,908,515
	18,682,727	18,087,941
15. FINANCE COSTS		
Mark-up / interest on short term borrowings	**1,049,462**	477,144
Late payment surcharge on delayed payment to creditors	**713,253**	449,458
Others	**30,551**	8,292
	1,793,266	934,894
16. TAXATION		
Current	**-**	132,584

16.1 Deferred tax asset, amounting to Rs.25,936 (June 30, 2008: Rs.19,020) million, has not been recognized in these interim condensed 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 end of the current period, the Company's assessed tax losses amounted to Rs.85,625 (June 30, 2008: Rs.68,399) million. As a result of the change in Income Tax Ordinance, 2001, minimum turnover tax has been abolished, effective July 01, 2008, hence, no provision for taxation has been made in these interim condensed financial statements.

	Note	December 31, 2008 (Un-audited)	December 31, 2007 (Un-audited)
		------- (Rupees in '000) -------	
17. CASH (UTILIZED) / GENERATED FROM OPERATIONS			
Loss before taxation		**(7,964,203)**	(6,143,271)
Adjustments for non-cash charges and other items:			
Depreciation		**1,890,538**	1,775,170
Amortisation of intangible assets		**7,110**	-
Provision for deferred liabilities		**288,515**	364,225
Provision for slow moving stores and spares		**78,672**	43,400
Amortization of deferred revenue		**(382,362)**	(256,741)
Provision against unpaid property taxes		**-**	21,000
Provision against debts considered doubtful - net		**750,000**	1,293,959
Gain on disposal of fixed assets		**(7,147)**	-
Tariff adjustment accrued		**-**	(2,041,356)
Interest on consumer deposits		**93,919**	85,197
Finance costs		**1,150,659**	477,145
Return on bank deposits		**(25,379)**	(41,484)
Working capital changes	17.1	**5,235,102**	7,377,456
		1,115,424	2,954,700
17.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		**96,299**	74,764
Trade debts		**(3,884,239)**	(3,771,771)
Loans and advances		**(359,358)**	(92,657)
Trade deposits and prepayments		**(193,385)**	(24,728)
Other receivables		**(7,888,745)**	521,275
		(12,229,428)	(3,293,117)
Increase / (decrease) in current liabilities			
Trade and other payables		**17,286,051**	10,363,057
Short-term deposits		**178,479**	307,516
		5,235,102	7,377,456

18. TRANSMISSION AND DISTRIBUTION LOSSES

18.1 The transmission and distribution losses were 32.50% (June 30, 2008: 34.12%). The trend of transmission and distribution losses over the years is as follows:

2000-2001	36.81%
2001-2002	41.11%
2002-2003	40.78%
2003-2004	37.84%
2004-2005	34.23%
2005-2006	34.43%
2006-2007	34.23%
2007-2008	34.12%
6 months to December 2008	32.55%

18.2 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 current period in the determination of transmission and distribution losses percentage as disclosed in paragraph 18.1 above.

19. 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 six months ended December 31, 2008 and December 31, 2007:

		December 31, 2008 (Un-audited)	December 31, 2007 (Un-audited)
		------ (Rupees in '000) ------	
19.1	**National Transmission and Despatch Company, a major supplier**		
	Sales	**22,448**	12,990
	Purchases	**10,772,229**	8,552,410
	Amount payable included in creditors	**29,746,778**	12,521,870
19.2	**Pakistan State Oil Company Limited, a major supplier**		
	Purchases	**5,182,947**	9,908,515
	Amount payable included in creditors	**109,033**	438,552
19.3	**Sui Southern Gas Company Limited, a major supplier**		
	Purchases	**13,499,779**	8,179,426
	Amount payable	**12,397,708**	9,459,801
19.4	**Gul Ahmed Energy Limited, a major supplier**		
	Purchases	**3,972,676**	3,433,975
	Amount payable included in creditors	**2,673,419**	1,032,866
19.5	**Tapal Energy (Private) Limited, a major supplier**		
	Purchases	**4,047,780**	2,887,103
	Amount payable included in creditors	**2,141,936**	499,571
19.6	**KES Power, Parent company**		
	Payable	**2,544,525**	-

20. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 23 February 2009 by the Board of Directors of the Company.

21. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Naveed Ismail
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director