



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

CHIEF FINANCIAL OFFICER

Mr. Jalil Tarin

CHIEF LEGAL ADVISOR & 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 Commercial Bank Limited
Citibank N.A.
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
My Bank 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 Financial Statements of the Company for the period July-September 2008 on behalf of Board of Directors. Key operational and financial results are listed below:

	Jul-Sep 2008	Jul-Sep 2007
	(In Millions KwH)	
OPERATIONAL		
Units generated KESC	2,291	2,416
Unites sent out KESC	2,117	2,235
Units purchased	1,899	1,953
Total units available for distribution	4,016	4,188
Units billed	2,667	2,696
` Transmission & Distribution Losses %	33.6%	35.61%
(Rupees in Million)		
FINANCIAL		
Sale of Energy	16,270	13,705
Other Revenue	437	489
Gross Revenue	16,707	14,194
Cost of fuel & power purchase -(Net of Subsidy)	(18,535)	(14,632)
O&M Expenses	(2,689)	(2,490)
Provision for doubtful debts	(375)	(338)
Depreciation	(946)	(888)
Financial & other charges	(750)	(494)
(Loss) before tax	(6,588)	(4,648)
Loss per share	Re. (0.50)	Re. (0.36)

KESC own generation has decreased by 5.15% during the period Jul-Sep 08 over the corresponding period last year which is mainly attributable to 12.4% reduction in generation at BQPS which was partly offset due to increased generation at other plants by 7.25%. Total KESC units sent out decreased by 5.25% as a result of 5.15% reduction in KESC generation. Power purchases decreased by 2.78% over corresponding period last year due to short supply from WAPDA by 5.4% which was offset by increased purchases from other sources. Total units available for distribution decreased by 4.11%, whereas units billed decreased by only 1.08% as compared to 4.11% lesser number of units available for distribution which were contributed through significant reduction of 2% in T&D losses from 35.61% in Jul-Sep 07 to 33.60 in Jul-Sep 08.

Revenue from sale of energy has gone up by 18.7% due to enhancement of average selling rate by 10% and 35% on account of tariff increase allowed by NEPRA from 01 March 2008 and 01 September 2008 respectively. The issue of 35% tariff increase allowed by NEPRA is under review by a Committee constituted by GOP, pending GOP's decision necessary adjustments, if any will be made. Increase in revenue was more than offset by phenomenal increase in fuel bill by 19.45% notwithstanding



Brief Review

5.15% reduction in KESC own generation which is exclusively attributable to increase in cost of furnace oil and steep rise of approximately 38.2% in gas prices over corresponding period last year. Consequently, fuel bill spiraled by Rs.1,880 million over corresponding period last year which adversely impacted the bottom line of P&L account. Cost of power purchases increased by 24.28% despite 2.78% reduction in number of units purchased which is exclusively attributable to significant increase in furnace oil price registered during the period under review which translated into additional financial burden on the Company in respect of power purchases from furnace oil based IPPs. Operation & Maintenance (O&M) expenses increased by 8% mainly due to enhancement in pay and allowances given to the employees of the Company, repair & maintenance cost of generation facilities and T&D infrastructure whereas 52% increase in financial and other charges over corresponding period last year is attributable to interest on delayed payments to SSGC and increased bank borrowings. Loss before tax, as a result of cumulative impact of contributing factors as above, increased by 41.74% from Rs.4,648 million to Rs.6,588 million, which is mainly attributable to inflated fuel bill and power purchases partly offset by increased revenue through additional billing as a result of 2% reduction achieved in T&D losses. It is pertinent to mention that cost of fuel & power purchase, depreciation and financial charges collectively constitute approximately 87% (Rs.20,231 million) of total expenditures (Rs.23,295 million) of the Company which are, by and large, beyond the control of Management.

Activities under Review

Generation

Contract for setting up 220 MW combined cycle power plant at KTPS was awarded in January 2007. Gas Turbine Units-1 & 2 have already been synchronized with the system and are undergoing various commissioning tests, whereas third and fourth GTs of identical generating capacity are likely to be commissioned by November 2008 and Steam Turbine of 26.378 MW would be operative in July 2009.

Contract for setting up new power plant phase-II BQPS extension of 560 MW combined cycle project has been awarded in June 2008. The project comprises of three (3) GTs of 128.90 MW each (ISO capacity) and one (1) Steam Turbine of approximately 185 MW and the project is likely to be commissioned in the year 2010-11.

De-rating of the existing generating capacity spanning over last couple of decades has been arrested through a systematic maintenance and rehabilitation plan as a result of which generating capacity has been enhanced by approximately 190 MW.

Transmission & Distribution

An outdated and dilapidated transmission and distribution infrastructure was inherited by the owners and overloading of the twin networks was also responsible for high technical energy losses in the transmission & distribution system in addition to administrative losses.

Strategic Plan with implementation mechanism was prepared for rehabilitation of 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. During the year under review the four (4) GIS grid stations were completed and commissioned. Whereas nine (9) 132 KV GIS Hybrid Grid Stations are in various stages of completion and shall be commissioned in a phased manner by 17 November 2008 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



Brief Review

would significantly improve efficiency of power system control & monitoring, facilitate timely operational decisions & economic dispatch of power and would minimize outages and technical losses.

During the year under review, distribution system has been augmented & expanded through significant addition of 11KV overhead & underground lines and 400V overhead & underground lines and 11KV distribution substations / PMTs.

Commitment & Support of the Owner

The commitment, support and interest of the owners 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, USD 150 M from ADB and PKR 8,000 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 M 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.
- v. Owners have further arranged USD 15 M in October 2008 to help the Company meet its working capital shortfall.
- vi. Owners provided Equipment Guarantee to Aggreko International Project Limited in an amount of USD 10 M for 50 MW rental generation facility to be phased in up to March 2009 in order to party meet the summer of 2009's power demand of the city.

The above steps clearly indicate commitment, determination and support of the owners to steer the company out of financial, operational, technical and other difficulties besetting the company and make it an efficient & profitable entity and to actively & positively contribute in socio-economic growth of city of Karachi in particular and the country in general.

Future Prospects

Mr. Naveed Ismail has assumed the position of Chief Executive Officer of the Company effective from 16 September 2008 in place of Syed Muhammad Amjad and Mr. Jalil Tarin has replaced Mr. Muhammad Asghar as Chief Financial Officer of the Company.

Mr. Naveed Ismail is a high profile professional engineer and possesses hands on experience and exposure in power sector and has a proven track record of managing companies operating under difficult circumstances and successfully turning them into efficient & profitable entities in Kazakistan, Ukraine, Georgia, Chile and Argentina. Mr. Jalil Tarin, a senior chartered accountant, who brings with him rich experience of financial management in local environment in a professional manner matching international standards.

In addition a team of professional engineers and managers representing core activity areas and possessing



Brief Review

experience, expertise and specialized skills in relevant fields, has been brought in Generation, Transmission & Distribution, Human Resources, Supply Chain, Information Technology, Treasury, Finance & Accounts, Communication and Contract Specialists in order to implement a comprehensive strategy emphasizing 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 areas of business operations focusing on main objectives of turning the company around. The services and experience of existing human resources of the Company will also be productively utilized in a competitive, equal-opportunity and merit-based environment.

The main focus and concentration shall continue to be on improving the core activity of the Company and bridging the prevailing gap between electricity demand and supply and also to cater for additional future demand. Concerted efforts shall be made for delivery and commissioning of new power plant phase-I of 220 MW and phase-II of 560 MW within the set time-lines in order to benefit the valued consumers of the Company, Karachi based industries and national economy at large in disregard of short term commercial interest of the Company. The past policy of deferring generation capacity enhancement which resulted in no injection of fresh generation capacity since 1997 has been done away with, in the best national interest. The measures taken to-date have brought about an increase of approximately 190 MW in the existing generation capacity which shall further be enhanced on sustainable basis. All the options are being explored and exercised in order to meeting ever-increasing electricity demand on short, medium and long term basis. A number of power rental proposals are under negotiation and the Company has recently entered into a Power Rental Agreement with M/s. Aggreko International Project Limited for generation facilities of 50 MW which shall be phased in and commissioned by early March 2009 and shall help partly meet the summer of 2009's electricity demand.

The structured and systematic approach adopted by the Company to address each issue with the objective of improving output and services and relationship with customers shall be continued and reinforced in future.

Improving & expending network infrastructure, reducing technical & administrative losses, developing human resources capital of the Company and improving quality & standard of customer service shall continue to be among the top priority areas, to benefit all stakeholders. The concerted efforts of the management are likely to produce improved operating & financial results in future.

POST BALANCE-SHEET EVENT

Subsequent to the balance sheet date, principal shareholder of the Company, KES Power Limited (KES Power) has entered into an agreement with, a special purpose vehicle (Abraaj) managed by Abraaj Investment Management Limited pursuant to which Abraaj will, subject to fulfillment of certain conditions precedent (including regulatory and contractual approvals), subscribe for new shares in KES Power resulting in Abraaj holding 50% of the increased share capital of KES Power and having principal management control of KES Power.

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, 30 October 2008



Balance Sheet

CONDENSED INTERIM BALANCE SHEET As at September 30, 2008 (Un-Audited)

ASSETS	Note	Sep 30, 2008 (Un-audited) ----- Rupees in '000 -----	June 30, 2008 (Audited)
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	65,820,355	63,905,168
Intangible		28,451	32,007
		<u>65,848,806</u>	<u>63,937,175</u>
Long-term loans		96,370	100,006
Long-term deposits		128,353	20,527
Due from the Government		793,438	793,438
		<u>66,866,967</u>	<u>64,851,146</u>
CURRENT ASSETS			
Current portion of amount due from the Government		317,375	317,375
Stores and spares		4,613,241	4,730,278
Trade debts		15,708,261	12,415,794
Loans and advances	5	914,538	407,154
Trade deposits and prepayments		168,184	26,996
Other receivables	6	11,481,642	7,286,993
Derivative Financial Asset		623,510	407,604
Taxation- net		201,937	197,930
Short-term investment		-	100,259
Cash and bank balances		4,308,575	2,334,148
		<u>38,337,263</u>	<u>28,224,531</u>
TOTAL ASSETS		<u>105,204,230</u>	<u>93,075,677</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		52,068,169	52,068,169
Reserves			
Capital reserves		509,172	509,172
Revenue reserves		5,372,356	5,372,356
Accumulated Losses		(57,453,035)	(50,865,175)
		(51,571,507)	(44,983,647)
Hedging reserve		(152,341)	(165,058)
		<u>344,321</u>	<u>6,919,464</u>
NON-CURRENT LIABILITIES			
Long term financing	7	14,060,029	8,814,029
Long-term deposits		3,754,954	3,659,380
Deferred liabilities		4,695,485	4,645,056
Deferred revenue		11,819,323	11,790,530
Specific grant from the Government of Pakistan	8	3,955,216	4,036,441
		<u>38,285,007</u>	<u>32,945,436</u>
CURRENT LIABILITIES			
Trade and other payables	9	51,105,962	38,507,051
Accrued mark-up		1,479,281	1,112,879
Short-term borrowings		10,560,722	10,230,723
Short-term deposits		3,095,635	2,930,942
Provisions		15,927	18,432
Current maturity and overdue installment of long-term financing		317,375	410,750
		<u>66,574,902</u>	<u>53,210,777</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	10	<u>105,204,230</u>	<u>93,075,677</u>

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

NAVEED ISMAIL
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director




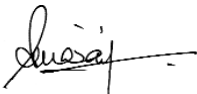
Profit & Loss Account

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT For the Quarter Ended September 30, 2008 (Un-Audited)

	Note	Quarter Ended	
		Sep 30, 2008	Sep 30, 2007
----- Rupees in '000 -----			
REVENUE			
Sale of energy - net		16,271,667	13,704,629
Rental of meters and equipment		51,112	50,049
		16,322,779	13,754,678
EXPENDITURE			
Purchase of electricity	11	(11,149,202)	(8,971,313)
Consumption of fuel	12	(11,547,362)	(9,667,496)
		(22,696,564)	(18,638,809)
Tariff adjustment on account of increase in fuel prices and cost of power purchase		4,161,077	4,007,145
		(18,535,487)	(14,631,664)
Expenses incurred in generation, transmission and distribution		(2,604,676)	(2,332,986)
		(4,817,384)	(3,209,972)
Consumers services and administrative expenses		(1,405,707)	(1,383,135)
Other operating income		386,080	439,299
Other operating expenses		(46,703)	(49,731)
		(1,066,330)	(993,567)
OPERATING LOSS		(5,883,714)	(4,203,539)
Finance cost	13	(704,146)	(444,600)
LOSS BEFORE TAXATION		(6,587,860)	(4,648,139)
Taxation	14	-	(69,622)
(LOSS) AFTER TAXATION		(6,587,860)	(4,717,761)
LOSS PER SHARE (Rupees)		(0.50)	(0.37)

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.


NAVEED ISMAIL
 Chief Executive Officer


S. MOHAMMAD AKHTAR ZAIDI
 Director



Cash Flow Statement

INTERIM CONDENSED CASH FLOW STATEMENTS For the Quarter Ended September 30, 2008 (Un-Audited)

	Note	Quarter Ended	
		Sep 30, 2008	Sep 30, 2007
----- Rupees in '000 -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized / generated from operations		(550,155)	(1,247,728)
Payment in respect of fatal accident		(2,506)	(15,457)
Deferred liabilities paid		(93,830)	(69,740)
Income tax paid		(4,007)	(76,881)
Receipt in deferred revenue		218,583	441,586
Issuance cost on preference capital		-	(4,087)
Interest paid on running finance		(227,528)	(96,677)
Interest received on bank deposits		1,900	28,737
Net cash used in operating activities		(657,543)	(1,040,247)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,862,256)	(6,470,525)
Proceeds from disposal of fixed assets		1,183	-
Long-term loans		3,636	4,870
Long-term deposits		(107,825)	-
Net cash used in investing activities		(2,965,262)	(6,465,655)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid against long term financing		(93,375)	(32,657)
Receipt from long term loans		5,246,000	5,332,084
Interest on FIP funds		(81,224)	(74,394)
Security deposit from consumers		95,573	75,680
Net cash generated from financing activities		5,166,974	5,300,713
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT		1,544,169	(2,205,189)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(7,796,316)	(3,051,092)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		(6,252,147)	(5,256,281)

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

NAVEED ISMAIL
Chief Executive Officer

S. MOHAMMAD AKHTAR ZAIDI
Director

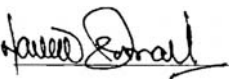


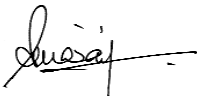
Statement of Changes In Equity

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY For the Quarter Ended September 30, 2008 (Un-audited)

	Issued, Subscribed and paid-up Capital		RESERVES				Total
	Ordinary Shares	Preference Shares	Capital reserves	Revenue reserves	Accumulated losses	Unrealised (loss)/gain on cross currency Swap	
------(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 at Rs. 3.5 each - net	-	1,474,106	-	-	-	-	1,474,106
Net loss for the three months ended September 30, 2007	-	-	-	-	(4,717,761)	-	(4,717,761)
Balance as at September 30, 2007	<u>46,084,762</u>	<u>5,983,407</u>	<u>509,172</u>	<u>5,372,356</u>	<u>(39,511,029)</u>	<u>-</u>	<u>18,438,668</u>
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 gain/ (loss) on Cross currency swap	-	-	-	-	-	12,717	12,717
Net loss for the three months ended September 30, 2008	-	-	-	-	(6,587,860)	-	(6,587,860)
Balance as at September 30, 2008	<u>46,084,762</u>	<u>5,983,407</u>	<u>509,172</u>	<u>5,372,356</u>	<u>(57,453,035)</u>	<u>(152,341)</u>	<u>344,321</u>

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.


NAVEED ISMAIL
Chief Executive Officer


S. MOHAMMAD AKHTAR ZAIDI
Director



Notes to the Financial Statements

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS For the Quarter Ended September 30, 2008 (Unaudited)

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. During the preceding financial year 2007-08, the Company changed its name from The Karachi Electric Supply Corporation Limited to The Karachi Electric Supply Company Limited.

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 three months interim condensed financial statements are the same as those applied in the preparation of the preceding annual financial statements of the company for the year ended June 30, 2008.

	Note	Sep 30, 2008 (Un-audited) ----- Rupees in '000 -----	June 30, 2008 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	43,817,271	44,634,318
Capital work-in-progress	4.2	22,003,084	19,270,850
		65,820,355	63,905,168
4.1 Operating fixed assets			

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

	<u>Additions</u>	<u>Disposals</u>	<u>Accumulated depreciation</u>
	<u>Cost</u>		
	----- Rupees in '000 -----		
Transmission and distribution network	105,253	-	-
Renewals of mains & services	8,298	-	-
Furniture, air-conditioned and office equipment	1,573	-	-
Tools and general equipment	90	-	-
Computers and related equipment	18	-	-
Vehicles	12,121	5,413	4,475
	127,353	5,413	4,475



Notes to the Financial Statements

	Note	Sep 30, 2008 (Un-audited) ----- Rupees in '000 -----	June 30, 2008 (Audited)
4.2 CAPITAL WORK-IN-PROGRESS		<u>22,003,084</u>	<u>19,270,850</u>
4.2.1 This includes an aggregate sum of Rs.11,661.565 (2008:11,189.925) million incurred by the Company on 220 MW Combined Cycle Power plant at Korangi , Karachi.			
4.2.2 During the current period a sum of Rs.1,040.773 (2008:701.496) million , representing interest on borrowing has been capitalized and included in the project cost of 220 MW Combined Cycle Power plant.			
5. LOANS AND ADVANCES			
These represent advances extended to various suppliers in respect of stores and spares, to mobilize plant relating to rental services agreements and supply of fuel.			
6. OTHER RECEIVABLES			
This includes Rs. 4,670.000 million in respect of sales tax receivable and Rs.6,202.000 million in respect of amount due from Government on account of tariff adjustmnts.			
7. LONG-TERM FINANCING			
From banking Companies and Financial Institutions - secured			
International Finance Corporation (IFC)	7.1	3,519,000	3,096,000
Term loan from a syndicate of commercial banks	7.2	5,811,591	4,898,591
Asian Development Bank (ADB)	7.3	3,910,000	-
Others - secured			
Due to the Oil and Gas companies		1,110,813	1,204,188
Current maturity thereof shown under current liabilities		(317,375)	(410,750)
		793,438	793,438
GoP Loan for the electrification of Hub Area		26,000	26,000
		<u>14,060,029</u>	<u>8,814,029</u>
7.1 This represents utilised portion (USD 45.000 million) of loan amount obtained by the Company under an agreement, signed on March 22, 2007, amounting to USD125 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 upto 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.			
7.2 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 for 220 MW Korangi Generation Project, as shown in note 4.2. 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%.			



Notes to the Financial Statements

- 7.3** This represents utilized portion of (USD 50.00 million) of loan amount obtained by the Company under an agreement ,signed on June 04,2007 , amounting to USD 150 million , with Asian Development Bank (ADB) for the purposes of capital expenditure on power generation , transmission and network improvements project.The said financing facility is available for a period of 10 years, with 3 years grace period, having an availability period upto December 15, 2010. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter.
- 7.4** The above facilities are secured by the following security package:-
- 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);
 - 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);
 - 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;
 - 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
 - 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	Sep 30, 2008 (Un-audited) ----- Rupees in '000 -----	June 30, 2008 (Audited)
8. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN			
Opening balance		4,036,441	4,702,421
Received during the current period / year	8.1	-	4,180,000
Interest accrued on grant received from the GoP		-	394
		<u>4,036,441</u>	<u>8,882,815</u>
Transfer to deferred revenue	8.2	-	(4,525,548)
Interest on bank borrowings	8.3	(81,225)	(320,826)
		<u>3,955,216</u>	<u>4,036,441</u>

- 8.1** This represents amount received from the GoP under the FIP during the current period.
- 8.2** Out of the total receipts from the GoP under the FIP, the Company transferred a sum of Rs. Nil (June 30, 2008: Rs.4,525.548) million to deferred revenue against work completed during the current period.



Notes to the Financial Statements

- 8.3** This represents interest on funds borrowed under the Syndicated Finance Agreement from commercial banks in respect of the FIP.
- 8.4** Included in specific grants is sum of Rs.4,509.606 (June 30, 2008: Rs.3,831.990) million pertaining to expenditure incurred on FIP classified as capital work-in-progress.

	Note	Sep 30, 2008 (Un-audited)	June 30, 2008 (Audited)
----- Rupees in '000 -----			
9. TRADE AND OTHER PAYABLES			
Creditors			
Power purchases		29,631,579	22,593,374
Fuel		13,371,932	8,693,803
Others		3,991,731	3,442,470
		46,995,242	34,729,647
Murabaha			
Murabaha term finance	9.1	750,000	750,000
Accrued liabilities			
Accrued expenses		1,189,816	1,137,705
Advances/credit balances of consumers			
Energy		240,894	257,180
Others		420,056	399,714
		660,950	656,894
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		86,209	94,410
Electricity duty		924,996	754,239
Tax deducted at source		238,274	216,932
PTV license fee		27,947	25,218
Payable to the Managing Agent, PEA (Private) Limited		29,139	29,208
Others		202,739	112,148
		1,509,954	1,232,805
		51,105,962	38,507,051

- 9.1** 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.

10. CONTINGENCIES AND COMMITMENTS

- 10.1** Contingencies as disclosed in the financial statements for the year ended June 30, 2008 have remained unchanged.



Notes to the Financial Statements

	Note	Sep 30, 2008 (Un-audited) ----- Rupees in '000 -----	June 30, 2008 (Audited)
10.2 Commitments			
10.2.1	Contracts with respect to Transmission and Distribution Projects	<u>4,247,000</u>	<u>4,773,000</u>
10.2.2	Outstanding Letters of Credit	<u>526,488</u>	<u>3,397,180</u>
10.2.3	Commitment for payment in respect of Combined Cycle Power Plant	<u>1,020,843</u>	<u>2,018,980</u>
10.2.4	Dividend on Preference Shares	<u>358,899</u>	<u>314,516</u>
10.2.5	ERP-SAP License and implementation cost	<u>336,127</u>	<u>336,127</u>

		Sep 30, 2008 ----- Rupees in '000 -----	Sep 30, 2007
11 PURCHASE OF ELECTRICITY			
	National Transmission and Despatch Company (NTDC)	<u>4,703,657</u>	<u>4,973,026</u>
	Independent Power Producers (IPPs)	<u>5,807,465</u>	<u>3,412,843</u>
	Karachi Nuclear Power Plant (KANUPP)	<u>504,621</u>	<u>515,998</u>
	Pakistan Steel Mills Corporation (Private) Limited	<u>133,459</u>	<u>69,446</u>
		<u>11,149,202</u>	<u>8,971,313</u>
12 CONSUMPTION OF FUEL AND OIL			
	Natural gas	<u>7,422,077</u>	<u>4,240,892</u>
	Furnace and other oils	<u>4,125,285</u>	<u>5,426,604</u>
		<u>11,547,362</u>	<u>9,667,496</u>
13 FINANCE COST			
	Mark-up / interest on short term borrowings	<u>457,567</u>	<u>239,591</u>
	LPS on gas bills	<u>245,600</u>	<u>204,847</u>
	Bank service charges	<u>979</u>	<u>162</u>
		<u>704,146</u>	<u>444,600</u>
14 TAXATION			

By virtue of the change in Income Tax Ordinance, 2001, minimum turnover tax has been abolished effective from July 01, 2008, hence no provision has been made in these financial statements.

15 TRANSMISSION AND DISTRIBUTION LOSSES

15.1 The transmission and distribution losses were 33.60% (June 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%
September-08	33.60%



Notes to the Financial Statements

15.2 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 above.

16 TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise associates ,directors ,key management personnel ,retirement benefit plans and major suppliers . Amount due from and to related parties are disclosed as follows :


	Sep. 30, 2008	Sep 30, 2007
	----- Rupees in '000 -----	
16.1 National Transmission and Despatch Company, a major supplier		
Sales	5,612	7,251
Purchases	4,703,658	4,973,026
Amount payable included in creditors	23,900,869	9,737,177
16.2 Pakistan State Oil Company Limited, a major supplier		
Purchases	4,125,285	5,426,604
Amount payable included in creditors	773,328	515,521
16.3 Sui Southern Gas Company Limited, a major supplier		
Purchases	7,422,077	4,240,892
Amount payable included in creditors	12,598,603	9,556,167
16.4 Gul Ahmed Energy Limited, a major supplier		
Purchases	2,557,670	1,851,247
Amount payable included in creditors	2,608,451	1,311,588
16.5 Tapal Energy (Private) Limited		
Purchases	2,532,584	1,507,238
Amount payable included in creditors	2,105,299	646,000

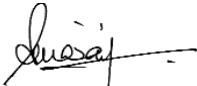
17. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 30 October 2008 by the Board of Directors of the Company.

18. GENERAL

Figures have been rounded off to the nearest thousand rupees.


NAVEED ISMAIL
Chief Executive Officer


S. MOHAMMAD AKHTAR ZAIDI
Director