



Contents

Financial Statements for the Quarter ended 31 March 2009

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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. Shahid Rafi
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 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
Bank Alfalah Limited
Citibank 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

REGISTRAR

M/s. Noble Computer Services (Pvt) Ltd.

REGISTERED OFFICE

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



Brief Review

I am pleased to present the Financial Statements of the Company for the 3rd Quarter ended 31 March 2009 on behalf of Board of Directors. Key operational and financial results are listed below:

	Jan-Mar 2009	Jan-Mar 2008
<u>OPERATIONAL</u>	(UNITS - GWh)	
Units generated KESC	1,842	1,680
Units sent out KESC	1,709	1,547
Units purchased	1,356	1,321
Total units available for distribution	3,065	2,868
Units billed	1,895	2,029
Transmission & Distribution (T&D) Losses %	38.2%	29.2%
	(RUPEES IN MILLIONS)	
<u>FINANCIAL</u>		
Sale of Energy	11,903	10,391
Other Revenue	873	683
Gross Revenue	12,776	11,074
Cost of fuel & power purchased (net of subsidy)	(10,099)	(10,081)
	2,677	993
O&M Expenses	2,788	2,408
Provision for doubtful debts	300	765
Depreciation	951	898
Financial & other charges	1,278	499
(Loss) before tax	(2,640)	(3,577)
(Loss) per share	(0.21)	(0.28)

KESC generation increased by 162 GWh (9.64%) over the corresponding period last year, mainly attributable to commissioning of GTs of 220 MW combined cycle power plant at KTPS which contributed 129 GWh. Power purchases from WAPDA increased by 2.64% (35 GWh). Ratio of self generation to power purchase improved to 56:44 from 54:46 evidencing management's commitment & efforts to add indigenous generation in KESC system.

Total units available for distribution increased by 6.87% whereas total units billed decreased by 6.60%. The Management is making all out concentrated efforts to reduce T&D losses by working upon a long term and sustainable solution on improving the billing and recovery systems.

Revenue from sale of energy has registered an increase of 14.54% mainly because of tariff increase allowed by NEPRA in October 2008. Cost of fuel has also gone up by 11.01% due to 38% escalation in gas prices and higher Power Purchase cost due to increase in consumption and per unit cost from WAPDA.



Brief Review

O&M expenses increased by 15.77% whereas financial charges were substantially higher by 156.11% 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 cost of fuel and power purchases also contributed to enhanced financing cost. Loss before tax for Q3 as a result of cumulative impact of positive & negative contributing factors as stated above decreased by 26.19% from Rs.3,577 M in Q3-08 to Rs.2,640 M. One of the contributing factors to the decrease in loss has been the realization of subsidy after removal of 4% cap on the increase in cost of fuel and power purchase in tariff determination. It is important to note that cost of power purchase & fuel, depreciation and financial charges collectively constitute approximately 86% (Rs.18,971 M) of total expenditure (Rs.22,060 M).

ACTIVITIES UNDER REVIEW

Generation

The new management has adopted and is actively pursuing the policy of injecting efficient and economic indigenous generation in KESC system to benefit the Company, its customers, the city of Karachi and the national economy at large. Contracts for 220 MW combined cycle power plant at KTPS and 560 MW combined cycle power plant at BQPS and New Fast Track Single Cycle Power Plant Project of 180 MW at KGTPS & SGTPS were entered into which clearly reflect firm commitment of the management to address critical issue of demand-supply deficit of electricity facing the city in a prioritized & focused manner.

The fundamental shift in strategic direction of the Company and commitment of the new management / investor is clearly visible if seen in context of situation prevailed in the decade preceding privatization of the Company when the last addition in generation was witnessed in 1997 on commissioning of BQPS Unit-6 of 210 MW.

I am pleased to inform you that with the commissioning of Steam Turbine (ST) of 26 MW in June 2009, the combined cycle project of 220 MW at KTPS will be fully operational.

Contract negotiations for 560 MW combined cycle BQPS Power Plant have been successfully completed, all outstanding issues have been resolved safeguarding and upholding interest of the Company which necessitated the execution of an Amendment Agreement to Supply Contract.

The fast track single cycle project of 180 MW was conceived, structured and executed aiming to partly meet electricity demand of the city in a short term perspective. The project is well on target and gas engines at SGTPS are likely to be commissioned in July 2009 and KGTPS will be on line in September 2009. The project is destined to be completed in a record time of eight to ten months unprecedented in the history of Pakistan and it will also positively contribute in economic terms as it will replace outlived gas engines running at 19% thermal efficiency as compared to 38% efficiency of the new gas engines depicting double generation while consuming same quantity of gas.

In order to partly meet additional power demand for the summer of 2009, rental power agreement for supply of 50 MW power with Aggreko was entered into and implemented on war footing. Both the sites, West Wharf & SITE, of 25 MW each were commissioned in a record time of approximately six months.

Moreover, derating of the existing generating capacity has been arrested and rehabilitated through a



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systematic maintenance plan which was implemented in a professional manner resulting in improving the dependable generation capacity by approximately 25 to 30 MW.

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 has improved network reliability and increased transmission & distribution capacity. 132 kV GIS Hybrid Grid Stations at PRL, Gulshan-e-Maymar and Korangi South have been completed and commissioned. Whereas, five (5) other 132 KV GIS Hybrid Grid Stations are at 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. 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.

Augmentation and expansion of outdated and fragile distribution network has always been among the priority areas of the management in order to facilitate valued consumers of the Company by providing uninterrupted supply of electricity. Ninety eight 11kV feeders have been commissioned and 323 PMTs have been installed & energized. Customers are provided with one-widow service with the inception of Integrated Business Centre and a transparent computerized new connections sanctioning procedure has been introduced.

Future Prospects

The new management team inducted in September 2008 immediately set the pace for strategic direction of the Company and instantly initiated structural actions & reforms in order to steer the Company out of severe technical, operational, financial and other difficulties besetting the entity for last over a decade. The critical areas and core issues have been identified and a strategic plan has been prepared and is being executed in a phased and prioritized manner. The new management is fully capable of and firmly committed to 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. For the first time in the history of the Company under the umbrella of Corporate Social Responsibility (CSR), 2009 has been declared as the Year of Energy Conservation and the Company has launched a major public awareness campaign by taking the citizens of Karachi on board and the leadership of the able mayor of Karachi. Additionally, the Company has entered into various MOUs to achieve this goal with ABB, Philips & Mobile CFC and with launching a tree plantation drive and taking ownership of football with the city of Karachi and also by the setting up of vocational educational centres.

A number of tariff related and other contentious issues were pending resolution since privatization of the Company which were not only impeding operational & financial viability & cash flow management of the Company but were also detrimental to Karachi based electricity consumers. As a result of



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concerted/logical efforts of the new management, an Amendment Agreement (AA) to Implementation Agreement (IA) executed in November 2005, has been signed between GOP & KESC on 13 April 2009. The landmark agreement presents a fair & equitable solution to a number of fundamental issues facing the Company and would positively contribute to the objective of transforming the Company into an efficient and profitable entity including an investment from the shareholders of USD 361 million over a period of 3 years. The management is determined to continue and redouble its efforts and urges continuous support from shareholders including GOP, customers and employees during this critical transitional process which would gradually produce improved operational and financial results in coming periods.

POST BALANCE-SHEET EVENT

Subsequent to the balance sheet date, an Amendment Agreement (AA) to Implementation Agreement (IA), has been signed between KESC and GOP on 13 April 2009. Disputes with NTDC on account of purchase of power have been resolved by treating KESC for the purpose of power purchase at par with other DISCO's in line with ECC and Cabinet decisions. The same has been disclosed at note 11.1.3 to the accounts.

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.

Karachi, 23 April 2009

A handwritten signature in black ink, appearing to read 'Naveed Ismail', is written over a horizontal line.

NAVEED ISMAIL
Chief Executive Officer



Balance Sheet

INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2009 (UN-AUDITED)

ASSETS	Note	March 31, 2009 (Un-audited) ---- (Rupees in thousand) ----	June 30, 2008 (Audited)
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	70,677,886	63,905,168
Intangibles		<u>21,339</u>	<u>32,007</u>
		70,699,225	63,937,175
Long-term loans		92,458	100,006
Long-term deposits		129,809	20,527
Due from the Government		<u>714,094</u>	<u>793,438</u>
		71,635,586	64,851,146
CURRENT ASSETS			
Current portion of amount due from the Government		317,375	317,375
Stores and spares		5,055,803	4,730,278
Trade debts	5	16,223,750	12,415,794
Loans and advances		806,974	407,154
Trade deposits and prepayments		480,100	26,996
Other receivables	6	16,240,548	7,286,993
Derivative financial Asset		739,338	407,604
Taxation- net		220,575	197,930
Short-term investment		-	100,259
Cash and bank balances		<u>4,820,846</u>	<u>2,334,148</u>
		44,905,309	28,224,531
TOTAL ASSETS		<u>116,540,895</u>	<u>93,075,677</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
Ordinary shares 25,714,285,714 (2008:25,714,285,714) of Rs 3.5 each fully paid		90,000,000	90,000,000
Reedeemable Preference shares 2,857,142,857 (2008 : 2,857,142,857) of Rs 3.5 each fully paid		<u>10,000,000</u>	<u>10,000,000</u>
		100,000,000	100,000,000
Issued, subscribed and paid -up capital		52,068,169	52,068,169
Reserves			
Capital reserves		509,172	509,172
Revenue reserves		5,372,356	5,372,356
Accumulated losses		<u>(61,469,735)</u>	<u>(50,865,175)</u>
		(55,588,207)	(44,983,647)
Unrealised loss on cross currency swap		<u>(128,712)</u>	<u>(165,058)</u>
		(3,648,750)	6,919,464
NON-CURRENT LIABILITIES			
Long term financing	7	16,750,284	8,814,029
Long-term deposits		3,770,680	3,659,380
Deferred liabilities		4,836,989	4,645,056
Deferred revenue		11,579,720	11,790,530
Specific grant from the Government of Pakistan	8	<u>3,704,551</u>	<u>4,036,441</u>
		40,642,224	32,945,436
CURRENT LIABILITIES			
Trade and other payables	9	61,262,590	38,507,051
Accrued mark-up		1,826,548	1,112,879
Short-term borrowings	10	11,577,834	10,230,723
Short-term deposits		3,316,173	2,930,942
Provisions		15,927	18,432
Current maturity and overdue installments of long-term financing		<u>1,548,350</u>	<u>410,750</u>
		79,547,421	53,210,777
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		<u>116,540,895</u>	<u>93,075,677</u>

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

NAVEED ISMAIL
Chief Executive Officer

SHAN A. ASHARY
Director




Profit & Loss Account

Interim Condensed Profit & Loss Account For the nine months ended March 31, 2009 [Un-audited]

Note	Nine Months Ended		Quarter Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
------(Rupees in thousand)-----				
REVENUE				
Sale of energy – net	41,065,824	36,567,098	11,902,690	10,391,471
Rental of meters and equipment	153,303	150,850	51,098	50,607
	41,219,127	36,717,948	11,953,788	10,442,078
EXPENDITURE				
Purchase of electricity	12 (29,880,444)	(23,339,357)	(8,758,668)	(7,170,027)
Consumption of fuel and oil	13 (26,666,821)	(25,280,490)	(7,984,094)	(7,192,549)
	(56,547,265)	(48,619,847)	(16,742,762)	(14,362,576)
Tariff adjustment on account of increase in fuel prices and cost of power purchase	17,862,864	12,988,255	6,644,143	4,282,012
	(38,684,401)	(35,631,592)	(10,098,619)	(10,080,564)
Expenses incurred in generation, transmission and distribution	(7,520,197)	(6,901,962)	(2,569,066)	(2,306,138)
	(4,985,471)	(5,815,606)	(713,897)	(1,944,624)
Consumers services and administrative expenses	(4,241,112)	(4,499,088)	(1,471,032)	(1,766,670)
Other operating income	1,900,497	2,121,386	822,603	633,008
Other operating expenses	(326,731)	(146,117)	(119,555)	(52,762)
	(2,667,346)	(2,523,819)	(767,984)	(1,186,424)
Operating Loss	(7,652,817)	(8,339,425)	(1,481,881)	(3,131,048)
Finance costs	14 (2,951,743)	(1,381,340)	(1,158,477)	(446,446)
LOSS BEFORE TAXATION	(10,604,560)	(9,720,765)	(2,640,358)	(3,577,494)
Taxation	-	(185,123)	-	(52,539)
Net Loss for the period	(10,604,560)	(9,905,888)	(2,640,358)	(3,630,033)
LOSS PER SHARE	(Rupees) (0.81)	(0.75)	(0.21)	(0.28)

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.


NAVEED ISMAIL
 Chief Executive Officer


SHAN A. ASHARY
 Director



Cash Flow Statement

INTERIM CONDENSED CASH FLOW STATEMENT For the nine months ended MARCH 31, 2009 (UN-AUDITED)

	Note	Nine Months Ended	
		March 31, 2009 (Un-audited)	March 31, 2008 (Audited)
		---- (Rupees in thousand) ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized / generated from operations	15	2,219,616	(702)
Payment in respect of fatal accident		(2,507)	(56,607)
Deferred liabilities paid		(240,834)	(173,599)
Income tax paid		(22,645)	(167,333)
Receipt in deferred revenue		364,019	972,909
Issuance cost on preference capital		-	(4,088)
Finance cost		(1,224,224)	(761,773)
Interest received on bank deposits		72,466	60,911
Net cash generated from / (used in) operating activities		1,165,891	(130,282)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(8,390,423)	(12,826,020)
Proceeds from disposal of fixed assets		39,672	2,725
Long-term loans		7,548	10,397
Receipt from Government		79,344	158,688
Long-term deposits		(109,281)	(1,828)
Net cash used in investing activities		(8,373,140)	(12,656,038)
		(7,207,249)	(12,786,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid against long term financing (Pir Koh and Pso)		(191,345)	(191,345)
Specific grant from the Government of Pakistan		-	1,960,840
Long term loan interest paid		(1,251,513)	(386,807)
Interest paid on FIP funds		(163,412)	(236,489)
Receipt against morhaba financing		440,000	-
Receipt from Long term Loans		9,301,546	7,069,762
Security deposit from consumers		111,300	211,827
Net cash generated from financing activities		8,246,576	8,427,788
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT		1,039,327	(4,358,532)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(7,796,316)	(3,051,092)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		(6,756,988)	(7,409,624)

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

NAVEED ISMAIL
Chief Executive Officer

SHAN A. ASHARY
Director



Changes in Equity

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UN-AUDITED)

	Issued, Subscribed and paid-up Share Capital		RESERVES			Unrealised loss on cross currency Swap	Total
	Ordinary Shares	Preference Shares	Capital reserves	Revenue reserves	Accumulated losses		
------(Rupees in thousand)-----							
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	-	1,474,106	-	-	-	-	1,474,106
Unrealised loss on cross currency swap	-	-	-	-	-	(72,636)	(72,636)
Net loss for the nine months ended	-	-	-	-	(9,905,888)	-	(9,905,888)
Balance as at March 31, 2008	<u>46,084,762</u>	<u>5,983,407</u>	<u>509,172</u>	<u>5,372,356</u>	<u>(44,699,156)</u>	<u>(72,636)</u>	<u>13,177,905</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 on cross currency swap	-	-	-	-	-	36,346	36,346
Net loss for the nine months ended	-	-	-	-	(10,604,560)	-	(10,604,560)
Balance as at March 31, 2009	<u>46,084,762</u>	<u>5,983,407</u>	<u>509,172</u>	<u>5,372,356</u>	<u>(61,469,735)</u>	<u>(128,712)</u>	<u>(3,648,750)</u>

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

NAVEED ISMAIL
Chief Executive Officer

SHAN A. ASHARY
Director



Notes to the Financial Statements

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.

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, 2008.

4. PROPERTY, PLANT AND EQUIPMENT	Note	March 31,	June 30,
		2009 (Un-audited)	2008 (Audited)
---- (Rupees in thousand) ----			
Operating fixed assets	4.1	48,679,783	44,634,318
Capital work-in-progress	4.2	21,998,103	19,270,850
		<u>70,677,886</u>	<u>63,905,168</u>

4.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
----- (Rupees in thousand) -----			
Plant and machinery	5,880,527	-	-
Transmission and distribution network	946,491	2,000	1,800
Renewals of mains & services	19,052	-	-
Furniture, air-conditioners and office equipment	13,332	-	-
Tools and general equipment	1,253	-	-
Computers and related equipment	27,743	-	-
Vehicles	16,781	70,321	51,999
	<u>6,905,179</u>	<u>72,321</u>	<u>53,799</u>



Notes to the Financial Statements

4.2 Capital work-in-progress

	Generation system	Transmission system	Distribution system	Others	Total
	(Rupees in thousand)				
	(Note 4.2.1 & 4.2.2)				
Opening balance	12,310,959	4,637,070	1,966,684	356,137	19,270,850
Additions during the year:					
System improvement	44,088	2,056,662	19,188	-	2,119,938
Others	5,764,300	275,539	1,319,422	153,233	7,512,494
	<u>5,808,388</u>	<u>2,332,201</u>	<u>1,338,610</u>	<u>153,233</u>	<u>9,632,432</u>
	18,119,347	6,969,271	3,305,294	509,370	28,903,282
Transferred to fixed assets	5,881,632	12,448	953,095	58,004	6,905,179
March-09	<u>12,237,715</u>	<u>6,956,823</u>	<u>2,352,199</u>	<u>451,366</u>	<u>21,998,103</u>
June-08	<u>12,310,959</u>	<u>4,637,070</u>	<u>1,966,684</u>	<u>356,137</u>	<u>19,270,850</u>

4.2.1 This includes a sum of Rs.9,622.84 million ,(June 30, 2008: Rs.11,142.436 million) ,net of transfer to fixed assets, 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.1,241.81 (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 7.1 and 7.2).

5. TRADE DEBTS

	Note	March 31, 2009 (Un-audited)	June 30, 2008 (Audited)
		---- (Rupees in thousand) ----	
Considered good			
Secured – against deposits from consumers		600,983	633,353
Unsecured		15,622,767	11,782,441
		<u>16,223,750</u>	12,415,794
Considered doubtful			
Un-secured		14,545,817	13,495,664
Provision against debts considered doubtful	5.1	(14,545,817)	(13,495,664)
		<u>16,223,750</u>	<u>12,415,794</u>
5.1 Provision against debts considered doubtful			
Opening Balance		13,495,664	13,389,552
Provision made during the period		<u>1,050,153</u>	<u>1,170,989</u>
		14,545,817	14,560,541
Provision written off during the period		-	(1,064,877)
		<u>14,545,817</u>	<u>13,495,664</u>

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.



Notes to the Financial Statements

	Note	March 31, 2009 (Un-audited)	June 30, 2008 (Audited)
---- (Rupees in thousand) ----			
6. OTHER RECEIVABLES			
Considered good			
Rebate due on electricity duty		106,611	95,406
Sales tax - net	6.1	5,236,545	3,493,808
Due from the Government in respect of:			
- sales tax on selected classes of consumers		226,442	211,568
- tariff adjustment		10,624,797	3,471,440
		10,851,239	3,683,008
Employees' Provident Fund		41,473	4,228
Accrued income for TV license fees collection charges		4,680	4,680
Insurance claim		-	5,863
		16,240,548	7,286,993
Considered doubtful			
sales tax on selected classes of consumers		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)
		-	-
		16,240,548	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 service connection 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.

7. LONG-TERM FINANCING

From Banking Companies and Financial Institutions-Secured

International Finance Corporation (IFC)	7.1	3,618,000	3,096,000
Term loan from a syndicate of commercial banks	7.2	7,346,591	4,898,591
Asian Development Bank	7.3	4,020,000	-
Term loan from a Banking Company	7.4	2,275,200	-
		17,259,791	7,994,591
Current maturity thereof shown under current liabilities		(1,137,600)	-
		16,122,191	7,994,591

Others - secured

Due to the Oil and Gas companies		1,012,843	1,204,188
Current maturity thereof, including overdue installment of Rs. 93.375 (June 2008: Rs.93.375) million due to PGCL		(410,750)	(410,750)
		602,093	793,438
GoP Loan for the electrification of Hub Area		26,000	26,000
		16,750,284	8,814,029



Notes to the Financial Statements

- 7.1** 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.
- 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 on 220 MW Korangi Generation Project, as shown in note . 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%.
- 7.3** This represent utilised 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 . It carries interest rate at 3 months LIBOR + 2.85 % up to the project completion date and 3 months LIBOR+ 2.5% thereafter.

The above facilities 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 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.
- 7.4** 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. The said facility is secured against specific government consumers' receivables.



Notes to the Financial Statements

	Note	March 31, 2009 (Un-audited)	June 30, 2008 (Audited)
---- (Rupees in thousand) ----			
8. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN			
Opening balance		4,036,441	4,702,421
Received during the current period / year Financial Improvement Plan (FIP)		-	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		-	(4,525,548)
Interest on bank borrowings	8.1	<u>(331,890)</u>	<u>(320,826)</u>
		<u>3,704,551</u>	<u>4,036,441</u>

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

8.2 Included in specific grant is sum of Rs.5,907.840 (June 30, 2008: Rs.4,320.981) million pertaining to expenditure incurred on FIP classified as capital work-in-progress

9. TRADE AND OTHER PAYABLES Creditors

Power purchases	35,171,033	22,593,374
Fuel	13,942,223	8,693,803
Others	7,282,656	3,442,470
	<u>56,395,912</u>	<u>34,729,647</u>

Other payables

Murabaha term finance	1,190,000	750,000
Accrued expenses	9.1	1,137,705
	<u>1,291,633</u>	<u>1,137,705</u>

Advances/credit balances of consumers

Energy	218,458	257,180
Others	453,247	399,714
	<u>671,705</u>	<u>656,894</u>
Unclaimed and unpaid dividend	650	650
Employee related dues	160,374	94,410
Electricity duty	1,134,449	754,239
Tax deducted at source	218,830	216,932
PTV license fee	28,069	25,218
Payable to the then Managing Agent, PEA (Pvt.) Limited	29,114	29,208
Others	141,853	112,148
	<u>1,713,339</u>	<u>1,232,805</u>
	<u>61,262,590</u>	<u>38,507,051</u>

9.1 Included herein is an aggregate sum of Rs.486.682 (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'.



Notes to the Financial Statements

	Note	March 31, 2009 (Un-audited) ---- (Rupees in thousand) ----	June 30, 2008 (Audited)
10. SHORT TERM BORROWINGS			
From banking companies-secured			
Bridge term finance facility	10.1	3,600,000	3,000,000
Structured trade finance facility		-	2,844,000
		3,600,000	5,844,000
From KES Power – Parent company – unsecured			
Foreign currency loan	10.2	2,572,800	-
Local currency loan	10.3	20,100	-
		2,592,900	-
Short term running finances			
From commercial bank – secured	10.4	5,384,934	4,386,723
		<u>11,577,834</u>	<u>10,230,723</u>

10.1 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 50.000 million, issued in favour of the Company by the Gulf International Bank.

10.2 During the current period, the Company entered into an agreement with the Parent company, as a result of which the Parent company 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.

10.3 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.

10.4 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 excess short term facilities are secured against ranking charge over current assets of the company.

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.



Notes to the Financial Statements

	Note	March 31, 2009 (Un-audited) ---- (Rupees in thousand) ----	June 30, 2008 (Audited)
11 CONTINGENCIES AND COMMITMENTS			
11.1 Contingencies			
11.1.1 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.			
11.1.2 Claims not acknowledged as debts:			
Fatal accident cases		<u>505,652</u>	<u>466,132</u>
Guarantees from banks		<u>86,051</u>	<u>5,113</u>
Claim by NTDC on account of power purchase	11.1.3	<u>-</u>	<u>31,026,000</u>
11.1.3 The Ammendment Agreement to the implementation was signed between GOP and the Company on April 13 , 2009. Accordingly KESC has been treated at par with Discos for power purchases from NTDC in line with ECC decision dated August 26, 2008 and Cabinet decision dated April 8, 2009.			
11.1.4 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.			
11.2 COMMITMENTS			
11.2.1 Contracts with respect to Transmission and Distribution Projects		<u>3,416,000</u>	<u>4,773,000</u>
11.2.2 Outstanding Letters of Credit		<u>2,833,846</u>	<u>3,397,180</u>
11.2.3 Commitment for payment in respect of Combined Cycle Power Plant		<u>224,010</u>	<u>2,018,980</u>
11.2.4 Dividend on Preference Shares		<u>447,666</u>	<u>314,516</u>
11.2.5 Payment and equipment guarantee in respect of rental contract		<u>2,391,256</u>	<u>-</u>
11.2.6 Software license and implementation costs		<u>330,531</u>	<u>330,531</u>
12. PURCHASE OF ELECTRICITY			
National Transmission and Despatch Company (NTDC)		<u>16,964,888</u>	11,201,273
Independent Power Producers (IPPs) and rental power		<u>11,036,357</u>	10,303,355
Karachi Nuclear Power Plant (KANUPP)		<u>1,452,308</u>	1,449,109
Pakistan Steel Mills Corporation (Private) Limited		<u>426,891</u>	385,620
		<u>29,880,444</u>	<u>23,339,357</u>
13 CONSUMPTION OF FUEL AND OIL			
Natural gas		<u>19,402,915</u>	11,649,141
Furnace and other oils		<u>7,263,905</u>	13,631,349
		<u>26,666,821</u>	<u>25,280,490</u>



Notes to the Financial Statements

	Note	March 31, 2009 (Un-audited) ---- (Rupees in thousand) ----	March 31, 2008 (Audited)
14 FINANCE COST			
Mark-up / interest on short term borrowings		1,637,019	704,248
LPS on delayed payment to creditors		1,217,137	666,839
Others		97,588	10,253
		<u>2,951,743</u>	<u>1,381,340</u>
15 CASH (UTILIZED) / GENERATED FROM OPERATIONS			
Loss before taxation		(10,604,560)	(9,720,764)
Adjustments for non-cash charges and other items:			
Depreciation		2,841,192	2,673,095
Provision for deferred liabilities		432,767	541,062
Provision for slow moving stores, spares and loose tools		118,009	65,099
Amortization of deferred revenue		(574,831)	(393,022)
Provision for debts considered doubtful debt		1,050,153	2,058,793
Gain on disposal of fixed assets		(21,350)	-
Interest on consumer deposits		142,096	129,176
Finance costs		1,637,019	704,247
Amortization of intangible asset		10,667	-
Return on bank deposits		(72,466)	(54,043)
Working capital changes		7,260,922	3,995,655
		<u>2,219,616</u>	<u>(702)</u>
15.1 Working capital changes (Increase) / decrease in current assets			
Stores, spares and loose tools		(443,533)	249,446
Trade debts		(4,858,110)	(5,176,147)
Loans and advances		(399,820)	(81,089)
Trade deposits and prepayments		(453,104)	(21,779)
Other receivables		(9,285,287)	(2,087,354)
		<u>(15,439,854)</u>	<u>(7,116,923)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		22,315,544	10,598,093
Short-term deposits		385,231	514,485
		<u>7,260,922</u>	<u>3,995,655</u>
16 TRANSMISSION AND DISTRIBUTION LOSSES			

The transmission and distribution losses were 34.23% (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%
9 months to March 2009	34.23%



Notes to the Financial Statements

17. 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, 2009 and March 31, 2008:

	Note	March 31, 2009 (Un-audited) ---- (Rupees in thousand) ----	March 31, 2008 (Audited)
17.1	National Transmission and Despatch Company, a major supplier		
	Sales	32,075	18,133
	Purchases	16,964,888	11,201,273
	Amount payable included in creditors	31,076,878	15,062,149
17.2	Pakistan State Oil Company Limited, a major supplier		
	Purchases	7,263,905	13,631,349
	Amount payable included in creditors	238,705	812,881
17.3	Sui Southern Gas Company Limited, a major supplier		
	Purchases	19,402,915	11,649,141
	Amount payable included in creditors	13,703,517	7,724,556
17.4	Gul Ahmed Energy Limited, a major supplier		
	Purchases	4,543,568	5,339,421
	Amount payable included in creditors	1,401,533	855,444
17.5	Tapal Energy (Private) Limited		
	Purchases	5,059,111	4,676,166
	Amount payable included in creditors	1,730,219	787,474
17.6	KES Power, Parent company		
	Short term loans	2,592,900	-

18. DATE OF AUTHORIZATION FOR ISSUE

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

GENERAL

19. Figures have been rounded off to the nearest thousand rupees.

NAVEED ISMAIL
Chief Executive Officer

SHAN A. ASHARY
Director