Financial Statements
for the period July-December

2009

KARACHI ELECTRIC
SUPPLY COMPANY
LIMITED

Company Information

Board of Directors (BOD)

CHAIRMAN
Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER
Tabish Gauhar

DIRECTORS
Zulfiqar Haider Ali
Shan A. Ashary
Tahir Basharat Cheema
Syed Nayyer Hussain
Naveed Ismail
Nadir Salar Qureshi
Shahid Rafi
Muhammad Sarwar
Mubasher H. Shiekh
Muhammad Tayyab Tareen
Syed Arshad Masood Zahidi

GROUP CHIEF FINANCIAL OFFICER
Muhammad Tayyab Tareen

CHIEF LEGAL ADVISOR & COMPANY SECRETARY
Uzma Amjad Ali

Board Audit Committee (BAC)

1.	Nadir Salar Qureshi	Chairman
2.	Zulfiqar Haider Ali	Member
3.	Tahir Basharat Cheema	Member
4.	Syed Nayyer Hussain	Member
5.	Mubasher H. Shiekh	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
Arif Habib Bank Limited

AUDITORS
M/s. KPMG Taseer Hadi & Company, Chartered Accountants

SHARE REGISTRAR
M/s. Noble Computer Services (Pvt) Limited

REGISTERED OFFICE
6TH Floor, State Life Building # 11, 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 2009 on behalf of the Board of Directors. Key operational and financial results are listed below:

	Jul-Dec 2009	Jul-Dec 2008
OPERATIONAL	**(IN MILLIONS - kWh)**	
Units generated KESC	4,076	3,995
Units sent out KESC	3,770	3,685
Units purchased	3,970	3,599
Total units available for distribution	7,740	7,284
Units billed	5,055	4,898
Transmission & Distribution Losses %	34.69%	32.76%
	(RUPEES IN MILLIONS)	
FINANCIAL		
Sale of Energy	34,139	29,163
Tariff Adjustment	12,557	11,218
Other Revenue	2,288	1,180
Gross Revenue	48,984	41,561
Cost of fuel & power purchase	(44,859)	(39,803)
	4,125	1,758
O&M Expenses	(5,805)	(5,088)
Provision for doubtful debts	(927)	(750)
Depreciation	(1,806)	(1,899)
Financial & other charges	(4,476)	(1,985)
(Loss) for the period	**(8,889)**	**(7,964)**
(Loss) per share - basic	Re. (0.52)	Re. (0.60)
- diluted	Re. (0.48)	Re. (0.55)

KESC generation increased by 81 Gwh (2.03%) over corresponding period last year which is attributable to addition of new generation in the system through 220 MW Combine Cycle Power Plant and 180 MW GE Jenbacher power plants. The said increase in KESC generation was partly neutralized due to planned shutdown of a few BQPS units for maintenance and rehabilitation purposes. Power purchase also increased by 371 Gwh (10.31%) in order to cater for ever rising electricity demand of city. As a result, the total units available for distribution increased by 456 Gwh (6.26%), its cascading impact to the level of units billed was diluted to 157 Gwh (3.23%) which was attributable to T&D losses of 34.69% as compared to 32.76%. The management is fully cognizant of critical importance and is making all out efforts to reduce T&D losses by working upon a long term and sustainable solution on improving the billing and recovery systems. It is important to note that T&D loss during the period has improved from 38.92% in first half of the calendar year to 34.69%.

Total Revenue of the Company registered an increase of 17.86% mainly due to increase in units billed and increase in other operating income. Cost of fuel and power purchase have substantially increased by Rs.5,055 million (12.70%) due to upward revision of NTDC's average power purchase rate during the period to Rs.6.04/kWh from Rs. 4.19/kWh during corresponding period last year. Furthermore, furnace oil consumption increased by 65,592 M-tons (60.09%) to 174,756 M-tons. The high consumption of expensive furnace oil was necessitated as gas supply at Company's power plants was reduced to 212 mmcfd as compared to 242 mmcfd in corresponding period last year. O&M expenses increased by 14% mainly due to the prevailing inflation and salary adjustments.

Operating loss for the period under review substantially reduced by Rs.1,345 million (21.79%) to Rs.4,826 million as compared to Rs.6,171 million in Jul-Dec 08, reflecting the positive results of management's concerted efforts. Nonetheless, the spiraling impact of mounting finance cost which increased from Rs.1,793 million to Rs. 4,064 million, more than offset the hard-achieved improvement in operating results. The above surge in finance cost mainly resulted due to increased interest on delayed payments to major suppliers as a result of delay in realization of GoP receivables on account of tariff differential and energy bills. The Company is making all out efforts for recovery of GoP receivables.

Out of the total equity of US$ 361 million to be injected over a period of three (3) years, US$ 206 million have already been invested by KESP by way of fully subscribing to the first (31%) and second (14.50%) right issues of the Company. KESP has also funded an amount of PKR 406 million (US$ 5 million) for the entire unsubscribed right shares of the minority shareholders and has committed to do so with respect to the second (14.50%) right issue of the Company which clearly reflects support & commitment of the sponsors to address the financial difficulties besetting the Company. GOP, the second major shareholder of the Company, also fully subscribed to their portion of the first (31%) right issue and stands committed to subscribe its portion of the second (14.50%) right issue of the Company.

Activities Under Review

Generation : With the commissioning of 220 MW Korangi power plant and 180 MW GE Jenbacher power plants (90 MW each at KGTPS & SGTPS) and 50 MW Aggreko rental power plants, 450 MW has been added to KESC's system during a short span of about one year. This substantial injection in generation capacity of the Company was witnessed after a gap of approximately twelve (12) years when BQPS Unit-6 of 210 MW was commissioned way back in 1997. Two of KESC projects won the prestigious Asian Power Awards 2009 for "Power Plant of the Year" and "Best Fast Track Power Project" in Asia. The 560 MW power plant at BQPS is now also underway and is likely to be completed in 2012.

Under the Company's Captive Power Policy, KESC has entered into 37 MW of additional power purchase agreements (another 70 MW agreed in principle) with various industries having surplus power, including a landmark 15 MW coal based agreement with Al Abbas Steel. The Company is also actively assessing the feasibility of setting up imported / indigenous coal based power plants (up to 1,000 MW) under our medium / long term generation enhancement plan and is also spending close to PKR 500 million this winter to overhaul our flagship Bin Qasim power plant to increase its reliability, capacity, and efficiency for next summer.

Transmission : As a result of management focused approach in order to implement a strategic plan in a phased and prioritized manner, a number of critically important transmission projects have been commissioned or are in advance stage of completion and have positively contributed to transmission network capacity & reliability.

Grid Stations : Transmission network has been strengthened and improved with the commissioning of Azizabad and Memon Goth grid stations. The inauguration of the said grid stations were graced with the presence of the Governor Sindh, Dr. Ishratul Ibad and the Chief Minister of Sindh, Syed Qaim Ali Shah, respectively. Six (6) new grid stations have been added to KESC's transmission network during last one (1) year which is a record achievement by itself and unprecedented in the history of the Company. Extension of three (3) 132kV grid stations, Surjani, Liaquatabad and Elander Road, has also been completed during the period under review which has further improved transmission system overloading.

The three (3) new grid stations listed below are in advance stage of completion and are likely to be commissioned by the dates mentioned there-against:-

New Grid stations:

1. 132 kV Mehmoodabad Grid Stations – expected completion 30th November 2010.
2. 132 kV Hospital Grid Station – expected completion 30th September 2010.
3. Extension at Gulshan Grid Station – expected completion on 23rd January 2010.

The Transmission Links completed during the period under review are as under:-

Transmission Links (completed):

1. 132kV KDA-Memon Goth-Malir line.
2. 132kV KCR G/S – PLDP double circuit.
3. 132kV Azizabad – Liaquatabad circuit.
4. Replacement of damaged OPGW on Valika – Surjani Line.
5. Rehabilitation of affected Tee-off tower at Gulshan-e-Maymar Grid Station.

SCADA : As a result of management's concerted efforts in a prioritized manner, a state of the art SCADA system is now fully implemented and all the grid stations and network changes have been integrated / incorporated in the SCADA system. The commissioning of this critically important project for modern power management will significantly improve efficiency of power system control & monitoring and will facilitate timely operational decisions & economic dispatch of power and will minimize outages & technical losses.

Distribution : After successfully investing in generation capacity and with the improved transmission network capacity and reliability, management's clear focus is now on product delivery, customer service and public goodwill and that 2010 is categorized to be "The Year of Distribution". In the areas of billing and recovery the Company's challenges remain substantial especially with regard to recovery of outstanding dues amounting to over Rs.45 billion from Government and Government related entities, collection pressures, the curse of consumer theft and recoveries, along side related issues to the ongoing financial stability of the business. Active and meaningful support of all stakeholders which include the shareholders, consumers, government and others in billing and recovery of legitimate revenues of the Company is of paramount importance in order to ensure operational, commercial & financial viability of the Company which is critically important to implement the turnaround strategy and long term business plan of the management aiming at improved customer service and minimized load-shedding, profitability and return on shareholders' investment. Furthermore unlike KESC's interestbearing over-dues to SSGC & PSO, no interest is paid to KESC on account of GOP, KW&SB, CDGK and others over-dues to KESC, which anomaly needs to be resolved in a just and equitable manner.

Model Town distribution projects in partnership with CDGK and Town Nazims have been initiated, entailing installation & upgradation of feeders, PMTs, cables in consultation with Town Nazims to address area-specific requirement of distribution system augmentation and expansion. The Projects will revamp the distribution infrastructure across the eighteen (18) Towns of Karachi by June 2010. Phase-I of this Project (covering Gulshan, Gulberg, Shah Faisal and Lyari Towns) is almost completed (17 new 11kV feeders, 59 new Pole Mounted Transformers, 60% rehabilitation of existing power lines etc.) with the delay caused by Rights of Way and Law & Order issues.

<u>IBCs</u> : In order to improve KESC operations and modify public perception and improved customer services and better infrastructure, establishment of Integrated Business Centres (IBCs) was introduced. IBCs replace and combine the Business Operations Centres (BOCs) and Maintenance Centres. Defence, North Nazimabad, Gulshan-e-Iqbal IBCs have been inaugurated and are successfully operating and improved service standard has been appreciated by the customers. The management has devised an action plan to roll out the IBC programme into Clifton, SITE, KIMS and Liaquatabad, overall all KESC is to have 25 to 30 such IBCs across Karachi by the end of the year 2011 to provide one-stop service to the customers.

Moreover, KESC “118” Call Centre operations has been significantly enhanced from 70 to 350+ agents. KESC is carrying out approximately 2000 disconnections per day against theft and non payment, in conjunction with an active “Name & Shame” media + “Speak Up” campaign (“Theft + Non Payment of Bills = Load Shedding & Breakdowns”).

<u>Investment – sponsors’ support</u> : Under the Amended Implementation Agreement of April 2009 between KESC and GOP, the shareholders committed to inject $361 million of additional equity over a 3 year period ($150 million by April 2010; $150 million by April 2011; and the remaining $61 million by April 2012). The BOD is pleased to confirm that KESP have already injected $206 million through subscription of first & second right issues of the Company. In addition GOP has fully subscribed to its 25.66% portion of the first right issue in an amount of PKR 3.665 B ($45 M) and is committed to inject a further sum of PKR 2.245 B ($27 M) towards second right issue subscription. Furthermore, $95 million of foreign currency debt has been drawn under the IFC and ADB loan facilities to fund two new generation projects referred to above, and the remaining facility of $ 180 million will be availed in the next 12-18 months. The local banks have lent KESC close to PKR 2 billion in long term loans since September 2008 to fund various projects of the Company, demonstrating their faith in the business plan being executed by the new management team.

<u>Other Activities – CSR Program</u>
The management has developed a close partnership with the provincial and local governments, and various trade bodies, to coordinate and resolve issues of mutual concern (such as energy conservation/efficiency drive, pending “new connection” cases, community service, street lights project, etc). KESC has recently signed an MOU to provide dedicated power supply to the Civil Hospital, in addition to re-doing their internal wiring setup, all at the Company’s cost as part of KESC’s extensive CSR Program.

With respect to Auditors’ observations in their report to the members, **it is informed that**:

i. The actions being taken by the Company for operational and infrastructure rehabilitation program with the commitment and support of the sponsors of the Company, have been fully explained in note 1.2 to the financial statements.

ii. The Company has obtained all requisite statutory approvals with regard to issue 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. Statutory 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.

iii. The key factors responsible for Transmission & Distribution (T&D) losses, as explained in note 20 to financial statements, are old and outdated distribution network and theft of electricity. With the completion of system improvement and loss reduction projects, it is expected that technical and commercial losses will be reduced to a reasonable level.

Future Prospects

The substantial and successful investment in generation capacity and transmission infrastructure has yielded tangible positive results in a very short period of time. Injection of 450 MW efficient and economic generation capacity and commissioning of six (6) new grid stations and implementation of SCADA system will go a long way in restoring operational and financial viability of the Company. Management's clear focused is now on Distribution with main emphasis on the areas of billing and recovery to achieve significant and sustainable reduction in commercial losses in order to address the related issues to the financial stability of the business.

The commissioning of the ongoing transmission, distribution, loss reduction projects and management's other initiatives will improve & expand network infrastructure, will improve T&D system capacity & reliability, will reduce technical & commercial losses and will improve quality & standard of customer service. The backing of Abraaj having an established management and operational track record and strategic equity injection of US $ 361 million in three (3) years and with the support of sponsors and GOP which is the second largest shareholder of the Company, the turnaround strategy of the management is likely to materialize and improved operational & financial results are likely to be forthcoming in future which will benefit all the stakeholders.

Post Balance-Sheet Event

Subsequent to balance sheet date, KES Power fully subscribed to its portion (72.17%) of 14.50 percent second right issue of the Company in an amount of Rs.6,317,794,319 (1,805,084,091 ordinary right shares of Rs.3.50 each) well in advance of the closing date which is 2 March 2010.

Board of Directors

During the period under review Mr. Naveed Ismail relinquished the position of CEO and Mr. Tabish Gauhar assumed the office of CEO, effective from 2 November 2009, Mr. Muhammad Tayyab Tareen replaced Mr. Jalil Tarin as Group Chief Financial Officer (GCFO) effective from 2 November 2009. Two (2) GOP nominees on BOD of the Company, Mr. Fazal Ahmed Khan and (Late) Jalaluddin Qureshi were substituted and replaced with Mr. Tahir Basharat Cheema, MD, PEPCO and Mr. Muhammad Sarwar, Joint Secretary (CF), Finance Division in the AGM of the Company held on 26 October 2009. Syed Farrukh Abbas resigned from the Company's directorship and Mr. Nadir Salar Qureshi has been appointed as a Director in his place. The Board wishes to place on record appreciation of services of outgoing CEO, Directors & GCFO and welcomes the new CEO, Directors & GCFO of the Company.

Acknowledgements

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

Karachi, 25 February 2010

Tabish Gauhar
Chief Executive Officer

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Independent Auditors' Report on review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Karachi Electric Supply Company Limited** ("the Company") as at 31 December 2009 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (hereinafter referred as interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matters

Without qualifying our conclusion, we draw attention to:

i) note 1.2 to the accompanying interim financial information which explains in detail the measures that the Company is taking with respect to operational and infrastructure rehabilitation program and financial measures duly supported by the sponsors of the Company;

ii) note 8.2 to the accompanying interim financial information, Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in the above referred note; and

iii) note 20 to the accompanying interim financial information, transmission and distribution losses are approximately 34.68 percent (30 June 2009: 35.85 percent) of the total electricity generated during the 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.

The figures for the quarter ended 31 December 2009 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

The condensed interim financial information and financial statements of the Company for the six months period ended 31 December 2008 and for the year ended 30 June 2009, respectively, were reviewed and audited by another firm of chartered accountants whose reports dated 23 February 2009 and 3 September 2009, expressed modified conclusion and opinion, respectively, containing emphasis of matter paragraphs on certain matters.

KPMG Taseer Hadi & Co.

Date: 25 February 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Karachi Electric Supply Company Limited
Condensed Interim Balance Sheet
As at 31 December 2009

	Note	31 December 2009 (Un- audited)	30 June 2009 (Audited)
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**87,939,409**	82,193,852
Intangible asset		**17,925**	20,566
		87,957,334	82,214,418
Long-term loans		**88,181**	92,967
Long-term deposits and prepayments		**111,547**	234,275
Due from the Government		**364,063**	476,063
		88,521,125	83,017,723
CURRENT ASSETS			
Current portion of amount due from the Government		**508,719**	396,719
Stores and spares		**5,067,822**	4,696,625
Trade debts	6	**21,938,065**	19,114,219
Loans and advances		**891,910**	398,785
Trade deposits and prepayments		**679,196**	369,486
Other receivables	7	**27,280,768**	21,210,804
Derivative financial assets		**847,346**	575,000
Taxation- net		**99,596**	220,546
Cash and bank balances		**5,744,051**	1,957,630
		63,057,473	48,939,814
TOTAL ASSETS		**151,578,598**	131,957,537
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	8	**66,280,968**	52,068,169
Reserves			
Capital reserves		**509,172**	509,172
Revenue reserves		**5,372,356**	5,372,356
Accumulated losses		**(75,167,011)**	(66,350,117)
Other reserve		**(397,204)**	(337,050)
		(69,682,687)	(60,805,639)
Total equity		**(3,401,719)**	(8,737,470)
ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES	9	**5,287,695**	8,170,638
		1,885,976	(566,832)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5.2	**3,121,481**	745,466
		5,007,457	178,634
LIABILITIES			
NON-CURRENT LIABILITIES			
Long - term financing	10	**32,934,544**	45,030,126
Liabilities against asset subject to finance lease		**263,698**	287,706
Long-term deposits		**3,918,806**	3,836,994
Deferred liabilities		**5,644,903**	5,325,528
Deferred revenue		**14,896,695**	14,237,768
Specific grant from the Government	11	**1,657,843**	2,799,747
		59,316,489	71,517,869
CURRENT LIABILITIES			
Trade and other payables	12	**56,791,597**	30,289,503
Accrued mark-up		**1,656,003**	1,706,086
Short-term borrowings	13	**9,713,535**	9,137,014
Short-term deposits		**3,602,959**	3,241,691
Provisions		**15,927**	15,927
Current maturity of non- current liabilities		**15,474,631**	15,870,813
		87,254,652	60,261,034
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		**151,578,598**	131,957,537

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Karachi Electric Supply Company Limited

Condensed Interim Profit and Loss Account

For the six months period ended 31 December 2009 (Un- Audited)

	Note	Half-Year Ended		Quarter Ended	
		31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
		-------------------------(Rupees in '000)		-------------------	
REVENUE					
Sale of energy – net		**34,138,887**	29,163,134	**16,058,778**	12,891,467
Tariff adjustment		**12,557,526**	11,218,721	**6,155,740**	7,057,644
Rental of meters and equipment		**103,209**	102,205	**51,760**	51,093
		46,799,622	40,484,060	**22,266,278**	20,000,204
EXPENDITURE					
Purchase of electricity	*15*	**(27,074,401)**	(21,121,777)	**(14,575,793)**	(9,972,575)
Consumption of fuel and oil	*16*	**(17,785,156)**	(18,682,727)	**(6,125,633)**	(7,135,365)
		(44,859,557)	(39,804,504)	**(20,701,426)**	(17,107,940)
Expenses incurred in generation, transmission and distribution		**(4,479,731)**	(4,803,339)	**(2,096,161)**	(2,198,663)
GROSS (LOSS) / PROFIT		**(2,539,666)**	(4,123,783)	**(531,309)**	693,601
Consumers services and administrative expenses		**(4,059,348)**	(2,932,701)	**(2,193,337)**	(1,526,994)
Other operating income		**2,185,152**	1,077,894	**1,460,086**	691,814
Other operating expenses		**(411,870)**	(192,347)	**(142,569)**	(145,644)
		(2,286,066)	(2,047,154)	**(875,820)**	(980,824)
OPERATING LOSS		**(4,825,732)**	(6,170,937)	**(1,407,129)**	(287,223)
Finance cost	*17*	**(4,063,870)**	(1,793,266)	**(1,866,722)**	(1,089,120)
LOSS BEFORE TAXATION		**(8,889,602)**	(7,964,203)	**(3,273,851)**	(1,376,343)
Taxation	*18*	**-**	-	**-**	-
NET LOSS FOR THE PERIOD		**(8,889,602)**	(7,964,203)	**(3,273,851)**	(1,376,343)
LOSS PER SHARE - basic		**(0.52)**	(0.60)	**(0.19)**	(0.10)
- diluted		**(0.48)**	(0.55)	**(0.18)**	(0.10)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Karachi Electric Supply Company Limited
Condensed Interim Statement of Comprehensive Income
For the six months period ended 31 December 2009 (Un- Audited)

	Half-Year Ended		Quarter Ended	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	-------------------------(Rupees in '000)	-------------------		
NET LOSS FOR THE PERIOD	**(8,889,602)**	(7,964,203)	**(3,273,851)**	(1,376,343)
OTHER COMPREHENSIVE (LOSS) / INCOME				
Hedging reserve	**(60,154)**	39,127	**(57,032)**	26,410
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY	**(8,949,756)**	(7,925,076)	**(3,330,883)**	(1,349,933)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Karachi Electric Supply Company Limited
Condensed Interim Cash Flow Statement
For the six months period ended 31 December 2009 (Un- Audited)

	Note	Half Year Ended 31 December 2009	31 December 2008
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*19*	**11,331,841**	1,006,276
Payment in respect of fatal accident		**-**	(2,505)
Deferred liabilities paid		**(163,684)**	(178,957)
Receipt in deferred revenue		**-**	329,763
Finance cost paid		**(2,219,797)**	(963,993)
Interest received on bank deposits		**125,399**	23,356
Net cash generated from operating activities		**9,073,759**	213,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(4,594,195)**	(7,728,271)
Proceeds from disposal of fixed assets		**39,427**	9,240
Long-term loans		**4,786**	4,456
Long-term deposits		**122,729**	(200,269)
Receipt from the Government		**-**	79,344
Net cash used in investing activities		**(4,427,253)**	(7,835,500)
		4,646,506	(7,621,560)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance for subscription of right shares		**11,403,057**	-
Lease finance paid		**(24,008)**	-
Repayments of long term financing		**(12,911,888)**	-
Receipt against murabaha financing		**-**	350,000
Transaction cost for capital issuance		**(73,203)**	-
Receipt from long term financing		**87,623**	9,053,180
Short term borrowing		**576,522**	863,013
Security deposit from consumers		**81,812**	102,881
Net cash flows from financing activities		**(860,085)**	10,369,074
Net increase in cash and cash equivalents		**3,786,421**	2,747,514
Cash and cash equivalents at beginning of the period		**1,957,630**	2,434,407
Cash and cash equivalents at end of the period		**5,744,051**	5,181,921

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Karachi Electric Supply Company Limited

Condensed Interim Statement of Changes in Equity

For the six months period ended 31 December 2009 (Un- Audited)

	Issued, Subscribed and Paid-up Capital			Reserves					
	Ordinary shares	**Redeemable preference shares**	**Total**	**Capital reserves**	**Revenue reserves**	**Accumulated losses**	**Other reserves**	**Total**	**Total**
	(Rupees in '000)								
Balance as at 30 June 2008	**46,084,762**	**5,983,407**	**52,068,169**	**509,172**	**5,372,356**	**(50,865,175)**	**(165,058)**	**(45,148,705)**	**6,919,464**
Total comprehensive income for the period ended 31 December 2008									
Net loss for the period	-	-	-	-	-	(7,964,203)	-	(7,964,203)	(7,964,203)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	39,127	39,127	39,127
Total comprehensive income for the period	-	-	-	-	-	(7,964,203)	39,127	(7,925,076)	(7,925,076)
Balance as at 31 December 2008	**46,084,762**	**5,983,407**	**52,068,169**	**509,172**	**5,372,356**	**(58,829,378)**	**(125,931)**	**(53,073,781)**	**(1,005,612)**
Total comprehensive income for the period ended June 2009									
Net loss for the period	-	-	-	-	-	(7,520,739)	-	(7,520,739)	(7,520,739)
									-
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(211,119)	(211,119)	(211,119)
Total comprehensive income for the period	-	-	-	-	-	(7,520,739)	(211,119)	(7,731,858)	(7,731,858)
Balance as at 30 June 2009	**46,084,762**	**5,983,407**	**52,068,169**	**509,172**	**5,372,356**	**(66,350,117)**	**(337,050)**	**(60,805,639)**	**(8,737,470)**
Total comprehensive income for the period ended 31 December 2009									
Net loss for the period	-	-	-	-	-	(8,889,602)	-	(8,889,602)	(8,889,602)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(60,154)	(60,154)	(60,154)
Total comprehensive income for the period	-	-	-	-	-	(8,889,602)	(60,154)	(8,949,756)	(8,949,756)
Surplus on revaluation of property, plant and equipment relating to incremental depreciation	-	-	-	-	-	72,708	-	72,708	72,708
Issuance of 4,081,714,286 ordinary shares @ Rs 3.5 each - net	14,212,799	-	14,212,799	-	-	-	-	-	14,212,799
Balance as at 31 December 2009	**60,297,561**	**5,983,407**	**66,280,968**	**509,172**	**5,372,356**	**(75,167,011)**	**(397,204)**	**(69,682,687)**	**(3,401,719)**

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

1. THE COMPANY AND ITS OPERATIONS

1.1 Karachi Electric Supply Company Limited (the Company) was incorporated as a limited liability company on 13 September 1913 under the repealed Indian Companies Act, 1882 (now Companies Ordinance, 1984). 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 and Nepra Act, 1997, as amended, to its licensed areas.

The registered office of the Company is situated at 6th Floor, State Life Building No. 11, Abdullah Haroon Road, Karachi. KES Power Limited (the holding company) holds 72.17 percent (30 June 2009: 71.5 percent) of shares in the Company.

1.2 During the period, the Company has incurred a net loss of Rs. 8,889 million (31 December 2008: Rs. 7,964 million), resulting in accumulated losses of Rs. 75,563 (30 June 2009: Rs. 66,687) million as of the balance sheet date. 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:

1.2.1 Generation – Expansion and Rehabilitation

a) During the period second fast track power plant of total 90 MW capacity has been commissioned at Korangi. The first fast track plant of total 90 MW capacity was commissioned at SITE in June 2009. These new units are using 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, resulting in improved profit margin.

b) During the period, the first combine cycle power plant (CCPP-I) with ISO capacity of 220 MW became fully operational including the steam turbine, having significant impact on the overall efficiency.

c) The second combine cycle power plant (CCPP – II) having ISO capacity of 560 MW, is being set-up at Bin Qasim. The contract for setting up the plant was awarded in June 2008. This combine cycle plant is expected to be in operation by the end of the financial year 2011- 12, having significant impact on the overall fuel efficiency.

d) Overhauling of existing Bin Qasim Power Station to increase its reliability, capacity and efficiency. The main strategy is to maintain it and ensure minimal trippings / faults while enhancing its capacity upwards to its original rating and improve efficiency and reliability.

1.2.2 Transmission and Distribution Network – Expansion and Rehabilitation

The management has developed a comprehensive plan focused towards the transmission and distribution network to improve reliability and reduce technical and distribution losses. This will also enhance monitoring and control of the grid and rehabilitate and expand the existing network. Proper network planning, maintenance and capital expenditure will lead to reduced outages and will prevent network damage. Some of the transmission and distribution projects already completed and in progress are constructions of new grid stations, Model Town project for revamping of distribution infrastructure, implementation of SCADA system and launching of Integrated Business Centers (IBCs).

a) The management has accelerated the construction of new grid stations, augmenting transmission capacity by a total of 650 MVA and six new grid stations have been constructed and energized.

b) The Model Town Project is an initiative to improve KESC's network and customer service. It is a system improvement plan which aims to increase system reliability, enhance load capacity and revamp the distribution network in Karachi in a phased and prioritized manner. The 18 towns of Karachi have been divided into four phases and the project is expected to be completed by June 2010 at an estimated cost of Rs. 2,500 million.

c) The SCADA system provides up-to-date system electrical data which will help reduce losses through a systematic approach, increasing reliability, efficiency and safety of the power grid. SCADA system is fully operational across the network.

d) IBCs (a model for overall reform and rehabilitation of the KESC's distribution system) in Defence, Clifton, Gulshan and Nazimabad have been launched and the management plans to roll out more such IBCs across the city by the year end to provide one-stop service to all our consumers.

1.2.3 Financial measures

The financial measures which the Company has embarked upon include:

A loan agreement amounting to USD 125.000 million with the International Finance Corporation (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.

A Syndicate term loan agreement with a consortium of local banks and financial institutions, amounting to Rs. 8,000 million, for the purpose of capital expenditure on the 220 MWs Korangi Thermal Power Station was signed in 2007. Out of the total facility of Rs. 8,000 million, a sum of Rs. 7,971.214 million has been disbursed to the Company.

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 150.000 million, an amount of USD 50.000 million has already been disbursed to the Company.

1.2.4 Sponsors support

The Sponsors of the Company are committed to invest in the Company for its ongoing as well as future projects and also to meet its operating shortfalls. As part of the commitment, KES Power Limited (holding company), has subscribed its share of right issue announced on 27 May 2009 at the rate of 31 percent at par value of Rs. 3.50 per share amounting to Rs. 14,286 million. Further, KES Power Limited has also subscribed the unsubscribed minority shares. The Government of Pakistan also subscribed for its share of 25.66 percent in the right issue.

During the period, the Company in its meeting held on 27 October 2009 announced further right issue of 14.50 percent at par value of Rs. 3.50 per share amounting to Rs. 8,754 million. KES Power Limited (the holding company) has already made an advance payment of Rs. 5,287 million in respect of the right issue. The Government of Pakistan has given an undertaking to subscribe its share of 25.66 percent.

Based on the support of the holding company, actions as outlined above and future projections, the management is of the view that the Company would generate better results in the foreseeable future.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2009.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 30 June 2009 except amendments in International Accounting Standard 1 (Revised) 'Presentation of Financial Statements' which became effective for the financial periods beginning on or after 1 January 2009. The application of this standard has resulted in certain increased disclosures including the statement of other comprehensive income which has been reflected in the Company's condensed interim financial information.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June 2009.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2009.

		31 December 2009 (Un-audited)	30 June 2009 (Audited)
5. PROPERTY, PLANT AND EQUIPMENT		**(Rupees in '000)**	
Operating fixed assets	*5.1 & 5.2*	**66,705,528**	58,971,309
Capital work-in-progress	*5.3*	**21,233,881**	23,222,543
		87,939,409	82,193,852

5.1 Operating fixed assets

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

	Additions	**Disposals**	
		Cost	**Accumulated depreciation**
	(Rupees in '000)		
Building on freehold land	642,142	-	-
Plant & Machinery	4,559,438	-	-
Transmission and distribution network	1,843,067	4,000	3,600
Renewals of mains & services	5,855	-	-
Furniture, air-conditioners and office equipment	15,671	-	-
Tools and general equipment	29,982	-	-
Computers and related equipment	6,974	-	-
Vehicles	-	36,356	18,671
	7,103,129	40,356	22,271

5.2 During the period, based on valuation exercise carried out by an independent valuer, revaluation surplus on certain additional leasehold lands has been recognised. The revaluation resulted in surplus of Rs. 2,448.723 million over their cost / written down values of Rs. 0.276 million.

Had there been no revaluation , the cost / written down value of revalued lease hold land in the balance sheet would have been Rs. 322.41 million and surplus on revaluation of fixed assets would have been lower by Rs. 3,194.189 million.

The fair values were determined with reference to market based evidence on active market prices and relevant enquiries and information as considered necessary , adjusted for any difference in nature, location or condition of the specific property.

5.3 Capital work-in-progress

	Generation system	Transmission system	Distribution system	Others	Total
			(Rupees in '000)		
Opening balance	14,374,134	6,066,602	2,417,353	364,454	23,222,543
Additions during the period:					
System improvement	-	312,131	3,644	-	315,775
220 MW Combine Cycle Power plant	376,005	-	-	-	376,005
560 MW Combine Cycle Power plant	530,672	-	-	-	530,672
180 MW Gas Turbine Power plant	1,739,571	-	-	-	1,739,571
Others	152,387	780,657	912,235	307,165	2,152,444
	2,798,635	1,092,788	915,879	307,165	5,114,467
	17,172,769	7,159,390	3,333,232	671,619	28,337,010
Transferred to operating fixed assets	4,900,271	1,977,439	202,692	22,727	7,103,129
31 December 2009	12,272,498	5,181,951	3,130,540	648,892	21,233,881
30 June 2009	14,374,134	6,066,602	2,417,353	364,454	23,222,543

			31 December 2009 (Un-audited)	30 June 2009 (Audited)
6.	**TRADE DEBTS**		**(Rupees in '000)**	
	Considered good			
	Secured – against deposits from consumers		**657,514**	661,651
	Unsecured		**21,280,551**	18,452,568
			21,938,065	19,114,219
	Considered doubtful		**14,577,783**	14,271,672
			36,515,848	33,385,891
	Provision for impairment (against debts considered doubtful)	*6.1*	**(14,577,783)**	(14,271,672)
			21,938,065	19,114,219
6.1	**Provision for impairment (against debts considered doubtful)**			
	Opening Balance		**14,271,672**	13,495,664
	Provision made during the current period / year		**927,487**	776,008
			15,199,159	14,271,672
	Provision written off during the current period		**(621,376)**	-
			14,577,783	14,271,672
7.	**OTHER RECEIVABLES**			
	Considered good			
	Sales tax - net		**6,900,443**	5,715,286
	Due from the Government in respect of:			
	- sales tax subsidy to the selected classes of consumers		**406,302**	285,884
	- tariff adjustment		**18,591,630**	14,034,104
	- Interest receivable from GOP on demand finance facilities	*7.1*	**1,381,716**	1,173,403
			20,379,648	15,493,391
	Insurance claim		**677**	2,127
			27,280,768	21,210,804
	Considered doubtful			
	Sales tax		**232,050**	232,050
	Provision for impairment there against		**(232,050)**	(232,050)
			-	-
	Due from a consortium of suppliers of a new power plant		**363,080**	363,080
	Provision for impairment there against		**(363,080)**	(363,080)
			-	-
			27,280,768	21,210,804

7.1 This represent interest on funds borrowed under the Syndicated Finance Agreement from commercial banks in respect of "Financial Improvement Plan" as demand finance facility.

8. SHARE CAPITAL

31 December 2009	30 June 2009			31 December 2009	30 June 2009
(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	*8.2*	**5,983,407**	5,983,407
4,081,714,286	-	Ordinary shares of Rs.3.5 each fully paid - net	*8.1*	**14,212,799**	-
5,841,371,105	1,759,656,819			**20,649,917**	6,437,118
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs.10 each fully paid		**3,045,123**	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs.10 each fully paid		**17,834,560**	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs.10 each fully paid		**65,340,773**	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs.3.5 each fully paid		**15,283,738**	15,283,738
12,988,827,989	12,988,827,989			**101,504,194**	**101,504,194**
18,830,199,094	14,748,484,808			**122,154,111**	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
18,963,074,983	14,881,360,697			**123,482,870**	109,270,071
-	-	**Reduction in capital**		**(57,201,902)**	(57,201,902)
18,963,074,983	14,881,360,697			**66,280,968**	52,068,169

8.1 During the current period , the Company issued 4,081,714,286 ordinary shares of Rs 3.50 each. KES Power Limited (the holding company) has subscribed its share of right issue announced on May 27, 2009. Further, the holding company has also subscribed the unsubscribed minority shares. The Government of Pakistan also subscribed for its share in the right issu

This is stated net of Rs. 73.202 million representing transaction costs incurred to date on issuance of these ordinary shares.

8.2 The Redeemable 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 02 March 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 the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable 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 Redeemable Preference share capital as either debt or equity instrument has 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 this condensed interim financial information.

9. ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES

This represents portion of amount received in respect of right shares issue of 14.5 percent at par i.e. Rs. 3.50 per share. The right shares issue was authorised by the Board of Directors in its meeting held on 27 October 2009. The shares transfer register was closed from 2 January 2010 through 8 January 2010 for share transfer purposes. Last date of rights subscription is 2 March 2010.

	31 December 2009 (Un-audited)	30 June 2009 (Audited)
10. LONG-TERM FINANCING	(Rupees in '000)	
From Banking Companies and Financial Institutions - secured		
International Finance Corporation (IFC)	**3,816,000**	3,658,500
Term loan from a syndicate of commercial banks	**7,971,214**	7,883,591
Asian Development Bank (ADB)	**4,240,000**	4,065,000
Term loan from a banking company	**1,422,000**	2,275,200
	17,449,214	17,882,291
Current maturity thereof shown under current liabilities	**(2,649,732)**	(1,137,600)
	14,799,482	16,744,691
Others - unsecured		
Due to the oil and gas companies	**807,468**	966,156
Current maturity thereof shown under current liabilities	**(443,406)**	(490,093)
	364,062	476,063
GoP Loan for the electrification of Hub Area	**26,000**	26,000
Due to the Government and autonomous bodies, related parties:		
- National Transmission and Despatch Company (NTDC)	**22,545,000**	29,745,000
- Sui Southern Gas Company Limited	**7,538,372**	12,238,372
	30,083,372	41,983,372
Current maturity thereof shown under current liabilities	**(12,338,372)**	(14,200,000)
	17,745,000	27,783,372
	32,934,544	45,030,126

11. SPECIFIC GRANT FROM THE GOVERNMENT

Opening balance	**2,799,747**	4,803,524
Transfer to deferred revenue	**(1,141,904)**	(2,003,777)
	1,657,843	2,799,747

12. TRADE AND OTHER PAYABLES

	31 December 2009 (Un-audited)	30 June 2009 (Audited)
	(Rupees in '000)	
Trade Creditors		
Power purchases	**35,268,248**	16,087,813
Fuel and gas purchases	**10,911,182**	2,503,203
Others	**4,506,465**	4,012,422
	50,685,895	22,603,438
Murabaha term finance	**-**	1,160,000
Accrued Liabilities	**1,220,960**	1,169,959
Bills payable	**1,603,739**	2,816,508
Advances / credit balances of consumers		
Consumer - Energy	**216,621**	208,457
Others	**626,015**	523,059
	842,636	731,516
Other payables		
Unclaimed and unpaid dividend	**650**	650
Payable to Employees' Provident Fund	**31,260**	39,014
Employee related dues	**95,482**	137,377
Electricity duty due to the Government	**1,519,788**	1,157,978
Tax deducted at source	**557,962**	278,025
PTV license fee	**24,481**	21,937
Payable to the Managing Agent, PEA (Private) Limited	**29,058**	29,091
Others	**179,686**	144,010
	2,438,367	1,808,082
	56,791,597	30,289,503

13. SHORT TERM BORROWINGS -SECURED

	31 December 2009	30 June 2009
From banking companies		
Short term borrowings		
- Bridge term finance facility	**3,600,000**	3,600,000
- Import loan facility	**-**	18,000
	3,600,000	3,618,000
Short term running finances - secured	**5,101,914**	5,498,689
Short term finance facility	**991,296**	-
From KES Power Limited - holding company	**20,325**	20,325
	9,713,535	9,137,014

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Contingencies aggregating to Rs. 56,965.811 million (30 June 2009: Rs. 56,965.811 million) in respect of claims by the Company and Rs. 2,971.254 million (30 June 2009: Rs. 2,971.254 million) in respect of claims against the Company, as disclosed in note 34.1 to the annual financial statements of the Company for the year ended 30 June 2009, have remained unchanged.

14.2 Claims not acknowledged as debts

Except as follows, claims not acknowledged as debts disclosed in note 34.2.2. to the annual financial statements of the Company for the year ended 30 June 2009 have remain unchanged.

Against the claim by NTDC on account of power purchases and difference in marginal cost amounting to Rs. 1,209.091 million, the Company during the period has received a credit note.

14.3 Commitments

	31 December 2009 (Un-audited)	30 June 2009 (Audited)
	(Rupees in '000)	
Guarantees from banks	**1,133,873**	1,265,535
Contracts with respect to Transmission and Distribution projects	**1,930,000**	2,543,671
Outstanding Letters of Credit	**3,550,950**	3,386,829
Commitments for payment in respect of Combine Cycle Power Plant (220 MW)	**88,530**	88,527
Commitments for payment in respect of 560 MW Project	**6,247,500**	-
Dividend on Preference Shares	**583,283**	494,516
Software License and implementation costs	**516,771**	330,531

15. PURCHASE OF ELECTRICITY

	31 December 2009 (Un-audited)	31 December 2008 (Un-audited)
	(Rupees in '000)	
National Transmission and Despatch Company	**16,471,487**	10,772,230
Independent Power Producers (IPPs) and rental power	**8,990,964**	8,947,825
Karachi Nuclear Power Plant	**1,361,272**	1,145,236
Pakistan Steel Mills Corporation (Private) Limited	**250,678**	256,486
	27,074,401	21,121,777

16. CONSUMPTION OF FUEL AND OIL

Natural gas	**11,982,193**	13,499,780
Furnace and other oils	**5,802,963**	5,182,947
	17,785,156	18,682,727

		31 December 2009 (Un-audited)	31 December 2008 (Un-audited)
17.	**FINANCE COST**	**(Rupees in '000)**	
	Mark-up / interest on short / long term borrowings	**1,339,307**	1,049,462
	Late payment surcharge on delayed payment to creditors	**2,426,991**	713,253
	Bank service , discounting charges and others	**297,572**	30,551
		4,063,870	1,793,266

18. TAXATION

18.1 Current

Except as follows, tax contingency as disclosed in note 43.2 to the annual financial statements for the year ended 30 June 2009 have remain unchanged:

During the period, the tax department has revised the assessment orders for the tax year 2005 and 2007 raising tax demand of Rs. 65.338 million and Rs. 74.222 million respectively on account of levy of minimum tax at the rate of 0.5% of turnover on "other income" and "tariff adjustment subsidy from Government of Pakistan". Management based on the advise of its tax consultants believes that the tax demand is unjustified and not in accordance with the true interpretation of the law and the ultimate outcome will be in favour of the Company. Therefore, no provision in this condensed interim financial information has been made.

18.2 Deferred

Deferred tax asset amounted to Rs. 27,068 million (June 30 , 2009 : 22,865 million), has not been recognized in this condensed interim financial information as the Company is of the prudent view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary difference, 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. 99,204 million (June 30, 2009: 85,476 million).

19. CASH GENERATED FROM OPERATIONS

		2009	2008
Loss before taxation		**(8,889,602)**	(7,964,203)
Adjustments for non-cash charges and other items:			
- Depreciation		**1,799,546**	1,890,538
- Provision for deferred liabilities		**483,060**	288,515
- Provision for slow moving stores and spares		**-**	78,672
- Amortization of deferred revenue		**(482,980)**	(382,362)
- Provision for debts considered doubtful debt		**927,487**	750,000
- Provision for property tax		**-**	-
- Gain on disposal of fixed assets		**(21,342)**	(7,147)
- Interest on consumer deposits		**96,587**	93,919
- Finance costs		**1,339,307**	1,049,462
- Amortization of intangible asset		**7,880**	7,110
- Return on bank deposits		**(125,399)**	(25,379)
- Working capital changes	*19.1*	**16,197,297**	5,227,151
		11,331,841	1,006,276

		31 December 2009 (Un-audited)	31 December 2008 (Un-audited)
19.1	**Working capital changes**	**(Rupees in '000)**	
	(Increase) / decrease in current assets		
	Stores and spares	**(371,197)**	96,299
	Trade debts	**(3,751,333)**	(3,884,239)
	Loans and advances	**(493,124)**	(359,358)
	Trade deposits and prepayments	**(309,710)**	(193,385)
	Other receivables	**(5,740,699)**	(7,896,696)
		(10,666,063)	(12,237,379)
	Increase / (decrease) in current liabilities		
	Trade and other payables	**26,502,092**	17,286,051
	Short-term deposits	**361,268**	178,479
		16,197,297	5,227,151

20. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 34.68 % (30 June 2009: 35.85 %).

21. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise holding company, associates, directors, key management personnel, retirement benefit plans, major suppliers and GOP. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

	31 December 2009 (Un-audited)	31 December 2008 (Un-audited)
	(Rupees in '000)	
Holding Company and major suppliers		
Sales	**17,685**	22,448
Purchase	**40,496,778**	37,475,411
Finance Cost	**2,379,303**	643,619
Amount payable included in		
- Trade and other payables	**43,158,218**	47,068,874
- Long term financing	**30,083,372**	-
- Accrued mark up	**77,284**	12,634
Short term loan	**20,325**	2,544,525
Retirement benefits	**164,188**	123,966

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information were authorized for issue on 25 February 2010 by the Board of Directors of the Company.

		31 December 2009 (Un-audited)	31 December 2008 (Un-audited)
23.	**GENERAL**	**(Rupees in '000)**	

23.1 During the current period, following has been re- classified

Profit and loss account

	31 December 2009	31 December 2008
From tariff adjustment to revenue	**12,557,526**	11,218,721

Balance sheet

Interest receivable from GOP on demand finance facilities of Rs . 1,381.716 million (2009 : 1,173.403 million) previously netted of under specific grant from the government has been re- classified and shown under other receivables.

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

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director