FINANCIAL STATEMENTS

For the period July - December

2010

KARACHI ELECTRIC
SUPPLY COMPANY
LIMITED

Contents

Company Information

Board of Directors (BOD)

CHAIRMAN

Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER

Tabish Gauhar

DIRECTORS

Syed Arshad Masood Zahidi
Javed Iqbal
Mubasher H. Sheikh
Muhammad Tayyab Tareen
Naveed Ismail
Syed Nayyer Hussain
Omar Khan Lodhi
Shabbir Ahmed
Shan A. Ashary
Tahir Basharat Cheema
Zulfiqar Haider Ali

GROUP CHIEF FINANCIAL OFFICER

Muhammad Tayyab Tareen

COMPANY SECRETARY

Syed Moonis Abdullah Alvi

Board Audit Committee (BAC)

Omar Khan Lodhi	Chairman
Mubasher H. Sheikh	Member
Syed Nayyer Hussain	Member
Tahir Basharat Cheema	Member
Zulfiqar Haider Ali	Member

AUDITORS

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

SHARE REGISTRAR

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

LEGAL ADVISER

Kumail Shirazee

BANKERS

Allied Bank Limited
Arif Habib Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Citibank N.A.
Dubai Islamic Bank
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

REGISTERED OFFICE

6th Floor, State Life Building # 11,
Abdullah Haroon Road, Karachi

Brief Review

I am pleased to present the Condensed Interim Financial Information of the Company for the half year ended 31 December 2010 on behalf of the Board of Directors. Key operational and financial results are listed below:

			July-December 2010	July-December 2009
			(UNITS-GWh)	
OPERATIONAL				
Units generated (net of auxiliary)			**3,792**	3,770
Units purchased			**3,867**	3,970
Total units available for distribution			**7,659**	7,740
Units billed			**5,230**	5,055
Transmission & Distribution Losses %			**31.7%**	34.7%
			(PKR IN MILLIONS)	
FINANCIAL				
Sale of Energy - net			**42,612**	34,139
Tariff Adjustment			**18,544**	12,558
Other Revenue			**106**	103
Total Revenue			**61,262**	46,800
Cost of fuel & power purchase			**(52,107)**	(44,860)
O&M Expenses			**(7,035)**	(5,804)
Provision for doubtful debts			**(1,264)**	(927)
Other charges / other income			**1,760**	1,773
Depreciation & Amortization			**(4,084)**	(1,807)
Financial charges			**(2,539)**	(4,064)
Deferred Taxation			**891**	--
(Loss) for the period			**(3,115)**	(8,890)
Earning / (Loss) before Interest, Tax, Depreciation and Amortization (EBITDA)			**2,616**	(3,018)
(Loss) per share	**- basic**	**(PKR)**	**(0.16)**	(0.52)
	- diluted	**(PKR)**	**(0.14)**	(0.48)

Due to reduction in gas supply from 212 to 169 MMCFD during the above period, units generated on gas at Company's power plants were drastically reduced severely affecting the overall generation and cash flows of the Company. Due to the drastic reduction in gas supply from SSGC, and increasing electricity demand of the city, furnace oil consumption increased by 84% compared to the same period last year in order to reduce and maintain load shedding throughout Karachi. Total units billed increased by 3.46% (175 GWh), which contributed to a 'significant' reduction of 3% in T&D losses as compared to corresponding period last year. Reduction in T&D losses are due to management's concerted efforts to work on a long term, sustainable solution which includes improving the billing and recovery systems. Additionally, management continues to work towards reduction of T&D losses in a sustainable manner, due to the importance of T&D loss reduction for the overall turnaround of the Company.

The increase in total revenue of the Company by 30.90% over last period is attributed to the increase in total units billed and increase in consumer tariff. Improvements in plant efficiency also helped reduce some of the overall cost of electricity production. However, due to the reduction in gas supplied to KESC, the overall cost of fuel and power purchase increased by 16.15%. O&M expenses also increased by 21.2% due to prevailing high inflation, annual adjustment in salaries, wages & other benefits, and the impact of the Charter of Demand (COD) with CBA.

Despite external constraints, the overall increase in revenue, reduction in T&D losses and improvement in plant efficiency, resulted in a 'significant' improvement to the bottom line and the net loss for the period reduced from PKR 8,890 million to PKR 3,115 million and also contributed in achieving positive 'Earning before Interest, Tax, Depreciation and Amortization' (EBITDA) amounting to PKR 2,616 million.

Reduced gas supply and circular debt

It is pertinent to underscore that gas supply to the Company by SSGC was decreased by 20% to 169 MMCFD in the review period from 212 MMCFD in the last period. The reduction in gas supply in comparison to last year (Jan-Dec) caused a cash flow impact of approximately PKR 10 billion due to short supply of gas, the consumption of expensive fuel oil significantly increased by 84% which further aggravated the cash flow constraints and liquidity crunch besetting the Company and also negatively impacted the profitability of the Company and worsened the circular debt situation facing the National Energy Sector. The cash flow impact of using fuel oil in place of gas can be assessed from the fact that fuel oil is 3.5 times expensive as compared to gas. Furthermore, it is contrary to interest of the general customers of the Company as variation in cost of fuel and power purchase is a pass through item pursuant to the NEPRA-approved tariff of the Company and besides having a negative impact on Company's cash flow position, it increases the consumer end tariff through FSA and negatively impacts the recovery ratio as well. It is important to note that every 25 MMCFD reduction in gas supply causes a tariff increase of 79 paisa per Kwh at current FO price, it is therefore critically important that KESC is provided with the approved full gas allocation of 276 MMCFD in order to keep the consumer end tariff at sustainable level and ease the cash flow constraints of the Company.

ACTIVITIES UNDER REVIEW

Generation Expansion & Rehabilitation

1. As of December 2010, the progress on 560 MW Bin-Qasim Combined Cycle Power Plant is satisfactory as 52% cumulative progress has been achieved versus a target of 66%. This lag is mostly due to shipment delays. Despite this, the Commercial Operation Date (COD) for the first unit continues to be 30th June 2011, and end of FY 2011-2012 for the Combined Cycle.

2. Overhauling of existing Bin-Qasim Power Station is expected to increase its reliability, capacity and efficiency. In 2010, Unit1, Unit 3 and Unit 6 underwent annual maintenance which helped improve generation capacity by 45 MW.

3. The significant decrease in supply of gas pressure has placed a severe load restriction on the 220 MW Combined Cycle Power Plant at Korangi. However, retrofitting of existing fuel gas compressor units and the addition of a fourth compressor at a cost of US$4 million has helped increase generation capacity by 35 MW.

Transmission Network

1. During the period under review, one grid station at Jail Road and associated transmission lines were commissioned. Work on KESC Hospital Grid Station at Gulistan-e-Jauhar progressed at a fast pace and the grid was commissioned on 28th January 2011. This increases the total number of Hybrid Grids that have been commissioned, to 8 (out of 9) since September 2008. Work on the remaining grid (Mehmoodabad Grid) has also progressed and is expected to complete by the third quarter of 2011.

2. Following steps contributed significantly in reducing transmission loss from 2.8% in 2009 to 2.2% in 2010 and improving operational flexibility:
   - Recovery of two 132 KV underground circuits
   - Rehabilitation of six 132 KV transmission lines

3. There was a significant improvement in reliability of EHT transmission network in 2010 compared to 2009 with a 20% reduction in transformer faults and a 15% reduction in Transmission line tripping. The network sustained during the heavy monsoons and PHET storm.

4. A five year Transmission Network Debottlenecking Plan has been developed. This plan requires an investment of US$90 million over next five years to substantially reduce bottlenecks that exist in trying to meet the growing electricity demand. The tendering process for the complete package is currently underway.

Distribution

Year to date Transmission & Distribution (T&D) Losses as at December 10 stand at 31.7% against 34.7% last year, showing a significant reduction in losses by 3%. This reduction has been achieved through process driven change involving greater accountability, and the roll out of the Integrated Business Centre (IBC) model. There are currently seven IBCs (Defence, Gulshan-e-Iqbal, North Nazimabad, Clifton, Liaquatabad, SITE and Korangi Industrial Area) and 11 more IBCs will be rolled out over the year

The Company is currently using capital expenditure towards exploring several pilot projects aimed at energy loss reduction. These include Aerial Bundle Cabling (ABC), High Voltage Distribution System and Automatic Meter Reading (AMR).

Brief Review

In the past year, KESC maintained a scheduled load shed plan for the first time. This was a significant departure from unannounced load management over previous years. Based on the quarterly loss and collection data of each area, residential and commercial customers faced zero - 4.5 hours of scheduled load shed each day. Moreover, Industrial and Strategic Customers such as hospitals, airport, etc. were completely exempt from load shedding.

New Connections

In the six months under review, KESC provided 22,487 new connections equivalent to a total of 102,468 KW in terms of load, of which 17,644 connections were for below 50 KW load connections and 4,843 connections above 50 KW. Further, new connection front offices have increased from four to six to facilitate customers across the city.

Call Centre

Interactive Voice Response (IVR) has been launched at 118 which aims to minimize the inconvenience to our consumers in terms of the wait time while trying to contact the call centre. In the first phase, consumers can use IVR to check or report any technical complaint, and check their current as well as historic billing.

Network Enhancement

KESC has undergone expansion and augmentation of its Distribution System. The Company has installed 89 new 11 KV feeders to balance the load on existing network 11 KV. Overhead cables have increased from 2,511 km to 2,550 km, while 11 KV underground cables have increased by 113 km. The total number of 11 KV Distribution Transformers has increased from 14,863 to 15,096 during the period July-Dec 2010, increasing the distribution capacity of 11 KV network by 42 MVA.

To prepare for the upcoming summer season, an extensive Preventive maintenance of 202 11-KV feeders is currently under progress. To reduce fault localization time and improve fault responses time a scheme to implement 116 EFI is underway. There has been a significant reduction in Main cable faults occurrence and rectification time for the current year as compared to the prior year.

Corporate Social Responsibility (CSR)

Flood Relief Program:

KESC actively participated in the Flood Relief operations from Aug - Oct 2010. In addition to setting four camps in Karachi, shelter, food, medical care, electricity and purified water were supplied to over 30,000 Internally Displaced People (IDPs) in Thatta and adjacent areas of Sajjawal, Sunda and Challian. Overall, KESC managed to provide 3,000 tents, 117 trucks of food packages, 9 trucks of daily usage (such as mosquito nets, floor mats, utensils etc.) and 2 water purification plants in addition to free medical treatment to around 18,750 patients. An amount of PKR 29.4 million was spent for the relief and post relief work. The entire operation was carried out by over 250 internal and external volunteers, managed by KESC. Our foreign shareholders, tripled employee contribution through donations.

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

i. The key factors responsible for Transmission & Distribution (T&D) losses, as explained in note 17 to the 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 & commercial losses will be reduced to a reasonable level.

   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 aiming at converting the Company into a profitable entity.

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. As explained in note 9.4 to the financial statements , the issue of late payment surcharge / interest on delayed payment to / from Government Entities which are part of circular debt situation, is likely to be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The contention of the Company is duly supported by a legal opinion and accordingly accrual of interest has not been recorded since 1 July 2010 pending resolution of circular debt issue.

Brief Review

Future Prospects

Improvement in the operation and financial results of the Company for the period ended 31 December 2010, as compared to the same period last year, is a reflection of the focused approach and concerted efforts of management. Substantial revenue growth paired with a significant reduction in T&D and financial losses for the last four quarters, reflects the positive impact of the management's strategies and initiatives, and clearly indicates positive growth for the Company.

Nonetheless, it is important to note that new management has inherited a business with deep-seated challenges arising from decades of underinvestment and fully recovering from these challenges will require more time and effort. Fundamental issues such as adequate gas supply from SSGC, timely tariff determination and other regulatory issues which directly impact the cost of doing business and commercial viability of the Company, recovery / adjustment of GOP and GOP-related entities, and availability of fuel at affordable price will require the active support of the Federal and Provincial Governments. The issue of reduced gas supply needs to be specifically highlighted given the large impact it has on consumer tariff and on KESC's ability to maintain minimal load-shedding. Average gas supply to KESC Year to Date in December 2010 witnessed a 38.77% reduction compared to KESC's official allocation of 276 MMCFD. To maintain minimal load-shedding and ensure that the power tariff does not increase inordinately, the GOP must ensure that KESC receives its official allocation of 276 MMCFD.

Given the high price of furnace oil and the shortage of gas in Pakistan, KESC is developing a fuel replacement project whereby initially two out of six units at BQPS 1 will be converted to coal fired boiler as coal is 60% cheaper than furnace oil. Although international coal is being used in the initial phase for boiler designs, local coal options will later be explored for blending. A Memorandum of Understanding has been signed with a Chinese company to explore funding options of the project. The first unit is expected to be operational on coal after 20 months of signing the final agreement with the EPC contractor.

KESC's 1000 MW portfolio of gas based power plants (both current and under construction) combined with shortage of natural gas in the country, has made LNG import imperative to ensure business sustainability. KESC is in discussion with various terminal operators for this project. Depending upon the mode of contract and pricing, LNG may also serve as a cheaper alternative to RFO for its dual fired assets. For LNG supply, KESC is in discussion with multiple LNG suppliers. The project is expected to be completed by 2013-14 and will increase natural gas supply to KESC by 200 MMCFD.

However, the strategic investment and continuous support of the principal shareholder and the GOP will enable KESC to finally realize its goal of implementing an ambitious turnaround and growth plan, in accordance with the original privatization plan.

Right Issue – Post-Balance Sheet Event

The Directors are pleased to inform that the 7.80% right issue announced by the Company on 26 August 2010 has been fully subscribed. KESP has fully subscribed to its 72.45% portion of the right issue in an amount of PKR 3,906.14 million (US$ 45.68 million). As in the previous two right issues, KESP has funded the entire unsubscribed minority shares valuing at PKR 102.20 million (US$ 1.20 million). GOP has subscribed to its proportionate shareholding of 25.66% amounting to PKR 1,383.28 million (US$ 16.18 million).

Board of Directors

Mr. Javed Iqbal substituted and replaced Mr. Shahid Rafi on 12 January 2011, as a GOP nominee on BOD of the Company representing Ministry of Water & Power, GOP. The Board wishes to place on record appreciation of services of the outgoing Director and welcomes the incoming Director.

Acknowledgements

The Board wishes to extend its gratitude to the shareholders and customers of the Company for their cooperation and support and extends its appreciation to the employees of the Company.

Tabish Gauhar

Tabish Gauhar
Chief Executive Officer

Karachi, 17 February 2011

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Independent Auditors Report on Review of Condensed Interim Financial Information to the Members of Karachi Electric Supply Company Limited

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Karachi Electric Supply Company Limited** as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as the "condensed interim financial information"). The Management is responsible for the preparation and presentation of this condensed 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 condensed 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to:

i) note 17 and note 1.2 to the condensed interim financial information:

- As given in note 17 to the condensed interim financial information, transmission and distribution losses of the Company are approximately 31.72 percent (30 June 2010: 34.89 percent) of the total electricity generated and purchased during the year. The management of the Company maintains that one of the factors attributable to these losses is the alleged theft of electricity, which has directly affected the profitability of the Company. These factors, in view of the management, if controlled effectively, may enable the Company to minimize its overall losses. The amount of theft however remains indeterminate; and

KPMG Taseer Hadi & Co.

- Further note 1.2 describes in detail the measures that the Company is taking with respect to operational and infrastructure rehabilitation program and financial measures designed to improve the financial position of the Company which are duly supported by the sponsors of the Company;

ii) note 8.2 to the condensed interim financial information, whereby 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 9.4 to the condensed interim financial information which describes that during the period, in view of the continuing circular debt situation and non recovery from various consumers in the public sector, the management considers that late payment surcharge / interest on delayed payment will ultimately be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The Company has also obtained a legal opinion in this respect. Accordingly, the Company has decided to discontinue accrual of interest from 1 July 2010.

Our opinion is not qualified in respect of above matters.

Other matters

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 31 December 2010 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six months period ended 31 December 2010.

KPMG Taseer Hadi & Co.

Date: 17 February 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Condensed Interim Balance Sheet

as at 31 December 2010 (Un-audited)

	Note	**31 December 2010 (Un-audited)**	30 June 2010 (Audited)
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**155,299,977**	141,432,310
Intangible asset		**27,272**	37,602
		155,327,249	141,469,912
Long-term loans		**64,800**	75,383
Long-term deposits and prepayments		**22,589**	22,399
Due from the Government		**-**	158,687
		155,414,638	141,726,381
CURRENT ASSETS			
Current portion of amount due from the Government		**634,751**	476,063
Stores and spares		**4,758,974**	4,945,239
Trade debts	6	**30,673,646**	29,029,574
Loans and advances		**866,422**	806,022
Trade deposits and prepayments		**3,570,680**	12,150,099
Other receivables	7	**31,277,544**	16,069,414
Derivative financial assets		**83,823**	766,453
Taxation- net		**480,324**	470,829
Cash and bank balances		**1,224,541**	1,189,424
		73,570,705	65,903,117
TOTAL ASSETS		**228,985,343**	207,629,498
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	8	**74,966,045**	74,966,045
Reserves			
Capital reserves		**509,172**	509,172
Revenue reserves		**5,372,356**	5,372,356
Accumulated losses		**(82,273,895)**	(80,812,538)
Other reserve		**(1,315,913)**	(560,147)
		(77,708,280)	(75,491,157)
Total equity		**(2,742,235)**	(525,112)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		**30,172,051**	31,826,017
		27,429,816	31,300,905
LIABILITIES			
NON-CURRENT LIABILITIES			
Long - term financing	9	**40,338,954**	39,289,102
Long - term deposits		**4,171,111**	4,040,288
Deferred liabilities		**6,127,186**	5,767,124
Deferred revenue		**16,278,722**	16,249,362
Specific grant from the Government		**348,606**	348,606
Deferred tax Liability		**16,246,488**	17,137,086
		83,511,067	82,831,568
CURRENT LIABILITIES			
Trade and other payables	10	**76,070,371**	54,799,202
Accrued mark-up		**4,971,758**	4,770,125
Short-term borrowings		**14,496,876**	13,441,796
Short-term deposits		**6,449,506**	4,276,499
Provisions		**12,127**	12,127
Current maturity of non- current liabilities		**16,043,822**	16,197,276
		118,044,460	93,497,025
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**228,985,343**	207,629,498

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Condensed Interim Profit & Loss Account

for the six months period ended 31 December 2010 (Un-audited)

		Six months period ended		Three months period ended	
		31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	Note	----------	---------- **(Rupees in '000)**	----------	----------
REVENUE					
Sale of energy – net		**42,612,198**	34,138,887	**19,672,421**	16,058,778
Tariff adjustment		**18,543,795**	12,557,526	**8,934,504**	6,155,740
Rental of meters and equipment		**106,316**	103,209	**53,295**	51,760
		61,262,309	46,799,622	**28,660,220**	22,266,278
EXPENDITURE					
Purchase of electricity	*12*	**(28,793,267)**	(27,074,401)	**(15,175,002)**	(14,575,793)
Consumption of fuel and oil	*13*	**(23,313,540)**	(17,785,156)	**(9,260,502)**	(6,125,633)
		(52,106,807)	(44,859,557)	**(24,435,504)**	(20,701,426)
Expenses incurred in generation, transmission and distribution		**(7,469,286)**	(4,479,731)	**(3,551,880)**	(2,096,161)
GROSS PROFIT / (LOSS)		**1,686,216**	(2,539,666)	**672,836**	(531,309)
Consumers services and administrative expenses		**(4,913,376)**	(4,059,348)	**(2,476,326)**	(2,193,337)
Other operating income		**2,326,097**	2,185,152	**1,550,446**	1,460,086
Other operating expenses		**(566,136)**	(411,870)	**(281,710)**	(142,569)
		(3,153,415)	(2,286,066)	**(1,207,590)**	(875,820)
OPERATING LOSS		**(1,467,199)**	(4,825,732)	**(534,754)**	(1,407,129)
Finance cost	*14*	**(2,538,722)**	(4,063,870)	**(1,310,719)**	(1,866,722)
LOSS BEFORE TAXATION		**(4,005,921)**	(8,889,602)	**(1,845,473)**	(3,273,851)
Taxation		**890,596**	-	**512,638**	-
NET LOSS FOR THE PERIOD		**(3,115,325)**	(8,889,602)	**(1,332,835)**	(3,273,851)
Earning / (loss) before Interest, Tax, Depreciation and amortisation (EBITDA)		**2,616,767**	(3,018,306)	**1,329,593**	(497,332)
LOSS PER SHARE - basic		**(0.16)**	(0.52)	**(0.07)**	(0.19)
- diluted		**(0.14)**	(0.48)	**(0.06)**	(0.18)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Condensed Interim Statement of Changes in Equity

for the six months period ended 31 December 2010 (Un-audited)

	Issued, Subscribed and Paid-up Capital			Reserves					Total
	Ordinary shares	Redeemable Preference shares	Total	Capital reserves	Revenue reserve	Accumulated losses	Other reserves	Total	
	------ (Rupees in '000) ------								
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)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	72,708	-	72,708	72,708
Transaction with owners recorded directly in equity									
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)**
Total comprehensive income for the period ended 30 June 2010									
Net loss for the period	-	-	-	-	-	(5,751,614)	-	(5,751,614)	(5,751,614)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(162,943)	(162,943)	(162,943)
Total comprehensive income for the period	-	-	-	-	-	(5,751,614)	(162,943)	(5,914,557)	(5,914,557)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	106,087	-	106,087	106,087
Transaction with owners recorded directly in equity									
Issuance of 2,501,074,444 ordinary shares @ Rs 3.5 each - net	8,685,077	-	8,685,077	-	-	-	-	-	8,685,077
Balance as at 30 June 2010	**68,982,638**	**5,983,407**	**74,966,045**	**509,172**	**5,372,356**	**(80,812,538)**	**(560,147)**	**(75,491,157)**	**(525,112)**
Total comprehensive income for the period ended 31 December 2010									
Net loss for the period	-	-	-	-	-	(3,115,325)	-	(3,115,325)	(3,115,325)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(755,766)	(755,766)	(755,766)
Total comprehensive income for the period	-	-	-	-	-	(3,115,325)	(755,766)	(3,871,091)	(3,871,091)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	1,653,968	-	1,653,968	1,653,968
Balance as at 31 December 2010	**68,982,638**	**5,983,407**	**74,966,045**	**509,172**	**5,372,356**	**(82,273,895)**	**(1,315,913)**	**(77,708,280)**	**(2,742,235)**

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Condensed Interim Statement of Comprehensive Income

for the six months period ended 31 December 2010 (Un-audited)

	Six months period ended		Three months period ended	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	(Rupees in '000)			
NET LOSS FOR THE PERIOD	**(3,115,325)**	(8,889,602)	**(1,332,835)**	(3,273,851)
OTHER COMPREHENSIVE INCOME				
Hedging reserve	**(755,766)**	(60,154)	**(242,929)**	(57,032)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(3,871,091)**	(8,949,756)	**(1,575,764)**	(3,330,883)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

Condensed Interim Cash Flow Statement

for the six months period ended 31 December 2010 (Un-audited)

	Note	Six months period ended 31 December 2010	31 December 2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*16*	**17,137,880**	11,331,841
Advance tax		**(9,495)**	-
Deferred liabilities paid		**(302,461)**	(163,684)
Receipt in deferred revenue		**571,394**	-
Finance cost paid		**(2,966,667)**	(2,219,797)
Interest received on bank deposits		**92,042**	125,399
Net cash generated from operating activities		**14,522,693**	9,073,759
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(16,655,550)**	(4,594,195)
Proceeds from disposal of fixed assets		**53,311**	39,427
Long-term loans		**10,583**	4,786
Long-term deposits		**(190)**	122,729
Net cash used in investing activities		**(16,591,846)**	(4,427,253)
		(2,069,153)	4,646,506
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance for subscription of right shares		**-**	11,403,057
Lease finance paid		**-**	(24,008)
Repayments of long term financing		**(5,249,791)**	(12,911,888)
Transaction cost for capital issuance		**(1,000)**	(73,203)
Receipt from long term financing		**6,169,160**	87,623
Short term borrowing		**1,055,079**	576,522
Security deposit from consumers		**130,822**	81,812
Net cash flows from financing activities		**2,104,270**	(860,085)
Net increase in cash and cash equivalents		**35,117**	3,786,421
Cash and cash equivalents at beginning of the period		**1,189,424**	1,957,630
Cash and cash equivalents at end of the period		**1,224,541**	5,744,051

The annexed notes 1 to 19 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 72.45 percent (30 June 2010: 72.45 percent) shares in the Company.

1.2 During the period, the Company has incurred a net loss of Rs. 3,115 million (31 December 2009: Rs. 8,889 million), resulting in accumulated losses of Rs. 82,274 million (30 June 2010: Rs. 80,813 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 also taken financial measures to support such rehabilitation program. The program includes:

1.2.1 Generation – Expansion and Rehabilitation

a) During the last year, second fast track power plant of 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 units are using the existing gas allocation of SITE and Korangi Gas Turbines and have almost doubled the generation with the same gas consumption due to higher efficiency, resulting in improved profit margin which will continue over the useful life of the plant. In addition, during the last year, 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 and improved profit margin over the useful life of the plant.

b) 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. The first turbine is expected to be in operation by the end of the financial year 2010-11 and the plant will be fully operational by the end of the financial year 2011-12, having significant impact on the overall fuel efficiency and profit margin.

c) 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 improved efficiency and reliability.

1.2.2 Transmission and Distribution Network – Expansion and Rehabilitation

The management has been following a comprehensive plan focused towards the transmission and distribution network to improve reliability and reduce technical and distribution losses. This has also enhanced monitoring and control of the grid and expanded the existing network. Proper network planning, maintenance and capital expenditure has also led to reduced outages and prevented network damage. Some of the transmission and distribution projects which are in progress include constructions of new grid stations and launching of Integrated Business Centers (IBCs).

1.2.3 Financial measures

The financial measures which the Company has embarked upon included loan agreements with foreign lenders including International Financial Corporation (IFC), Asian Development Bank (ADB) and Oesterreichische Kontrol Bank (Oekb) Austria - ECA as well as local lenders. The loans have been obtained for the purpose of capital expenditure on power generation, transmission and network improvement projects. A substantial amount of the facilities has already been disbursed to the Company and remainning is being disbursed in parallel with the progress of Capital expenditure projects.

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 rights issues announced on 27 May 2009 and on 27 October 2009 at the rate of 31 percent and 14.5 percent, respectively at par value of Rs. 3.50 per share amounting to Rs. 14,286 million and Rs. 8,754 million, respectively. Further, KES Power Limited has also subscribed the unsubscribed minority shares. The Government of Pakistan (GOP) also subscribed for its share of 25.66 percent in the rights issues. Subsequent to 31 December 2010, KES Power Limited and GOP have also subscribed their share of rights issues announced on 26 August 2010 at the rate of 7.8 percent at par value of Rs. 3.50 per share amounting to Rs. 3,906 million and Rs. 1,383 million respectively . Further KES Power Limited has also subscribed the unsubscribed minority shares.

Based on the support of the holding company, actions as outlined above and future projections, the management is of the view that the Company has started moving in the right direction and would achieve further reduction in losses and better results in future.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2010.

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 year ended 30 June 2010.

3.1 Amendments to International Financial Reporting Standards 2 'Share-based Payment' (IFRS 2) – Group Cash-settled Share-based Payment Transactions became effective from 1 July 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

On 14 August 2009, the Government of Pakistan (GoP) launched a scheme called Benazir Employees' Stock Option Scheme (the Scheme) for the employees of state owned entities (SoEs) and non-State Owned Enterprises where GOP holds significant investments (non-SOEs).

Since the scheme may have significant impact on a large number of Entities it has been referred to Securities and Exchange Commission of Pakistan (SECP) for exemption from applicability of International Financial Reporting Standard -2 Share Based Payments (IFRS-2). At present the matter is pending before (SECP) and management is confident that applicability of IFRS-2 will be exempted by SECP. Accordingly, the above mentioned scheme has not been accounted for under the requirements of IFRS-2 in the condensed interim financial information of the Company for six month period ended 31 December 2010.

The total impact of the Scheme over the vesting period is approximately Rs. 1,135 million. However, various formalities relating to the finalization of the Scheme such as Trust Deed, vesting period, etc., are yet to be finalized.

3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

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 2010.

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 2010.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	**30 December 2010 (Un-audited)**	30 June 2010 (Audited)
		(Rupees in '000)	
Operating fixed assets	*5.1*	**118,448,595**	120,865,072
Capital work-in-progress	*5.2*	**36,851,382**	20,567,238
		155,299,977	141,432,310

5.1 Operating fixed assets

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

	Additions	Disposals / Adjustments Cost	Disposals / Adjustments Accumulated depreciation
	------------ (Rupees in '000) ------------		
Building on freehold land	84,985	-	-
Plant & Machinery	105,358	66,422	4,528
Transmission and distribution network	1,553,781	282,436	253,017
Others	6,689	5,027	2,690
	1,750,813	353,885	260,235

5.2 It includes project cost of Rs. 25,469 million (30 June 2010: Rs. 10,787 million) relating to second combine cycle power plant (CCPP-II) 560 MW at Bin Qasim.

	Note	31 December 2010 (Un-audited)	30 June 2010 (Audited)
		(Rupees in '000)	
6. TRADE DEBTS			
Considered good			
Secured – against deposits from consumers		**741,769**	724,389
Unsecured	*6.1*	**29,931,877**	28,305,185
		30,673,646	29,029,574
Considered doubtful		**15,898,543**	15,086,761
		46,572,189	44,116,335
Provision for impairment (against debts considered doubtful)	*6.2*	**(15,898,543)**	(15,086,761)
		30,673,646	29,029,574

6.1 This includes gross receivable of Rs. 18,739 million (30 June 2010: Rs. 15,696 million) due from Government of Pakistan and other autonomous bodies.

6.2 Provision for impairment (against debts considered doubtful)

Opening Balance	**15,086,761**	14,271,672
Provision made during the current period / year	**1,264,382**	1,992,962
	16,351,143	16,264,634
Provision written off during the current period / year	**(452,600)**	(1,177,873)
	15,898,543	15,086,761

7. OTHER RECEIVABLES

Considered good		
Sales tax - net	**2,791,271**	4,742,230
Due from the Government in respect of:		
- sales tax subsidy to the selected classes of consumers	**547,400**	397,274
- tariff adjustment	**27,672,647**	10,641,754
- interest receivable from GoP demand finance facilities	**237,173**	237,173
	28,457,220	11,276,201
Others	**29,053**	50,983
	31,277,544	16,069,414
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)
	-	-
	31,277,544	16,069,414

8. SHARE CAPITAL

8.1 The Board of Directors in its meeting held on 26 August 2010 has approved 7.8% rights at par to the existing shareholders of the Company in proportion to the shares held by them having cumulative value of Rs. 5,391.713 million divided into 1,540,489,370 ordinary shares of Rs. 3.50 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.

	Note	31 December 2010 (Un-audited)	30 June 2010 (Audited)
		(Rupees in '000)	
9. LONG-TERM FINANCING			
From Banking Companies and Financial Institutions - secured			
International Finance Corporation (IFC)		**7,034,912**	7,275,997
Syndicate term loan		**7,040,000**	7,680,000
Asian Development Bank (ADB)		**10,441,290**	10,699,997
Term loan from a banking company		**568,800**	1,137,600
Foreign currency term loan	*9.1*	**1,785,012**	-
Syndicated commercial facility	*9.2*	**1,888,889**	-
Syndicated structured term finance facility	*9.3*	**2,501,912**	-
		31,260,815	26,793,594
Current maturity shown under current liabilities		**(3,892,861)**	(3,539,255)
		27,367,954	23,254,339
Others - secured			
Due to the oil and gas companies		**802,440**	868,188
Current maturity thereof shown under current liabilities		**(802,440)**	(709,500)
		-	158,688
Unsecured			
GoP Loan for the electrification of Hub Area		**26,000**	26,000
Gul Ahmed Energy Limited		**1,010,149**	1,515,224
Tapal Energy (Private) Limited		**600,000**	1,200,000
		1,610,149	2,715,224
Current maturity shown under current liabilities		**(1,610,149)**	(2,210,149)
Due to Government and autonomous bodies - related parties	*9.4*	**22,683,372**	25,083,372
Current maturity shown under current liabilities		**(9,738,372)**	(9,738,372)
		12,945,000	15,345,000
		40,338,954	39,289,102

9.1 This represents a foreign currency loan arranged by the Company amounting to US$ 23.377 million under an agreement dated 5 May 2010 with Citibank Europe plc and Bank Alfalah Kabul for purchase of Gas engines in relation to Jenbacher Project expansion. The loan is under Political risk insurance from OeKB (Oesterreichische Kontrol bank AG) - ECA Austria. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August, 2010 and final instalment due on 5 November, 2014. It carries interest at 3 month LIBOR + 1.7% per annum payable quarterly in arrears from the date of signing of agreement. The Company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment. The company has executed Cross Currency Swaps with commercial bank to hedge the Company's foreign currency payment obligations to Citibank Europe plc and Bank Alfalah Kabul together with LIBOR interest accruing thereon.

9.2 This represents a syndicated mark-up facility arranged by the Company under an agreement dated 5 May 2010 with a Syndicate of local commercial banks, for purchase of power Generators and related equipment in relation to Jenbacher Project expansion. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November, 2014. It carries interest at 3 month KIBOR plus 3% per annum payable quarterly in arrears from the date of signing of agreement. The company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment.

9.3 This represents utilized portion of a loan obtained under an agreement dated 29 June 2010, aggregating to Rs. 8,500 million, with a syndicate of local commercial banks, for the purposes of expansion of 560 MW Bin Qasim Power Generation Project. The said loan is available for a period of seven years maturing on 17 June 2017, with a two years grace period, having an availability period upto 31 March 2011 and is payable in 20 equal quarterly instalments after the expiry of two year grace period with first instalment due on 17 September 2012. It carries mark-up at the rate of 3 months KIBOR plus 3% per annum and is payable quarterly in arrears from the date of first drawdown. The company pays commitment fees at the rate of 1% per annum payable quarterly in arrears on the undrawn balance.

9.4 During the period, in view of the continuing circular debt situation and non recovery from various public sector consumers, the management considers that late payment surcharge / interest on delayed payment to / from Government Entities will ultimately be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The Company has obtained a legal opinion in this respect which supports Company's contention. Accordingly, the Company has decided to discontinue to record the accrual of interest effective from 01 July 2010 till circular debt issue is settled and the Company is supplied with the gas as committed. The interest not accrued for the current six month period amounts to Rs. 1,600.460 million . The management is of the view that the reduction in gas supply, together with the delayed settlement of energy dues by Government Entities, have a direct impact on the liquidity of the company. This matter has been raised with SSGC and based on the same principle, the management is of the view that the Company is not liable and will not pay any interest on the amount payable.

9.5 Terms and conditions for the remaining financing facilities other than in notes 10.1 to 10.3 are the same as disclosed in note 21 to the annual financial statements for the year ended 30 June 2010.

	Note	**31 December 2010 (Un-audited)**	30 June 2010 (Audited)
		(Rupees in '000)	
10. TRADE AND OTHER PAYABLES			
Trade Creditors			
Power purchases		**46,605,045**	28,775,214
Fuel and gas		**17,878,521**	15,617,432
Others		**5,621,144**	5,344,885
		70,104,710	49,737,531
Accrued expenses		**1,418,424**	1,639,775
Advances / credit balances of consumers			
Energy		**210,567**	248,463
Others		**732,380**	687,640
		942,947	936,103
Other payables		**3,604,290**	2,485,793
		76,070,371	54,799,202

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

Except as follows, contingencies aggregating to Rs. 56,985.811 million (30 June 2010: Rs. 56,985.811 million) in respect of claims by the Company and Rs. 2,971.254 million (30 June 2010: Rs. 2,971.254 million) in respect of claims against the Company, as disclosed in note 33.1 to the annual financial statements of the Company for the year ended 30 June 2010 have remained unchanged.

In respect of mark-up on the overdue amount payable to a major Government owned power supplier, the Company has reversed the mark-up accrued for the period from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million during the year ended 30 June 2010 and also has not accrued mark-up amounting to Rs. 1,171 million for the period from 1 April 2010 to 31 December 2010 on the overdue amounts of such supplier. The management is of the view that the debts have arisen due to circular debt situation caused by delayed settlement of the Company's tariff differential (subsidy) claims by Government of Pakistan (GoP) as well as delayed settlement of energy dues by certain Public Sector Consumers.

11.2 Claims not acknowledged as debts

Claims not acknowledged as debts as disclosed in notes 33.2 and 33.33 to the annual financial statements of the Company for the year ended 30 June 2010 have remain unchanged.

	31 December 2010 (Un-audited)	30 June 2010 (Audited)
	(Rupees in '000)	
11.3 Commitments		
Guarantees from banks	**1,533,065**	1,143,116
Contracts with respect to Transmission and Distribution projects	**841,313**	1,242,000
Outstanding Letters of Credit	**2,106,730**	2,688,206
Commitments for payment in respect of Combine Cycle Power Plant (220 MW)	**79,830**	79,825
Commitments for payment in respect of 560 MW Project	**6,050,860**	9,200,684
Dividend on Preference Shares	**764,516**	674,516
Software License and implementation costs	**74,418**	106,250

	31 December 2010 (Un-audited)	31 December 2009 (Un-audited)
	(Rupees in '000)	
12. PURCHASE OF ELECTRICITY		
National Transmission and Despatch Company	**15,406,719**	16,471,487
Independent Power Producers (IPPs) and rental power	**11,926,427**	8,990,964
Karachi Nuclear Power Plant	**1,165,170**	1,361,272
Pakistan Steel Mills Corporation (Private) Limited	**294,951**	250,678
	28,793,267	27,074,401

		31 December 2010 (Un-audited)	31 December 2009 (Un-audited)
		(Rupees in '000)	
13.	**CONSUMPTION OF FUEL AND OIL**		
	Natural gas	**11,520,937**	11,982,193
	Furnace and other oils	**11,792,603**	5,802,963
		23,313,540	17,785,156
14.	**FINANCE COST**		
	Mark-up / interest on short / long term borrowings	**1,753,880**	1,339,307
	Late payment surcharge on delayed payment to creditors	**119,831**	2,426,991
	Bank service , discounting charges and others	**665,011**	297,572
		2,538,722	4,063,870

15. TAXATION

15.1 Current

Tax contingency as disclosed in note 43.2 to the annual financial statements for the year ended 30 June 2010 have remain unchanged.

15.2 Deferred

Deferred tax asset amounting to Rs.29,878 million (30 June 2010: 29,443 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 tax losses amounted to Rs.108,972 million (30 June 2010: 107,728 million).

			31 December 2010 (Un-audited)	31 December 2009 (Un-audited)
			(Rupees in '000)	
16.	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(4,005,921)**	(8,889,602)
	Adjustments for non-cash charges and other items:			
	- Depreciation and amortization		**4,083,966**	1,807,426
	- Provision for deferred liabilities		**662,525**	483,060
	- Provision for slow moving stores and spares		**65,560**	-
	- Provision for debts considered doubtful debt		**1,264,382**	927,487
	- Exchange gain on long term financing		**(96,109)**	-
	- Gain on disposal of fixed assets		**(21,554)**	(21,342)
	- Interest on consumer deposits		**96,910**	96,587
	- Finance costs		**1,753,881**	1,339,307
	- Amortization of deferred revenue		**(542,034)**	(482,980)
	- Return on bank deposits		**(92,041)**	(125,399)
	- Working capital changes	*16.1*	**13,968,315**	16,197,297
			17,137,880	11,331,841

	31 December 2010 (Un-audited)	31 December 2009 (Un-audited)
	(Rupees in '000)	
16.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**120,706**	(371,197)
Trade debts	**(2,908,454)**	(3,751,333)
Loans and advances	**(60,401)**	(493,124)
Trade deposits and prepayments	**8,580,419**	(309,710)
Other receivables	**(15,208,130)**	(5,740,699)
	(9,475,860)	(10,666,063)
Increase in current liabilities		
Trade and other payables	**21,271,168**	26,502,092
Short-term deposits	**2,173,007**	361,268
	13,968,315	16,197,297

17. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 31.72 % (31 December 2009: 34.68 %).

18. 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 2010 (Un-audited)	31 December 2009 (Un-audited)
	(Rupees in '000)	
Holding Company and major suppliers		
Sales	**26,504**	17,685
Purchase	**49,227,367**	40,496,778
Finance Cost	**108,184**	2,379,303
Amount payable included in		
- Trade and other payables	**60,243,820**	43,158,218
- Long term financing	**24,293,820**	30,083,372
- Accrued mark up	**80,346**	80,346
Short term loan	**29,282**	20,325
Retirement benefits	**306,852**	164,188

19. GENERAL

19.1 This condensed interim financial information were authorized for issue on 17 February 2011 by the Board of Directors of the Company.

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

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director