

Condensed Interim Balance Sheet as at 30 September 2010

		30 September 2010 (Un-audited)	30 June 2010 (Audited)
	Note	(Rupees in '000)	
<b>ASSETS</b>			
Property, plant and equipment	4	149,088,088	141,432,310
Intangible asset		30,661	37,602
		<u>149,118,749</u>	<u>141,469,912</u>
Long-term loans		72,514	75,383
Long-term deposits and prepayments		22,525	22,399
Due from the Government		79,344	158,687
		<u>149,293,132</u>	<u>141,726,381</u>
<b>CURRENT ASSETS</b>			
Current portion of amount due from the Government		555,406	476,063
Stores and spares		4,733,290	4,945,239
Trade debts	5	31,582,146	29,029,574
Loans and advances		833,559	806,022
Trade deposits and prepayments		4,173,353	12,150,099
Other receivables	6	25,093,454	16,069,414
Derivative financial Assets		391,339	766,453
Taxation- net		477,872	470,829
Cash and bank balances		1,320,763	1,189,424
		<u>69,161,182</u>	<u>65,903,117</u>
<b>TOTAL ASSETS</b>		<u><u>218,454,314</u></u>	<u><u>207,629,498</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		74,966,045	74,966,045
<b>RESERVES</b>			
Capital reserves		509,172	509,172
Revenue reserves		5,372,356	5,372,356
Accumulated losses		(81,893,106)	(80,812,538)
Other reserve		(1,072,984)	(560,147)
		<u>(77,084,562)</u>	<u>(75,491,157)</u>
<b>Equity</b>		<u>(2,118,517)</u>	<u>(525,112)</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		<u>31,124,094</u>	<u>31,826,017</u>
		<u>29,005,577</u>	<u>31,300,905</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	40,257,640	39,289,102
Long-term deposits		4,086,994	4,040,288
Deferred liabilities		5,985,034	5,767,124
Deferred revenue		15,985,521	16,249,362
Specific grant from the Government		348,606	348,606
Deferred tax liability		16,759,126	17,137,086
		<u>83,422,921</u>	<u>82,831,568</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	64,374,633	54,799,202
Accrued mark-up		4,957,299	4,770,125
Short-term borrowings		14,326,356	13,441,796
Short-term deposits		5,894,409	4,276,499
Provisions		12,127	12,127
Current maturity of non- current liabilities		16,460,993	16,197,276
		<u>106,025,817</u>	<u>93,497,025</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>218,454,314</u></u>	<u><u>207,629,498</u></u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director

Condensed Interim Profit & Loss Account  
 For the three months ended 30 September 2010  
 (Un-Audited)

	Note	Three Months ended	
		30 September 2010	30 September 2009
(Rs in '000)			
<b>REVENUE</b>			
Sale of energy - net		22,939,777	18,080,109
Tariff adjustment		9,609,291	6,401,786
Rental of meters and equipment		53,021	51,449
		<u>32,602,089</u>	<u>24,533,344</u>
<b>EXPENDITURE</b>			
Purchase of electricity	10	(13,618,265)	(12,498,608)
Consumption of fuel and oil	11	(14,053,038)	(11,659,523)
		<u>(27,671,304)</u>	<u>(24,158,131)</u>
Expenses incurred in generation, transmission and distribution		(3,917,407)	(2,383,570)
		<u>1,013,378</u>	<u>(2,008,357)</u>
<b>GROSS PROFIT / (LOSS )</b>			
Consumers services and administrative expenses		(2,437,049)	(1,956,460)
Other operating expenses		(284,426)	(178,852)
Other operating income		775,651	725,066
		<u>(1,945,824)</u>	<u>(1,410,246)</u>
<b>OPERATING LOSS</b>		<b>(932,446)</b>	<b>(3,418,603)</b>
Finance cost		(1,228,004)	(2,197,148)
<b>LOSS BEFORE TAXATION</b>		<b>(2,160,449)</b>	<b>(5,615,751)</b>
Deferred taxation		377,958	-
<b>NET LOSS FOR THE PERIOD</b>		<b>(1,782,491)</b>	<b>(5,615,751)</b>
<b>LOSS PER SHARE - basic</b>		<b>(0.09)</b>	<b>(0.43)</b>
- diluted		<b>(0.08)</b>	<b>(0.39)</b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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 Chief Executive Officer

\_\_\_\_\_  
 Director

Condensed interim Cash Flow Statement  
For the three months ended 30 September 2010  
(Un-Audited)

		Three months ended	
		30 September 2010	30 September 2009
		(Rupees In '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
Cash generated from operations	12	8,630,485	(2,114,083)
Deferred liabilities paid		(113,341)	(64,596)
Income tax paid		(7,043)	-
Receipts in deferred revenue		-	85,523
Finance cost paid		(1,333,122)	(1,206,041)
Interest received on bank deposits		65,978	84,708
<b>Net cash generated from / (used in) operating activities</b>		<b>7,242,957</b>	<b>(3,214,489)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(9,190,937)	(2,186,143)
Long term Loans		2,867	2,211
Long term deposits		(127)	41,951
		<b>(9,188,197)</b>	<b>(2,141,981)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advance against subscription of right shares		-	2,044,050
liabilities against assets subject to finance lease repaid		-	(13,371)
Payment of long term financing - net		(2,751,144)	(3,367,056)
Short term borrowing repaid / acquired - net		884,559	5,888,078
Receipt from long term financing - net		3,896,455	-
Security deposit from consumers		46,709	39,418
<b>Net cash generated from financing activities</b>		<b>2,076,579</b>	<b>4,591,119</b>
<b>Net increase / (decrease) in cash and cash equivalent</b>		<b>131,339</b>	<b>(765,351)</b>
<b>Cash and cash equivalent at beginning of the period</b>		<b>1,189,424</b>	<b>1,957,630</b>
<b>Cash and cash equivalent at end of the period</b>		<b>1,320,763</b>	<b>1,192,279</b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

Condensed Interim Statement of Changes in Equity  
For the three Months Ended 30 September 2010  
(Un-Audited)

	Issued, Subscribed and Paid-up Capital			Reserves				Total	
	Ordinary shares	Redeemable preference shares	Total	Capital reserves	Revenue reserves	Accumulated losses	*Other reserve		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)
<i>Total comprehensive income for three months ended 30 September 2009</i>									
Net loss for the period	-	-	-	-	-	(5,615,751)	-	(5,615,751)	(5,615,751)
<i>Other comprehensive income</i>									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(3,122)	(3,122)	(3,122)
Total comprehensive income for the period	-	-	-	-	-	(5,615,751)	(3,122)	(5,618,873)	(5,618,873)
Incremental depreciation / amortisation relating to surplus on revaluation of property, plant and equipment - net of deferred Chief Executive Officer	-	-	-	-	-	22,317	-	22,317	22,317
Balance as at 30 September 2009	46,084,762	5,983,407	52,068,169	509,172	5,372,356	(71,943,551)	(340,172)	(66,402,195)	(14,334,026)
<i>Total comprehensive income for the period ended 30 June 2010</i>									
Net loss for the period	-	-	-	-	-	(9,025,465)	-	(9,025,465)	(9,025,465)
<i>Other comprehensive income</i>									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(219,975)	(219,975)	(219,975)
Total comprehensive income for the period	-	-	-	-	-	(9,025,465)	(219,975)	(9,245,440)	(9,245,440)
Incremental depreciation / amortisation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	156,478	-	156,478	156,478
<i>Transaction with owners, recorded directly in equity</i>									
Issuance of 6,582,788,730 ordinary shares @ Rs. 3.5 each - net	22,897,876	-	22,897,876	-	-	-	-	-	22,897,876
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)
<i>Total comprehensive income for the period ended 30 September 2010</i>									
Net loss for the period	-	-	-	-	-	(1,782,491)	-	(1,782,491)	(1,782,491)
<i>Other comprehensive income</i>									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(512,837)	(512,837)	(512,837)
Total comprehensive income for the period	-	-	-	-	-	(1,782,491)	(512,837)	(2,295,328)	(2,295,328)
Incremental depreciation / amortisation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	701,923	-	701,923	701,923
Balance as at 30 September 2010	68,982,638	5,983,407	74,966,045	509,172	5,372,356	(81,893,106)	(1,072,984)	(77,084,562)	(2,118,517)

\* Fair value of cash flow hedges

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director

Condensed Interim Statement of Comprehensive Income  
For the Three Months Ended 30 September 2010  
(Un-Audited)

	<u>Three Months Ended</u>	
	30 September 2010	30 September 2009
	(Rupees in '000)	
NET LOSS FOR THE PERIOD	(1,782,491)	(5,615,751)
OTHER COMPREHENSIVE (LOSS) - Hedging Reserve	(512,837)	(3,122)
	<u>(2,295,328)</u>	<u>(5,618,873)</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

**1 THE COMPANY AND ITS OPERATIONS**

Karachi Electric Supply Company Limited (the Company) was incorporated as a limited liability company on September 13, 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.

**2. STATEMENT OF COMPLIANCE**

This condensed interim financial information is un-audited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (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 therefore should be read in conjunction with the annual financial statements of the Company 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 annual financial statements for the year ended 30 June 2010.

4. PROPERTY, PLANT AND EQUIPMENT	Note	30 September 2010 (Un-audited)	30 June 2010 (Audited)
		(Rupees in '000)	
Operating fixed assets		118,935,472	120,865,072
Capital work-in-progress	4.1	<u>30,152,616</u>	<u>20,567,238</u>
		<u><u>149,088,088</u></u>	<u><u>141,432,310</u></u>

**4.1 Capital work-in-progress**

Following are the additions to capital work-in-progress during the current period.

Additions	
(Rupees in '000)	
Plant and machinery	8,606,817
Transmission system	437,776
Distribution system	795,060
Others	<u>90,700</u>
	<u><u>9,930,353</u></u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

		30 September 2010 (Un-audited)	30 June 2010 (Audited)
		(Rupees in '000)	
<b>5. TRADE DEBTS</b>	<b>Note</b>		
<b>Considered good</b>			
Secured - against deposits from consumers		749,594	724,389
Unsecured	5.1	<u>30,832,552</u>	<u>28,305,185</u>
		31,582,146	29,029,574
<b>Considered doubtful</b>		<u>15,455,450</u>	<u>15,086,761</u>
		47,037,596	44,116,335
Provision for impairment (against debts considered doubtful)	5.2	<u>(15,455,450)</u>	<u>(15,086,761)</u>
		<u><u>31,582,146</u></u>	<u><u>29,029,574</u></u>
5.1 This includes gross receivable of Rs. 17,199 million (30 June 2010 : Rs. 15,696 million) due from Government and autonomous bodies.			
5.2 Provision for impairment (against debts considered doubtful)			
Opening Balance		15,086,761	14,271,672
Provision made during the current period/year		<u>641,149</u>	<u>1,992,962</u>
		15,727,910	16,264,634
Provision made during the current period/year		<u>(272,460)</u>	<u>(1,177,873)</u>
		<u><u>15,455,450</u></u>	<u><u>15,086,761</u></u>
<b>6. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Sales tax - net		4,122,587	4,742,230
Due from the Government of Pakistan in respect of:			
- Sales tax on selected classes of consumers		459,048	397,274
- Tariff adjustment		20,251,047	10,641,754
- Interest receivable from GOP on Demand finance facilities		237,173	237,173
		20,947,268	11,276,201
Others		<u>23,599</u>	<u>50,983</u>
		25,093,454	16,069,414
<b>Considered doubtful</b>			
Sales tax		232,050	232,050
Provision for impairment		<u>(232,050)</u>	<u>(232,050)</u>
		-	-
Due from a Consortium of Suppliers of Power Plant		363,080	363,080
Provision for impairment		<u>(363,080)</u>	<u>(363,080)</u>
		-	-
		<u><u>25,093,454</u></u>	<u><u>16,069,414</u></u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

		30 September 2010 (Un-audited)	30 June 2010 (Audited)
	Note	(Rupees in '000)	
<b>7. LONG-TERM FINANCING</b>			
<b>From Banking Companies and Financial Institutions - Secured</b>			
International Finance Corporation (IFC) Syndicate Term Loan		7,189,239	7,275,997
Asian Development Bank (ADB) Term loan from a banking company		7,360,000	7,680,000
Foreign currency term loan	7.1	10,624,927	10,699,997
Syndicate Commercial Facility	7.2	853,200	1,137,600
		1,903,198	-
		2,006,944	-
		<u>29,937,508</u>	<u>26,793,594</u>
Current maturity thereof shown under current liabilities		<u>(4,182,750)</u>	<u>(3,539,255)</u>
		25,754,758	23,254,339
<b>Others - unsecured</b>			
Due to oil and gas companies		709,065	868,188
Current maturity thereof shown under current liabilities		<u>(629,721)</u>	<u>(709,500)</u>
		79,344	158,688
<b>Un-secured</b>			
GoP Loan for the electrification of Hub Area		26,000	26,000
Gul Ahmed Energy Limited		1,262,687	1,515,224
Tapal Energy (Private) Limited		900,000	1,200,000
		2,162,687	2,715,224
Current maturity thereof shown under current liabilities		<u>(1,910,149)</u>	<u>(2,210,149)</u>
Due to the Government and autonomous bodies - related parties		23,883,372	25,083,372
Current maturity thereof shown under current liabilities		<u>(9,738,372)</u>	<u>(9,738,372)</u>
		<u>14,145,000</u>	<u>15,345,000</u>
		<u>40,257,640</u>	<u>39,289,102</u>

- 7.1 During the current period a dollar denominated long term financing facility of USD 23.377 million was disbursed to the Company. The said facility was obtained under political risk insurance from OeKB (Austria - ECA) through an agreement signed on May 5, 2010 with Citibank Europe Plc and Bank Alfalah Ltd - Kabul. The facility carries interest rate at 3 months Libor + 3% and is repayable in 18 quarterly installments starting August 5, 2010. The Company has executed a Cross Currency swap with a commercial bank to hedge the Company's foreign currency exposure of the said facility.
- 7.2 During the current period a local Commercial facility of PKR 2,125 million from a syndicate of Commercial banks was disbursed to the company. The said facility was obtained under an agreement signed on May 5, 2010. The facility carries mark-up at 3 months Kibor + 3% and is repayable in 18 quarterly installments starting August 5, 2010.
- 7.3 Terms and conditions for the remaining financing facilities other than in notes 7.1 & 7.2 are the same as disclosed in note 21 to the annual financial statements for the year ended 30 June 2010.



	30 September 2010 (Un-audited)	30 June 2010 (Audited)
	(Rupees in '000)	
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Trade Creditors</b>		
Power purchases	36,966,691	28,775,214
Fuel and gas	16,527,213	15,617,432
Others	5,485,641	5,344,885
	58,979,545	49,737,531
Accrued Expenses	1,442,339	1,639,775
<b>Advances/ credit balances of consumers</b>		
Energy	231,634	248,463
Others	705,396	687,640
	937,030	936,103
<b>Other liabilities</b>	3,015,719	2,485,793
	<u>64,374,633</u>	<u>54,799,202</u>

**9. CONTINGENCIES AND COMMITMENTS**

**9.1 Contingencies**

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.

**9.2 Claims not acknowledged as debts**

Except as follows, claims not acknowledged as debts as disclosed in 33.3 and 43.2 to the annual financial statements of the company for the year ended 30 June 2010 have remained unchanged.

During the period late payment surcharge claims amounting to Rs. 748.924 million received from a supplier were not acknowledged as debts by the company, as the management considers that the company is not liable to pay the claims in view of the circumstances as explained in note 21.8.2 to the annual financial statements of the company for the year ended 30 June 2010.

	30 September 2010 (Un-audited)	30 June 2010 (Audited)
	(Rupees in '000)	
<b>9.3 Commitments</b>		
Guarantees from banks	1,147,174	1,143,116
Contracts with respect to Transmission and Distribution Projects	992,000	1,242,000
Outstanding Letters of Credit	2,745,000	2,688,206
Commitment for payment in respect of Combined Cycle Power Plant ( 220 MW)	79,825	79,825
Commitment for payment in respect of 560 MW Project	9,895,000	9,200,684
Dividend on Preference Shares	719,516	674,516
SAP Implementation Cost	-	106,250

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

	30 September 2010 (Un-audited)	30 September 2009 (Un-audited)
Note	(Rupees in '000)	
<b>10. PURCHASE OF ELECTRICITY</b>		
National Transmission and Despatch Company	6,448,783	7,279,308
Independent Power Producers (IPPs)	6,297,761	4,393,875
Karachi Nuclear Power Plant	721,764	688,776
Pakistan Steel Mills Corporation (Private) Limited	149,958	136,649
	<u>13,618,265</u>	<u>12,498,608</u>
<b>11. CONSUMPTION OF FUEL AND OIL</b>		
Natural gas	7,013,665	7,280,195
Furnace and other oils	7,039,373	4,379,328
	<u>14,053,038</u>	<u>11,659,523</u>
<b>12. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS</b>		
Loss before taxation	(2,160,449)	(5,615,751)
<b>Adjustments for non-cash charges and other items:</b>		
- Depreciation and amortisation	2,219,619	897,628
- Provision for deferred liabilities	331,253	241,530
- Provision for slow moving stores and spares	39,336	39,336
- Exchange gain on long term financing	(50,785)	-
- Amortization of deferred revenue	(263,841)	(228,285)
- Provision for debts considered doubtful debt	641,149	383,000
- Interest on consumer deposits	48,455	48,132
- Finance cost	794,318	621,289
- Return on bank deposits	(65,978)	(84,708)
- Working capital changes	12.1 7,097,408	1,583,746
	<u>8,630,485</u>	<u>(2,114,083)</u>
<b>12.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	172,613	103,323
Trade debts	(3,193,720)	(2,523,889)
Loans and advances	(27,537)	(160,660)
Trade deposits and prepayments	7,976,745	(4,601,421)
Other receivables	(9,024,040)	(7,039,029)
	<u>(4,095,939)</u>	<u>(14,221,676)</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	9,575,438	15,835,725
Short-term deposits	1,617,909	(30,303)
	<u>7,097,408</u>	<u>1,583,746</u>
<b>13. TRANSMISSION AND DISTRIBUTION LOSSES</b>		
The transmission and distribution losses for the current period were 33.92 % (30 September 2009: 37.57%).		

**14. 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:

	30 September 2010 (Un-audited) (Rupees in '000)	30 September 2009 (Un-audited)
<b>Holding Company and major suppliers</b>		
Sales	11,177	7,839
Purchase	25,277,042	22,142,804
Finance Cost	-	14,127
Late payment surcharge	47,821	2,031,954
<b>Amount payable included in :</b>		
- Trade and other payables	54,153,284	33,858,957
- Long term financing	21,107,687	38,933,372
- Accrued mark up	70,897	70,897
Short term loan	29,282	5,863,117
Retirement benefits	171,086	83,016

**15. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on \_\_ October 2010 by the Board of Directors of the Company.

**16 . RECLASSIFICATION**

Certain prior period's figures have been reclassified, consequent upon certain changes in current period's presentation for more appropriate comparison.

**17. GENERAL**

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

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Chief Executive Officer

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Director