



Financial Statements **for the period Jan-March** **2011**



CONSERVE ENERGY TODAY FOR A BETTER TOMORROW

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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

Muhammad Zargham Eshaq Khan

Naveed Ismail

Syed Nayyer Hussain

Omar Khan Lodhi

Shabbir Ahmed

Shan A. Ashary

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

Muhammad Zargham Eshaq Khan Member

Syed Nayyer Hussain Member

Zulfiqar Haider Ali Member

AUDITORS

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

SHARE REGISTRAR

M/s. Central Depository Company of Pakistan
Limited (CDC)

LEGAL ADVISER

Kumail Shirazee

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

Summit Bank 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 period ended 31 March 2011 on behalf of the Board of Directors. Key operational and financial results are listed below:

	Jan-March 2011	Jan-March 2010
	(UNITS-GWh)	
OPERATIONAL		
Units generated (net of auxiliary)	1,258	1,321
Units purchased	1,792	1,856
Total units available for distribution	3,050	3,177
Units billed	2,132	2,106
Transmission & Distribution Losses %	30.1%	33.7%
	(PKR IN MILLIONS)	
FINANCIAL		
Sale of Energy – net	17,346	15,216
Tariff Adjustment	11,924	9,148
Rental of meters and equipment	53	52
Total Revenue	<u>29,323</u>	<u>24,416</u>
Cost of fuel & power purchase	(27,072)	(22,840)
O&M Expenses	(3,140)	(3,315)
Provision for doubtful debts	(554)	(495)
Other operating income – net	1,559	559
Depreciation & Amortization	(2,068)	(1,114)
Financial charges	(795)	(1,620)
Taxation	445	-
Net Loss for the period	<u>(2,302)</u>	<u>(4,409)</u>
Earning / (Loss) before Interest, Tax, Depreciation and Amortization (EBITDA)	116	(1,675)
(Loss) per share		
- basic	(PKR) (0.11)	(0.22)
- diluted	(PKR) (0.10)	(0.21)

Due to reduction in gas supply during the above period, units generated on gas at Company's power plants were reduced which adversely affected the overall generation and cash flows of the Company, as consumption of expensive furnace oil increased as compared to the same period last year in order to reduce and maintain load shedding throughout Karachi. Total units billed increased by 1.2% (26 GWh), resulting in significant reduction of 3.6% in T&D losses as compared to corresponding period last year. The management is continuing to work towards reduction of T&D losses in a sustainable manner, due to the importance of T&D loss reduction for overall turnaround of the Company.

The total revenue of the Company increased by 20% over last period which was attributed to the increase in total units billed and increase in tariff owing to rising cost of generation and power purchase. Due to the reduction in gas supply to KESC, the overall cost of fuel and power purchase increased by 18.53%.

Despite external constraints, the overall increase in revenue and reduction in T&D losses resulted in a 'significant' improvement to the bottom line and the net loss for the period reduced from PKR 4,409 million to PKR 2,302 million. It also contributed in achieving positive 'Earning Before Interest, Tax, Depreciation and Amortization' (EBITDA) amounting to PKR 116 million as compared to negative PKR 1,675 million last year.

ACTIVITIES UNDER REVIEW

Generation Expansion & Rehabilitation

The 560 MW Bin Qasim Combined Cycle Power Plant Project has achieved cumulative progress of 66.12% against the target of 79.1%. During review period, considerable improvement was achieved in Electrical & Instrumentation, while Mechanical & Civil construction

Brief Review

almost remained at the same pace. Even though the overall construction progress gap has surpassed its target, there is still considerable gap of 12.98% between the planned and actual progress. Looking at the current status, project is likely to be delayed by two weeks. KESC/OMS teams are working very closely for monitoring critical activities. We are hopeful that additional workforce would accelerate the recovery process. Follow up meeting with Harbin Vice President is planned for mid April 2011.

Supplies of the equipments are meeting the project requirements and there is no impediment at site construction work owing to delay in supplies. O&M preparation work is now entering into advance stage. Hiring and training of people working on spares & tools and ordering continued during March 2011.

Transmission Network

Progress achieved during the review period is listed below:-

1. 132 kV KESC Hospital Grid energized thereby removing overloading from Gulshan, KDA Scheme-33 and Gulistan-e-Jauhar Grids. Now one grid namely 'Mehmoodabad Grid' remains to be completed of the 9 x 132 kV Hybrid Grids.
2. Work is progressing on conversion of 132 kV Overhead Transmission Line to permanent one besides its duplication – 132 kV Clifton Gantry – Clifton Grid: On completion it will enhance the reliability of power flow from Clifton Grid.
3. The outer 220 kV ring presently completed through only one circuit, the other circuit being non-operational due to cable fault at Mauripur – Baldia. Overhead transmission line between PLDP # 3 to PLDP # 4 is constructed to complete the 220 kV ring thereby enhancing the reliability/ stability of the 220 kV Network.
4. Bids for new Grid Stations and Transmission Lines for the rehabilitation of existing EHT network have been received and are under evaluation. The expected completion time will be 2 to 3 years from the date of commencement. The expected date of contract award is August 2011.
5. The technical evaluation of bids received for 132 kV Agha Khan Grid completed. Financial opening scheduled for 2nd week of April 2011. Schedule completion time is 18 months for date of award of contract. Besides meeting the enhanced requirement of load of Agha Khan Hospital will relieve the overloaded grids of Civic Centre, Baloch Colony and Gulshan-e-Iqbal and meet the further requirement of load growth in PECHS, Bahadurabad, KDA Scheme – I and adjoining areas.
6. Work is progressing on integration of 9 x 132 kV Hybrid Grids to SCADA System. Expected completion by December 2011.

Distribution

Total energy sent out during the quarter under review decreased by 4.0% while billed units increased by 1.2% which contributed to a reduction of 3.6% in Transmission & Distribution (T&D) losses as compared to the corresponding period last year. Year to date Transmission & Distribution (T&D) Losses as at March 31, 2011 stand at 31.3% against 34.4% last year, showing a significant reduction in losses by 3.1%. The T&D loss 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, Liaqatabad, SITE and Korangi Industrial Area). A further 11 IBCs will be rolled out during 2011.

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

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 between 0 and 4.5 hours of scheduled load shed each day. Moreover, Industrial and Strategic Customers including hospitals were completely exempted from load shedding.

New Connections

In the nine months under review, KESC provided 31,369 new connections equivalent to a total of 157 MW in terms of load, of which 24,858 connections were for below 50 KW load connections and 6,511 connections above 50 KW. New Connections issued during Q3 of FY11 were 8,882 equivalent to a total load of 55 MW of which 7,214 connections were for below 50KW and 1668 connections were for above 50 KW.

Brief Review

Call Centre

Interactive Voice Response (IVR) has been launched at 118 to minimize the inconvenience to our consumers in terms of waiting time while trying to contact the call centre. The following are some services being rendered by IVR: automated complaint generation, current and previous date complaint status, billing details, duplicate bill requests, load shedding and shut down details and our Speak-up campaign complaints.

Network Enhancement & Maintenance

KESC continues to undergo expansion and augmentation of its Distribution System. The Company has installed 62 new 11 KV high tension (HT) feeders in the last nine months out of which 19 were installed in the third quarter to balance the load on the existing HT network. Overhead cables have increased from 2,550 km in December 2010 to 2,570 km in March 2011, while 11 KV HT underground cables have increased by 36 km in the same period. The total number of HT Distribution Transformers have increased from 15,096 to 15,184 during Q3 FY11, increasing the distribution capacity of the 11 KV HT network by 17 MVA.

To prepare for the upcoming summer season, an extensive preventive maintenance program of 208 11 KV HT feeders is currently under progress. At the end of the third quarter, 151 of the 208 (73%) feeders and 2,547 of 3,140 (81%) PMTs have undergone preventive maintenance. The entire project is expected to be completed by end of April. To reduce fault localization time and improve fault response time a scheme to implement EFI (Earth Fault Indicator) is underway and in the current quarter, 150 EFIs have been installed.

Corporate Social Responsibility (CSR)

* **Theft free model community at Korangi Sector 10 – women empowerment group**

KESC launched an anti-theft program at Korangi Sector 10 to curtail theft in the area by community enhancement and subsidized meter installation packages for the residents. With the aim of reaching out to the community through women empowerment, KESC joined hands with a local NGO to start the Women Community Empowerment Group. Ten skilled female volunteers have been selected from the area as volunteers to work towards influencing the residents to shift from illegal to legal connections. A water purification plant has also been gifted to provide safe drinking water to the community. The inauguration of the water purification plant took place on March 31, 2011. KESC will continue to support theft free communities through social development initiatives.

* **Youth Platform**

KESC was the lead sponsor of the IBA leadership conference. Various sessions were conducted by renowned motivational trainers who enlightened the participants with their visions. KESC CEO Mr. Tabish Gauhar, HR Head, Mr. Asir Manzur, Chief Marketing and Communication Officer, Mr. Ghufuran Atta Khan and Mr. Zulfiqar Ali, Head of Special Projects addressed the students on various topics ranging from Participative Leadership to Change Management to Entrepreneurship to Inspiration and Charisma.

Sessions were held at NEDUET in collaboration with IET on the "Future of Power Generation" in Pakistan. We were also the lead sponsor of NEDUET's Energy Awareness Week which started from February 28 and continued till March 5, 2011.

A field trip was arranged for the students and professors of NED University of Engineering and Technology at Bin Qasim Power Station II, specifically focusing on the newly installed turbines. Another field trip was planned for the students of Mehran University, Jamshoro to KESC's CCP. The trip was aimed to bridge the gap between academic and corporate life.

A seminar by the name of "Socho Karachi" was organized at SZABIST which encouraged the residents to look at the city with a new perspective. The basic concept of the seminar was to show the side of Karachi as people have never seen it before, to perceive Karachi in its full glory, as it might have been, as it is, and as it could be.

* **Earth Hour 2011**

Karachi Electric Supply Company, as a socially responsible entity, observed Earth Hour on March 26, 2011 from 8:30 to 9:30 pm. The day was marked by switching off all non-essential illuminations at our strategic locations such as KESC House, State Life Building, Handicraft Building, Civic Center, Generation sites and other regional offices. Moreover, KESC's team also participated in the activity organized by WWF at Mazar-e-Quaid where most of the lights were switched off and people pledged to conserve energy under the flickering candle lights. KESC propagated the message with LED lights to promote the ideology of energy conservation and global warming.

Brief Review

Future Prospects

Improvement in the operation and financial results of the Company for the period ended 31 March 2011, 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 in a row, 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 during the review periods witnessed a significant 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.

Board of Directors (BOD)

Mr. Muhammad Zargham Eshaq Khan, Joint Secretary (Power), Ministry of Water & Power, a GOP nominated director, has replaced and substituted Mr. Tahir Basharat Cheema, Ex-Managing Director PEPCO on BOD of the Company.

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
Chief Executive Officer

Karachi, 26 April 2011

Condensed Interim Balance Sheet

as at 31 March 2011 (Un-audited)

	Note	31 March 2011 (Un-audited) (Rupees in '000)	30 June 2010 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	163,992,551	141,432,310
Intangible asset		26,538	37,602
		164,019,089	141,469,912
Long-term loans		60,830	75,383
Long-term deposits and prepayments		22,931	22,399
Due from the Government		-	158,687
		164,102,850	141,726,381
CURRENT ASSETS			
Current portion of amount due from the Government		634,750	476,063
Stores and spares		5,347,667	4,945,239
Trade debts	6	32,595,305	29,029,574
Loans and advances		663,825	806,022
Trade deposits and prepayments		1,578,496	12,150,099
Other receivables	7	13,883,167	16,069,414
Derivative financial assets		-	766,453
Taxation- net		490,350	470,829
Cash and bank balances		1,398,425	1,189,424
		56,591,985	65,903,117
TOTAL ASSETS		220,694,835	207,629,498
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	8	80,335,490	74,966,045
Reserves			
Capital reserves		509,172	509,172
Revenue reserves		5,372,356	5,372,356
Accumulated losses		(83,748,571)	(80,812,538)
Other reserve		(1,257,345)	(560,147)
		(79,124,388)	(75,491,157)
Total equity		1,211,102	(525,112)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		29,345,068	31,826,017
		30,556,170	31,300,905
LIABILITIES			
NON-CURRENT LIABILITIES			
Long - term financing	9	43,824,598	39,289,102
Long - term deposits		4,239,287	4,040,288
Deferred liabilities		6,030,285	5,767,124
Deferred revenue		16,007,805	16,249,362
Specific grant from the Government		348,606	348,606
Deferred tax Liability		15,801,190	17,137,086
		86,251,771	82,831,568
CURRENT LIABILITIES			
Trade and other payables	10	65,097,365	54,799,202
Accrued mark-up		4,754,046	4,770,125
Short-term borrowings		16,043,996	13,441,796
Derivative financial Liabilities		3,358	-
Short-term deposits		7,754,189	4,276,499
Provisions		9,978	12,127
Current maturity of non- current liabilities		10,223,962	16,197,276
		103,886,894	93,497,025
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		220,694,835	207,629,498

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Tabish Gauhar
Chief Executive Officer



Naveed Ismail
Director

Condensed Interim Profit and Loss Account

for the nine months period ended 31 March 2011 (Un-audited)

	Note	Nine months period ended		Three months period ended	
		31 March 2011	31 March 2010	31 March 2011	31 March 2010
----- (Rupees in '000) -----					
REVENUE					
Sale of energy – net		59,958,111	49,354,943	17,345,913	15,216,056
Tariff adjustment		30,467,345	21,705,281	11,923,550	9,147,755
Rental of meters and equipment		159,868	155,634	53,551	52,425
		90,585,324	71,215,858	29,323,014	24,416,236
EXPENDITURE					
Purchase of electricity	12	(46,402,557)	(43,370,878)	(17,609,290)	(16,296,477)
Consumption of fuel and oil	13	(32,776,326)	(24,328,262)	(9,462,786)	(6,543,106)
		(79,178,883)	(67,699,140)	(27,072,076)	(22,839,583)
Expenses incurred in generation, transmission and distribution		(10,877,151)	(7,106,966)	(3,407,865)	(2,627,235)
GROSS PROFIT / (LOSS)		529,290	(3,590,248)	(1,156,927)	(1,050,582)
Consumers services and administrative expenses		(7,268,068)	(6,356,337)	(2,354,692)	(2,296,989)
Other operating income		4,111,892	2,979,014	1,785,795	793,862
Other operating expenses		(792,765)	(647,161)	(226,628)	(235,291)
		(3,948,941)	(4,024,484)	(795,525)	(1,738,418)
OPERATING LOSS		(3,419,651)	(7,614,732)	(1,952,452)	(2,789,000)
Finance cost	14	(3,333,226)	(5,683,970)	(794,504)	(1,620,100)
LOSS BEFORE TAXATION		(6,752,877)	(13,298,702)	(2,746,956)	(4,409,100)
Taxation		1,335,896	-	445,298	-
NET LOSS FOR THE PERIOD		(5,416,981)	(13,298,702)	(2,301,658)	(4,409,100)
Earning / (loss) before Interest, Tax, Depreciation and Amortisation (EBITDA)		2,732,541	(4,693,537)	115,774	(1,675,231)
LOSS PER SHARE - basic		Rs. (0.25)	Rs. (0.67)	Rs. (0.11)	Rs. (0.22)
- diluted		Rs. (0.23)	Rs. (0.63)	Rs. (0.10)	Rs. (0.21)

The annexed notes 1 to 18 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 nine months period ended 31 March 2011 (Un-audited)

	Issued, Subscribed and Paid-up Capital			Capital reserves	Revenue reserve	Reserves		Total	
	Ordinary shares	Redeemable preference shares	Total			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 nine months period ended 31 March 2010									
Net loss for the period	-	-	-	-	-	(13,298,702)	-	(13,298,702)	(13,298,702)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(3,068)	(3,068)	(3,068)
Total comprehensive income for the period	-	-	-	-	-	(13,298,702)	(3,068)	(13,301,770)	(13,301,770)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	173,888	-	173,888	173,888
Transaction with owners recorded directly in equity									
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 31 March 2010	68,982,638	5,983,407	74,966,045	509,172	5,372,356	(79,474,931)	(340,118)	(73,933,521)	1,032,524
Total comprehensive income for the period ended 30 June 2010									
Net loss for the period	-	-	-	-	-	(1,342,514)	-	(1,342,514)	(1,342,514)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(220,029)	(220,029)	(220,029)
Total comprehensive income for the period	-	-	-	-	-	(1,342,514)	(220,029)	(1,562,543)	(1,562,543)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	4,907	-	4,907	4,907
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 nine months period ended 31 March 2011									
Net loss for the period	-	-	-	-	-	(5,416,981)	-	(5,416,981)	(5,416,981)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(697,198)	(697,198)	(697,198)
Total comprehensive income for the period	-	-	-	-	-	(5,416,981)	(697,198)	(6,114,179)	(6,114,179)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	2,480,948	-	2,480,948	2,480,948
Issuance of 1,540,489,369 ordinary shares @ Rs 3.5 each - net	5,369,445	-	5,369,445	-	-	-	-	-	5,369,445
Balance as at 31 March 2011	74,352,083	5,983,407	80,335,490	509,172	5,372,356	(83,748,571)	(1,257,345)	(79,124,388)	1,211,102

The annexed notes 1 to 18 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 nine months period ended 31 March 2011 (Un-audited)

	Nine months period ended		Three months period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	----- (Rupees in '000) -----			
NET LOSS FOR THE PERIOD	(5,416,981)	(13,298,702)	(2,301,658)	(4,409,100)
OTHER COMPREHENSIVE INCOME				
Hedging reserve	(697,198)	(3,068)	58,568	57,086
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(6,114,179)</u>	<u>(13,301,770)</u>	<u>(2,243,090)</u>	<u>(4,352,014)</u>

The annexed notes 1 to 18 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 nine months period ended 31 March 2011 (Un-audited)

	Note	Nine months period ended	
		31 March 2011	31 March 2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	19,340,782	12,243,285
Advance tax		(19,521)	(9,437)
Deferred liabilities paid		(655,634)	(327,998)
Receipt in deferred revenue		571,394	31,377
Finance cost paid		(4,906,299)	(3,495,471)
Interest received on bank deposits		189,807	230,242
Net cash generated from operating activities		14,520,529	8,671,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(26,276,715)	(7,656,664)
Proceeds from disposal of fixed assets		67,493	63,067
Long-term loans		14,553	9,077
Long-term deposits		(532)	142,613
Net cash used in investing activities		(26,195,201)	(7,441,907)
		(11,674,673)	1,230,091
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance/equity for subscription of right shares		5,391,712	14,922,509
Lease finance paid		-	(41,407)
Repayments of long term financing		(7,874,469)	(16,285,569)
Transaction cost for capital issuance		(22,265)	(87,456)
Receipt from long term financing		11,587,496	116,408
Short term borrowing		2,602,200	399,779
Security deposit from consumers		198,999	114,751
Net cash flows from financing activities		11,883,673	(860,985)
Net increase in cash and cash equivalents		209,001	369,106
Cash and cash equivalents at beginning of the period		1,189,424	1,127,645
Cash and cash equivalents at end of the period		1,398,425	1,496,751

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Tabish Gauhar
Chief Executive Officer



Naveed Ismail
Director

Notes to the Condensed Interim Financial Information

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 72.58 percent (30 June 2010: 72.45 percent) shares in the Company.

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.

		31 March 2011 (Un-audited)	30 June 2010 (Audited)
	<i>Note</i>	(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	118,470,238	120,865,072
Capital work-in-progress	5.2	45,522,313	20,567,238
		<u>163,992,551</u>	<u>141,432,310</u>

Notes to the Condensed Interim Financial Information

5.1 Operating fixed assets

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

	Additions	Disposals / Adjustments	
		Cost	Accumulated depreciation
	----- (Rupees in '000) -----		
Land	145,372	-	-
Building on freehold land	472,894	-	-
Plant & Machinery	196,418	75,164	6,386
Transmission and distribution network	2,923,123	282,436	253,017
Others	107,651	17,524	13,836
	<u>3,845,458</u>	<u>375,124</u>	<u>273,239</u>

5.2 It includes project cost of Rs. 33,340 million (30 June 2010: Rs. 10,787 million) relating to second combine cycle power plant (CCPP-II) 560 MW at Bin Qasim.

Note	31 March	30 June
	2011	2010
	(Un-audited)	(Audited)
	(Rupees in '000)	
6. TRADE DEBTS		
Considered good		
Secured – against deposits from consumers	762,700	724,389
Unsecured	31,832,605	28,305,185
	<u>32,595,305</u>	<u>29,029,574</u>
Considered doubtful	16,197,013	15,086,761
	<u>48,792,318</u>	<u>44,116,335</u>
Provision for impairment (against debts considered doubtful)	(16,197,013)	(15,086,761)
	<u>32,595,305</u>	<u>29,029,574</u>

6.1 This includes gross receivable of Rs. 20,177 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	1,817,389	1,992,962
	<u>16,904,150</u>	<u>16,264,634</u>
Provision written off during the current period / year	(707,137)	(1,177,873)
	<u>16,197,013</u>	<u>15,086,761</u>

Notes to the Condensed Interim Financial Information

		31 March 2011 (Un-audited) (Rupees in '000)	30 June 2010 (Audited)
7. OTHER RECEIVABLES			
Considered good			
Sales tax - net		3,373,991	4,742,230
Due from the Government in respect of:			
- sales tax subsidy to the selected classes of consumers		633,205	397,274
- tariff adjustment		9,596,198	10,641,754
- interest receivable from GoP demand finance facilities		237,173	237,173
		10,466,575	11,276,201
Others		42,601	50,983
		13,883,167	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)
		-	-
		13,883,167	16,069,414
8. SHARE CAPITAL			
8.1	During the current period, the company further issued 1,540,489,379 ordinary shares of Rs. 3.50 each, net of transaction cost of Rs. 22.265 million. KES Power Limited (the holding company) subscribed for its own share in the right issue as well as subscribed for the unsubscribed minority shares. The Government of Pakistan also subscribed for its share in the right issue.		
9. LONG-TERM FINANCING	<i>Note</i>	31 March 2011 (Un-audited) (Rupees in '000)	30 June 2010 (Audited)
From Banking Companies and Financial Institutions - secured			
International Finance Corporation (IFC)		6,849,394	7,275,997
Syndicate term loan		6,720,000	7,680,000
Asian Development Bank (ADB)		10,215,300	10,699,997
Term loan from a banking company		284,400	1,137,600
Foreign currency term loan	9.1	1,660,785	-
Syndicated commercial facility	9.2	1,770,833	-
Syndicated structured term finance facility	9.3	8,149,451	-
		35,650,164	26,793,594
Current maturity shown under current liabilities		(3,596,566)	(3,539,255)
		32,053,598	23,254,339
Others - secured			
Due to the oil and gas companies		769,784	868,188
Current maturity thereof shown under current liabilities		(769,784)	(709,500)
		-	158,688
Unsecured			
GoP Loan for the electrification of Hub Area		26,000	26,000
Gul Ahmed Energy Limited		757,612	1,515,224
Tapal Energy (Private) Limited		300,000	1,200,000
		1,057,612	2,715,224
Current maturity shown under current liabilities		(1,057,612)	(2,210,149)
Due to Government and autonomous bodies - related parties		16,545,000	25,083,372
Current maturity shown under current liabilities		(4,800,000)	(9,738,372)
		11,745,000	15,345,000
		43,824,598	39,289,102

Notes to the Condensed Interim Financial Information

- 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 Kontroll 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** Terms and conditions for the remaining financing facilities other than in notes 9.1. to 9.3 are the same as disclosed in note 21 to the annual financial statements for the year ended 30 June 2010.

	Note	31 March 2011 (Un-audited) (Rupees in '000)	30 June 2010 (Audited)
10. TRADE AND OTHER PAYABLES			
Trade Creditors			
Power purchases		30,569,211	28,775,214
Fuel and gas	10.1	24,120,819	15,617,432
Others		4,271,635	5,344,885
		58,961,665	49,737,531
Accrued expenses		1,245,509	1,639,775
Advances / credit balances of consumers			
Energy		341,210	248,463
Others		361,407	687,640
		702,617	936,103
Other payables		4,187,575	2,485,793
		65,097,365	54,799,202

Notes to the Condensed Interim Financial Information

10.1 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 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 nine month period amounts to Rs.2,517.077 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.

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 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. 1,480 million for the period from 1 April 2010 to 31 March 2011 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 March 2011 (Un-audited)	30 June 2010 (Audited)
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(Rupees in '000)

11.3 Commitments

Guarantees from banks	<u>1,534,547</u>	<u>1,143,116</u>
Contracts with respect to Transmission and Distribution projects	<u>660,837</u>	<u>1,242,000</u>
Outstanding Letters of Credit	<u>2,398,725</u>	<u>2,768,031</u>
Commitments for payment in respect of 560 MW Project	<u>2,953,449</u>	<u>9,200,684</u>
Dividend on Preference Shares	<u>809,516</u>	<u>674,516</u>
Software License and implementation costs	<u>56,907</u>	<u>106,250</u>

Notes to the Condensed Interim Financial Information

	Note	31 March 2011 (Un-audited) (Rupees in '000)	31 March 2010 (Un-audited)
12. PURCHASE OF ELECTRICITY			
National Transmission and Despatch Company		27,128,636	27,517,548
Independent Power Producers (IPPs) and rental power		17,694,628	13,440,458
Karachi Nuclear Power Plant		1,165,170	2,013,977
Pakistan Steel Mills Corporation (Private) Limited		414,124	398,895
		<u>46,402,557</u>	<u>43,370,878</u>
13. CONSUMPTION OF FUEL AND OIL			
Natural gas		15,215,376	15,922,770
Furnace and other oils		17,560,950	8,405,492
		<u>32,776,326</u>	<u>24,328,262</u>
14. FINANCE COST			
Mark-up / interest on short / long term borrowings		2,284,747	2,257,810
Late payment surcharge on delayed payment to creditors		168,513	3,046,855
Bank service , discounting charges and others		879,966	379,305
		<u>3,333,226</u>	<u>5,683,970</u>
15. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(6,752,877)	(13,298,702)
Adjustments for non-cash charges and other items:			
- Depreciation and amortization		6,152,193	2,921,195
- Provision for deferred liabilities		918,797	724,630
- Amortization of deferred revenue		(812,950)	(725,647)
- Provision for debts considered doubtful debt		1,817,389	1,422,487
- Exchange gain on long term financing		(139,862)	-
- Gain on disposal of fixed assets		(32,047)	(37,192)
- Interest on consumer deposits		145,365	145,042
- Finance costs		2,284,747	2,257,810
- Return on bank deposits		(189,807)	(230,242)
- Working capital changes	15.1	15,949,834	19,063,904
		<u>19,340,782</u>	<u>12,243,285</u>
15.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(402,428)	(365,064)
Trade debts		(5,383,120)	(5,217,502)
Loans and advances		142,197	(401,718)
Trade deposits and prepayments		10,571,603	(5,386,770)
Other receivables		2,186,247	(11,152,404)
		<u>7,114,500</u>	<u>(22,523,458)</u>
Increase in current liabilities			
Trade and other payables		5,357,645	41,046,440
Short-term deposits		3,477,690	540,922
		<u>15,949,834</u>	<u>19,063,904</u>

Notes to the Condensed Interim Financial Information

16. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 31.25 % (31 March 2010: 34.38 %).

17. 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 March 2011 (Un-audited) (Rupees in '000)	31 March 2010 (Un-audited)
Holding Company and major suppliers		
Sales	65,896	34,836
Purchase	71,489,543	61,264,390
Finance Cost	-	14,127
Amount payable included in		
- Trade and other payables	50,310,300	58,524,104
- Long term financing	17,602,612	24,060,224
- Accrued mark up	80,346	80,346
Short term loan	22,482	29,282
Retirement benefits	419,412	255,238

18. GENERAL

18.1 This condensed interim financial information were authorized for issue on 26 April 2011 by the Board of Directors of the Company.

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



Tabish Gauhar
Chief Executive Officer



Naveed Ismail
Director