

Financial Statements

for the period **January - March**

2012



**KARACHI ELECTRIC
SUPPLY COMPANY**



Use your power to conserve energy. Together we can strive to make a difference leading towards Brighter Karachi, Glorious Pakistan.

COMPANY INFORMATION

BOARD OF DIRECTORS (BOD)

CHAIRMAN

Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER

Tabish Gauhar

DIRECTORS

Imtiaz Kazi

Muhammad Zargham Eshaq Khan

Naveed Alauddin

Shan A. Ashary

Mubasher H. Sheikh

Syed Arshad Masood Zahidi

Muhammad Tayyab Tareen

Naveed Ismail

Syed Nayyer Hussain

Omar Khan Lodhi

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Syed Moonis Abdullah Alvi

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

National Bank of Pakistan

Sindh Bank Limited

Standard Chartered Bank (Pakistan) Limited

Summit Bank Limited

United Bank Limited

LEGAL ADVISER

Abid S. Zuberi & Co.

SHARE REGISTRAR

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

REGISTERED OFFICE

KESC House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi

AUDITORS

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

BRIEF REVIEW

I am pleased to present the Condensed Interim Financial Information of the Company for the period ended 31 March 2012 on behalf of the Board of Directors. Key operational and financial results are listed below:

	Jan-Mar 2012	Jan-Mar 2011
	(UNITS - GWh)	
OPERATIONAL		
Units generated (net of auxiliary)	1,210	1,258
Units purchased	1,740	1,792
Total units available for distribution	2,950	3,050
Units billed	2,149	2,133
Transmission & Distribution Losses %	27.2%	30.1%
	(PKR - MILLIONS)	
FINANCIAL		
Revenue	32,871	29,323
Cost of fuel & power purchase	(29,033)	(27,072)
O&M Expenses	(3,524)	(3,140)
Provision for doubtful debts	(768)	(554)
Other income/ charges	1,411	1,559
Depreciation & Amortization	(2,045)	(2,068)
Financial Charges	(1,218)	(795)
Taxation – net	185	445
Loss for the period	(2,121)	(2,302)
Loss per share	(PKR) (0.08)	(0.10)
Earnings before Interest ,Tax , Depreciation and Amortization (EBITDA)	957	116

FINANCIAL REVIEW

A sizeable reduction of 2.9% in Transmission & Distribution (T&D) losses was achieved during the quarter under review in a very challenging business environment. As a result, Year to Date (YTD) T&D losses stood at 29.6% as compared to 31.2% during the corresponding period last year, showing a reduction of 1.6%. The overall recovery ratio significantly improved by 4.9% over the corresponding quarter last year and stood at 92.9%. The management is continuing to work towards further reduction of T&D losses and improved recovery ratio in a sustainable manner, due to critical importance of T&D loss reduction and cash collection for overall turnaround of the Company.

Total revenue of the Company, for the quarter, increased by 12% which was attributed to reduction in T&D losses and increase in tariff owing to rising cost of generation and power purchase. Due to fuel price escalation, the overall cost of fuel and power purchase increased by 7.24%. Despite external constraints and increase in cost of fuel and power purchases, economic generation through efficient power plants and reduction in T&D losses translated into a positive Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA) of PKR 957 million for the quarter showing a significant improvement over PKR 116 million in corresponding quarter last year. YTD EBITDA stood at PKR 5,024 million significantly improved from PKR 2,733 million achieved during same period last year. The net loss for the nine months period reduced to PKR 4,957 million from PKR 5,417 million for the corresponding period last year, whereas loss for the Jan-Mar 12 quarter reduced to PKR 2,121 million from PKR 2,302 million in Jan-Mar 11 quarter.

ACTIVITIES UNDER REVIEW

GENERATION EXPANSION & REHABILITATION

BQPS II - 560 MW CCPP

The 560 MW Bin Qasim Combined Cycle Power Plant Project has achieved cumulative progress of 97%. During the quarter under review, the three Gas Turbines each of 116 MW have been successfully commissioned and their Provisional Taking Over Certificate is signed. These three GTs have been handed-over to KESC on 4TH April 2012. Other major milestones achieved include, HRSG 1, 2 & 3 Commissioning.

The Steam Turbine Synchronization commissioning and testing is being carried out in April 2012 which would INSHA ALLAH lead to the completion of the project in the last quarter of the current Financial Year.

BRIEF REVIEW

TRANSMISSION NETWORK

Transmission Package for new grids: Technical evaluation has been completed. Financing and further options to find out the best economical solution is in progress.

DISTRIBUTION

In addition to reduction in T&D Losses mentioned above, the overall recovery ratio during the quarter under review significantly improved and the amount recovered from consumers increased by 14.2% over the same quarter last year and stood at Rs. 21.3 billion.

Despite these improvements, KESC continues to be a net loss making company. This is a result of 11 High Loss making Distribution business centers (out of a total of 28) which have 50% T&D Losses on average and approximately 80% cash recovery on billing. These high loss centers are Baldia, Orangi (1 & 2), Lyari, Liaquatabad, Nazimabad, Surjani, Korangi, Landhi, Malir and Gadap, which are dominated by low socio-economic areas and/or unstable law and order situation.

Capital intensive options are being explored, including Aerial Bundle Cable (ABC) and High Voltage Distribution System (HVDS), etc in these high loss areas. In order to further improve the quality of service, efficiency and deliver better value to customers in these areas, KESC is planning to make alliances with local business groups / entities that have a greater level of familiarity, knowledge, penetration and experience in conducting business in these localities. Such a strategic alliance would be established through a Distribution Franchise arrangement between KESC and the strategic partner under a loss reduction and improvement sharing model. This has been the experience in urban centers in other countries with similar environments. The reduction in energy losses in these high loss areas provides a win-win financial proposition for Consumers, KESC and the Distribution Franchisee. Consumers will also benefit through reduced load shedding (as losses reduce) and improved service.

KESC continues to invest in the expansion and augmentation of its Distribution system. The Company has installed 15 new High Tension (11 KV) Distribution transformers during the quarter under review, bringing the total numbers to 15,388 and enhancing the High Tension Distribution capacity to 4954 MVA. Overhead cables have increased to 2,636 kilometers, while 11KV underground cables have increased to 5,335 kilometers. Similarly, Low Tension (400 V) overhead and underground cables stood at 10,805 km and 1,202 km respectively.

HUMAN RESOURCES

Annual Performance Appraisal (APA) 2011

The performance-based philosophy for our employees was delivered to the organization in its entirety as the management successfully concluded the process of Annual Performance Appraisal (APA) for management & non-management staff. A total of 308 management employees and 300 non-management employees were promoted.

MARKETING & COMMUNICATIONS

The first quarter 2012 saw the launch and successful completion of various strategic initiatives. AZM Turnaround Conference 2012 was organized in which over 200 senior management representatives across the organization joined hands to evolve a common vision/mission, values, strategic objectives, initiatives and the way forward for the Company. This has laid the foundation for an organization-wide roll out for the AZM program. During the quarter, customer-centric campaigns were launched i.e. Easy, Online and Mobile Payments in partnership with Easy Paisa, Omni Shops and 12 leading banks of the country. KESC Corporate Documentary was completed and released which showcased important initiatives and milestones achieved by KESC since its privatization.

Internal and external stakeholders were kept abreast with the latest initiatives and developments within the organization through print and electronic publications, the official website, intranet and broadcasting of several tactical messages.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Business Excellence Award 2012 was presented to KESC at the first CSR Business Excellence Awards 2012 ceremony. Under the Youth Platform, Corporate Social Responsibility (CSR) constantly engaged students from privileged and under privileged schools and universities for technical visits / trainings to its facilities, to help students get a flavor of the working environment at KESC. This was done with NED University and TCF (NGO) School students for Bin Qasim Power Station and Combine Cycle Power Plant. The AZM Scholarship program was launched for children of KESC workers. The selected children would receive vocational training at Amantech.

BRIEF REVIEW

STRATEGY AND BUSINESS DEVELOPMENT

In line with Company's vision to provide affordable, reliable and uninterrupted power supply to the citizens of Karachi, KESC initiatives include development of Landhi Biogas Project through partnership with local and foreign entities and the initiative to convert 420 MW of its BQPS-I facility from FO to coal. Whereas Initial assessment of the KESC unbundling is in process aiming to develop a road map for creation of independent legal entities - Generation (GENCO), Transmission (TRANSCO) and Distribution (DISCO(s)).

SPONSORS' SUPPORT

During the review period, the Company after obtaining all regulatory approvals and completing the requisite corporate actions announced book closure for its fifth (9.20 percent) right issue on 3 April 2012. The structure of the said right issue is as follows:-

	US\$ (Millions)	PKR (Millions)	%age
KESP	58.74	5,345.50	72.70%
GOP	20.73	1,886.34	25.66%
Minority	1.32	120.67	1.64%
Total	80.79	7,352.51	100.00%

The closing date of the transaction is 5 June 2012. Advance subscription by KESP to its portion of the said right issue amounting to US\$ 61 million has been received well ahead of statutory time limit of 21 May 2012 (final tranche of US\$ 1 million received on 12 April 2012) which exhibits support and commitment of the sponsors to transform the Company into a world class private utility. With the current US\$ 61 million subscription, KESP has fully honored its commitment to make an equity injection of US\$ 361 million in a three (3) year period pursuant to Amendment Agreement (AA) with GOP signed on 13 April 2009. GOP is the second largest shareholder of the Company and has undertaken to fully subscribe to its 25.66 percent portion of the right issue amounting to PKR 1,886.34 million.

FUTURE PROSPECTS

With the support of the principal shareholders and strategic capital investment of USD 361 million in a three (3) year period and with GOP's proportionate investment in the additional equity and as result of management's focused approach and concerted efforts, the Company has achieved all round expansion and improvement in core activity areas and in key indicators. Addition of around 1,000 MW of new generation capacity by the end of current financial year and substantial augmentation and improvement of the Transmission and Distribution network and Customer Service infrastructure which is driven by and in line with a Strategic Business Plan that is well on track on most work streams, notwithstanding fuel supply and circular debt issues that reflect the Government's failure to fulfill its commitments. With the main focus now on distribution, billing, recovery and loss reduction, and through the process driven change involving greater accountability and rolling out of Integrated Business Centre (IBC) model, the management is fully committed to achieve sustained reduction in T&D losses as Company's turnaround is contingent to the said improvement. Distribution Franchise arrangement is also under consideration aiming to achieve a quicker turnaround

However, fundamental issues which include timely tariff determination and other regulatory issues which directly impact the cost of doing business and commercial viability of the Company, recovery/adjustment of dues of GoP and GoP-related entities, and availability of gas as per the ECC approved allocation, will require the active support of the Federal and Provincial governments. Sponsors have fully honored their commitment under Amendment Agreement to Implementation Agreement (AA) and completed equity investment of USD 361 Million whereas GoP assured ECC approved supply of 276 MMCFD gas for KESC existing power plants and another 130 MMCFD for the upcoming 560 MW power plant, has in fact never been honored in letter and spirit. As a result KESC is suffering on account of insufficient gas supply which has caused heavy reliance on over 3.50 times more expensive furnace oil that resulting in sharp rise in determined tariff and eventually on circular debt. We are pursuing the Government support for our approved allocation of gas because we believe that less gas supply has a direct impact on load shedding and generation cost that in turn increases burden on consumers and working capital 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.

Karachi,
26 April 2012



Tabish Gauhar
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET

AS AT 31 MARCH 2012

	Note	31 March 2012 (Unaudited) (Rupees in '000)	30 June 2011 (Audited)
ASSETS			
Property, plant and equipment	4	168,546,493	167,491,103
Intangible asset		23,868	22,927
		168,570,361	167,514,030
Long-term loans		45,506	61,360
Long-term deposits and prepayments		18,501	18,436
		168,634,368	167,593,826
CURRENT ASSETS			
Amount due from the Government		317,750	634,750
Stores and spares		5,625,312	6,140,246
Trade debts	5	42,814,024	39,356,297
Loans and advances		480,395	463,238
Trade deposits and prepayments		5,574,994	2,999,092
Other receivables	6	32,776,379	17,860,046
Derivative financial assets		1,300,387	36,534
Cash and bank balances		1,668,574	1,268,670
		90,557,815	68,758,873
TOTAL ASSETS		259,192,183	236,352,699
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	7	85,698,288	80,335,490
Reserves			
Capital reserves		509,172	509,172
Revenue reserves		5,372,356	5,372,356
Accumulated losses		(90,173,661)	(87,332,960)
Other reserve		(1,439,548)	(1,333,346)
		(85,731,681)	(82,784,778)
Total equity		(33,393)	(2,449,288)
ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES	8	5,350,700	-
		5,317,307	(2,449,288)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		26,837,070	28,952,905
		32,154,377	26,503,617
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	9	42,412,205	47,157,037
Long-term deposits		4,607,178	4,332,650
Deferred liabilities		4,652,149	5,605,790
Deferred revenue		16,094,890	16,144,963
Specific grant from the Government		-	348,606
Deferred tax liability		14,450,729	15,590,025
		82,217,151	89,179,071
CURRENT LIABILITIES			
Current maturity of non- current liabilities		13,652,032	10,495,678
Trade and other payables	10	95,934,886	75,299,452
Accrued mark-up		5,117,277	5,009,065
Short-term borrowings		20,831,147	21,374,141
Short-term deposits		8,598,263	8,215,674
Provisions		9,978	9,978
Taxation- net		677,072	266,023
		144,820,655	120,670,011
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		259,192,183	236,352,699

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


Tabish Gauhar
 Chief Executive Officer


Tayyab Tareen
 Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012 (UN-AUDITED)

	Note	Nine months period ended		Three months period ended	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011
----- (Rupees in '000) -----					
REVENUE					
Sale of energy – net		63,003,768	59,958,111	17,928,773	17,345,913
Tariff adjustment		42,833,254	30,467,345	14,888,332	11,923,550
Rental of meters and equipment		162,277	159,868	54,401	53,551
		<u>105,999,299</u>	<u>90,585,324</u>	<u>32,871,506</u>	<u>29,323,014</u>
EXPENDITURE					
Purchase of electricity	12	(54,111,344)	(46,402,557)	(18,803,704)	(17,609,290)
Consumption of fuel and oil	13	(37,402,855)	(32,776,326)	(10,228,894)	(9,462,786)
		<u>(91,514,199)</u>	<u>(79,178,883)</u>	<u>(29,032,598)</u>	<u>(27,072,076)</u>
Expenses incurred in generation, transmission and distribution		(10,557,616)	(10,877,151)	(3,607,004)	(3,407,865)
		<u>3,927,484</u>	<u>529,290</u>	<u>231,904</u>	<u>(1,156,927)</u>
GROSS PROFIT / (LOSS)					
Consumers services and administrative expenses		(8,429,124)	(7,268,068)	(2,730,695)	(2,354,692)
Other operating income		3,598,883	4,111,892	1,460,294	1,785,795
Other operating expenses		(154,970)	(792,765)	(50,196)	(226,628)
		<u>(4,985,211)</u>	<u>(3,948,941)</u>	<u>(1,320,597)</u>	<u>(795,525)</u>
		<u>(1,057,727)</u>	<u>(3,419,651)</u>	<u>(1,088,693)</u>	<u>(1,952,452)</u>
Finance cost	14	(4,400,698)	(3,333,226)	(1,217,526)	(794,504)
LOSS BEFORE TAXATION		<u>(5,458,425)</u>	<u>(6,752,877)</u>	<u>(2,306,219)</u>	<u>(2,746,956)</u>
Taxation					
- Current		(637,406)	-	(180,856)	-
- Deferred		1,139,295	1,335,896	365,766	445,298
		<u>501,889</u>	<u>1,335,896</u>	<u>184,910</u>	<u>445,298</u>
NET LOSS FOR THE PERIOD		<u>(4,956,536)</u>	<u>(5,416,981)</u>	<u>(2,121,309)</u>	<u>(2,301,658)</u>
(Rupees in '000)					
Earning before Interest, Tax, Depreciation and Amortisation (EBITDA)		<u>5,023,834</u>	<u>2,732,541</u>	<u>957,463</u>	<u>115,774</u>
(Rupees)					
LOSS PER SHARE		<u>(0.19)</u>	<u>(0.23)</u>	<u>(0.08)</u>	<u>(0.10)</u>

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


Tabish Gauhar
 Chief Executive Officer


Tayyab Tareen
 Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012 (UN-AUDITED)

	Nine months period ended		Three months period ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	(Rupees in '000)			
Net loss for the period	(4,956,536)	(5,416,981)	(2,121,309)	(2,301,658)
Other comprehensive income				
Hedging reserve	(106,202)	(697,198)	(49,535)	58,568
Total comprehensive loss for the period	(5,062,738)	(6,114,179)	(2,170,844)	(2,243,090)

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


Tabish Gauhar
 Chief Executive Officer


Tayyab Tareen
 Director

CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012 (UN-AUDITED)

	Issued, Subscribed and Paid-up Capital			Capital reserves	Revenue reserve	Reserves		Other reserves	Total	Equity Total
	Ordinary shares	Redeemable Preference shares	Total			Accumulated losses	Total			
----- (Rupees in '000) -----										
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 nine months period ended 31 March 2011</i>										
Net loss for the period	-	-	-	-	-	(5,416,981)	-	(5,416,981)	(5,416,981)	(5,416,981)
<i>Other comprehensive income</i>										
Changes in fair value of cash flow hedges-net	-	-	-	-	-	-	(697,198)	(697,198)	(697,198)	(697,198)
Total comprehensive income / (loss) for the period	-	-	-	-	-	(5,416,981)	(697,198)	(6,114,179)	(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	2,480,948
<i>Transaction with owners recorded directly in equity</i>										
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	
<i>Total comprehensive income for the three months period ended 30 June 2011</i>										
Net loss for the period	-	-	-	-	-	(3,976,553)	-	(3,976,553)	(3,976,553)	(3,976,553)
<i>Other comprehensive income</i>										
Changes in fair value of cash flow hedges-net	-	-	-	-	-	-	(76,001)	(76,001)	(76,001)	(76,001)
Total comprehensive income / (loss) for the period	-	-	-	-	-	(3,976,553)	(76,001)	(4,052,554)	(4,052,554)	(4,052,554)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	392,164	-	392,164	392,164	392,164
Balance as at 30 June 2011	74,352,083	5,983,407	80,335,490	509,172	5,372,356	(87,332,960)	(1,333,346)	(82,784,778)	(2,449,288)	
<i>Total comprehensive income for the nine months period ended 31 March 2012</i>										
Net loss for the period	-	-	-	-	-	(4,956,536)	-	(4,956,536)	(4,956,536)	(4,956,536)
<i>Other comprehensive income</i>										
Changes in fair value of cash flow hedges-net	-	-	-	-	-	-	(106,202)	(106,202)	(106,202)	(106,202)
Total comprehensive income / (loss) for the period	-	-	-	-	-	(4,956,536)	(106,202)	(5,062,738)	(5,062,738)	(5,062,738)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	2,115,835	-	2,115,835	2,115,835	2,115,835
<i>Transaction with owners recorded directly in equity</i>										
Issuance of 1,543,550,599 ordinary shares @ Rs 3.5 each - net of transaction costs	5,362,798	-	5,362,798	-	-	-	-	-	-	5,362,798
Balance as at 31 March 2012	79,714,881	5,983,407	85,698,288	509,172	5,372,356	(90,173,661)	(1,439,548)	(85,731,681)	(33,393)	

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


Tabish Gauhar
 Chief Executive Officer


Tayyab Tareen
 Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012 (UN-AUDITED)

	Note	Nine months period ended	
		31 March 2012	31 March 2011
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	4,783,487	19,340,782
Advance tax		(226,357)	(19,521)
Deferred liabilities paid		(1,798,997)	(655,634)
Receipt from customers recorded as deferred revenue		453,925	571,394
Finance cost paid		(6,121,088)	(4,906,299)
Interest received on bank deposits		293,397	189,807
Net cash (used in) /generated from operating activities		(2,615,633)	14,520,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(3,509,744)	(26,276,715)
Proceeds from disposal of fixed assets		375,522	67,493
Long-term loans		15,854	14,553
Long-term deposits		(65)	(532)
Net cash used in investing activities		(3,118,433)	(26,195,201)
		(5,734,066)	(11,674,672)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscription for right shares		10,753,040	5,391,712
Repayments of long term financing		(6,988,469)	(7,874,469)
Transaction cost for capital issuance		(39,629)	(22,265)
Receipt from long term financing		2,677,494	11,587,496
Short term borrowing		(542,994)	2,602,200
Security deposit from consumers		274,528	198,999
Net cash flows from financing activities		6,133,970	11,883,673
Net increase in cash and cash equivalents		399,904	209,001
Cash and cash equivalents at beginning of the period		1,268,670	1,189,424
Cash and cash equivalents at end of the period		1,668,574	1,398,425

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


Tabish Gauhar
 Chief Executive Officer


Tayyab Tareen
 Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

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 KESC House, 39-B, Sunset Boulevard, Phase - II, DHA, Karachi. KES Power Limited (the holding company) holds 72.70 percent (30 June 2011: 72.58 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 annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2011.

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 2011.

4. PROPERTY, PLANT AND EQUIPMENT

	<i>Note</i>	31 March 2012 (Un-audited) (Rupees in '000)	30 June 2011 (Audited)
Operating fixed assets	4.1	115,403,132	117,391,574
Capital work-in-progress	4.2	53,143,361	50,099,529
		<u>168,546,493</u>	<u>167,491,103</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

4.1 Operating fixed assets

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

	Disposals		Accumulated depreciation
	Additions	Cost	
----- (Rupees in '000) -----			
Building on freehold land	80,532	-	-
Plant and machinery	192,912	-	-
Transmission and distribution network	3,742,943	111,672	104,216
Others	95,043	94,044	83,155
	<u>4,111,430</u>	<u>205,716</u>	<u>187,371</u>

- 4.2 It includes project cost of Rs. 42,640 million (30 June 2011: Rs. 38,244 million) relating to second combine cycle power plant (CCPP-II) 560 MW at Bin Qasim.

5. TRADE DEBTS	Note	31 March	30 June
		2012 (Un-audited)	2011 (Audited)
(Rupees in '000)			
Considered good			
Secured – against deposits from consumers		773,870	914,373
Unsecured	5.1	<u>42,040,154</u>	<u>38,441,924</u>
		<u>42,814,024</u>	<u>39,356,297</u>
Considered doubtful		<u>17,661,569</u>	<u>16,530,649</u>
		<u>60,475,593</u>	<u>55,886,946</u>
Provision for impairment (against debts considered doubtful)	5.2	<u>(17,661,569)</u>	<u>(16,530,649)</u>
		<u>42,814,024</u>	<u>39,356,297</u>
5.1 This includes gross receivable of Rs 24,975 million (30 June 2011: Rs 21,964 million) due from Government of Pakistan and other autonomous bodies.			
5.2 Provision for impairment (against debts considered doubtful)			
Opening Balance		16,530,649	15,086,761
Provision made during the current period / year		<u>2,147,504</u>	<u>2,239,698</u>
		<u>18,678,153</u>	<u>17,326,459</u>
Provision written off during the current period / year		<u>(1,016,584)</u>	<u>(795,810)</u>
		<u>17,661,569</u>	<u>16,530,649</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

	31 March 2012 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
6. OTHER RECEIVABLES		
Considered good		
Sales tax - net	3,803,998	4,237,301
Due from the Government in respect of:		
- Tariff adjustments and others	28,506,897	13,275,113
- Interest receivable from GoP on demand finance facilities	237,173	237,173
	28,744,070	13,512,286
Others	228,311	110,459
	32,776,379	17,860,046
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)
	-	-
	32,776,379	17,860,046

7. SHARE CAPITAL

During the current period the Company issued 1,543,550,599 ordinary shares at Rs. 3.5 each, net of transaction cost of Rs. 39.629 million. KES power Limited (the holding company) has subscribed for its share of right issue and also subscribed unsubscribed minority shares. The Government of Pakistan has also subscribed for its share in the right issue.

8. ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES

Pursuant to the announcement of right issue by the Company in its meeting held on 20 February 2012, at the rate of 9.20% at par value of Rs. 3.50 per share, the sponsor/holding company has remitted USD 59 million up to 31 March 2012, for subscription against its share in the right issue equivalent to Rs. 5,345 million.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

	31 March 2012 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
9. LONG-TERM FINANCING		
From Banking Companies and Financial Institutions – secured		
International Finance Corporation (IFC)	10,352,306	8,931,392
Syndicate term loan	5,440,000	6,400,000
Asian Development Bank (ADB)	12,510,349	11,023,386
Foreign currency term loan	1,295,770	1,564,613
Syndicated commercial facility	1,298,611	1,652,778
Syndicated structured term finance facility	8,500,000	8,500,000
Structured Islamic Term Financing - Musharka	2,550,000	3,000,000
	<u>41,947,036</u>	<u>41,072,169</u>
Current maturity shown under current liabilities	<u>(7,645,094)</u>	<u>(4,486,132)</u>
	<u>34,301,942</u>	<u>36,586,037</u>
Others - secured		
Due to the oil and gas companies	606,938	704,471
Current maturity thereof shown under current Liabilities	<u>(606,938)</u>	<u>(704,471)</u>
	-	-
Unsecured		
GoP Loan for the electrification of Hub Area	26,000	26,000
Gul Ahmed Energy Limited	-	505,075
Karachi Nuclear Power Plant	1,739,263	-
Current maturity shown under current liabilities	<u>(600,000)</u>	<u>(505,075)</u>
	1,139,263	-
Due to Government and autonomous bodies - related parties	<u>11,745,000</u>	<u>15,345,000</u>
Current maturity shown under current liabilities	<u>(4,800,000)</u>	<u>(4,800,000)</u>
	<u>6,945,000</u>	<u>10,545,000</u>
	<u>42,412,205</u>	<u>47,157,037</u>
10. TRADE AND OTHER PAYABLES		
Trade Creditors		
Power purchases	52,714,517	32,615,328
Fuel and gas	32,575,293	32,202,304
Others	4,029,495	3,952,956
	<u>89,319,305</u>	<u>68,770,588</u>
Accrued expenses	1,292,682	2,318,153
Advances / credit balances of consumers		
Energy	373,169	371,466
Others	441,839	417,571
	815,008	789,037
Other payables	4,507,891	3,421,674
	<u>95,934,886</u>	<u>75,299,452</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Except as follows contingencies aggregating to Rs. 56,965.811 million (30 June 2011: Rs. 56,965.811 million) in respect of claims by the Company and Rs. 2,971.254 million (30 June 2011: Rs. 2,971.254 million) in respect of claims against the Company as disclosed in note 32.1 to the annual financial statements of the Company for the year ended 30 June 2011, have remained unchanged.

11.1.2 In respect of the markup on overdue amount payable to a major Government owned power supplier, during the current period the Company has not accrued mark up amounting to Rs. 610 million. The total markup not accrued till 31 March 2012 amounts to Rs.3,821 million. The management considers that the debts have arisen due to the circular debt situation as explained in detail in note 32.1.2 to the annual financial statements of the Company for the year ended 30 June 2011.

11.1.3 In view of the continuing circular debt situation and non recovery from various public sector consumers, the Company has not accrued late payment surcharge/interest for the current period amounting to Rs. 3,799 million. The total interest not accrued till 31 March 2012 amounts to Rs. 7,310 million. Based on the legal opinions obtained and the circular debt situation, the management considers that the Company is not liable to pay the interest as explained in detail in note 32.1.3 to the annual financial statements of the Company for the year ended 30 June 2011.

11.2 Claims not acknowledged as debts

Claims not acknowledged as debts as disclosed in notes 32.2 and 32.3 to the annual financial statements of the Company for the year ended 30 June 2011 have remain unchanged.

	31 March 2012 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
11.3 Commitments		
Guarantees from banks	<u>7,194</u>	<u>1,839,307</u>
Contracts with respect to Transmission and Distribution projects	<u>1,023,683</u>	<u>1,127,100</u>
Outstanding Letters of Credit	<u>1,371,435</u>	<u>1,690,818</u>
Commitments for payment in respect of Combine Cycle Power Plant (220 MW)	<u>-</u>	<u>45,072</u>
Commitments for payment in respect of 560 MW Project	<u>2,668,958</u>	<u>86,474</u>
Dividend on Preference Shares	<u>989,516</u>	<u>854,516</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

	Note	31 March 2012 (Un-audited) (Rupees in '000)	31 March 2011
12. PURCHASE OF ELECTRICITY			
National Transmission and Despatch Company		38,060,192	27,128,635
Independent Power Producers (IPPs) and rental power		13,031,551	17,694,628
Karachi Nuclear Power Plant		2,956,118	1,165,170
Pakistan Steel Mills Corporation (Private) Limited		63,483	414,124
		<u>54,111,344</u>	<u>46,402,557</u>
13. CONSUMPTION OF FUEL AND OIL			
Natural gas		17,967,164	15,215,376
Furnace and other oils		19,435,691	17,560,950
		<u>37,402,855</u>	<u>32,776,326</u>
14. FINANCE COST			
Mark-up / interest on short / long term borrowings		2,437,442	2,284,747
Late payment surcharge on delayed payment to creditors		406,744	168,513
Bank service, discounting charges and others		1,556,512	879,966
		<u>4,400,698</u>	<u>3,333,226</u>
15. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(5,458,425)	(6,752,877)
Adjustments for non-cash charges and other items:			
- Depreciation and amortization		6,081,560	6,152,193
- Provision for deferred liabilities		845,356	918,797
- Provision for slow moving stores and spares		78,673	-
- Provision for debts considered doubtful		2,147,504	1,817,389
- Exchange gain on long term financing		(248,986)	(139,862)
- Gain on disposal of fixed assets		(357,177)	(32,047)
- Interest on consumer deposits		145,365	145,365
- Finance cost		2,437,443	2,284,747
- Amortization of deferred revenue		(852,604)	(812,950)
- Return on bank deposits		(293,397)	(189,807)
- Working capital changes	15.1	258,175	15,949,834
		<u>4,783,487</u>	<u>19,340,782</u>
15.1 Working capital changes (Increase) / decrease in current assets			
Stores and spares		436,261	(402,428)
Trade debts		(5,605,231)	(5,383,120)
Loans and advances		(17,157)	142,197
Trade deposits and prepayments		(2,536,273)	10,571,603
Other receivables		(14,916,333)	2,186,247
		<u>(22,638,733)</u>	<u>7,114,499</u>
Increase in current liabilities			
Trade and other payables		22,514,319	5,357,645
Short-term deposits		382,589	3,477,690
		<u>258,175</u>	<u>15,949,834</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

16. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 29.64% (31 March 2011 : 31.25%).

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 2012 (Un-audited) (Rupees in '000)	31 March 2011
Holding Company and major suppliers		
Sales	-	65,896
Purchase	92,301,254	71,489,543
Late payment charges	322,448	-
	31 March 2012 (Un-audited) (Rupees in '000)	30 June 2011 (Audited)
Amount payable included in		
- Trade and other payables	83,730,483	61,073,081
- Long term financing	11,745,000	15,947,609
- Accrued mark up	80,346	80,346
Short term loan	23,101	445,082
Provident Fund Contribution	366,150	580,560

18. GENERAL

18.1 This condensed interim financial information was authorized for issue on 26 april 2012 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


Tayyab Tareen
Director