Financial Statements

for the period July - December 2011

KARACHI ELECTRIC SUPPLY COMPANY LTD.

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

BOARD AUDIT COMMITTEE (BAC)
Omar Khan Lodhi, Chairman
Mubasher H. Sheikh, Member
Muhammad Tayyab Tareen, Member
Naveed Ismail, Member
Syed Nayyer Hussain, Member

BANKERS
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
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 half year ended 31 December 2011 on behalf of the Board of Directors. Key operational and financial results are listed below:

		Jul-Dec 2011	Jul-Dec 2010
		(UNITS - GWh)	
OPERATIONAL			
Units generated (net of auxiliary)		**3,713**	3,792
Units purchased		**3,721**	3,866
Total units available for distribution		**7,434**	7,658
Units billed		**5,157**	5,230
Transmission & Distribution Losses %		**30.6%**	31.7%
		(PKR - MILLIONS)	
FINANCIAL			
Revenue		**73,128**	61,262
Cost of fuel & power purchase		**(62,482)**	(52,107)
O&M Expenses		**(7,234)**	(7,035)
Provision for doubtful debts		**(1,380)**	(1,264)
Other income/ charges		**2,034**	2,186
Depreciation & Amortization		**(4,035)**	(4,084)
Financial Charges		**(3,183)**	(2,538)
Taxation – net		**317**	465
Loss for the period		**(2,835)**	(3,115)
Loss per share	(PKR)	**(0.13)**	(0.16)
Earnings before Interest ,Tax , Depreciation and Amortization (EBITDA)		**4,066**	3,042

KESC generation decreased by 79 GWh (2%) over the corresponding period last year mainly due to low gas pressure at KESC's higher efficiency generating stations resulting in higher Auxiliary consumption. However, as a result of better operational practices, overall fleet efficiency improved by 0.2% to 33.3%. The fleet efficiency is expected to improve significantly after commissioning of the combined cycle operation at BQPS-II.

A reduction of 1.1% in Transmission & Distribution (T&D) Losses, from 31.7% to 30.6% was achieved as compared to corresponding period of last year in a very challenging business environment. The overall recovery ratio also improved by 1% over the same quarter last year and stood at 88.6% (93.3% excluding Public Sector Consumers). The management is continuing to work towards further reduction of T&D losses in a sustainable manner, due to critical importance of T&D loss reduction for overall turnaround of the Company.

Total revenue of the Company increased by 19.37% over corresponding period last year which was attributed to reduction in T&D losses and increase in tariff owing to rising cost of generation and power purchase. Due to reduction in gas supply to KESC and fuel price escalation, the overall cost of fuel and power purchase increased by 19.91%. Despite external constraints and substantial increase in cost of fuel and power purchases, improvement in efficiency and reduction in T&D losses translated into a positive Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA) of PKR 4,066 million for the review period showing a significant improvement of 33.66% over PKR 3,042 million in corresponding period last year. The net loss for the period reduced to PKR 2,835 million from PKR 3,115 million for the same period last year, whereas loss for the Oct-Dec 11 quarter substantially reduced to PKR 633 million from 1,333 million (52.5%) in Oct-Dec 10.

BRIEF REVIEW

ACTIVITIES UNDER REVIEW

GENERATION EXPANSION & REHABILITATION

560 MW BQPS –II Power Plant
Major milestones towards the commissioning of the 560 MW BQPS-II Power Plant have been achieved during the review period, the reliability test run of GT- 1, 2 & 3 were successfully completed during Oct- 11 and Individual and combined performance test of the said three (3) GTs were carried out in Nov- 11 to validate the guaranteed values of the OEM. The installed capacity of KESC fleet will increase to 2170 MW following the commissioning of the three GT's. The three single cycle turbines are in the process of taking over from the contractor and the plant is expected to be fully operational in the fourth quarter of the current financial year, having significant impact on the overall fuel efficiency. The commissioning of Steam Turbine (ST) by June 2012 will add an additional 180 MW capacity to KESC system thereby raising the installed fleet capacity up to 2350 MW, and will also improve the overall plant efficiency to 45.5%.

Rehabilitation and planned annual maintenance of existing Bin Qasim Power Station-I is in progress and will continue in the next quarter. The DCS project at BQPS-I was completed during the period under review. This project targeted replacement of old and obsolete control system of 210MW unit no. 4, with state-of-the-art Emerson–Ovation control. Furthermore, at least 30MW capacity increase is expected with the replacement of air heater elements at unit No. 6. Dependable capacity of the station is expected to increase to over 1100MW from the existing 1060MW at the end of Dec-11.

The company's initiatives and investments for safety and quality excellence on its generating facilities have yielded positive results during the review period. The Korangi CCPP was awarded ISO 9001:2008 QMS Certification, whereas it already has the OHSAS 18001:2007 certification. The Bin Qasim Power Station-I was certified with OHSAS 18001:2007, which is reflection of the improvement and accreditation for OHSE compliance as per international standards.

TRANSMISSION NETWORK

A comprehensive project to rehabilitate / expand the EHV Network has been developed, technical scrutiny of bids has been completed and financial arrangements are being worked out.

The major on-going projects include establishment of 132/11 kV Aga Khan Grid, conversion of temporary feeding arrangement to Clifton Grid with a permanent one, 220 kV Single Circuit O/H Line from LDP 3 to 4 Baldia – Mauripur Line, KTJB Rehabilitation and integration of 9 x 132 kV Hybrid Grid with LDC. Whereas the work on Mehmoodabad Grid Station will resume, once the stay-order granted by SHC is vacated.

On completion, it will help KESC cater long term transformation load requirement, enhance system reliability and will positively contribute to revenue growth of the Company. The targeted completion is set at end June 2012.

DISTRIBUTION

Year to date Transmission & Distribution (T&D) Losses as at 31 December 2011 are 30.6% compared to 31.7% a year earlier, showing a reduction in losses by 1.1%. This reduction has been achieved through process driven change involving greater accountability, and the roll out of the Integrated Business Centre (IBC) model. There are currently eight IBCs (Defence, Gulshan-e-Iqbal, North Nazimabad, Clifton, Liaquatabad, SITE, Korangi Industrial Area and Gulistan-e-Jauhar).

Distribution Losses have reduced to less than 20% in areas consuming two thirds of overall energy (16 out of 28 business centers). The other 12 business centers have high Distribution losses (in excess of 50% on average), mainly due to the socio-economic profile and significant law & order problems where various strategic approaches are being explored to address the losses.

In the past year, KESC maintained a scheduled load shed plan which was a significant departure from unannounced load management over previous years and was essentially based on the quarterly loss and collection data of each area, residential and commercial customers faced zero to 4.5 hours of scheduled load shed each day. Moreover, Industrial and Strategic Customers including hospitals and airport were completely exempted from load shedding.

In the six months under review, KESC provided 15,598 new connections equivalent to a total of 108 MW in terms of load and new connection front offices have increased from four to six to facilitate customers across the city.

HUMAN RESOURCES

Industrial Relations
The first quarter of the financial year almost witnessed the same situation where the defunct labor union continued

with its relentless/illegal activities, thereby, disrupting the operations of KESC. Despite continuous pressure from CBA and political forces, management's firm stance induced (approx) 3000 non-core workers to opt for Final Voluntary Separation Scheme (FVSS) during the past six months.

The other HR initiatives include the process of **Annual Performance Appraisal (APA)** for management & non-management staff started with great zeal which aims at identifying and acknowledging the employees' capabilities and their contribution towards the success of the organization while filtering the system for incompetent workforce, through a transparent and systematic process of Performance Review. Approximately 5,200 staff attended the training sessions where the main objective was to give the staff a head-start for the final review due in January 2012. The process of Internal Job Postings (IJPs) that started in early 2009 has been receiving wide spread participation till date which helps in identifying the internal talent for both Management/Non-Management Jobs. The management has developed and implemented an integrated training strategy **Learning & Organization Development *(Soft Skill & Technical Trainings),*** aligned with the business objectives with linkage to career development through which soft skills and technical trainings are imparted to the employees. Nearly 4,000 management/non-management employees were imparted trainings in the first half of the fiscal year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Flood relief

The Company pledged to extend support to the Government of Sind in its relief and rescue work in the worst affected areas of the province. The relief work was administered and led by members of the Sind Government and KESC collaborated with them to reach out to displaced families with food supplies, temporary accommodations and other essential items. Batches of supplies containing food hampers, mosquito nets and tents were dispatched to Tando Adam and Tando Muhammad Khan.

The other CSR initiatives of the Company include the lead sponsor of **Conference at NED University of Engineering and Technology (NEDUET),** held on 1 October 2011, aiming to abridge the communication gap between KESC and the youth of Karachi and was attended by 200 engineering students and over 50 top notch industrialists. This conference provided the Company with an opportunity to address the issues faced by the consumers and change our perception positively. KESC is involved in various drives pertaining to awareness creation about Energy Conservation, removal of clandestine connections. **Field trip to BQPS – I** and technical sessions were held engaging the students of various Engineering universities and KESC technical team briefed the students on the technicalities of the power plant, its functionalities.

STRATEGY AND BUSINESS DEVELOPMENT

In line with Company's vision to provide affordable, reliable and uninterrupted power supply to the citizens of Karachi, KESC has started investing in long term, sustainable and economical alternative options of generation keeping the environmental impact in mind. The shareholders were apprised, in Annual Report of the Company in sufficient details, of KESC initiatives which include development of Landhi Biogas Project through partnership with local and foreign entities and LNG import option which is, however, contingent on substantial GoP role 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)). All the said projects are being actively pursued.

SPONSORS' SUPPORT

During the review period, the Company after obtaining all regulatory approvals and completing the requisite corporate actions announced book closure for its fourth (7.25 percent) right issue on 29 September 2011. The transaction was closed on 16 December 2011 and the sponsors, KESP subscribed well in advance of statutory time limit and in addition to subscribing to its portion (72.58 percent) of the right issue, also subscribed the unsubscribed right shares of the minority shareholders, as has been done in the earlier three (3) right issues. The said subscription of US$ 46 million (PKR 4,016 million) has increased the equity investment of KESP in KESC to **US$ 301 million** in a very short time period of two (2) years which is unprecedented in the corporate history of Pakistan and exhibits support and commitment of sponsors to transform the Company into a world class private utility. GOP is the second largest shareholder of the Company and fully subscribed to its 25.66 percent portion of the right issue amounting to PKR 1,386 million.

Post balance sheet date, the company has announced fifth (9.20%) right issue subject to SECP approval with a cumulative value of US$ 80.80 million (PKR 7.352 billion). By subscribing approximately US$ 60 million towards the fifth right issue, KESP will complete the equity investment commitment of KESC under Amendment Agreement (AA) to the Implementation Agreement (IA) to make an equity investment of **US$ 361 million over a period of 3 years.**

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

i. - The key factors responsible for Transmission & Distribution (T&D) losses, as mentioned in note 18 to the financial statements are old and outdated distribution network and theft of electricity. With the completion of system improvement and loss reduction projects, it is expected that technical & commercial losses will be reduced to a reasonable level.

- The actions being taken by the Company for operational and infrastructure rehabilitation program with the commitment and support of the sponsors of the Company, have been fully explained in note 1.2 to the financial statements aiming at converting the Company into a profitable entity.

ii. The Company has obtained all requisite statutory approvals with regard to issue and allotment of Redeemable Preference Shares (RPS), under the provisions of Companies Ordinance 1984, and Companies Share Capital (Variation in Rights & Privileges) Rules 2000, as a part of equity. Statutory returns for allotment of RPS as equity have also been filed with and accepted by SECP. However, the impending verdict of SECP on the appropriate way of disclosure of this subject shall be complied with in letter & spirit.

iii. As explained in note 11.1.3 to the financial statements , the issue of late payment surcharge / interest on delayed payment to / from Government Entities which are part of circular debt situation, is likely to be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The contention of the Company is duly supported by legal opinions and accordingly accrual of interest has not been recorded since 1 July 2010 pending resolution of circular debt issue.

FUTURE PROSPECTS

With the support of the principal shareholders and strategic capital commitment of USD 361 million over a three (3) year period, of which USD 301 million have already been invested and the balance US$ 60 million are forthcoming 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 shift in management's main focus to 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.

It is important to note that fundamental issues, such as 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 commitment equity investment of USD 361 Million has almost been fulfilled 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 three times more expensive furnace oil that resulted in sharp rise in determined tariff and eventually on circular debt. We are pursuing the Government support for our approved quota 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.

BOARD OF DIRECTORS (BOD)

During review period, Mr. Imtiaz Kazi replaced and substituted Mr. Javed Iqbal as Secretary (W&P), Ministry of Water & Power and Mr. Naveed Alauddin was posted as Joint Secretary (CF-II), Finance Division in place of Mr. Shabbir Ahmed. Mr. Imtiaz Kazi and Mr. Naveed Alauddin were accordingly appointed as directors of the Company in place of Mr. Javed Iqbal and Mr. Shabbir Ahmed respectively. A nominee of KESP, Mr. Zulfiqar Haider Ali resigned from directorship of the Company. The Board wishes to place on record appreciation of services of the outgoing directors and welcomes the incoming directors.

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, 20 February 2012

Tabish Gauhar
Chief Executive Officer

KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi, 75530 Pakistan

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Karachi Electric Supply Company Limited** ("the Company") as at 31 December 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred as the "condensed interim financial information"). The Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended 31 December 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

We draw attention to:

i) note 18 and note 1.2 to the accompanying condensed interim financial information:

- as given in note 18 to the accompanying condensed interim financial information, transmission and distribution losses of the Company are approximately 30.63 percent (31 December 2010: 31.72 percent) of the total electricity generated and purchased during the period. The management of the Company maintains that one of the factors attributable to these losses is the alleged theft of electricity, which has directly affected the profitability of the Company. These factors, in view of the management, if controlled effectively, may enable the Company to minimize its overall losses;

KPMG Taseer Hadi & Co.

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

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

iii) note 11.1.3 to the accompanying condensed interim financial information which describes that during the period in view of the continuing circular debt situation and non recovery from various consumers in the public sector, the management considers that late payment surcharge / interest on delayed payment will ultimately be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The Company has also obtained legal opinions in this respect. Accordingly, the Company has decided to discontinue accrual of interest from 1 July 2010.

Our conclusion is not qualified in respect of above matters.

Other matters

The figures for the quarters ended 31 December 2011 and 31 December 2010 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

KPMG Taseer Hadi & Co.

Date: 20 February 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

CONDENSED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	31 December 2011 (Unaudited)	30 June 2011 (Audited)
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**168,272,061**	167,491,103
Intangible asset		**28,697**	22,927
		168,300,758	167,514,030
Long-term loans		**49,486**	61,360
Long-term deposits and prepayments		**18,501**	18,436
		168,368,745	167,593,826
CURRENT ASSETS			
Amount due from the Government		**634,750**	634,750
Stores and spares		**5,498,825**	6,140,246
Trade debts	6	**42,450,386**	39,356,297
Loans and advances		**496,158**	463,238
Trade deposits and prepayments		**5,492,501**	2,999,092
Other receivables	7	**28,405,578**	17,860,046
Derivative financial assets		**964,194**	36,534
Cash and bank balances		**717,046**	1,268,670
		84,659,438	68,758,873
TOTAL ASSETS		**253,028,183**	236,352,699
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	8	**85,698,288**	80,335,490
Reserves			
Capital reserves		**509,172**	509,172
Revenue reserves		**5,372,356**	5,372,356
Accumulated losses		**(88,731,629)**	(87,332,960)
Other reserve		**(1,390,013)**	(1,333,346)
		(84,240,114)	(82,784,778)
Total equity		**1,458,174**	(2,449,288)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		**27,516,348**	28,952,905
		28,974,522	26,503,617
LIABILITIES			
NON-CURRENT LIABILITIES			
Long - term financing	9	**45,569,910**	47,157,037
Long - term deposits		**4,519,291**	4,332,650
Deferred liabilities		**4,801,967**	5,605,790
Deferred revenue		**16,084,506**	16,144,963
Specific grant from the Government		**-**	348,606
Deferred tax Liability		**14,816,494**	15,590,025
		85,792,168	89,179,071
CURRENT LIABILITIES			
Current maturity of non- current liabilities		**12,803,463**	10,495,678
Trade and other payables	10	**89,898,447**	75,299,452
Accrued mark-up		**5,095,786**	5,009,065
Short-term borrowings		**21,253,736**	21,374,141
Short-term deposits		**8,570,058**	8,215,674
Provisions		**9,978**	9,978
Taxation-net		**630,025**	266,023
		138,261,493	120,670,011
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**253,028,183**	236,352,699

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT

FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011 (UN-AUDITED)

	Note	Six months period ended		Three months period ended	
		31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
		(Rupees in '000)			
REVENUE					
Sale of energy – net		**45,074,995**	42,612,198	**21,143,130**	19,672,421
Tariff adjustment		**27,944,922**	18,543,795	**13,888,814**	8,934,504
Rental of meters and equipment		**107,876**	106,316	**54,098**	53,295
		73,127,793	61,262,309	**35,086,042**	28,660,220
EXPENDITURE					
Purchase of electricity	12	**(35,307,640)**	(28,793,267)	**(17,480,126)**	(15,175,002)
Consumption of fuel and oil	13	**(27,173,961)**	(23,313,540)	**(12,032,719)**	(9,260,502)
		(62,481,601)	(52,106,807)	**(29,512,845)**	(24,435,504)
Expenses incurred in generation, transmission and distribution		**(6,950,612)**	(7,469,286)	**(3,608,635)**	(3,551,880)
GROSS PROFIT		**3,695,580**	1,686,216	**1,964,562**	672,836
Consumers services and administrative expenses		**(5,698,429)**	(4,913,376)	**(2,649,363)**	(2,476,326)
Other operating income	14	**2,138,589**	2,326,097	**1,385,793**	1,550,446
Other operating expenses		**(104,774)**	(140,319)	**(54,600)**	(85,291)
		(3,664,614)	(2,727,598)	**(1,318,170)**	(1,011,171)
OPERATING PROFIT/(LOSS)		**30,966**	(1,041,382)	**646,392**	(338,335)
Finance cost	15	**(3,183,172)**	(2,538,722)	**(1,483,400)**	(1,310,719)
LOSS BEFORE TAXATION		**(3,152,206)**	(3,580,104)	**(837,008)**	(1,649,054)
Taxation - Current		**(456,550)**	(425,817)	**(217,059)**	(196,419)
- Deferred		**773,530**	890,596	**421,139**	512,638
		316,980	464,779	**204,080**	316,219
NET LOSS FOR THE PERIOD		**(2,835,226)**	(3,115,325)	**(632,928)**	(1,332,835)
Earning before Interest, Tax, Depreciation and Amortisation (EBITDA)		**4,066,371**	3,042,584	**2,754,816**	1,526,012
LOSS PER SHARE		**(0.13)**	(0.16)	**(0.03)**	(0.07)

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011 (UN-AUDITED)

	Six months period ended		Three months period ended	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	(Rupees in '000)			
Net loss for the period	**(2,835,226)**	(3,115,325)	**(632,928)**	(1,332,835)
Other comprehensive income				
Hedging reserve	**(56,667)**	(755,766)	**(33,474)**	(242,929)
Total comprehensive loss for the period	**(2,891,893)**	(3,871,091)	**(666,402)**	(1,575,764)

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011 (UN-AUDITED)

	Note	Issued, Subscribed and Paid-up Capital			Reserves					Equity Total
		Ordinary shares	Redeemable Preference shares	Total	Capital reserves	Revenue reserve	Accumulated losses	Other reserves	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)
Total comprehensive income for the six month period ended 31 December 2010										
Net loss for the period		-	-	-	-	-	(3,115,325)	-	(3,115,325)	(3,115,325)
Other comprehensive income										
Changes in fair value of cash flow hedges - net		-	-	-	-	-	-	(755,766)	(755,766)	(755,766)
Total comprehensive income / (loss) for the period		-	-	-	-	-	(3,115,325)	(755,766)	(3,871,091)	(3,871,091)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax		-	-	-	-	-	1,653,968	-	1,653,968	1,653,968
Balance as at 31 December 2010		68,982,638	5,983,407	74,966,045	509,172	5,372,356	(82,273,895)	(1,315,913)	(77,708,280)	(2,742,235)
Total comprehensive income for the six month period ended 30 June 2011										
Net loss for the period		-	-	-	-	-	(6,278,209)	-	(6,278,209)	(6,278,209)
Other comprehensive income										
Changes in fair value of cash flow hedges - net		-	-	-	-	-	-	(17,433)	(17,433)	(17,433)
Total comprehensive income / (loss) for the period		-	-	-	-	-	(6,278,209)	(17,433)	(6,295,642)	(6,295,642)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax		-	-	-	-	-	1,219,144	-	1,219,144	1,219,144
Transaction with owners recorded directly in equity										
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 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)
Total comprehensive income for the six month period ended 31 December 2011										
Net loss for the period		-	-	-	-	-	(2,835,226)	-	(2,835,226)	(2,835,226)
Other comprehensive income										
Changes in fair value of cash flow hedges - net		-	-	-	-	-	-	(56,667)	(56,667)	(56,667)
Total comprehensive income / (loss) for the period		-	-	-	-	-	(2,835,226)	(56,667)	(2,891,893)	(2,891,893)
Incremental depreciation/ amortization relating to surplus on revaluation of property, plant and equipment - net of deferred tax		-	-	-	-	-	1,436,557	-	1,436,557	1,436,557
Transaction with owners recorded directly in equity										
Issuance of 1,543,550,599 ordinary shares @ Rs 3.5 each - net of transaction costs	8.1	5,362,798	-	5,362,798	-	-	-	-	-	5,362,798
Balance as at 31 December 2011		**79,714,881**	**5,983,407**	**85,698,288**	**509,172**	**5,372,356**	**(88,731,629)**	**(1,390,013)**	**(84,240,114)**	**1,458,174**

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011 (UN-AUDITED)

	Note	Six months period ended 31 December 2011	31 December 2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	4,061,809	17,137,880
Advance tax		(92,548)	(9,495)
Deferred liabilities paid		(1,405,694)	(302,461)
Receipt from customers recorded as deferred revenue		141,594	571,394
Finance cost paid		(4,241,061)	(2,966,667)
Interest received on bank deposits		161,735	92,042
Net cash (used in) / from operating activities		(1,374,165)	14,522,693
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,435,096)	(16,655,550)
Proceeds from disposal of fixed assets		10,484	53,311
Long-term loans		11,874	10,583
Long-term deposits		(65)	(190)
Net cash used in investing activities		(2,412,803)	(16,591,846)
		(3,786,968)	(2,069,153)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscription of right shares		5,402,427	-
Repayments of long term financing		(4,871,185)	(5,249,791)
Transaction cost for capital issuance		(39,629)	(1,000)
Receipt from long term financing		2,677,495	6,169,160
Short term borrowing		(120,405)	1,055,079
Security deposit from consumers		186,641	130,822
Net cash flows from financing activities		3,235,344	2,104,270
Net (decrease) / increase in cash and cash equivalents		(551,624)	35,117
Cash and cash equivalents at beginning of the period		1,268,670	1,189,424
Cash and cash equivalents at end of the period		717,046	1,224,541

The annexed notes 1 to 20 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 (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.

1.2 During the period, the Company has incurred a net loss of Rs. 2,835 million (31 December 2010: Rs. 3,115 million), resulting in accumulated losses of Rs. 88,732 million (30 June 2011: Rs. 87,333 million) as of the balance sheet date. The management of the Company is continuing with the operational and infrastructure rehabilitation program commenced after the privatization of the Company, with the objective of converting the Company into a profitable entity and has also taken financial measures to support such rehabilitation program. The program includes:

1.2.1 Generation – Expansion and Rehabilitation

a) The second combine cycle power plant (CCPP – II) having ISO capacity of 560 MW, is being set-up at Bin Qasim. The three single cycle turbines are in the process of taking over from the contractor and the plant is expected to be fully operational by the end of current financial year, having significant impact on the overall fuel efficiency and profit margin.

b) During preceding financial years, two fast track power plants each having 90 MW capacity have been commissioned at Korangi and SITE. These units are using the existing gas allocation of SITE and Korangi Gas Turbines and have almost doubled the generation with the same gas consumption due to higher efficiency, resulting in improved profit margin. In addition, during the same period, the first combine cycle power plant (CCPP-I) with ISO capacity of 220 MW became fully operational including the steam turbine, having significant impact on the overall efficiency and improved profit margin over useful life of the plant.

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

1.2.2 Transmission and Distribution Network – Expansion and Rehabilitation

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

1.2.3 Financial measures

The financial measures which the Company has embarked upon included loan agreements with foreign lenders including International Financial Corporation (IFC), Asian Development Bank (ADB) and Oesterreichische Kontrol Bank (Oekb) Austria - ECA as well as local lenders. The loans have been obtained for the purpose of capital expenditure on power generation, transmission and network improvement projects.

1.2.4 Sponsors support

The Sponsors of the Company are committed to invest in the Company for its ongoing as well as future projects and also to meet its operating shortfalls. As part of the commitment, KES Power Limited (holding company), has subscribed its share of rights issues announced on 27 May 2009, 27 October 2009, 26 August 2010 and 29 July 2011 at the rate of 31 percent, 14.5 percent, 7.8 percent and 7.25 percent respectively at par value of Rs. 3.50 per share amounting to Rs. 10,620 million, Rs.6,507 million, 4,008 million and 4,016 million respectively. Further, KES Power Limited has also subscribed the unsubscribed minority shares. The Government of Pakistan (GOP) also subscribed for its share of 25.66 percent in the rights issues.

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

2. STATEMENT OF COMPLIANCE

2.1 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 2011.

2.2 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.

2.3 This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984. The figures for the six months period ended December 31, 2011 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

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.

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

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June 2011.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2011.

	Note	31 December 2011 (Un-audited)	30 June 2011 (Audited)
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**116,062,280**	117,391,574
Capital work-in-progress	5.2	**52,209,781**	50,099,529
		168,272,061	167,491,103

5.1 Operating fixed assets

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

	Additions	Disposals / Adjustments Cost	Disposals / Adjustments Accumulated depreciation
	(Rupees in '000)		
Building on freehold land	25,265	-	-
Plant and machinery	7,752	-	-
Transmission and distribution network	2,623,834	-	-
Others	56,076	10,435	9,392
	2,712,927	10,435	9,392

5.2 It includes project cost of Rs. 41,297 million (30 June 2011: Rs. 38,244 million) relating to second combine cycle power plant (CCPP-II) 560 MW at Bin Qasim.

	Note	31 December 2011 (Un-audited)	30 June 2011 (Audited)
		(Rupees in '000)	
6. TRADE DEBTS			
Considered good			
Secured – against deposits from consumers		**906,573**	914,373
Unsecured	6.1	**41,543,813**	38,441,924
		42,450,386	39,356,297
Considered doubtful		**17,388,465**	16,530,649
		59,838,851	55,886,946
Provision for impairment (against debts considered doubtful)	6.2	**(17,388,465)**	(16,530,649)
		42,450,386	39,356,297

6.1 This includes gross receivable of Rs 24,671 million (30 June 2011: Rs 21,964 million) due from Government of Pakistan and other autonomous bodies.

	31 December 2011 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
6.2 Provision for impairment (against debts considered doubtful)		
Opening Balance	**16,530,649**	15,086,761
Provision made during the current period / year	**1,380,425**	2,239,698
	17,911,074	17,326,459
Provision written off during the current period / year	**(522,609)**	(795,810)
	17,388,465	16,530,649

7. OTHER RECEIVABLES

	31 December 2011 (Un-audited)	30 June 2011 (Audited)
Considered good		
Sales tax - net	**3,183,707**	4,237,301
Due from the Government in respect of:		
- tariff adjustments and others	**24,862,072**	13,275,113
- interest receivable from GoP on demand finance facilities	**237,173**	237,173
	25,099,245	13,512,286
Others	**122,626**	110,459
	28,405,578	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)
	-	-
	28,405,578	17,860,046

8. SHARE CAPITAL

8.1 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.

8.2 The Redeemable Preference shares (the shares) have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 02 March 2006.
- Return of allotment of shares was filed under section 73(1) of the Ordinance.
- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.

- Dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.
- The requirements of the Ordinance take precedence over the requirements of International Accounting Standards.
- The preference shareholders have the right to convert these shares into Ordinary shares.

The matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan (ICAP) as a result of which the ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Accounting Standards. Pending the decision of the SECP in this matter, the Preference share capital has been classified as equity in this condensed interim financial information.

	Note	31 December 2011 (Un-audited)	30 June 2011 (Audited)
		(Rupees in '000)	
9. LONG-TERM FINANCING			
From Banking Companies and Financial Institutions - secured			
International Finance Corporation (IFC)		**10,388,926**	8,931,392
Syndicate term loan		**5,760,000**	6,400,000
Asian Development Bank (ADB)		**12,541,038**	11,023,386
Foreign currency term loan		**1,399,541**	1,564,613
Syndicated commercial facility		**1,416,667**	1,652,778
Syndicated structured term finance facility		**8,500,000**	8,500,000
Structured Islamic Term Financing - Musharka		**2,700,000**	3,000,000
		42,706,172	41,072,169
Current maturity shown under current liabilities		**(6,596,525)**	(4,486,132)
		36,109,647	36,586,037
Others - secured			
Due to the oil and gas companies		**606,938**	704,471
Current maturity thereof shown under current Liabilities		**(606,938)**	(704,471)
		-	-
Unsecured			
GoP Loan for the electrification of Hub Area		**26,000**	26,000
Gul Ahmed Energy Limited		**-**	505,075
Karachi Nuclear Power Plant	9.1	**2,089,263**	-
Current maturity shown under current liabilities		**(800,000)**	(505,075)
		1,289,263	-
Due to the Government and autonomous bodies - related parties		**12,945,000**	15,345,000
Current maturity shown under current liabilities		**(4,800,000)**	(4,800,000)
		8,145,000	10,545,000
		45,569,910	47,157,037

9.1 During the period, the Company entered into an agreement with Karachi Nuclear Power Plant in respect of payment of outstanding balance as at 31 December 2011 amounting to Rs. 2,089.263 million excluding the monthly bill of December 2011. As per the agreement, the Company will pay two weekly installments of Rs. 100 million along with a monthly installment of Rs. 50 million in January 2012. Thereafter, the Company will pay the remaining amount in equal monthly installments of Rs. 50 million each.

9.2 Terms and conditions for the remaining financing facilities other than in note 9.1 are the same as disclosed in note 20 to the annual financial statements for the year ended 30 June 2011.

	31 December 2011 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
10. TRADE AND OTHER PAYABLES		
Trade Creditors		
Power purchases	**47,443,603**	32,615,328
Fuel and gas	**31,746,366**	32,202,304
Others	**4,157,155**	3,952,956
	83,347,124	68,770,588
Accrued expenses	**1,258,670**	2,318,153
Advances / credit balances of consumers		
Energy	**392,037**	371,466
Others	**862,697**	417,571
	1,254,734	789,037
Other payables	**4,037,919**	3,421,674
	89,898,447	75,299,452

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Except as follows, contingencies aggregating to Rs. 56,985.811 million (30 June 2011: Rs. 56,985.811 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 mark-up on the overdue amount payable to a major Government owned power supplier, the Company has reversed the mark-up accrued for the period from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million during the year ended 30 June 2010 and also has not accrued mark-up amounting to Rs. 2,259 million for the period from 1 April 2010 to 31 December 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 (including Late Payment Surcharge receivable from KW&SB, CDGK, etc.) by certain Public Sector Consumers.

11.1.3 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. Accordingly, the Company has decided to discontinue to record the accrual of interest effective from 01 July 2010 till circular debt issue is settled and the Company is supplied with the gas as committed. The amount of late payment surcharge / interest which has not been accrued effective from 1 July 2010 to 31 December 2011 amounts to Rs. 5,919 million.

The interest not accrued for the current six month period amounts to Rs. 2,409 million. The management is of the view that the reduction in gas supply, together with the delayed settlement of energy dues (including Late Payment Surcharge receivable from KW&SB, CDGK, etc.) 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.

The Company has obtained legal opinions in this respect which support the Company's position. The main arguments in the legal opinions supporting the Company's contentions are summarized below:

- the lawyer contends that they are confident that the Company will not be held liable by a competent court to the extent of amount due from KW&SB and other Government entities not received by the Company. The legal opinion effectively recognizes a right of set off based on various meetings with Government of Pakistan (GoP) and decisions taken in meetings with GoP on circular debt issue. In other words in view of involvement of the GoP, who is indirectly liable to pay the amounts due from KW&SB, etc., to the Company and entitled to receive the amount payable by the Company to SSGC (as the majority owner in SSGC), the Company would be legally entitled to the same treatment in respect of its receivables and payables.

- Another legal advisor contends that the Company's inability to charge interest / mark-up against KW&SB and other Government owned entities receivables on similar basis is unreasonable in light of interest / mark-up obligation on payables to SSGC. The lawyer also contends that the Company has good prospects of success on these grounds.

Legal opinions in this respect obtained during this period which support the Company's position have remain unchanged as disclosed above.

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 2011 have remain unchanged.

	31 December 2011 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
11.3 Commitments		
Guarantees from banks	**2,175**	1,839,307
Contracts with respect to Transmission and Distribution projects	**1,048,244**	1,127,100
Outstanding Letters of Credit	**1,543,832**	1,690,818
Commitments for payment in respect of Combine Cycle Power Plant (220 MW)	**-**	45,072
Commitments for payment in respect of 560 MW Project	**-**	86,474
Dividend on Preference Shares	**944,516**	854,516

	31 December 2011	31 December 2010
	(Un-audited)	
	(Rupees in '000)	

12. PURCHASE OF ELECTRICITY

National Transmission and Despatch Company	**24,262,532**	15,406,719
Independent Power Producers (IPPs) and rental power	**9,503,925**	11,926,427
Karachi Nuclear Power Plant	**1,493,792**	1,165,170
Pakistan Steel Mills Corporation (Private) Limited	**47,391**	294,951
	35,307,640	28,793,267

13. CONSUMPTION OF FUEL AND OIL

Natural gas	**12,499,087**	11,520,937
Furnace and other oils	**14,674,874**	11,792,603
	27,173,961	23,313,540

14. OTHER OPERATING INCOME

This includes Late Payment Surcharge of Rs. 813 million. However, in accordance with the Company's policy, upto 31 December 2011, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government/Government controlled entities amounting to Rs.2,462 million has not been recorded in this condensed interim financial information and will be accounted for on receipt basis.

15. FINANCE COST

Mark-up / interest on short / long term borrowings	**1,844,877**	1,753,880
Late payment surcharge on delayed payment to creditors	**313,859**	119,831
Bank service , discounting charges and others	**1,024,436**	665,011
	3,183,172	2,538,722

16. TAXATION

16.1 Current

Tax contingency as disclosed in note 42 to the annual financial statements for the year ended 30 June 2011 have remain unchanged.

16.2 Deferred

Deferred tax asset amounting to Rs. 31,373 million (30 June 2011: Rs. 29,878 million), has not been recognized in this condensed interim financial information as the Company is of the prudent view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary difference, unused tax losses and unused tax credits can be utilized.

At the end of the current period, the Company's tax losses amounted to Rs.111,038 million (30 June 2011: Rs. 108,972 million).

		Note	31 December 2011	31 December 2010
			(Un-audited)	
			(Rupees in '000)	
17.	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(3,152,206)**	(4,005,921)
	Adjustments for non-cash charges and other items:			
	- Depreciation and amortization		**4,035,405**	4,083,966
	- Provision for deferred liabilities		**601,871**	662,525
	- Provision for slow moving stores and spares		**39,336**	65,560
	- Provision for debts considered doubtful debt		**1,380,425**	1,264,382
	- Exchange gain on long term financing		**(158,000)**	(96,109)
	- Gain on disposal of fixed assets		**(9,441)**	(21,554)
	- Interest on consumer deposits		**96,910**	96,910
	- Finance costs		**1,844,877**	1,753,881
	- Amortization of deferred revenue		**(548,746)**	(542,034)
	- Return on bank deposits		**(161,735)**	(92,041)
	- Working capital changes	17.1	**93,113**	13,968,315
			4,061,809	17,137,880
17.1	**Working capital changes**			
	(Increase) / decrease in current assets			
	Stores and spares		**602,085**	120,706
	Trade debts		**(4,474,514)**	(2,908,454)
	Loans and advances		**(32,920)**	(60,401)
	Trade deposits and prepayments		**(2,493,409)**	8,580,419
	Other receivables		**(10,545,533)**	(15,208,130)
			(16,944,291)	(9,475,860)
	Increase in current liabilities			
	Trade and other payables		**16,683,020**	21,271,168
	Short-term deposits		**354,384**	2,173,007
			93,113	13,968,315

18. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 30.63% (31 December 2010:31.72%).

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

19. TRANSACTIONS / BALANCES WITH RELATED PARTIES

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

	31 December 2011 (Un-audited)	31 December 2010 (Un-audited)
	(Rupees in '000)	
Holding Company and major suppliers		
Sales	-	26,504
Purchase	63,563,929	49,227,367
Late payment charges	271,235	108,184

	31 December 2011 (Un-audited)	30 June 2011 (Audited)
	(Rupees in '000)	
Amount payable included in		
- Trade and other payables	78,043,541	61,073,081
- Long term financing	12,945,000	15,947,609
- Accrued mark up	80,346	80,346
Short term loan	23,254	445,082
Retirement benefits	234,943	580,560

20. GENERAL

20.1 This condensed interim financial information were authorized for issue on 20th February 2012 by the Board of Directors of the Company.

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

Tabish Gauhar
Chief Executive Officer

Naveed Ismail
Director