THE KARACHI ELECTRIC SUPPLY COMPANY LIMITED
(formerly The Karachi Electric Supply Corporation Limited)

Contents

96TH Annual Report
Accounts for the period ended 30 June 2008

CONTENTS	PAGE

Vision & Mission Statement

VISION STATEMENT

To ensure un-interrupted power supply to the valuable customers of the Metropolis signifying a productive and constructive role of KESC in socio economic activities and revival of national economy by way of sustainable industrial growth.

MISSION STATEMENT

* To Generate, Transmit and Distribute electricity for the progress & prosperity of the people of metropolis.
* To excel customer expectations with reliable, stable and affordable electric power.
* To improve the safety and quality of work place for its employees.
* To develop growth opportunities for the company, its employees, customers and stakeholders.
* To be ethical in compliance of all the applicable laws and corporate practices in letter & spirit.

CORPORATE VALUES

Our Management and Employees

* Nurturing and developing human resources.
* Developing managerial culture oriented towards empowerment of the Company's performing units.
* Provide an environment for continual improvement and innovation, open communication and team work.
* Recognize and reward achievements and contributions.

Our Shareholders

* Protect the interest of the Company's shareholders and other stakeholders.
* Be fully alive to social responsibility as a responsible corporate citizen.

Our Consumers

* According high priority to consumer satisfaction
* Maintaining high standards of quality, efficiency, reliability and safety through the use of modern technology and practices.
* Full commitment to environmental protection.
* Exceed consumers' requirement and satisfactions.
* Offer reasonable tariff.

Company Information

Board of Directors

CHAIRMAN
Mr. Abdulaziz Hamad Aljomaih

VICE CHAIRMAN
Mr. Naser Al-Marri

CHIEF EXECUTIVE OFFICER
Mr. Naveed Ismail

DIRECTORS
Mr. Shan A. Ashary
Mr. Reyadh S. Al-Edrissi
Mr. Peter Hertog
Mr. Ariful Islam
Mr. Fazal Ahmad Khan
Mr. M. Ismail Qureshi
Mr. Mubasher H. Sheikh
Mr. Imran Siddiqui
Mr. S.M. Akhtar Zaidi

CHIEF FINANCIAL OFFICER
Mr. Jalil Tarin

CHIEF LEGAL ADVISOR & COMPANY SECRETARY
Ms. Uzma Amjad Ali

BOARD AUDIT COMMITTEE (BAC)

Mr. Naser Al-Marri	...	Chairman
Mr. Shan A. Ashary	...	Member
Mr. Fazal Ahmad Khan	...	Member
Mr. Mubasher H. Sheikh	...	Member

BANKERS
Allied Bank Limited
Askari Commercial Bank Limited
Citibank N.A.
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
My Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

AUDITORS
M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants

REGISTERED OFFICE
2ND Floor, Pakistan Handicraft Building, Abdullah Haroon Road, Karachi

Notice of Meeting

Notice is hereby given that the 98TH Annual General Meeting of the Karachi Electric Supply Company Limited shall be held at Navy Welfare Centre, Liaquat Barracks, Karachi on **Saturday, 29TH November 2008** at **11:30** a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting (AGM) held on 30 October 2007.

2. To receive and adopt the Directors' Report and the Audited Financial Statements (with the Auditors' Report) for the year ended 30 June 2008.

3. To appoint Auditors in place of retiring Auditors, M/s. Ford Rhodes Sidat Hyder & Co., for the FY 2008-09 and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and approve amendment in Articles of Association of the Company and for the purpose to pass the following as Special Resolution:

   "RESOLVED THAT Article 69-A, as set out below, be and is hereby added to the Articles of Association of the Company after Article-69:-

   69-A. The meetings of the Board of Directors and Committees of Directors in emergent situations may be held through tele / video conferencing pursuant to such conditions and guidelines specified by SECP from time to time."

Any other business with the permission of the Chair.

Statement u/s 160(1)(b) is being sent to the members of the Company along with the Notice.

By order of the Board

Uzma Amjad Ali
Chief Legal Advisor & Company Secretary
Karachi Electric Supply Company Ltd.

Karachi: 6 November 2008

N.B.

(i) Transfer Books of the Company will remain closed from 22 November 2008 to 29 November 2008 (both days inclusive).

(ii) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A proxy must be a member of the Company.

(iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.

(iv) Shareholders (Non-CDC) are requested to promptly notify the Company of any change in their addresses. All the Shareholders holding their shares through the CDC are requested to please update their addresses with their Participants.

Notice of Meeting

(v) Shareholders who have not yet submitted photocopy of their Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated 26 January, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. **For attending the meeting**

(i) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. **For appointing proxies**

(i) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

(ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

(v) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

Statement U/s 160(1)(b) of Companies Ordinance 1984

The proposed amendment in Articles of Association of the Company would facilitate foreign-based Directors of the Company to attend the meetings of Board of Directors and Directors Committees through tele/video conferencing. The proposed amendment is in line with said facility approved by SECP in its Circular No.20/2005 dated 10 November 2005.

The Directors have no interest in the Special Business as above.

Directors Report to the Shareholders

The Directors of the Karachi Electric Supply Company Limited (*formerly Karachi Electric Supply Corporation Limited*) are pleased to present the 96TH Annual Report and Audited Accounts of the Company and the Auditors' Report thereon for the financial year ended 30 June 2008.

OVERVIEW

In November 2005 on transfer of 71.5% shares and management control by Government of Pakistan (GOP) to KES Power Limited, a company incorporated in the Cayman Islands, the Board of Directors of the Company was reconstituted accordingly. During the decade preceding privatization, the Company faced grave financial, technical, operational and other difficulties. Upon privatization the difficulties besetting the Company were mainly attributable to the absence of a phased and structured program for enhancement, rehabilitation, improvement and augmentation of generation and network during the preceding decade. While the demand for electrical power was increasing at a rate of up to approximately 7 - 10% annually, no material enhancement of facilities was carried out. The last addition in generating capacity of the Company was made back in 1997 when BQPS Unit-6 of 210 MW was commissioned. GOP had been giving an average annual subsidy of approximately Rs.8.5 billion to help the Company finance its operating cash shortfall which subsidy has been ceased since November 2005 resulting in a direct financial saving of equivalent corresponding amount to GOP. The demand and supply gap of electricity had continued to widen with ever increasing demand of electricity and deteriorating supply suffering from de-rating of generating capacity up to 70% of the installed capacity, was exacerbated by high technical energy losses in the transmission & distribution network.

Post-privatization, responsibility of managing the Company was distributed between Operations Management and Corporate Management. Siemens Pakistan was engaged under an Operation & Management Agreement with singular focus to develop the processes and skills necessary to optimally utilize the Company's resources for technical enhancement, improved billing processes & automation and staff development in order to achieve the main objective of O&M agreement to make the Company profitable in a period of two (2) years. Unfortunately Siemens could not deliver and O&M Agreement was terminated effective from 8 November 2007 and the matter is now subjudice. The failure on the part of O&M contractor in achieving the main objective to transform the company into a profitable entity within two(2) years is evident from the level of T&D losses which continued to be in the alarming zone of 34% to 35% and accumulated loss of the company has risen from Rs.19.631 billion as on 31 December 2005 to Rs.41.069 billion as on 31 December 2007.

The Company serves a total customer base of almost 2.157 million of which 1.6 million are residential consumers, 520,000 commercial and 37,000 industrial & agricultural consumers.

Commitment & Support of the Owners

The commitment, support and interest of the owners and GOP to transform the company into an efficient and profitable organization are evident from the below given facts:-

i. Equity injection of Rs.6 billion (USD 100 M) through Redeemable Preference Shares (RPS) by KES Power (74.1%) and GOP (25.65%) to finance equity component of cost of new power plants.

ii. The financing facilities from local & international lenders for enhancing generation capacity through setting up of new power plants, could only be managed with the sponsors support and their corporate guarantees. Financing arrangements for such a colossal sum of USD 125 M from IFC, USD 150 M from ADB and PKR 8000 M from local syndicate were simply not possible on the strength of KESC's balance sheet.

iii. In May 2007, the new owners arranged another USD 50 M to meet their obligation towards capital expenditure (primarily on network) to add to the FIP of the GOP.

iv. The GOP funded Financial Improvement Plan (FIP) has also been contributing positively towards system improvement and loss reduction.

v. Owners have further arranged USD 15 M in October 2008 to help the Company meet its working capital shortfall.

vi. Owners provided Equipment Guarantee to Aggreko International Project Limited in an amount of USD 10 M for 50 MW rental generation facility to be phased in up to March 2009 in order to partly meet the summer of 2009's power demand of the city.

The above steps clearly indicate commitment, determination and support of the owners to steer the company out of financial, operational, technical and other difficulties besetting the company and make it an efficient & profitable entity and to actively & positively contribute in socio-economic growth of city of Karachi in particular and the country in general.

Board of Directors

KESC Board of Directors comprises of professionals having local & international experience, expertise and exposure which emphasizes upon best practices and good corporate governance. BOD also includes three senior GOP nominees representing Ministry of Water & Power, Finance Division and Member Power WAPDA. The policy / major decisions are taken after in-depth discussions based on objective analysis, reports and recommendations of the Management, Board Sub-Committees and professional consultants, upholding the interest of the Company and all the stakeholders.

Business Review

Generation – Expansion & Rehabilitation

Injection of efficient and economic generation in KESC system has been an integral component of the turn around strategy pursued by the owners since privatization of the Company in disregard of its unfavorable commercial impacts in the face of high system losses and mis-match between rising cost of prime inputs and applicable tariff. The last addition in generating capacity of KESC was made back in 1997 when BQPS unit-6 of 220 MW was commissioned. A 830 MW power plant at BQPS was approved by the Board as early as June

2006, which contract unfortunately could not be finalized despite all out efforts of KESC management.

Contract for setting up 220 MW combined cycle power plant at KTPS was awarded in January 2007. Gas Turbine Units-1 & 2 have already been synchronized with the system and are undergoing various commissioning tests, whereas third and fourth GTs of identical generating capacity are likely to be commissioned by November 2008 and Steam Turbine of 26.378 MW would be operative in July 2009.

Contract for setting up new power plant phase-II BQPS extension of 560 MW combined cycle project has been awarded in June 2008. The project comprises of three (3) GTs of 128.90 MW each (ISO capacity) and one (1) Steam Turbine of approximately 185 MW and the project is likely to be commissioned in the year 2010-11.

De-rating of the existing generating capacity spanning over last couple of decades has been arrested through a systematic maintenance and rehabilitation plan as a result of which generating capacity has been enhanced by approximately 190 MW.

TRANSMISSION & DISTRIBUTION NETWORK – EXPANSION & REHABILITATION

An outdated and dilapidated transmission and distribution infrastructure was inherited by the owners and overloading of the twin networks was also responsible for high technical energy losses in the transmission & distribution system in addition to administrative losses.

Strategic Plan with implementation mechanism was prepared for rehabilitation of transmission and distribution network which has been under execution in a phased and prioritized manner. A number of critically important projects have been commissioned or are in the final stage of completion which have relatively improved network reliability and increased transmission & distribution capacity and reduced technical losses. During the year under review the following four (4) GIS grid stations were completed and commissioned:

i. 220 KV Baldia Grid Station (Extension)
ii. 132 KV West Wharf Grid Station (New)
iii. 132 KV Old Town Grid Station (New)
iv. 220 / 132 KV KDA Scheme 33 Grid Station (Extension)

Whereas nine (9) 132 KV GIS Hybrid Grid Stations are in various stages of completion and shall be commissioned in a phased manner by 17 November 2008 which would further improve network reliability and capacity of the transmission network. However, considering the degree of fragile and dilapidated T&D infrastructure inherited by the new management, the improved results in tangible form such as improvement in system stability and voltage profile, enhanced transmission capacity & flexibility, reduction in overloading of power transformers & 11KV feeders and load-shedding would be more visible in the near future.

61 KM of 132 KV underground cables have been laid and energized during the year under review, whereas another 117 KM is under execution which would further augment and improve the transmission network. Establishment of computerized system for management of generation, transmission and distribution known as SCADA had been planned and is being executed as one of the prioritized projects, fifty percent (50%) progress has been achieved and provisional taking over of the project is scheduled by 31 March 2009. The commissioning of this critically important project would significantly improve efficiency of power system control & monitoring, facilitate timely operational decisions & economic dispatch of power and would minimize outages and technical losses.

During the year under review, distribution system has been augmented & expanded through addition of 151,443 KM 11KV overhead & 334,972 KM underground lines and 889,101 KM 400V overhead & 85,790 KM underground lines and 2204 11KV distribution substations / PMTs. The 11KV distribution capacity has been increased by 127,375 MVA (3%) from 4,310,515 MVA to 4,437,890 MVA.

Financial Results

As expected losses continued in the initial years of privatization and it would be observed from the statements of accounts that after meeting all operational and administration costs, including depreciation and tariff subsidy from the GOP and before tax the accounts show a loss of:

		Rs. In Thousands
-	Loss before Taxation	(15,752,045)
-	Add: Taxation	(319,862)
		(16,071,907)
-	Brought forward losses	(34,793,268)
-	Making a total (loss) carried over to next year	(50,865,175)

It is informed that:

i. All contingent liabilities have been duly disclosed in note no.31.1. It is also clarified that after resolution of the disputes it is expected that there will be no financial impact in this regard.

ii. The key factors responsible for Transmission & Distribution (T&D) losses are old and outdated distribution network and theft of electricity. Improvement of the system is undertaken with the help of Financial Improvement Plan (FIP), financed by GOP as well as through capex budget of the Company. It is expected that after completion of network improvement, the T&D losses shall stand reduced to a reasonable level.

iii. The Company has obtained all requisite statutory approvals with regard to issuance 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. Required 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.

KESC own generation has increased by 6% during the year under review over last year. Increase in KESC generation is attributable to 11.7% increased generation at BQPS which was partly offset due to reduced generation at KTPS, SGTPS and KTGTPS due to short supply of gas, outages and de-commissioning of KTPS Unit-1. Auxiliary consumption reduced by 0.2% mainly due to closure of uneconomical KTPS unit-1.

Total KESC units sent out registered an increase of 6.2% as compared to 6% increase in units generated. Power purchase decreased by 2.7% over corresponding period last year due to short supply from WAPDA by 16.98% which was offset partly by increased purchases from other sources. Total units available for distribution increased by 2%, whereas units billed increased by 2.2%, the additional units billed were contributed through 2% increase in units available for distribution and nominal (0.1%) reduction in T&D losses over last year.

Revenue from sale of energy has gone up by 11.07% due to collective impact of 2.2% increase in sales, enhancement of average selling rate by 7.5% and 10% on account of tariff increase allowed by NEPRA from 24 February 2007 and 1 March 2008 respectively and favorable sale mix.

Increase in revenue was more than offset by phenomenal increase in fuel bill by 25.47% outbalancing 2.2% increase achieved in units billed. Availability of gas for power generation significantly decreased constituting 73% of fuel consumption ratio which was 80% during last year. Short supply of gas, as a result of increased winter demand and GOP's decision to divert maximum gas supply to northern parts of the Country, compelled the Company to use expensive furnace oil to minimize load shedding and to facilitate our valued consumers as much as possible. Consequently, fuel bill spiraled by Rs.7,284 million to Rs.35,884 million as compared to Rs.28,600 million last year which adversely impacted the bottom line of P&L account. Cost of power purchases increased by 11.91% despite 2.7% reduction in number of units purchased which is exclusively attributable to steep rise in furnace oil price registered during the period under review. Operation & Maintenance (O&M) expenses increased by 12.5% which is mainly attributable 20% salary enhancement allowed to the employees of the Company and to maintenance and operation of dilapidated Transmission & Distribution (T&D) network inherited by the new management. Loss before tax, as a result of cumulative impact of contributing factors as above, increased by 31.74% from Rs.11,957 million to Rs.15,752 million, which is mainly attributable to inflated fuel bill due to short supply of gas, partly offset by increased revenue through additional number of units generated and sold. It is pertinent to mention that cost of fuel & power purchase, depreciation, and financial charges collectively constitute approximately 84% (Rs.57,674 million) of total expenditures (Rs.68357 million) of the Company which are, by and large, beyond the control of Management.

STATUTORY PAYMENTS

Government levies outstanding as on 30 June 2008 have been disclosed in Note 26 of the financial statement.

COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

The Directors are pleased to report and the Auditors, in their Report to the Shareholders, certified that:

a. The financial statements of the Company have been prepared in conformity with the provisions of the Companies Ordinance, 1984, and present fairly its state of affairs, results of its operations, cash flows and changes in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies as stated in the notes annexed to the accounts have been consistently applied.

d. International Accounting Standards as applicable in Pakistan have been followed and any departure, there from, has been adequately disclosed.

e. The system of internal control is sound in design and effective in implementation.

f. There are no significant doubts about the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

h. Key operating and financial data of the Company for the last ten (10) years are given on page-17.

i. The Company is in the process of consolidation and restructuring to extinguish the accumulated loss and stage a turn around and has therefore not declared dividend / bonus shares. Loss per share (LPS) for the year under review is Rs1.22.

j. The details of KESC on-going projects and future prospects have been sufficiently covered in the Directors' Report.

k. The value of the investments of KESC Provident Fund is 5.39 billion as on 30.06.2008, whereas gratuity scheme of the Company is not funded and pension scheme does not exist.

l. Statement of the Board and Audit Committee's meetings held during the year is given on page-63.

m. Pattern of shareholding is placed on page-64-69.

FUTURE PROSPECTS

Mr. Naveed Ismail has assumed the position of Chief Executive Officer of the Company effective from 16 September 2008 in place of Syed Muhammad Amjad and Mr. Jalil Tarin has replaced Mr. Muhammad Asghar as Chief Financial Officer of the Company.

Mr. Naveed Ismail is a high profile professional engineer and possesses hands on experience and exposure in power sector and has a proven track record of managing companies operating under difficult circumstances and successfully turning them into efficient & profitable entities in Kazakistan, Ukraine, Georgia, Chile and Argentina. Mr. Jalil Tarin, a senior chartered accountant, who brings with him rich experience of financial management in local environment in a professional manner matching international standards.

In addition a team of professional engineers and managers representing core activity areas and possessing experience, expertise and specialized skills in relevant fields, have been brought in Generation, Transmission & Distribution, Human Resources, Supply Chain, Information Technology, Treasury, Finance & Accounts, Communication and Contract Specialists in order to implement a comprehensive strategy emphasizing an essential and positive change in both qualitative and quantitative areas of operations & management and to introduce cultural and corporate structural changes designed to introduce best practices framework and corporate governance across all areas of business operations focusing on main objectives of turning the company around. The services and experience of existing human resources of the Company will also be productively utilized in a competitive, equal-opportunity and merit-based environment.

The main focus and concentration shall continue to be on improving the core activity of the Company and bridging the prevailing gap between electricity demand and supply and also to cater for additional future demand. Concerted efforts shall be made for delivery and commissioning of new power plant phase-I of 220 MW and phase-II of 560 MW within the set time-lines in order to benefit the valued consumers of the Company, Karachi based industries and national economy at large in disregard of short term commercial interest of the Company.

The past policy of deferring generation capacity enhancement which resulted in no injection of fresh generation capacity since 1997 has been done away with, in the best national interest. The measures taken to-date have brought about an increase of approximately 190 MW in the existing generation capacity which shall further be enhanced on sustainable basis. All the options are being explored and exercised in order to meeting ever-increasing electricity demand on short, medium and long term basis. A number of power rental proposals are under negotiation and the Company has recently entered into a Power Rental Agreement with M/s. Aggreko International Project Limited for generation facilities of 50 MW which shall be phased in and commissioned by early March 2009 and shall help partly meet the summer of 2009's electricity demand.

The structured and systematic approach adopted by the Company to address each issue with the objective of improving output and services and relationship with customers shall be continued and reinforced in future.

Improving & expending network infrastructure, reducing technical & administrative losses, developing human resources capital of the Company and improving quality & standard of customer service shall continue to be among the top priority areas, to benefit all stakeholders. The concerted efforts of the management are likely to produce improved operating & financial results in future.

POST BALANCE-SHEET EVENT

Subsequent to the balance sheet date, principal shareholder of the Company, KES Power Limited (KES Power) has entered into an agreement with, a special purpose vehicle (Abraaj) managed by Abraaj Investment Management Limited pursuant to which Abraaj will, subject to fulfillment of certain conditions precedent (including regulatory and contractual approvals), subscribe for new shares in KES Power resulting in Abraaj holding 50% of the increased share capital of KES Power and having principal management control of KES Power.

AUDITORS

The present auditors, Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, have offered themselves for reappointment, which re-appointment has been recommended for the next term by the Board Audit Committee.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Naveed Ismail
Chief Executive Officer

Karachi, 30 October 2008

Statement of Compliance

Statement of Compliance with Best Practices of Good Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purposes of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:-

1. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

2. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The investment of minority shareholders in the capital of the Company is quite insignificant. The proportionate representation (merely 0.013%), of an already negligible minority interests (just 1.35%), at election of directors in AGM on 9 December 2006, was not considered effective and meaningful representation of minority interests. At present there is no independent non-executive director on the Board of Directors representing the minority shareholders. Election of Directors would be held at next AGM of the Company in 2009.

3. Although three GOP nominated directors on the Board may not technically qualify as independent directors, they certainly qualify the test prescribed in the Code and they do exercise independent business judgments.

4. Chief Executive is the only executive director of the Company out of thirteen directors.

5. The Directors of the Company have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

6. All the Resident Directors of the Company are registered as taxpayers, whereas the condition of being a Registered Tax Payer in Pakistan does not apply to foreign nationals and non-resident Pakistanis. None of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or being a member of a stock exchange or has been declared as a defaulter by that stock exchange.

7. The Directors filled up casual vacancies occurring on the Board within thirty days with the exception of a casual vacancy created due to demise of a GOP nominated director. GOP nomination for the vacant position is awaited.

8. The Company had prepared a "Statement of Ethics & Business Practices", duly approved by the Board of Directors and circulated among the employees / directors of the Company. However, in the face of changed scenario post privatization, the Company is in the process of review, update & improve "Statement of Ethics & Business Practices "which is likely to be finalized shortly".

Statement of Compliance

9. The Board has developed a Vision & Mission Statement, overall corporate strategy and significant policies of the Company. The complete record of particulars of significant policies along with the dates on which they were approved / amended, as conveyed by the Board's Secretariat, is maintained by the respective Departments / Divisions.

10. All the powers of the Board have been duly exercised and the Board has taken decision on material transactions, including appointment, determination of remuneration and terms & conditions of employment of the CEO.

11. The Board members are well aware of their duties & responsibilities. Orientation Course was arranged for the Directors to apprise them of their duties & responsibilities.

12. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for the purpose and the Board met four (4) times during the year and a meeting of Board was held in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated within thirty (30) days.

13. The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, including their remuneration and terms & conditions of employment, as recommended by the CEO under KESC Rules.

14. The Directors' Report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.

15. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

16. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

17. The Company has complied with the corporate and financial reporting requirements of the Code.

18. The Board has formed an Audit Committee, it comprises of four members. All of them are non-executive Directors including the Chairman of the Committee.

19. The meetings of the Board's Audit Committee (BAC) were held prior to approval of interim and final results of the Company and before & after completion of external audit, as required by the Code. The Audit Committee met during every quarter of FY 2007-08. The terms of reference of the Committee have been framed and the Committee was duly informed for compliance.

Statement of Compliance

20. The Board has set up an effective internal audit function for the Company, which was fully operational during the year.

21. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

22. The statutory Auditors or the persons associated with them have not been appointed to provide other services.

23. We confirm that all other material principles contained in the Code have been fully complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

Naveed Ismail
Chief Executive Officer

Karachi: 30 October 2008

ERNST & YOUNG

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of The Karachi Electric Supply Company Limited (formerly The Karachi Electric Supply Corporation Limited) to comply with the Listing Regulations No.37 (Chapter XI) of the Karachi Stock Exchange, Clause 45 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange and Section 45 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2008.

Karachi - 30 October, 2008

Chartered Accountants.

Income and Where it Went

	July-June 2007-08		July-June 2006-07	
	(Rupees in thousand)	%	Amount	%
Our Income was:				
From sale of energy	49,606,492	95	44,661,644	95.87
From other sources	3,000,264	5	1,924,545	4.13
	52,606,756	100	46,586,189	100.00
we paid out and provide:				
Fuel:				
Gas	17,296,974	33	19,023,755	40.84
Oil	18,587,461	36	9,575,762	20.55
Power purchased	32,860,895	63	29,363,943	63.03
Total Fuel and Power purchased	68,745,330	131	57,963,460	124.42
Tariff adjustment on account of increase in fuel prices and cost of power purchased	(17,282,969)	(33)	(14,447,409)	(31.01)
	51,462,361	98	43,516,051	93.41
Expenses for other generation expenses	1,010,217	2	1,035,856	2.22
Transmission and Distribution expenses	4,858,285	9	4,173,756	8.96
Consumer services and Billing expenses	1,815,863	3	1,363,307	2.93
Admin. and General expenses	1,829,877	3	1,885,752	4.05
Prov. for doubtful debts	1,170,989	2	1,881,461	4.04
Other charges	828,538	2	205,754	0.44
Depreciation	3,507,780	7	3,329,498	7.15
Financial charges	1,874,891	4	1,152,137	2.47
Subsidies from GOP			-	-
Surplus / (Deficit)	(15,752,045)	(30)	(11,957,383)	(25.67)
	52,606,756	100	46,586,189	100.00

Historical Highlights

Description		1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-07	2007-08
Units Generated	MILL KWH	7,318	6,613	7,745	7,989	8,709	8,908	9,274	9,304	9,130	8,169	8,662
Units Purchased	MILL KWH	3,030	4,007	3,701	3,688	3,406	3,809	3,664	4,289	5,370	6,708	6,527
Units Sold	MILL KWH	6,385	6,131	6,430	6,924	6,717	7,041	7,919	8,505	9,060	9,367	9,569
Revenue from Sale of Energy	RS. MILL	20,726	23,285	23,035	28,118	29,841	32,279	36,543	38,415	41,922	44,662	49,606
Other Sources	RS. MILL	540	630	1,155	886	1,206	1,299	1,313	1,401	2,439	1,929	3,000
Total Revenue	RS. MILL	21,266	23,915	24,190	29,004	31,047	33,578	37,856	39,816	44,361	46,591	52,606
Expenses:												
Cost Fuel	RS. MILL	10,777	9,312	12,202	17,717	19,272	21,051	20,787	23,085	29,217	28,599	35,884
Cost of Power Purchased	RS. MILL	7,740	11,401	13,916	13,780	13,191	15,582	14,925	17,707	23,991	29,364	32,861
Total Fuel+Purchased	RS. MILL	18,517	20,713	26,118	31,497	32,463	36,633	35,712	40,792	53,208	57,963	68,745
Less: Tariff adjustment due to incease in fuel prices and cost of Power Purchased	RS. MILL	-	-	-	-	-	-	-	(1,491)	(9,482)	(14,447)	(17,283)
Net Fuel & Power Purchased	RS. MILL	18,517	20,713	26,118	31,497	32,463	36,633	35,712	39,301	43,726	43,516	51,462
O&M Expenses	RS. MILL	2,402	3,220	3,227	3,220	3,629	3,536	3,835	4,710	7,851	8,460	9,513
Depriciation	RS. MILL	2,267	2,860	2,969	2,919	2,829	3,157	3,160	3,345	3,413	3,329	3,508
Financial Charges	RS. MILL	3,162	3,042	5,481	5,725	7,750	1,985	910	138	379	1,316	1,875
Provision for doubtful debts	RS. MILL	1,698	1,213	1,094	1,729	1,071	2,008	2,249	2,308	3,329	1,881	1,171
Other Charges	RS. MILL	77	231	88	115	867	153	289	390	293	46	829
Total Expenses	RS. MILL	28,123	31,279	38,977	45,205	48,609	47,472	46,155	50,192	58,991	58,548	68,358
Net Loss	RS. MILL	(6,857)	(7,364)	(14,787)	(16,201)	(17,562)	(13,894)	(8,299)	(10,376)	(14,630)	(11,957)	(15,752)
Recoveries/Receivable from Govt. of Pak. Under the terms of implementation agreement	RS. MILL	-	-	-	-	-	-	-	-	7,576	-	-
Other Subsidy from GoP	RS. MILL	-	-	-	-	-	5,751	9,572	10,896	-	-	-
(Loss)/profit before taxation	RS. MILL	(6,857)	(7,364)	(14,787)	(16,201)	(17,562)	(8,143)	1,273	520	(7,054)	(11,957)	(15,752)
Taxation: Current	RS. MILL	(1,177)	(119)	(130)	(152)	(154)	(168)	(187)	(199)	(212)	(219)	(320)
Prior	RS. MILL	-	-	-	-	-	-	-	-	75	-	-
Net Tax	RS. MILL	(1,177)	(119)	(130)	(152)	(154)	(168)	(187)	(199)	(137)	(219)	(320)
(Loss)/Profit after Taxation	RS. MILL	**(8,034)**	**(7,483)**	**(14,917)**	**(16,353)**	**(17,716)**	**(8,311)**	**1,086**	**321**	**(7,191)**	**(12,176)**	**(16,072)**

Operating Results of Generating Stations

Description		July-June 2007-08	July-June 2006-07
Installed Capacity	MW	**1,739**	**1,756**
Actual Capability	MW	**1,525**	**1,478**
Firm Capacity	MW	**1,525**	**1,478**
Maximum Demand	MW	**2,443**	**2,354**
Units Generated	MWH	**8,662,526**	**8,168,832**
Auxiliary Consumption	MWH	**664,779**	**638,361**
	%	**7.7%**	**7.8%**
Units Sent out	MWH	**7,997,747**	**7,530,471**
Total Power Purchased	MWH	**6,526,528**	**6,707,870**
Total Units Available	MWH	**14,524,275**	**14,238,341**
Units Billed	MWH	**10,052,092**	**9,367,391**
Units Adjusted	MWH	**(483,436)**	**-**
Total Units Billed	MWH	**9,568,656**	**9,367,391**
T & D Losses	MWH	**4,955,619**	**4,870,950**
	%	**34.1%**	**34.2%**

Transmission and Distribution System

Description	Length	As on June 30, 2007	Addition during 2007-08	As on Jun 30, 2008
Transmission System				
220 Kv Overhead	Circuit Km	312.38	0.00	312.38
220 Kv Underground	Circuit Km	14.40	1.70	16.10
132 Kv Overhead	Circuit Km	592.40	17.28	609.68
132 Kv Underground	Circuit Km	72.93	22.87	95.80
66 Kv Overhead	Circuit Km	164.00	-14.60	149.40
66 Kv Underground	Circuit Km	3.14	0.00	3.14
220/132/66/11 Kv Grid Stations	Nos.	53	-1	52
Transmission Capacity in MVA				
Auto Transformers :				
220 / 132 Kv	MVA	2,750	250	3,000
132 / 66 Kv	MVA	215	(115)	100
	Total	**2,965**	**135**	**3,100**
Grid Power Transformers :				
132 / 11 Kv	MVA	3,594	279	3,873
66 / 11 Kv	MVA	193	(133)	60
	Total	**3,787**	**147**	**3,933**
Distribution System				
11 KV Overhead	Circuit Km	2,237.557		2,237.557
11 KV Underground	Circuit Km	4,308.428		4,308.428
400 V Overhead	Circuit Km	9,645.869		9,645.869
400 V Underground	Circuit Km	1,075.321		1,075.321
11 KV Distribution S/S/PMTs	Nos.	11,034		11,034
11 KV Distribution capacity	MVA	4,310.515		4,310.515
Street Lights		243,329	-	243,329

Load Frequency

Description		2006-07		2007-08
1) System evening peak demand	MW	2,354	89	2,443
2) Day peak demand	MW	2,335	58	2,393
3) Base demand (Night)	MW	1,029	(46)	983
4) System Load Factor	%	0.00%	67.88%	67.88%

Auditors' Report to the Members

ERNST & YOUNG

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We have audited the annexed balance sheet of **THE KARACHI ELECTRIC SUPPLY COMPANY LIMITED (formerly The Karachi Electric Supply Corporation Limited)** as at **30 June 2008** and the related profit and loss account, the cash flow statement and the statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of Company's business; and

  (iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, the cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to the following matters:

(i) the ultimate outcome of contingencies, arising from various matters discussed in note 31.1 to the accompanying financial statements, cannot presently be determined and, hence, pending the resolution thereof, no provision for any liability that may arise therefrom has been made in the accompanying financial statements;

(ii) as referred to in note 45.1 to the accompanying financial statements, transmission and distribution losses are approximately 34.12% (2007: 34.23%) of the total electricity generated during the year. The management of the Company maintains that one of the factors attributable to these losses is the alleged theft of electricity, which has directly affected the profitability of the Company. These factors, in view of the management, if controlled effectively, may enable the Company to minimize its overall losses. The amount of theft, however, remains indeterminate; and

(iii) as disclosed in note 18.9 to the accompanying financial statements, 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.

Fored Rhodes Sidat Hyder & Co.
Chartered Accountants

Karachi, 30 October 2008

THE KARACHI ELECTRIC SUPPLY COMPANY LIMITED
(formerly The Karachi Electric Supply Corporation Limited)

BALANCE SHEET AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		----------Rupees in '000----------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**63,905,168**	50,769,714
Intangible	5	**32,007**	-
		63,937,175	50,769,714
Long-term loans	6	**100,006**	113,981
Long-term deposits	7	**20,527**	18,700
Due from the Government	8	**793,438**	1,110,813
		64,851,146	52,013,208
CURRENT ASSETS			
Current portion of amount due from the Government		**317,375**	317,375
Stores and spares	9	**4,730,278**	4,668,113
Trade debts	10	**12,415,794**	8,640,510
Loans and advances	11	**407,154**	293,518
Trade deposits and prepayments	12	**26,996**	28,270
Accrued interest on bank deposits		**-**	6,868
Other receivables	13	**7,286,993**	6,529,655
Derivative financial assets	14	**407,604**	-
Taxation – net	15	**197,930**	278,486
Short-term investment	16	**100,259**	607,717
Cash and bank balances	17	**2,334,148**	3,937,319
		28,224,531	25,307,831
TOTAL ASSETS		**93,075,677**	77,321,039
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	18	**52,068,169**	50,594,063
Reserves			
Capital reserves	19	**509,172**	509,172
Revenue reserve	20	**5,372,356**	5,372,356
Accumulated losses		**(50,865,175)**	(34,793,268)
		(44,983,647)	(28,911,740)
Unrealised loss on cross currency swap		**(165,058)**	-
		6,919,464	21,682,323
ADVANCE AGAINST REDEEMABLE PREFERENCE SHARE CAPITAL		**-**	1,478,193
NON-CURRENT LIABILITIES			
Long-term financing	21	**8,814,029**	1,136,813
Long-term deposits	22	**3,659,380**	3,353,849
Deferred liabilities	23	**4,645,056**	4,389,582
Deferred revenue	24	**11,790,530**	6,979,190
Specific grant from the Government of Pakistan	25	**4,036,441**	4,702,421
		32,945,436	20,561,855
CURRENT LIABILITIES			
Trade and other payables	26	**38,507,051**	22,098,686
Accrued mark-up	27	**1,112,879**	917,581
Short-term borrowings	28	**10,230,723**	7,596,128
Short-term deposits	29	**2,930,942**	2,175,989
Provisions	30	**18,432**	492,907
Current maturity of long-term financing		**410,750**	317,375
		53,210,777	33,598,668
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		**93,075,677**	77,321,039

The annexed notes 1 to 50 form an integral part of these financial statements.

Naveed Ismail	**S. Mohammad Akhtar Zaidi**
Chief Executive Officer	**Director**

THE KARACHI ELECTRIC SUPPLY COMPANY LIMITED
(formerly The Karachi Electric Supply Corporation Limited)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		-----------Rupees in '000---------	
REVENUE			
Sale of energy – net	32	**49,606,492**	44,661,644
Rental of meters and equipment		**202,022**	197,830
		49,808,514	44,859,474
EXPENDITURE			
Purchase of electricity	33	**(32,860,895)**	(29,363,943)
Consumption of fuel and oil	34	**(35,884,435)**	(28,599,517)
		(68,745,330)	(57,963,460)
Tariff adjustment on account of increase in fuel prices and cost of power purchase		**17,282,969**	14,447,409
		(51,462,361)	(43,516,051)
Expenses incurred in generation, transmission & distribution	35	**(9,233,683)**	(8,444,599)
Consumers services and administrative expenses	36	**(4,959,328)**	(5,225,031)
		(14,193,011)	(13,669,630)
Other operating income	37	**2,798,242**	1,726,715
Other operating expenses	38	**(828,538)**	(205,754)
		1,969,704	1,520,961
		(12,223,307)	(12,148,669)
OPERATING LOSS		**(13,877,154)**	(10,805,246)
Finance costs	39	**(1,874,891)**	(1,152,137)
LOSS BEFORE TAXATION		**(15,752,045)**	(11,957,383)
Taxation	40	**(319,862)**	(218,595)
NET LOSS FOR THE YEAR		**(16,071,907)**	(12,175,978)
LOSS PER SHARE	41	**Rs. (1.22)**	Re. (0.92)

The annexed notes 1 to 50 form an integral part of these financial statements.

Naveed Ismail
Chief Executive Officer

S. Mohammad Akhtar Zaidi
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		---------- Rupees in '000 ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized / generated from operations	42	433,504	1,020,847
Payment to worker's profit participation fund		-	(100)
Payment in respect of fatal accident		(65,307)	(1,261)
Deferred liabilities paid		(321,533)	(167,692)
Income tax paid		(239,306)	(299,811)
Receipts in deferred revenue		1,039,425	1,541,715
Interest on consumer deposits paid		(73,584)	(69,764)
Interest on short-term borrowings paid		(941,823)	(514,779)
Interest received on bank deposits		57,594	63,542
Net cash generated from operating activities		(111,030)	1,572,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(16,655,761)	(12,010,094)
Proceeds from disposal of fixed assets		77,816	55,353
Due from the GoP		317,375	-
Long-term loans		13,975	6,503
Long-term deposits		(1,827)	(10,406)
Net cash used in investing activities		(16,248,422)	(11,958,644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Specific grant from the Government of Pakistan - net		4,180,394	3,034,934
Interest on FIP funds		(320,826)	(318,391)
Transaction cost incurred on Redeemable Preference shares		(4,087)	(12,505)
Receipts against Redeemable Preference share capital		-	4,523,188
Security deposits from consumers		305,531	232,496
Payments to Oil & Gas Companies		(224,000)	
Receipts from long-term financing		7,677,216	-
Murabaha financing		-	750,000
Net cash generated from financing activities		11,614,228	8,209,722
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,745,224)	(2,176,225)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(3,051,092)	(874,867)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	43	(7,796,316)	(3,051,092)

The annexed notes 1 to 50 form an integral part of these financial statements.

Naveed Ismail
Chief Executive Officer

S. Mohammad Akhtar Zaidi
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		RESERVES				
	Ordinary shares	Redeemable Preference shares	Capital reserves	Revenue reserve	Accumulated losses	Unrealised loss on Cross Currency Swap	Total
	Rupees in '000						
Balance as at June 30, 2006	46,084,762	-	509,172	5,372,356	(22,617,290)	-	29,349,000
Issuance of 1,291,944,991 Redeemable Preference shares at Rs.3.5 each – net	-	4,509,301	-	-	-	-	4,509,301
Net loss for the year	-	-	-	-	(12,175,978)	-	(12,175,978)
Balance as at June 30, 2007	46,084,762	4,509,301	509,172	5,372,356	(34,793,268)	-	21,682,323
Issuance of 422,340,723 Redeemable Preference shares at Rs.3.5 each – net	-	1,474,106	-	-	-	-	1,474,106
Unrealised loss on Cross Currency Swap	-	-	-	-	-	(165,058)	(165,058)
Net loss for the year	-	-	-	-	(16,071,907)	-	(16,071,907)
Balance as at June 30, 2008	**46,084,762**	**5,983,407**	**509,172**	**5,372,356**	**(50,865,175)**	**(165,058)**	**6,919,464**

The annexed notes 1 to 50 form an integral part of these financial statements.

Naveed Ismail
Chief Executive Officer

S. Mohammad Akhtar Zaidi
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

The Karachi Electric Supply Company Limited (the Company) was incorporated as a limited liability company on September 13, 1913 under the Indian Companies Act, 1882. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. During the current year, the Company changed its name from The Karachi Electric Supply Corporation Limited to The Karachi Electric Supply Company Limited.

The Company is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910, as amended, to its licensed areas.

The registered office of the Company is situated at 2nd Floor, Handicraft Chamber, Abdullah Haroon Road, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for the derivative financial instruments which are measured at fair value.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretations.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 - Business Combinations	January 01, 2009
IFRS 7 - Financial Instruments: Disclosures	July 01, 2008
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 12 - Service Concession Arrangements	January 01, 2009
IFRIC 13 - Customer Loyalty Programs	July 01, 2008
IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in presentation and disclosures.

3.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 23 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

Derivatives

The Company has entered into a Cross Currency Swap and various Options arrangements. The calculation involves the use estimates with regard to interest rate which fluctuates with the market forces.

3.4 Property, plant and equipment

(i) Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any, except for leasehold and freehold land which are stated at cost.

Cost in relation to plant and machinery, grid stations, overhead mains and transformers signify historical costs. Stores and spares, which form part of the contract under which the project was undertaken, are also capitalized with plant and machinery.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is charged to profit and loss account, applying the straight line method whereby costs of assets, less their residual values, is written off over their estimated useful lives at rates disclosed in note 4.1.

Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal, even if during that period the asset is idle. In case of extension and addition in existing units, depreciation is provided from the date of actual commissioning and in respect of material replacements and modernization, from the date of capitalization. Cost of subsequent acquisition of stores and spares under specific agreement for specific project are depreciated over the remaining economic useful life of such plant and machinery.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the asset is derecognized.

Normal repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

(ii) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

3.5 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognized as intangible assets. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion respectively.

Intangible assets with finite lives are amortized on a straight line basis over their economic useful lives as specified in note 5.2.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.6 Borrowing costs

Borrowing costs are recognised in profit and loss account in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised, during the period of time that is required to complete and prepare the asset for its intended use (note 4.2.2).

3.7 Investments

Investments are classified as either financial assets at fair value through profit or loss, available for sale or held to maturity investments. Management determines the appropriate classification of its investment at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for investments at fair value through profit or loss.

Subsequent to initial recognition, investments classified as held to maturity are carried at amortised cost (duly adjusted for amortization of discount or premium).

For investments carried at amortised cost, and those carried at fair value through profit and loss, gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

3.8 Loans, advances and deposits

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

3.9 Stores and spares

Stores and spares are stated at invoice values plus other charges incurred thereon and is determined on a moving weighted average cost basis.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

Provision is made for any slow moving and obsolete items keeping in perspective their consumption pattern.

3.10 Trade debts

These are recognised and carried at original billed amount less provision for doubtful debts. An estimate for doubtful debts is made based on a review of all outstanding amounts at the year end on a time based criteria, excluding dues of Federal / Provincial Government and Local bodies as the management maintains that these are ultimately received.

Debts considered irrecoverable are written off as and when identified.

3.11 Other receivables

These are stated at cost, less provision for impairment, if any.

3.12 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include bank overdrafts / short term borrowings that are repayable on demand and form an integral part of the Company's cash management.

3.13 Interest / Mark-up bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognised in the profit and loss account over the period of the borrowing using the effective interest method.

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through amortization process.

3.14 Deferred revenue

Deferred revenue represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the Transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, with 5% of completed jobs taken to the profit and loss account each year (note 24).

3.15 Employee benefits

3.15.1 Defined benefit gratuity scheme

The Company operates an unfunded and approved gratuity scheme covering eligible employees for which provision is made in accordance with the recommendations of the actuary using the "Projected Unit Credit Method". Gratuity, however, is payable only on completion of the prescribed qualifying period of service of 8 years.

3.15.2 Defined contributory provident fund

The Company also operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary and cost of living allowance.

3.15.3 Post retirement medical benefits

The Company offers its employees post retirement medical coverage for a period of 10 years and for their dependants, for a period of 5 years for which provision is made in accordance with the recommendations of the actuary using the "Projected Unit Credit Method".

3.15.4 Electricity rebate

Employees receive a rebate on the amount charged by the Company on its electricity bills. The rebate continues for the first five years of retirement. Provision in this regard is made in accordance with the recommendations of the actuary using the "Projected Unit Credit Method".

3.15.5 Earned leave

The Company offers encashment of leaves after accumulation of maximum of 60 days for staff and allows Leave Preparatory to Retirement (LPR) to officers who have opted for encashment of leave, to the extent of 365 days before actual retirement date. LPR to those officers who have not opted for encashment, are entitled to unlimited accumulated earned leave before their actual retirement date. Provision in this regard is made in accordance with the recommendations of the actuary using the "Projected Unit Credit Method".

3.16 Actuarial gains and losses

Actuarial gains and losses are recognised in profit and loss account when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation except for earned leave. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

3.17 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax under Section 113 of the Income Tax Ordinance, 2001, whichever is higher. It also includes any adjustment to tax payable in respect of prior years.

Deferred

Deferred income tax is provided using the liability method on temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.18 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received up to the year end, whether or not billed to the Company.

3.19 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.20 Revenue recognition

3.20.1 Energy sale

Revenue is recognised on supply of electricity to consumers based on meter readings at the rates notified by the Government from time to time, except for National Transmission and Despatch Company, Karachi Nuclear Power Plant and Pakistan Steel Mills Corporation (Private) Limited where tariff is applied as per agreements with these entities.

3.20.2 Late payment surcharge

Surcharge on late payment is accounted for after the due date of payment has passed. In case of Government and Local Bodies, late payment surcharge is accounted for on receipt basis.

3.20.3 Rebate on electricity duty

Rebate on electricity duty is recognised at the rates specified by the Government and is recognized on receipt basis.

3.20.4 Meter rentals

Meter rentals are recognised monthly, on the basis of specified rates for various categories of consumers

3.20.5 Interest / Mark-up income

The Company recognizes interest income / mark-up on short term deposits and interest bearing advances on time proportion basis.

Interest on held to maturity investments is recognised using the effective interest rate method.

3.20.6 Grant from Government

General grant

General grant, including tariff adjustment due to increase in fuel prices and cost of power purchase, is recognised on accrual basis when the Company qualifies to receive it.

Specific Grant for Financial Implementation Plan (FIP)

Specific grant is recognised in profit and loss account on a systematic and rational basis over the useful life of corresponding assets.

3.21 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

3.22 Foreign currencies

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to profit and loss account currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.23 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in individual policy statements associated with each item.

Financial assets are derecognised at the time when the Company losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

3.24 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.25 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair values on derivatives during the year that do not qualify for hedge accounting are taken directly to profit and loss account.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasurement of the hedging instrument at fair value is recognised immediately in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the profit and loss account.

3.26 Appropriations to reserves

Appropriations to reserves are recognised in the financial statements in the period in which these are approved.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**44,634,318**	39,874,984
Capital work-in-progress	4.2	**19,270,850**	10,894,730
		63,905,168	50,769,714

4.1 Operating fixed assets

		COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	Note	As at July 01, 2007	Additions	(Disposals)	As at June 30, 2008	Rate	As at July 01, 2007	Charge for the year	(On disposals)	As at June 30, 2008	As at June 30, 2008
		(Rupees in '000)				%	(Rupees in '000)				
June 30, 2008											
Freehold land		371,977	-	-	371,977	-	-	-	-	-	371,977
Leasehold land		362,225	3,794	-	366,019	-	-	-	-	-	366,019
Buildings on leasehold land		1,917,946	2,511	-	1,920,457	2	720,546	38,253	-	758,799	1,161,658
Buildings on freehold land		793,377	334,774	-	1,128,151	2	269,442	26,464	-	295,906	832,245
Plant and machinery	4.2	29,400,191	793,094	(2,967)	30,190,318	5 to 20	19,867,507	1,050,939	(2,671)	20,915,775	9,274,543
Transmission and distribution network	4.2	50,268,629	6,928,207	(63,976)	57,132,860	3 to 10	22,920,508	2,204,375	(57,578)	25,067,305	32,065,555
Renewals of mains and services	4.2	1,322,239	74,875	-	1,397,114	20	1,195,304	86,655	-	1,281,959	115,155
Furniture, air-conditioners and office equipment		442,062	23,203	(88)	465,177	10 to 15	370,169	7,577	(79)	377,667	87,510
Tools and general equipment		387,526	24,982	(263)	412,245	10 to 15	330,077	12,146	(237)	341,986	70,259
Computers and related equipment		290,549	36,494	-	327,043	14.33-33.33	138,056	46,538	-	184,594	142,449
Vehicles		572,848	57,707	(22,896)	607,659	15 to 25	442,976	34,833	(17,098)	460,711	146,948
Simulator equipment		67,713	-	-	67,713	14.33	67,713	-	-	67,713	-
		86,197,282	8,279,641	(90,190)	94,386,733		46,322,298	3,507,780	(77,663)	49,752,415	44,634,318

Additions of Rs.8,279.641 million, as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in-progress in note 4.2.

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at July 01, 2006	Additions	(Disposals)	As at June 30, 2007	Rate	As at July 01, 2006	Charge for the year	(On disposals)	As at June 30, 2007	As at June 30, 2007
	(Rupees in '000)				%	(Rupees in '000)				
June 30, 2007										
Freehold land	293,433	78,544	-	371,977	-	-	-	-	-	371,977
Leasehold land	362,225	-	-	362,225	-	-	-	-	-	362,225
Buildings on leasehold land	1,922,146	2,274	(6,474)	1,917,946	2	686,243	38,131	(3,828)	720,546	1,197,400
Buildings on freehold land	791,027	2,350	-	793,377	2	244,011	25,431	-	269,442	523,935
Plant and machinery	28,843,905	556,286	-	29,400,191	5 to 20	18,905,885	961,622	-	19,867,507	9,532,684
Transmission and Distribution network	49,122,198	1,569,431	(423,000)	50,268,629	3 to 10	21,209,635	2,091,573	(380,700)	22,920,508	27,348,121
Renewals of mains and services	1,265,241	56,998	-	1,322,239	20	1,090,581	104,723	-	1,195,304	126,935
Furniture, air-conditioners an office equipment	433,870	8,192	-	442,062	10 to 15	363,494	6,675	-	370,169	71,893
Tools and general equipmen	384,983	2,543	-	387,526	10 to 15	317,287	12,790	-	330,077	57,449
Computers and related equipment	167,877	122,957	(285)	290,549	14.33-33.33	100,925	37,320	(189)	138,056	152,493
Vehicles	580,418	13,065	(20,635)	572,848	15 to 25	405,790	51,233	(14,047)	442,976	129,872
Simulator equipment	67,713	-	-	67,713	14.33	67,713	-	-	67,713	-
	84,235,036	2,412,640	(450,394)	86,197,282		43,391,564	3,329,498	(398,764)	46,322,298	39,874,984

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

4.1.2 Depreciation charge for the year has been allocated as follows:

	Note	June 30, 2008	June 30, 2007
Expenses incurred in generation, transmission & distribution	35	**3,365,181**	3,234,987
Consumers services and administrative expenses	36	**142,599**	94,511
		3,507,780	3,329,498

4.1.3 The details of fixed assets disposed off are as follows:

	Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain / (loss) on disposals	Mode of disposal	Particulars of buyers
	Rupees in '000						
Plant and machinery							
Dual fuel station – S.I.T.E	2,967	2,671	296	14,261	13,965	Auction	M/s Safe & Co. , Karachi
Transmission and distribution network							
Transformers switchgears							
Scrap Power Transformers 150KVA to 1500KVA without oil make Siemens 507 units (KEGS)	42,714	38,442	4,272	35,500	31,228	Auction	M/s Mutahir Metal Works, Lahore
Scrap Power Transformers 150KVA to 1500KVA without oil make Siemens 260 units (KEGS)	21,262	19,136	2,126	15,925	13,799	Auction	M/s Mohammad Hussain, Karachi
	63,976	57,578	6,398	51,425	45,027		
Furniture, air conditioners and office equipment	88	79	9	9	-	Auction	M/s Safe & Co. , Karachi
Tools and general equipment	263	237	26	26	-	Auction	M/s Safe & Co. , Karachi
Vehicles							
Sold to KESC – Officers							
Suzuki Bolan - CJ-8833	260	234	26	26	-	As per Company policy	Mohd Hanif Qureshi, Karachi
Suzuki Hi-roof - CD-1564	135	122	13	13	-	"	Ajaz Ahmed, Karachi
Suzuki Potohar - BC-2253	210	189	21	21	-	"	Lal Mohd. Narejo, Karachi
Suzuki Mehran - AFP-691	258	178	80	80	-	"	Rukhsana Rahat, Karachi
Toyota Corolla –GA-6655	843	430	413	413	-	"	Saeed Mehmood, Karachi
Suzuki Mehran - GA-8978	258	182	76	76	-	"	Mohd. Rafiq, Karachi
Suzuki Cultus - ANW- 354	482	434	48	48	-	"	Khalid Uz Zaman, Karachi
Suzuki Mehran – W-0138	171	154	17	44	27	"	Shahid Habib, Karachi
Toyota Corolla – AAN-517	1	-	1	96	95	"	Sajjad Hussain Shah, Karachi
Suzuki Khyber - AAF-215	325	293	32	85	53	"	Arshad Hussain Rizvi, Karachi
Toyota Corolla – Z-4350	599	539	60	156	96	"	Waqar Ahmed Farooq, Karachi
Suzuki Hi-Roof- CJ-9374	260	234	26	42	16	"	Habib Arif Naqvi, Karachi
Suzuki Bolan – CN-2432	319	287	32	83	51	"	Mahmood Rasheed, Karachi
Suzuki Bolan – CJ-9404	260	234	26	68	42	"	Abdul Nafees Khan, Karachi
Suzuki Pickup- CN-7751	280	176	104	148	44	"	Shaukat Ali Awan, Karachi
Suzuki Cultus- ANV-476	483	384	99	99	-	"	S. Tauseef Ul Islam, Karachi
Suzuki Mehran – AFQ-514	258	209	49	90	41	"	Iqbal Yousuf Teli, Karachi
Suzuki Mehran – AHV-042	274	173	101	145	44	"	Muhammad Saghir, Karachi
Toyota Corolla – AHT-146	843	518	325	459	134	"	Jamil Ur Rehman Parih, Karachi
Suzuki Mehran – ANY-813	265	159	106	149	43	"	Muhammad Saleem, Karachi
Suzuki Cultus – ANV-460	483	304	179	256	77	"	Muhammad Jamil, Karachi
Suzuki Mehran – AFQ-574	258	201	57	99	42	"	M. Buksh Zardari, Karachi
Suzuki Cultus – ANV-461	483	369	114	191	77	"	M. Arif Malik, Karachi
Suzuki Cultus – ANW-356	483	391	92	169	77	"	Ameer Buksh Memon, Karachi
Suzuki Mehran – GA-6334	265	159	106	149	43	"	Javaid Akhtar, Karachi
Suzuki Cultus – ANV-472	483	405	78	154	76	"	M. Yousuf, Karachi
Suzuki Mehran – ANY-912	258	205	53	95	42	"	Sheikh m. Zakaria, Karachi
Suzuki Baleno – GA-9190	643	492	151	255	104	"	Mahmood Bashir, Karachi
Toyota Corolla – AHV-037	843	531	312	447	135	"	M. Umar Khashk, Karachi
Suzuki Mehran – AHV-609	274	185	89	133	44	"	Wazir Hussain Pathan, Karachi
Suzuki Cultus – AEV-074	483	434	49	133	84	"	Abu Mohammad, Karachi
Suzuki Mehran - AES -637	260	234	26	68	42	"	Muhammad Yousuf, Karachi
Toyota Corolla – GA-8674	549	494	55	143	88	"	Ahmad Khan Jamali, Karachi
Suzuki Hi-Roof – CG-9184	260	234	26	42	16	"	Hamid Hussain Hyderi, Karachi
Suzuki Potohar – BC-4267	436	392	44	70	26	"	Asad Hussain Zubairi, Karachi
Suzuki Mehran – APA-810	265	179	86	129	43	"	Nadeem Imad, Karachi
Toyota Corolla – AHV-216	843	506	337	473	136	"	Shabbir A Salongi, Karachi
Suzuki Mehran – ANY-804	258	217	41	83	42	"	Mr. Bhimsi, Karachi
Suzuki Mehran – ANY-206	265	159	106	149	43	"	Abdul Saleem, Karachi
Suzuki Mehran – AFN-620	258	221	37	79	42	"	Tariq Bin Haseen, Karachi
Suzuki Mehran – ANY-810	258	209	49	90	41	"	Mehmood Ul Hassan, Karachi
Balance c/f	15,392	11,650	3,742	5,748	2,006		

	Original cost	Accumulated depreciation	Written down value	Net sales proceeds	Gain / (loss) on disposals	Status
	----------	----------	Rupees in '000	----------	----------	
Balance b/f	15,392	11,650	3,742	5,748	2,006	
Others						
Suzuki Baleno – APA-571	643	549	94	196	102	Insurance claim
SuzukiCultus – APZ-356	590	18	572	580	8	Insurance claim
SuzukiMehran – GA-6364	265	163	102	270	168	Insurance claim
Suzuki Bolan - GA-9933	319	239	80	315	235	Insurance claim
Suzuki Pickup – CN-7876	271	151	120	290	170	Insurance claim
Suzuki Pickup – CN-0083	271	244	27	-	(27)	Insurance claim
Suzuki Pickup – CN-7883	271	163	108	290	182	Insurance claim
Suzuki Pickup – CR-1812	312	122	190	300	110	Insurance claim
Suzuki Pickup – CR-1372	312	136	176	300	124	Insurance claim
Suzuki Pickup – CR-1459	312	118	194	296	102	Insurance claim
Hyundai Shehzore –KM-6231	512	461	51	500	449	Insurance claim
Hyundai Shehzore – KM-7729	571	514	57	500	443	Insurance claim
Hyundai Shehzore– KM-8664	571	514	57	510	453	Insurance claim
Hyundai Shehzore– KM-7589	571	514	57	500	443	Insurance claim
Hyundai Shehzore– KM-7732	571	514	57	500	443	Insurance claim
Hyundai Shehzore– KM-7749	571	514	57	500	443	Insurance claim
Hyundai Shehzore– KM-7741	571	514	57	500	443	Insurance claim
	22,896	17,098	5,798	12,095	6,297	
June 30, 2008	**90,190**	**77,663**	**12,527**	**77,816**	**65,289**	
June 30, 2007	**450,394**	**398,764**	**51,630**	**55,353**	**3,723**	

4.2 Capital work-in-progress

	Note	Plant and machinery (Note 4.2.1 & 4.2.2)	Transmission system	Distribution system	Others	Total
		----------	----------	(Rupees in '000)	----------	----------
Opening balance		4,712,839	4,132,068	1,959,734	90,089	10,894,730
Additions during the year:						
System improvement		217,265	3,363,429	785,142	-	4,365,836
Other		8,173,949	1,189,633	2,176,830	749,513	12,289,925
		8,391,214	4,553,062	2,961,972	749,513	16,655,761
		13,104,053	8,685,130	4,921,706	839,602	27,550,491
Transfer to the Operating fixed assets	4.1	(793,094)	(4,048,060)	(2,955,022)	(483,465)	(8,279,641)
2008		**12,310,959**	**4,637,070**	**1,966,684**	**356,137**	**19,270,850**
2007		4,712,839	4,132,068	1,959,734	90,089	10,894,730

4.2.1 This includes an aggregate sum of Rs.11,189.925 (2007: Rs.4,375.894) million incurred by the Company on the 220 MW Combine Cycle Power plant at Korangi, Karachi.

4.2.2 During the current year, a sum of Rs. 701.496 million (June 30, 2007: Rs.Nil), representing interest on borrowings has been capitalized and included in the project cost of 220 MW Combined Cycle Power Plant. (refer note 21.1 and 21.2).

	Note	June 30, 2008 (Rupees in '000)
5. INTANGIBLE		
Computer software – ERP SAP		
Cost	5.1	**42,675**
Amortization to-date	5.2	**(10,668)**
		32,007

5.1 Cost

Opening balance	**-**
Addition during the year	**42,675**
	42,675

	Note	June 30, 2008 (Rupees in '000)
5.2 Amortization to-date		
Opening balance		-
Amortisation for the year	5.2.1	(10,668)
		(10,668)
Useful life		3 years
5.2.1 Amortisation charge for the year has been allocated to Consumers services and administrative expenses	36	10,668

6. LONG-TERM LOANS

	Note	Secured: House building loans (note 6.1)	Secured: Motor cycle loans (note 6.1)	Unsecured: Festival loans (note 6.2)	June 30, 2008	June 30, 2007
		(Rupees in '000)				
Considered good – Secured						
Employees		21,966	17	89,677	111,660	124,524
Recoverable within one year shown under current assets	11	(7,896)	-	(3,758)	(11,654)	(10,543)
		14,070	17	85,919	100,006	113,981
Considered doubtful						
Employees	6.3	4,333	-	-	4,333	4,333
		18,403	17	85,919	104,339	118,314
Provision against loans considered doubtful		(4,333)	-	-	(4,333)	(4,333)
June 30, 2008		14,070	17	85,919	100,006	113, 981
June 30, 2007		23,140	-	90,841	-	113, 981

6.1 House building loans, carrying mark-up @ 6% (2007: 6%) per annum, are recoverable over a period of sixteen years whereas motor cycle loans, which are interest free, are recoverable over a period of five years. These are secured against the equitable mortgage of relevant properties and hypothecation of vehicles, respectively.

6.2 These have been granted to the employees of the Company. The Board of Directors in their meeting held on February 01, 2003 approved the deferment of the recovery of these loans in installments and decided that the said loans would be recovered against the final settlement of the employees at the time of their retirement. Amount disclosed as recoverable within one year, therefore, represents employees expected to retire within one year.

6.3 These balances pertain to the ex-employees of the Company against whom legal proceedings have been initiated for the purpose of recovery.

6.4 Long term loans have not been discounted to their present value as the financial impact thereof is not considered material by the management.

6.5 The maximum aggregate amount of loans due from the employees of the Company at the end of any month during the year was Rs.120.200 (2007: Rs.129.800) million.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

7. LONG-TERM DEPOSITS

	Note	2008	2007
Considered good			
Rental premises		**18,202**	18,292
Utilities		**2,325**	408
		20,527	18,700
Considered doubtful			
Rental premises		**1,020**	1,020
		21,547	19,720
Provision against deposits considered doubtful		**(1,020)**	(1,020)
		20,527	18,700

8. DUE FROM THE GOVERNMENT

	Note	2008	2007
Amount due from the Government of Pakistan (GoP)	8.1	**1,110,813**	1,428,188
Recoverable within one year shown under current assets		**(317,375)**	(317,375)
		793,438	1,110,813

8.1 This represents amount accrued by the Company as due from the GoP to settle its liability to the Oil and Gas Companies, as discussed in detail in note 21.4.

9. STORES AND SPARES

	Note	2008	2007
In hand			
Stores and spares		**5,249,736**	5,461,138
In transit			
Stores		**219,615**	57,969
		5,469,351	5,519,107
Provision against slow moving and obsolete stores and spares	9.1	**(739,073)**	(850,994)
		4,730,278	4,668,113

9.1 Provision against slow moving and obsolete stores and spares

	Note	2008	2007
Opening balance		**850,994**	646,541
Provision made during the year	35	**157,345**	207,130
		1,008,339	853,671
Provision written back during the year		**-**	(2,677)
Provision written off during the year		**(269,266)**	-
		739,073	850,994

10. TRADE DEBTS

	Note	2008	2007
Considered good			
Secured – against deposits from consumers		**633,353**	604,934
Unsecured		**11,782,441**	8,035,576
		12,415,794	8,640,510
Considered doubtful		**13,495,664**	13,389,552
		25,911,458	22,030,062
Provision against debts considered doubtful	10.1	**(13,495,664)**	(13,389,552)
		12,415,794	8,640,510

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
10.1 Provision against debts considered doubtful			
Opening balance		**13,389,552**	12,530,667
Provision made during the year	36	**1,170,989**	1,881,461
		14,560,541	14,412,128
Provision written off during the year		**(1,064,877)**	(1,022,576)
		13,495,664	13,389,552

10.2 Energy sales to and purchases from WAPDA, PASMIC and KANUPP are recorded through their respective accounts to facilitate recovery of energy dues by offsetting receivables against liabilities for purchase of energy.

11. LOANS AND ADVANCES

	Note	June 30, 2008	June 30, 2007
Loans – secured			
Considered good			
Current portion of long term loans to employees	6	**11,654**	10,543
Advances – unsecured			
Considered good			
Employees		**8,157**	22,883
Suppliers	11.1	**387,343**	260,092
		395,500	282,975
Considered doubtful			
Suppliers		**130,340**	130,340
		525,840	413,315
Provision against advances considered doubtful		**(130,340)**	(130,340)
		395,500	282,975
		407,154	293,518

11.1 These represent advances extended to suppliers in respect of stores and spares being acquired therefrom.

12. TRADE DEPOSITS AND PREPAYMENTS

	Note	June 30, 2008	June 30, 2007
Trade deposits	12.1	**9,564**	2,050
Prepayments			
Rent		**12,432**	7,645
Insurance		**5,000**	6,000
Others		**-**	12,575
		17,432	26,220
		26,996	28,270

12.1 This includes a sum of Rs.0.319 million (2007: Rs.0.319 million), representing margin held by commercial banks against which they have issued guarantees on behalf of the Company.

13. OTHER RECEIVABLES

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
Considered good			
Rebate due from the Provincial Government		**95,406**	77,910
Sales tax	13.1	**3,493,808**	2,987,464
Due from the Government in respect of:			
- sales tax subsidy to the selected classes of consumers		**211,568**	450,541
- tariff adjustment	13.2	**3,471,440**	2,258,390
- provision made by the Company as a result of a dispute with Sabah Shipyard	30.1	**-**	409,168
		3,683,008	3,118,099
Employees' Provident Fund		**4,228**	7,528
Accrued income for TV license fees collection charges		**4,680**	4,414
Insurance claim		**5,863**	7,028
Due from a Consortium of Suppliers of a new Power Plant		**-**	327,212
		7,286,993	6,529,655
Considered doubtful			
Sales tax	13.1	**232,050**	-
Provision there against	13.1	**(232,050)**	-
		-	-
Due from a Consortium of Suppliers of a new Power Plant	13.3	**363,080**	-
Provision there against		**(363,080)**	-
		-	-
		7,286,993	6,529,655

13.1 This includes a sum of Rs.185.225 million relating to the refund claims for the period 2006-07 and Rs.425.234 million relating to the refund claims for the period 2000-2006, aggregating to Rs.610.459 million, withheld by the Sales Tax Department on account of sales tax on connection service charges, sales tax on meter burnt charges, input inadmissible under SRO and some other matters. The audit observations issued by the Department in this regard have already been responded by the Company's lawyer, however, no show cause notice has been issued in this matter.

The management is of the view that the ultimate outcome of this matter will be decided in favor of the Company. However, to be prudent, the Company has made an aggregate provision of Rs.232.050 million, against Rs.610.459 million, as discussed above, relating to the refund claims of the above referred period in the financial statements of the current year.

13.2 This includes a sum of Rs.1,329.000 million accrued by the Company during the current year in the light of a determination issued by NEPRA, Ref.NEPRA/R/TRF-51/KESC-2006/6671-74, dated September 14, 2006, with respect to the revision in the mechanism for adjustment in tariff due to variation in fuel price and power purchase cost, originally notified vide SRO 716(I)/2002, dated October 12, 2002. As a result of the said determination, 2.5% cap on fuel price variation and 1.5% cap on power purchase, aggregating to 4%, has been removed and approved by the Economic Coordination Committee of the Cabinet on August 26, 2008. Accordingly, the Ministry of Water and Power (GoP) has notified the said decision vide its SRO No.979(1)/2008, dated September 12, 2008. The total claim, as per the management, amounts to Rs.4,493.000 million, being the shortfall suffered in revenue on account of variation in fuel price and cost of power purchase over the period, commencing from the date of the above referred SRO to-date.

13.3 This represents a payment of Euro 4.000 million, equivalent to PKR 363.080 (June 30, 2007: PKR 327.212) million made by the Company during the year ended June 30, 2006 to a Consortium, led by Siemens AG, Germany, for the purchase of a proposed 830MW Power Plant.

However, in view of the change of the Company's plan with regard to the setting up of the said Power Plant, the contract with the said Consortium could not be executed. Accordingly, necessary efforts are currently being made by the Company to recover the above payment from the Consortium.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

14. DERIVATIVE FINANCIAL ASSETS

	Note	June 30, 2008	June 30, 2007
Cross Currency Swap	14.1	**180,993**	-
Options	14.2	**226,611**	-
		407,604	-

14.1 The outstanding balance represents the fair value of Cross Currency Swap, determined at the end of the current year. During the current year, the Company executed a Cross Currency Swap with a bank at the notional amount of Rs.2,749.950 (equivalent to USD 45.000) million to hedge the Company's foreign currency obligation to International Finance Corporation (IFC) for Principal and LIBOR interest thereon, as discussed in note 21.1. Pursuant to the agreement, the Company's foreign currency obligation has been converted into the hedged PKR amount and the interest rate accruing thereon has been paid to the hedging bank at KIBOR – 0.10%. This does not have any tax / deferred tax implications.

14.2 This represents the fair value of un-exercised options at the year end with banks in respect of purchase of plant and machinery.

15. TAXATION – net

	June 30, 2008	June 30, 2007
Advance income tax	**1,724,830**	1,485,524
Provision for taxation	**(1,526,900)**	(1,207,038)
	197,930	278,486

16. SHORT-TERM INVESTMENT

	Note	June 30, 2008	June 30, 2007
Held to maturity			
Term Deposit Receipt (TDR)	16.1	**100,259**	607,717

16.1 This represents a TDR, having a face value of Rs.100.000 (2007: Rs.602.238) million, including interest accrued thereon of Rs.0.259 (2007: 5.479) million, placed with a commercial bank on a short term basis. The rate of return thereon is 13.50% (2007: 5.00% and 7.90%) per annum, maturing latest by July 03, 2008.

17. CASH AND BANK BALANCES

	Note	June 30, 2008	June 30, 2007
Cash in hand		**1,446**	2,488
Cash at banks in:			
Current accounts		**1,032,944**	1,283,281
Deposit accounts	17.1	**495,956**	2,431,439
Collection accounts		**803,802**	220,111
		2,332,702	3,934,831
		2,334,148	3,937,319

17.1 These carry interest, ranging between 0.5% and 7.9% (2007: 0.5% and 6%) per annum.

18. SHARE CAPITAL

June 30, 2008 (Number of shares)	June 30, 2007 (Number of shares)		Note	June 30, 2008 (Rupees in '000)	June 30, 2007 (Rupees in '000)
		Authorised share capital			
25,714,285,714	25,714,285,714	Ordinary shares of Rs.3.5 each fully paid	18.1	**90,000,000**	90,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs.3.5 each fully paid	18.1	**10,000,000**	10,000,000
28,571,428,571	28,571,428,571			**100,000,000**	100,000,000
		Issued, subscribed and paid-up capital			
		Issued for cash			
45,371,105	45,371,105	Ordinary shares of Rs.10 each fully paid		**453,711**	453,711
1,714,285,714	1,291,944,991	Redeemable Preference shares of Rs.3.5 each fully paid - net	18.2	**5,983,407**	4,509,301
1,759,656,819	1,337,316,096			**6,437,118**	4,963,012
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs.10 each fully paid	18.3	**3,045,123**	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs.10 each fully paid	18.4	**17,834,560**	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs.10 each fully paid	18.5	**65,340,773**	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs.3.5 each fully paid	18.6	**15,283,738**	15,283,738
12,988,827,989	12,988,827,989			**101,504,194**	101,504,194
14,748,484,808	14,326,144,085			**107,941,312**	106,467,206
		Issued as bonus shares			
132,875,889	132,875,889	Ordinary shares of Rs.10 each fully paid as bonus shares		**1,328,759**	1,328,759
14,881,360,697	14,459,019,974			**109,270,071**	107,795,965
-	-	**Reduction in capital**	18.7 & 18.8	**(57,201,902)**	(57,201,902)
14,881,360,697	14,459,019,974			**52,068,169**	50,594,063

18.1 During the year ended June 30, 2006, pursuant to a Special resolution passed in the Extra Ordinary General Meeting of the shareholders of the Company, held on March 02, 2006, the share capital of the Company was determined at Rs.100 billion, divided into the following categories of shares:

- Ordinary share capital of Rs.90.000 billion, divided into 25,714,285,714 Ordinary shares of Rs.3.50 each; and
- Redeemable Preference share capital of Rs.10.000 billion, divided into 2,857,142,857 Redeemable Preference shares of Rs.3.50 each.

18.2 This is stated, net of Rs.16.592 (2007: Rs.12.505) million, representing transaction costs incurred on issue of Redeemable Preference shares. The same has not been amortised during the year, as the effect of amortisation is not considered material.

These include 422,340,723 Redeemable Preference shares of Rs.3.50 each, aggregating to Rs.1,478,193 million, issued during the current year against advance against such shares received during the year ended June 30, 2007, are cumulative Redeemable Preference shares, issued by way of right issue to the existing shareholders, carrying a dividend of 3 percent per financial year, to be declared on the face value of Rs.3.50 per Redeemable Preference share and are redeemable within a period of 90 days from 7 years after November 28, 2005. The Preference shareholders are only entitled to receive Preferential Dividend and are not entitled to share in any other dividend, whether in cash or specie, entitlement or benefit, including, without limitation, right shares and bonus shares, to which the holders of Ordinary Shares may be entitled.

If preferential dividend is not declared in whole or in part by the Company for any financial year, such whole or remainder amount of the Preferential Dividend shall be carried over for payment to Redeemable Preference Shareholders in the next financial year(s) and so on, until the Preferential Dividend has been paid in full, the whole or part of any preferential dividend automatically becomes cumulative to the extent that it has not been declared and paid. The cumulative preference dividend does not bear any interest or markup.

These shares shall be redeemed by the Company at the Redemption Price on the respective redemption dates from the profits of the Company as are available for distribution as dividends under the Laws of Pakistan but not from the proceeds resulting from the issuance of any new shares by the Company. The shareholders, interalia, have the right to convert these into Ordinary shares in the ratio of 3 Ordinary shares for every 4 Preference shares held, if the Company fails to redeem these shares.

18.3 During the year ended June 30, 1999, the Company issued 304,512,300 Ordinary shares of Rs.10 each as a result of the conversion of overdue outstanding balance of (a) rescheduled foreign currency loan of Rs.1,968.000 million and (b) cash development loan of Rs.1,077.000 million , aggregating to Rs.3,045.000 at that date, into equity.

18.4 During the year ended June 30, 2002, the shareholders of the Company, by way of a Special resolution, passed in the 89th Annual General Meeting, finalized the conversion of the Company's debt servicing liabilities, aggregating to Rs.17,834.560 million, into equity. As a result of the said resolution, the Company issued 1,783,456,000 Ordinary shares of Rs.10 each at par. The subscription finalized on this regard was entered into on January 24, 2002.

18.5 As per the decision taken in the ECC meeting, held on April 16, 2002, which was also approved by the President of Pakistan, the Ministry of Finance conveyed through its letter, dated April 27, 2002, that all the loans of GoP and GoP guaranteed loans outstanding against KESC, aggregating to Rs.65,340.773 million, had been converted into GoP equity.

18.6 During the year ended June 30, 2005, the shareholders of the Company, by way of a Special resolution passed in the 94th Annual General Meeting of the Company, held on December 02, 2004, resolved the conversion of (a) GoP funds, pending conversion into equity," amounting to Rs.6,080.738 million and (b) GoP long term loan, amounting to RS.9,203.000 million, aggregating to Rs.15,283.738 million into equity. As a result of the said resolution, the Company issued 4,366,782,389 Ordinary shares of Rs.3.50 each at par. The subscription agreement in this regard was entered into on December 20, 2004 between the Company and the President of Pakistan on behalf of the GoP.

18.7 The shareholders of the Company during the year ended June 30, 2002, by way of a Special resolution, in an Extra Ordinary General Meeting, held on May 27, 2002, resolved the reduction of share capital of the Company, subsequent to the completion of the conversion of GoP and GoP guaranteed loans of Rs.65,341 million into equity (note 18.4 above). The paid-up capital, which had been lost or was not represented by finalized assets, to the extent of Rs.6.50 per share on each of the issued Ordinary shares of the Company at such time, was reduced and a new nominal value thereof was fixed at Rs.3.50 per share. The Company had also filed a petition in the Honourable High Court of Sindh, vide its order, dated October 12, 2002, ordered the reduction in the nominal value of share capital by Rs.6.50 per share. The Board of Directors, in its 115^{th} meeting held on October 26, 2002, also approved by way of a special resolution the reduction in the nominal value of share capital, amounting to Rs.57,201.902 million.

The GoP, vide its Finance Division letter F.5(16)-CF:1/97-98/vol 25/191 dated January 31, 2003, conveyed the sanction of the President of Pakistan to write off the GoP equity in the Company. Accordingly, the reduction in share capital of Rs. 57,201.902 million was adjusted against the accumulated losses of the Company.

18.8 As part of the process of the Company's privatization, the GoP and the new Owners agreed to inject additional equity by issuing Redeemable Preference Shares (RPS) in the aggregate value of Rs.6,000 million. In this respect, a Subscription Agreement was executed between the President of Pakistan, on behalf of the GoP, the Company and the KES Power Limited on November 14, 2005 to issue the RPS, amounting to Rs.6,000 million, divided into 1,714,285,714 Preference shares of Rs.3.50 each as right to the existing Ordinary shareholders of the Company. The issue of Redeemable Preference Shares was finalized by the Board of Directors of the Company and NOC was obtained from the Securities and Exchange Commission of Pakistan, vide Letter No. EMD/CI/16/2004-4417, dated November 07, 2005. During the year ended June 30, 2007, out of the 1,714,285,714 Preference shares, 1,291,944,992 Preference shares were allotted to the existing shareholders, aggregating to Rs.4,509.302 million. During the current year, further 422,340,725 Preference shares were issued against advance against such shares (note 18.2).

The issue of Redeemable Preference shares by way of right, offered to the minority shareholders of the Company, was under subscribed by 18.980 million shares, amounting to Rs. 66.432 million. Under the terms of the RPS Subscription Agreement, in case of under subscription, the balance of Redeemable Preference shares were required to be subscribed by the Ultimate Parent Company of the Company, KES Power Limited. The said undersubscribed shares were, thereafter, subscribed by the KES Power Limited.

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

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- The finalized capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on March 02, 2006.

- Return of allotment of shares was filed under section 73(1) of the Ordinance.

- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.

- Dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.

- The requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

- The shareholders have the right to convert these shares into Ordinary shares.

The matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has recently 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 these financial statements.

19. CAPITAL RESERVES

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
Unclaimed fractional bonus shares money	19.1	**46**	46
Workmen compensation reserve	19.2	**700**	700
Third party liability reserve	19.3	**300**	300
Fire and machinery breakdown insurance reserve	19.4	**508,126**	508,126
		509,172	509,172

19.1 Unclaimed fractional bonus shares money

This represents proceeds received by the Company from the sale of fractional bonus coupons for the period up to 1975, remaining unclaimed up to June 30, 1986.

19.2 Workmen compensation reserve

The reserve for workmen compensation was created and maintained at Rs. 0.700 million to meet any liability that may arise in respect of compensation to workmen who, whilst on duty, meet with an accident causing partial or total disability.

19.3 Third party liability reserve

This reserve has been created to meet the third party liabilities, arising due to accidents by electrocution, both fatal and non-fatal, claims for which are not accepted by the National Insurance Company, where the negligence or fault on the part of the Company is proved by the Court.

19.4 Fire and machinery breakdown insurance reserve

The Company was operating a self insurance scheme in respect of its certain fixed assets and spares to cover such hazards which were potentially less likely to occur. However, commencing the year ended June 30, 1997, the Company discontinued its policy for providing the amount under self-insurance scheme. Fixed assets, which are insured under this scheme and on which claim lodged with respect to damages to such assets is not fully acknowledged by the insurer, the shortfall is charged to the said reserve.

20. REVENUE RESERVE

General reserve		**5,372,356**	5,372,356

21. LONG-TERM FINANCING

	Note	June 30, 2008	June 30, 2007
From Banking Companies and Financial Institution - secured			
International Finance Corporation (IFC)	21.1 & 21.3	**3,096,000**	-
Term loan from a syndicate of commercial banks	21.2 & 21.3	**4,898,591**	-
Others - unsecured			
Due to the Oil and Gas Companies	21.4	**1,204,188**	1,428,188
Current maturity thereof shown under current liabilities		**(410,750)**	(317,375)
		793,438	1,110,813
GoP Loan for the electrification of Hub Area	21.5	**26,000**	26,000
		8,814,029	1,136,813

21.1 This represents utilised portion (USD 45.000 million) of loan amount obtained by the Company under an agreement, signed on March 22, 2007, amounting to USD125 million, with International Finance Corporation (IFC) for the purposes of capital expenditure on power generation, transmission and network improvement project, as shown in note 4.2.2. The said financing facility is available for a period of 10 years, with 3 years grace period, having an availability period upto March 31, 2010. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter. Under the terms of the said agreement, the Company has executed a Cross Currency Swap with a commercial bank to hedge the Company's foreign currency payment obligation to IFC up to USD 45 million together with LIBOR interest accruing thereon (note 14.1).

21.2 This represents utilised portion of a term loan obtained by the Company under an agreement, signed on May 23, 2007, aggregating to Rs.8,000 million, with a Syndicate of local banks, for the purposes of capital expenditure for 220 MW Korangi Generation Project, as shown in note 4.2.2. The said loan is available for 9 years with a 3 years grace period, having an availability period of 2 years from the effective date, carrying mark-up at the rate of 6 months KIBOR + 3%.

21.3 The above two facilities, discussed in notes 21.1 and 21.2 are secured against the following security package:-

- mortgage (by deposit of title deeds) over all lands and buildings located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all fixed assets relating to the Generation Expansion);
- hypothecation over all movable fixed assets whether now or at any time in the future located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all movable assets relating to Generation Expansion);
- an exclusive hypothecation over all receivables from certain customers of the Company selected by the lenders and IFC, together with a notice to such customers;
- hypothecation over all receivables payable to the borrower under the project documents (other than the share purchase agreement) together with a notice to other contracting party(ies); and
- hypothecation over all receivables payable to the borrower under all insurance and reinsurance policies of all insurable assets that are subject to the security.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
21.4 Due to the Oil and Gas Companies - unsecured			
Pakistan State Oil Company Limited (PSO)	21.4.1	**457,188**	587,813
Pirkoh Gas Company Limited (PGCL)	21.4.1	**747,000**	840,375
		1,204,188	1,428,188
Current maturity thereof, including overdue installments of Rs.93.375 million due to PGCL		**(410,750)**	(317,375)
		793,438	1,110,813

21.4.1 During the year ended June 30, 2002, the Economic Co-ordination Committee (ECC) of the Federal Cabinet, vide case No. ECC-136/13/2001, dated November 06, 2001, considered the Summary, dated November 01, 2001, submitted by the Finance Division, and approved the proposal, contained in paragraph 4 of the said Summary, which stated that all dues of the Company (Principal only) to the Oil and Gas Companies as on June 30, 2001, including those under the Letter of Exchange (LoE) arrangements of February 10, 1999, aggregating to Rs. 6.672 million, would be redeemed over a period of ten years, including a grace period of two years, free of interest.

Implementing the above decision, two formal agreements, one between the Company and the PGCL and the other between the Company and the PSO, containing the above referred terms in accordance with the ECC decision, were executed on July 30, 2003 and August 25, 2003, respectively. As per these agreements, the repayments by the Company to the Oil and Gas Companies were to be made on a quarterly basis, commencing February 29, 2004.

However, at the time of the privatization of the Company, the ECC of the Federal Cabinet decided that on privatization of the Company, the Finance Division, the Government of Pakistan, would pick up the aforesaid liability of the Company. As a result, Finance Division, Government of Pakistan (GoP), issued a letter of comfort, No. F.5(24)CF.I/2004-05/1289, dated November 25, 2005, to the Company stating that the GoP would pay to the Company, for making onward payments to the PSO and the PGCL on due dates as per respective agreements.

After the privatization of the Company, the sum owed by the Company to the Oil and Gas Companies is now being repaid upon the receipt of funds from the GoP. Further, Finance Division, Government of Pakistan, vide its letter No. F.5(24)CF.I/2004-05/Vol.V/1365, dated December 21, 2005, provided the decision taken in the meeting held on November 10, 2005 that the GoP would provide funds for the payment of these liabilities. Accordingly, a sum of Rs.317.375 (2007: Rs.317.375) million was received from the GoP during the current year. Also refer note 8.1 in respect of the amount accrued by the Company from the GoP in this regard.

21.5 During the year ended June 30, 2004, the Finance Division, GOP, vide its letter No. F.2(6)-PF.V/2003-04/785, dated April 20, 2004, released a sum of Rs.26.00 million as cash development loan for village electrification in Hub and Winder Areas, District Lasbella. This loan is repayable in 20 years with a grace period of five years, ending on June 30, 2009, along-with mark-up chargeable at the prevailing rate for the respective years.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
22. LONG-TERM DEPOSITS		**3,659,380**	3,353,849

These represent deposits from consumers, taken as security for energy dues, carrying interest at the rate of 5% per annum. Such deposits are repayable at the time when electricity connection of consumer is permanently disconnected.

23. DEFERRED LIABILITIES

	Note	June 30, 2008	June 30, 2007
Gratuity	23.1	**2,980,536**	2,743,721
Post retirement medical benefits	23.1	**1,280,319**	1,290,141
Post retirement electricity benefits	23.1	**384,201**	355,720
		4,645,056	4,389,582

23.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS–19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2008, using the "Projected Unit Credit Method".

Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations.

Following significant assumptions were used for the valuation of above-mentioned schemes.

	June 30, 2008	June 30, 2007
	Per annum	
Discount rate	**13.25%**	11.00%
Salary increase	**11.09%**	8.90%
Medical cost trend	**7.86%**	5.71%
Electricity price increase	**7.86%**	5.71%

Necessary disclosures in respect of defined benefit plans are as follows:

	2008		
	Gratuity	Medical benefits	Electricity benefits
	------- (Rupees in '000) -------		
a) The amount finalized in the profit and loss account is determined as follows:			
Current service cost	**127,722**	**26,180**	**12,795**
Interest cost	**310,210**	**87,689**	**36,172**
Recognised actuarial (gains) / losses	**17,067**	**(39,293)**	**(1,535)**
Expense finalized during the year	**454,999**	**74,576**	**47,432**

	Gratuity	Medical benefits	Electricity benefits
	------- (Rupees in '000) -------		
b) Movement in the liability finalized in the balance sheet			
Provision at July 01, 2007	**2,743,721**	**1,290,141**	**355,720**
Charge for the year	**454,999**	**74,576**	**47,432**
Benefits paid	**(218,184)**	**(84,398)**	**(18,951)**
Provision as at June 30, 2008	**2,980,536**	**1,280,319**	**384,201**
c) Reconciliation			
Obligation under defined benefit plan	**4,188,157**	**1,288,359**	**420,551**
Actuarial losses not finalized	**(1,207,621)**	**(8,040)**	**(36,350)**
Provision as at June 30, 2008	**2,980,536**	**1,280,319**	**384,201**

	2007		
	Gratuity	Medical benefits	Electricity benefits
	------- (Rupees in '000) -------		
a) The amount finalized in the profit and loss account is determined as follows:			
Current service cost	123,532	56,868	12,417
Interest cost	285,586	189,502	35,371
Recognised actuarial (gains) / losses	21,984	61,794	1,515
Expense finalized during the year	431,102	308,164	49,303
b) Movement in the liability finalized in the balance sheet			
Provision at July 01, 2006	2,480,296	1,037,000	313,000
Charge for the year	431,102	308,164	49,303
Benefits paid	(167,677)	(55,023)	(6,583)
Provision as at June 30, 2007	2,743,721	1,290,141	355,720
c) Reconciliation			
Obligation under defined benefit plan	2,926,340	838,272	338,065
Actuarial losses not finalized	(182,619)	451,869	17,655
Provision as at June 30, 2007	2,743,721	1,290,141	355,720

d) Amounts for the current and previous four years are as follows:

As at June 30	2008	2007	2006	2005	2004
	---------- (Rupees in '000) ----------				
Present value of defined benefit obligation	**5,897,067**	4,102,677	4,846,953	4,185,220	3,356,111
Percentage of experience adjustments on plan liabilities - loss / (gain)	**26%**	(21%)	6%	16%	1%

e) The effect of one percentage movement in assumed medical cost trend rates would have following effects:

	June 30, 2008	
	Increase	Decrease
	(Rupees in '000)	
Effect on the aggregate of current service and interest costs	12,834	11,182
Effect on the defined benefit obligation	122,760	108,246

24. DEFERRED REVENUE

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
Opening balance		**6,979,190**	5,914,772
Additions during the year			
Recoveries from consumers	24.1	**1,039,425**	601,683
Transfer from specific grant from the Government of Pakistan for Financial Improvement Plan (FIP)	25	**4,525,548**	940,032
		5,564,973	1,541,715
		12,544,163	7,456,487
Amortisation for the year	37	**(753,633)**	(477,297)
		11,790,530	6,979,190

24.1 This represents recoveries from the consumers towards the cost of service connection, extension of mains and streetlights.

25. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN

	Note	June 30, 2008	June 30, 2007
Opening balance		**4,702,421**	1,985,878
Received during the year under the Financial Implementation Plan	25.1	**4,180,000**	3,970,105
Interest accrued on grant received from the GoP		**394**	4,861
		8,882,815	5,960,844
Transfer to deferred revenue	24 & 25.2	**(4,525,548)**	(940,032)
Interest on bank borrowings	25.3	**(320,826)**	(318,391)
		4,036,441	4,702,421

25.1 This includes a sum of Rs.43.000 million received during the year ended June 30, 2007 from a demand finance facility arranged by the Company, at the behest of the GoP, as a result of which a Syndicated Finance Agreement, was executed between the Company and a Consortium of local commercial banks, on September 24, 2005. Under the terms of the said agreement, the Company has acquired a demand finance facility of Rs.3,000.000 million for the improvement of network and reduction in transmission and distribution losses under the FIP. The rate of markup on the said facility is KIBOR + 0.5% and shall be payable on semi-annual basis from the first disbursement date. The Government of Pakistan has irrevocably and unconditionally guaranteed the repayment of principal and mark-up accruing in respect thereof, through guarantee No. F.5 (12) BR III / 2005, dated September 29, 2006. Further, The Ministry of Finance has provided an undertaking, dated October 01, 2005, to repay the amount borrowed. In this respect, a letter has been issued by the Government whereby the said loan shall not be treated as the liability of the Company. As a result thereof, the same has been recorded as a specific grant from the Government.

25.2 Out of the total receipts of Rs.4,180.000 (2007: Rs.3,970.105) million from the GoP under the FIP, the Company transferred a sum of Rs.4,525.548 (2007: Rs.940.032) million to deferred revenue in respect of work completed during the year.

25.3 This represents expenses and interest on funds borrowed under the Syndicated Finance Agreement from Commercial banks in respect of the FIP, as stated in note 25.1

25.4 Included in specific grants is sum of Rs.4,320.981 (2007: Rs.3,965.265) million pertaining to expenditure incurred on FIP, classified as capital work-in-progress

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

26. TRADE AND OTHER PAYABLES

	Note	2008	2007
Trade			
Creditors			
Power purchases		22,593,374	7,020,439
Fuel and gas purchases	26.1	8,693,803	8,859,340
Others		3,442,470	2,736,246
		34,729,647	18,616,025
Other payables			
Murabaha term finance	26.2	750,000	750,000
Accrued liabilities	26.3	1,137,705	1,378,866
Advances/credit balances of consumers			
Energy	26.4	257,180	381,752
Others		399,714	408,097
		656,894	789,849
Unclaimed and unpaid dividend		650	650
Employee related dues		94,410	71,463
Electricity duty due to the Government	26.5	754,239	280,664
Tax deducted at source	26.5	216,932	99,845
PTV license fee	26.5	25,218	22,451
Payable to the then Managing Agent, PEA (Private) Limited		29,208	29,295
Others		112,148	59,580
		1,232,805	563,948
		38,507,051	22,098,688

26.1 Included herein is a sum of Rs.185.073 (2007: Rs.123.000) million, representing financial charges due to a creditor for making late payment in respect of gas purchases.

26.2 This represents a short term murabaha term finance arranged from a bank during the year ended June 30, 2007, to meet the working capital requirements of the Company. It is repayable in one year with principal repayment at maturity on July 27, 2008. It carries mark-up at the rate of 3 months KIBOR + 2%, payable quarterly, and is secured against first pari passu charge on the current assets of the Company, aggregating to Rs.1,000.000 million, with 25% margin.

26.3 Included herein is an aggregate sum of Rs.430.286 (2007: Rs.519.895) million representing outstanding claims/dues of property taxes, water charges, ground rent and occupancy value payable to various government authorities. In addition to the above, claims in respect of property tax, ground rent and occupancy value payable to various government authorities, aggregating to Rs.4,105.906 (2007: Rs.3,977.873) million, have not been acknowledged by the Company as debts and, as such, these have been disclosed under 'contingencies' (note 31.1.2.2).

26.4 This also includes amount due to the consumers on account of excess payments and revision of previous bills.

26.5 Electricity duty, tax deducted at source and PTV license fee are collected by the Company from the consumers on behalf of the concerned authorities. Payments are made thereto upon receipt of these dues from the consumers.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

27. ACCRUED MARK-UP

	Note	June 30, 2008	June 30, 2007
Accrued mark-up on:			
Long term financing	21	**36,785**	-
Long term deposits received from consumers	22	**813,620**	704,235
FIP borrowings	25	**78,332**	77,474
Murabaha term finance	26	**15,844**	536
Short term borrowings	28	**60,156**	6,100
Short term running finances	28	**108,142**	129,236
		1,112,879	917,581

28. SHORT-TERM BORROWINGS – secured

	Note	June 30, 2008	June 30, 2007
From banking companies			
Short term borrowings			
Bridge term finance facility	28.1	**3,000,000**	3,000,000
Structured trade finance facility	28.2	**2,844,000**	-
		5,844,000	3,000,000
Short term running finances			
From commercial banks - secured	28.3	**4,386,723**	4,596,128
		10,230,723	7,596,128

28.1 This represents a bridge term finance facility arranged by the Company during the year ended June 30, 2007 under the Bridge Term Finance Agreement, executed between the Company and a Consortium of local commercial banks, for the purpose of financing its short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs.3,000.000 million to finance the short term funding needs of the Company. The said facility carries mark-up at KIBOR + 1% with a cap of 20%, payable monthly in arrears and is secured against standby letters of credit amounting to USD 50.000 million, issued in favour of the Company by the Gulf International Bank.

28.2 This represents a structured trade finance facility arranged by the Company during the current year from a commercial bank to bridge the short term finance facility for a tenor of three months. The mark-up is payable on monthly basis and is based on 3 months KIBOR plus 2.5% as base rate plus 250 basis point till the repayment of the entire purchase price. The said facility is secured by specific 1st charge with 25% margin over site fixed assets.

28.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis, to the extent of Rs.4,600.000 (June 2007: Rs.4,600.000) million.

These finances are secured against joint pari passu charge over current assets, aggregating to Rs.9,133.000 (2007: Rs.9,133.000) million, together with a pari passu charge on the book debts and receivables of the Company, amounting to Rs.10,667.000 (2007: Rs.10,667.000) million. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

The rates of markup in respect of running finances range between 1-3 month KIBOR + 1.25% to KIBOR + 2.50% per annum (June 2007: KIBOR +1.25% and KIBOR + 2.00% per annum), payable quarterly. The purchase prices are repayable on various dates, latest by August 21, 2009.

29. SHORT-TERM DEPOSITS

	Note	June 30, 2008	June 30, 2007
Service connection deposits	29.1	**2,554,729**	2,028,744
Suppliers' security deposits		**367,626**	42,439
Earnest money		**8,587**	104,806
		2,930,942	2,175,989

29.1 These include amounts contributed by consumers in respect of service connections, extension of mains and streetlights. The same is refundable if concerned work is not completed. Upon completion of work, these deposits are transferred to deferred revenue.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

30. PROVISIONS

	Note	June 30, 2008	June 30, 2007
In respect of:			
bank guarantee in respect of the dispute with Sabah Shipyard	30.1	-	409,168
contingencies relating to fatal accident cases		**18,432**	83,739
		18,432	492,907

30.1 A provision was made by the Company in the financial statements of prior years for the principal amount of a bank guarantee, as a result of a dispute with Sabah Shipyard in the past. As per the Implementation Agreement, signed between the Company and the GoP, the GoP was to make payment of any amount pursuant to the claim against the company, within sixty days of receipt of a notice in writing from the Company, accompanied by evidence establishing the obligation of the Company. However, as a result of a decision given during the current year by the High Court of Justice, Queen's Bench division, Commercial Court, London, where the Sabah Shipyard had filed a case against the Company, in favour of the Company, provision of Rs.409.168 million made in prior years have been written back by the Company against the amount due from the GoP (note 13).

30.2 Movement in provisions during the year:

	2008	2007
Opening balance	**492,907**	559,168
Reversal during the year	**(409,168)**	(65,000)
Payments made during the year against contingencies relating to fatal accident cases	**(65,307)**	(1,261)
	18,432	492,907

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 The Company had entered into a contract with Siemens Pakistan Engineering Limited (the Contractor) on December 01, 2005 for the Operation and Management (O&M) of the Company.

During the year ended June 30, 2008, the Company and the Contractor ran into some disputes as a result of which a notice of termination of O&M contract was received by the Company from the Contractor. While negotiations were underway to resolve the disputes, the Contactor filed a suit against the Company in respect of non-payment of O&M fees, amounting to Rs.1,987.254 million, and termination charges under clause 8.3 of O&M contract of Rs.984.000 million, aggregating to Rs.2,971.254 million. The Contractor filed another suit against the Company, seeking certain deceleration on the SAP Software System installed at the Company's premises.

The Company has also filed a suit against the Contractor, seeking damages and for return of all properties of the Company by the Contractor, including keys of the SAP software .The Company has claimed damages due to the failure of the Contractor to fulfill its obligation under the O&M agreement. The aggregate sum claimed by the Company on account of the above amounts to Rs.56,985.811 million.

The Company is confident that the outcome of the above cases will be in its favour. Accordingly, no provision has been made in these financial statements for the above referred sums.

31.1.2 Claims not acknowledged as debts:

31.1.2.1 A claim, amounting to Rs.73.161 million, was lodged by Pakistan Steel Mills Limited, vide its letter, number Cost/Acctts/EB/2007/622, dated April 19, 2007, in respect of right of way charges for Transmission Line passing within the premises of Pakistan Steel. The said claim has been calculated on the basis of the Minutes of the meeting held on July 19, 1994 wherein the key terms were subject to approval of the KESC and Pakistan Steel which was not duly approved.

Further, as per Section 12 and Section 51 of the Electricity Act, 1910, any licensee is permitted to lay down or place electric supply lines with permission of local authority or the occupier of that land, subject to conferment of powers under Part III, of the Telegraph Act 1885. Moreover public utility is also barred from payment of annual rentals to any authority under the sections mentioned above and the claim is time barred. Furthermore, the KESC was issued license from Provincial Government and all concessions and the permissions for such exemptions are provided in the license. Based on the above mentioned facts, the Company does not acknowledge the said claim as debt.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
31.1.2.2 Other claims not acknowledged as debts:			
Fatal accident cases		**466,132**	682,119
Guarantees from banks		**5,113**	62,710
Architect's fee in respect of the Head Office project		**50,868**	50,868
Outstanding dues of property tax, water charges, ground rent and occupancy value	26.3	**4,105,906**	3,977,873
Claim by NTDC on account of power purchases		**31,026,000**	12,567,000
31.2 Commitments			
31.2.1 Contracts with respect to Transmission and Distribution projects		**4,773,000**	5,664,000
31.2.2 Outstanding Letters of Credit		**3,397,180**	4,021,205
31.2.3 Commitments for payment in respect of Combined Cycle Power Plant		**2,018,980**	9,955,367
31.2.4 Dividend on Preference Shares		**314,516**	64,149
31.2.5 Software license and implementation costs		**336,127**	-

32. SALE OF ENERGY – net

	2008	2007
Residential	**17,497,080**	14,944,738
Commercial	**8,270,595**	7,439,898
Industrial	**22,837,772**	20,758,887
National Transmission and Despatch Company	**25,034**	33,262
Karachi Nuclear Power Plant	**63,733**	103,394
Pakistan Steel Mills Corporation (Private) Limited	**661,465**	781,385
Others	**250,813**	600,080
	49,606,492	44,661,644

33. PURCHASE OF ELECTRICITY

	2008	2007
National Transmission and Despatch Company (NTDC)	**15,024,686**	18,099,816
Independent Power Producers (IPPs)	**15,613,354**	10,451,972
Karachi Nuclear Power Plant (KANUPP)	**1,796,843**	626,266
Pakistan Steel Mills Corporation (Private) Limited	**426,012**	185,889
	32,860,895	29,363,943

34. CONSUMPTION OF FUEL AND OIL

	2008	2007
Natural gas	**17,296,974**	19,023,755
Furnace and other oils	**18,587,461**	9,575,762
	35,884,435	28,599,517

35. EXPENSES INCURRED IN GENERATION, TRANSMISSION & DISTRIBUTION

	Note	Generation expenses	Transmission & distribution expenses	2008	2007
		(Rupees in '000)			
Salaries, wages and other benefits	35.1, 35.2 & 44	533,904	3,054,431	3,588,335	3,003,999
Stores and spares consumed		168,825	627,058	795,883	616,142
Office supplies		35,035	38,453	73,488	53,771
NEPRA license fee		18,177	18,177	36,354	29,621
Repairs and maintenance		110,826	331,530	442,356	404,224
Transport expense		57,642	316,149	373,791	353,587
Rent, rates and taxes		30,144	49,225	79,369	276,433
Depreciation	4.1.2	1,162,770	2,202,411	3,365,181	3,234,987
Interdepartmental consumption		-	253,047	253,047	231,709
Provision against slow moving and obsolete stores and spares	9.1	45,630	111,715	157,345	207,130
Others		10,034	58,500	68,534	32,996
		2,172,987	7,060,696	9,233,683	8,444,599

35.1 This includes a sum of Rs.343.251 (2007: Rs.450.327) million in respect of staff retirement benefits.

35.2 Free electricity benefit to employees, amounting to Rs.110.888 (2007:Rs.99.364) million, has been included in salaries, wages and other benefits.

36. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumers services and billing expenses	Administrative and general expenses	June 30, 2008	June 30, 2007
		(Rupees in '000)			
Salaries, wages and other benefits	36.1, 36.2 & 44	1,437,339	1,252,787	2,690,126	1,885,860
Bank collection charges		22,376	-	22,376	56,215
Transport cost		161,356	94,472	255,828	176,684
Depreciation	4.1.2	19,602	122,997	142,599	94,511
Amortization of intangible asset	5.2	-	10,668	10,668	-
Repairs and maintenance		9,313	39,900	49,213	32,336
Rent, rates and taxes		43,963	71,966	115,929	121,744
Public relations and publicity		-	33,706	33,706	31,571
Legal expenses		-	39,909	39,909	36,934
Auditors' remuneration	36.3	-	2,178	2,178	1,833
Professional charges	36.4	-	120,789	120,789	20,137
Directors fee		-	370	370	500
Provision against debts considered doubtful	10.1	1,170,989	-	1,170,989	1,881,461
Office supplies		45,638	51,322	96,960	66,060
Other expenses		5,504	36,092	41,596	45,598
Other miscellaneous fee		-	57,642	57,642	1,166
Interdepartmental consumption		90,374	18,076	108,450	86,000
Operation and Management fee		-	-	-	686,421
		3,006,454	1,952,874	4,959,328	5,225,031

36.1 This includes a sum of Rs.233.756 (2007: Rs.276.339) million in respect of staff retirement benefits.

36.2 Free electricity benefit to employees, amounting to Rs.70.066 (2007:Rs.75.579) million, has been included in salaries, wages and other benefits.

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

36.3 Auditors' remuneration

Statutory audit, half yearly review and Report of compliance on Code of Corporate Governance		**2,000**	1,600
Out of pocket expenses		**178**	233
		2,178	1,833

36.4 This includes a sum of Rs.65.472 million accrued in respect of professional services rendered by a related party.

37. OTHER OPERATING INCOME

	Note	June 30, 2008	June 30, 2007
Late payment surcharge		**712,937**	527,637
Amortisation of deferred revenue	24	**753,633**	477,297
Return on short term investments		**259**	31,929
Return on bank deposits		**50,726**	48,451
Rebate on electricity duty		**17,495**	14,438
Scrap sale – stores and spares		**371,445**	206,791
Liabilities no longer considered payable written back		**-**	482
Gain on disposal of fixed assets	4.1.3	**65,289**	3,723
Collection charges TV licence fee		**59,009**	54,809
Liquidated damages recovered from suppliers and contractors		**75,046**	84,539
Exchange gain		**8,491**	86,752
Gain on derivative financial instrument - Options	14.2	**226,611**	-
Rental income		**1,566**	1,235
Reversal of Operation and Management fee		**287,026**	-
Provision no longer considered payable written back - fatal accident		**-**	65,000
Provision against slow moving and obsolete stores, spares and loose tools written back		**-**	2,677
Others		**168,709**	120,955
		2,798,242	1,726,715

38. OTHER OPERATING EXPENSES

	Note	June 30, 2008	June 30, 2007
Interest on consumers deposits		**182,969**	163,562
Letters of credit charges for IPP payments		**3,854**	4,377
Provision against sales tax - considered doubtful	13.1	**232,050**	-
Provision against amount due from a Consortium of Suppliers of a new Power Plant - considered doubtful	13.3	**363,080**	-
Donations	38.1	**815**	95
Stamp duty on issuance of shares and listing fee		**258**	80
Miscellaneous		**45,512**	37,640
		828,538	205,754

38.1 Donations do not include any donee in whom any director or his spouse has any interest.

39. FINANCE COSTS

Mark-up / interest on short term borrowings		**1,027,736**	647,345
Late payment surcharge on delayed payment to a creditor		**847,155**	504,792
		1,874,891	1,152,137

40. TAXATION

Current - based on minimum turnover tax under Section 113		**252,607**	227,496
Prior		**67,255**	(8,901)
		319,862	218,595

40.1 The income tax assessments of the Company have been finalized up to the assessment year 2007 .

Except for the assessments for the years 1993-94, 1995-96, 1997-98 and 1999-00 have not been finalized, pending resolution of various issues, particularly the application of Section 80C of the Income Tax Ordinance, 1979 at different appellate forums, mainly on the purchase of electricity from various power producers.

The Departmental appeals for the assessment years 1993-94 and 1995-96 filed against the Order of the ITAT is currently pending for decision wherein the ITAT had decided the case in favour of the Company on application of section 80C.

In respect of assessment year 1994-95, the Tax Department, in the light of the letter of the Commissioner (Legal Division), Large Taxpayers Unit (LTU), Karachi, dated 24 May, 2006, has withdrawn its appeal filed before the Honorable High Court on application of Section 80C of the Income Tax Ordinance, 1979.

Moreover, the Commissioner of Income Tax, Enforcement and Collection Division, Large Taxpayers Unit, Karachi through the Order, under section 122A dated May 7, 2005, had set aside the applicability of presumptive taxation under section 80C of the Ordinance. In view of the above facts, no provision has been made by the Company in the financial statement of the current year in this regard.

40.2 Deferred tax asset, amounting to Rs.19,020 (June 30, 2007: Rs.19,630) million, has not been recognized in these financial statements as the Company is of the view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilized.

At the year end, the Company's assessed tax losses amounted to Rs.68,399 (2007: Rs.70,233) million.

40.3 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the Company has shown losses for the tax purposes, resulting in the tax liability based on 0.5% of turnover for the current year. Accordingly, tax under Section 113 of the Income Tax Ordinance, 2001, has been provided for in these financial statements.

	June 30, 2008	**June 30, 2007**
	(Rupees in '000)	
41. LOSS PER SHARE		
There is no dilutive effect on the loss per share of the Company, which is based on:		
Loss for the year after tax	**(16,071,907)**	(12,175,978)
	Number of shares	
Weighted average number of Ordinary shares excluding Redeemable Preference shares outstanding during the year	**13,167,074,983**	13,167,074,983
	(Rupee)	
Loss per share	**(1.22)**	(0.92)

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	

42. CASH (UTILIZED) / GENERATED FROM OPERATIONS

	Note	2008	2007
Loss before taxation		**(15,752,045)**	(11,957,383)
Adjustments for non-cash charges and other items:			
Depreciation	4.1.2	**3,507,780**	3,329,498
Amortisation of intangible assets	5.2	**10,668**	-
Provision for deferred liabilities	23.1	**577,007**	726,668
Provision for slow moving stores, spares and loose tools	35	**157,345**	204,453
Amortization of deferred revenue	37	**(753,633)**	(477,297)
Provision for debts considered doubtful	36	**1,170,989**	1,881,461
Gain on disposal of fixed assets	37	**(65,289)**	(3,723)
Provision against sales tax - considered doubtful	13	**232,050**	-
Provision against due from a Consortium of Suppliers of a new Power Plant - considered doubtful	13	**363,080**	-
Provision for un-paid property tax		**-**	42,000
Liabilities no longer considered payable written back	30	**-**	(65,000)
Tariff adjustment accrued		**-**	(1,147,250)
Interest on consumer deposits	38	**182,969**	163,562
Reversal of Operation and Management fee	37	**(287,026)**	-
Interest on short-term borrowings	39	**1,027,736**	647,345
Return on bank deposits	37	**(50,726)**	(62,147)
Gain on options	14.2	**(226,611)**	-
Working capital changes	42.1	**10,339,210**	7,738,660
		433,504	1,020,847

42.1 Working capital changes

	2008	2007
(Increase) / decrease in current assets		
Stores and spares	**(219,510)**	(1,437,477)
Trade debts	**(4,946,273)**	(2,838,978)
Loans and advances	**(113,636)**	66,055
Trade deposits and prepayments	**1,274**	(4,175)
Other receivables	**(1,909,719)**	1,770,140
	(7,187,864)	(2,444,435)
Increase in current liabilities		
Trade and other payables	**16,772,121**	9,435,165
Short-term deposits	**754,953**	747,930
	10,339,210	7,738,660

43. CASH AND CASH EQUIVALENTS

	Note	2008	2007
Short-term investments	16	**100,259**	607,717
Cash and bank balances	17	**2,334,148**	3,937,319
Short-term borrowings	28	**(10,230,723)**	(7,596,128)
		(7,796,316)	(3,051,092)

44. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

	2008			2007		
	Managing Director	Directors	Executives	Managing Director	Directors	Executives
	(Rupees in '000)					
Directors' fee	-	370	-	-	500	-
Managerial remuneration	8,516	-	77,121	8,429	-	56,806
House rent	3,832	-	35,027	1,849	-	25,246
Others	851	-	11,796	213	-	8,623
	13,199	370	123,944	10,491	500	90,675
Number of persons	1	11	57	1	11	37

The Executives and Managing Director of the Company are provided medical and car facilities. One of the directors is also provided with the car facility.

45. TRANSMISSION AND DISTRIBUTION LOSSES

45.1 The transmission and distribution losses were 34.12% (2007: 34.23%) during the current year. The trend of transmission and distribution losses over the years is as follows:

2000-2001	36.81%
2001-2002	41.11%
2002-2003	40.78%
2003-2004	37.84%
2004-2005	34.23%
2005-2006	34.43%
2006-2007	34.23%
2007-2008	34.12%

45.2 One of the factors attributable to these losses is the theft of electricity, which cannot be billed as it is subject to identification, which has directly affected the profitability of the Company. No consideration has been given to units over billed in prior years and corrected during the year in the determination of transmission and distribution losses percentage as disclosed in the above referred note.

46. FINANCIAL INSTRUMENTS

46.1 Interest rate risk

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company has hedged its interest rate risk through cross currency swap, the details of which are mentioned in Note 14 of these financial statements. The Company enters into various types of long-term and short-term loans and running finance arrangements for financing its generation, transmission and distribution projects and meeting working capital requirements, the table given below indicates their effective interest / mark-up rates at the balance sheet date

	Effective yield / mark-up rate	Interest / Markup bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2008
	%	Rupees in '000						
June 30, 2008								
FINANCIAL ASSETS								
Receivable from GoP	-	-	-	-	317,375	793,438	1,110,813	1,110,813
Loans	6	7,896	14,070	21,966	3,775	85,919	89,694	111,660
Deposits	-	-	-	-	9,564	20,527	30,091	30,091
Trade debts	-	-	-	-	12,415,794	-	12,415,794	12,415,794
Other receivables	-	-	-	-	473,257	-	473,257	473,257
Fair value of derivative instruments	-	-	-	-	407,604	-	407,604	407,604
Short term investment	13.50	100,259	-	100,259	-	-	-	100,259
Cash and bank balances	5-7.9	495,956	-	495,956	1,838,192	-	1,838,192	2,334,148
		604,111	14,070	618,181	15,465,561	899,884	16,365,445	16,983,626

	Effective yield / mark-up rate	Interest / Markup bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2008
	%	Rupees in '000						
June 30, 2008								
FINANCIAL LIABILITIES								
Long term financing	LIBOR + 2.5 KIBOR + 3	-	7,994,591	7,994,591	410,750	819,438	1,230,188	9,224,779
Long term deposits	5	-	3,659,380	3,659,380	-	-	-	3,659,380
Trade and other payables	3 months KIBOR + 2	750,000	-	750,000	36,785,880	-	36,785,880	37,535,880
Accrued mark-up	KIBOR+1.25-2&5	1,112,879	-	1,112,879	-	-	-	1,112,879
Short term borrowings	KIBOR + 1.25-2	10,230,723	-	10,230,723	-	-	-	10,230,723
Short term deposits	-	-	-	-	2,930,942	-	2,930,942	2,930,942
		12,093,602	11,653,971	23,747,573	40,127,572	819,438	40,947,010	64,694,583

	Effective yield / mark-up rate	Interest / Markup bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2007
	%	Rupees in '000						
June 30, 2007								
FINANCIAL ASSETS								
Receivable from GoP	-	-	-	-	317,375	1,110,813	1,428,188	1,428,188
Loans	6	7,104	23,140	30,244	3,439	90,841	94,280	124,524
Deposits	-	-	-	-	2,050	18,700	20,750	20,750
Trade debts	-	-	-	-	8,640,510	-	8,640,510	8,640,510
Accrued interest	0.5-6	6,868	-	6,868	-	-	-	6,868
Other receivables	-	-	-	-	833,260	-	833,260	833,260
Short term investment	5-7.9	607,717	-	607,717	-	-	-	607,717
Cash and bank balances	0.5-6	2,431,439	-	2,431,439	1,505,880	-	1,505,880	3,937,319
		3,053,128	23,140	3,076,268	11,302,514	1,220,354	12,522,868	15,599,136
FINANCIAL LIABILITIES								
Long term financing	-	-	-	-	317,375	1,136,813	1,454,188	1,454,188
Long term deposits	5	-	3,353,849	3,353,849	-	-	-	3,353,849
Trade and other payables	3 months KIBOR+2	750,000	-	750,000	20,968,179	-	20,968,179	21,718,179
Accrued mark-up	KIBOR + 1.25-2 & 5	917,581	-	917,581	-	-	-	917,581
Short term borrowings	KIBOR + 1.25-2	7,596,128	-	7,596,128	-	-	-	7,596,128
Short term deposits	-	-	-	-	2,175,989	-	2,175,989	2,175,989
		9,263,709	3,353,849	12,617,558	23,461,543	1,136,813	24,598,356	37,215,914

46.2 Concentration of credit risk

Credit risk represents the risk of a loss that would be recognized at the reporting date if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its trade debtors and bank balances. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs.16,983.626 (2007: Rs.15,599.136) million, the financial assets which are subject to credit risk amounted to Rs.14,649.478 (2007: Rs.11,611.817) million. The Company's electricity is sold to industrial and residential consumers and government organizations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debtors is limited. Further, the Company manages its credit risk by obtaining security deposit from the consumers.

46.3 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and to sustain future development of the business. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2008.

The Company monitors capital using a debt equity ratio, which is long tem debt divided by total capital plus long term loan. The debt comprises of long terms loans including current maturity. Equity comprises of share capital, capital and revenue reserves. The debt equity ratio is 74:26 (2007: 28:72).

46.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on purchases, and borrowings that are entered in a currency other than Pak Rupees. As the Company imports items of operating fixed assets, any appreciation in foreign currency (mainly US Dollars and Euro) has an adverse impact on the Company's operations and cash flows. The Company offsets the said adverse impact by executing cross currency swap and option contracts.

46.5 Liquidity risk

Liquidity risk reflects the Company's inability of raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual consumers. In addition, the Company arranges credit facilities from the banks.

46.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction.

The carrying amounts of all the financial instruments reflected in the consolidated financial statements approximate their fair value.

47. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise associates, directors, key management personnel, retirement benefit plans and major suppliers. Amounts due from and to related parties, amounts due from executives and remuneration of the Chairman, Chief Executive and Executives are disclosed in relevant notes.

Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. Outstanding balances are disclosed below. There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2008, the Company has not made any provision for doubtful debts relating to amounts owed by related parties. An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	June 30, 2008	June 30, 2007
	(Rupees in '000)	
47.1 National Transmission and Despatch Company, a major supplier		
Sales	**25,034**	33,262
Purchases	**15,024,686**	18,099,816
Amount payable included in creditors	**19,451,137**	5,576,537
47.2 Pakistan State Oil Company Limited, a major supplier		
Purchases	**18,587,461**	9,575,762
Amount payable included in creditors	**812,412**	882,736
47.3 Sui Southern Gas Company Limited, a major supplier		
Purchases	**17,296,974**	19,023,755
Amount payable included in creditors	**7,881,391**	7,976,604
47.4 Gul Ahmed Energy Limited, a major supplier		
Purchases	**7,607,968**	5,556,346
Amount payable included in creditors	**1,025,577**	676,788

	June 30, 2008	June 30, 2007
	(Rupees in '000)	
47.5 Tapal Energy (Private) Limited, a major supplier		
Purchases	**7,008,711**	4,612,783
Amount payable included in creditors	**1,103,881**	574,407

48. CAPACITY AND PRODUCTION

The total installed capacity is 1685 MW (2007: 1756 MW). The actual production during the year was 8,662.000 KWH (2007: 8,168.800 KWH) million. The actual production is lower as the power generating plant and machinery, after taking planned and forced outages, are normally operated at 60% load as compared to the installed capacity which is also subject to variations in day and night time peak demand. Further, no production is possible when any unit is under major overhauling and repairs.

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 30 October 2008 by the Board of Directors of the Company.

50. GENERAL

All figures have been rounded off to the nearest thousand rupees.

Naveed Ismail
Chief Executive Officer

S. Mohammad Akhtar Zaidi
Director

Attendance of Directors

Attendance of Directors at Board of Directors (BOD) and Board Audit Committee (BAC) Meetings held during the year 01 July 2007 to 30 June 2008

Board of Directors Meetings

S. No.	Name of the Directors	No. of Board Meeting Attended	Remarks
1	Mr. Abdulaziz Hamad Aljomaih	1	
2	Mr. Naser Al-Marri	-	
3	Syed Mohammad Amjad	4	
4	Mr. Shan A. Ashary	4	
5	Mr. Reyadh S. Al. Edrissi	2	
6	Mr. Peter Hertog	3	
7	Mr. Ariful Islam	2	
8	Mr. Fazal Ahmed Khan	4	
9	Mr. Muhammad Ismail Qureshi	2	
10	Mr. Mubasher H. Sheikh	4	
11	Mr. Imran Siddiqui.	-	
12	Syed Mohammad Akhtar Zaidi	4	
	Total Number of Board Meetings.		**4**

Board Audit Committee Meetings

S. No.	Name of the Directors	No. of Board Meeting Attended	Remarks
1	Mr. Naser Al-Marri	-	
2	Mr. Shan A. Ashary	4	
3	Mr. Fazal Ahmed Khan	1	
4	Mr. Mubasher H. Sheikh	4	
	Total number of Audit Committee Meetings.		**4**

Pattern of Shareholding

Ordinary Shares
As on 30 June 2008

Shareholders	Ranges From		Ranges To	Shareholding
4,184	1	-	100	131,362
2,928	101	-	500	847,153
1,986	501	-	1,000	1,780,714
3,779	1,001	-	5,000	11,153,930
1,176	5,001	-	10,000	9,854,959
372	10,001	-	15,000	4,876,496
307	15,001	-	20,000	5,800,828
152	20,001	-	25,000	3,630,992
99	25,001	-	30,000	2,857,064
53	30,001	-	35,000	1,770,815
59	35,001	-	40,000	2,319,300
30	40,001	-	45,000	1,311,282
85	45,001	-	50,000	4,198,026
31	50,001	-	55,000	1,640,179
22	55,001	-	60,000	1,292,500
16	60,001	-	65,000	1,014,847
12	65,001	-	70,000	834,563
18	70,001	-	75,000	1,333,500
10	75,001	-	80,000	790,477
7	80,001	-	85,000	579,040
6	85,001	-	90,000	535,000
4	90,001	-	95,000	376,000
86	95,001	-	100,000	8,579,000
9	100,001	-	105,000	929,500
8	105,001	-	110,000	868,450
4	110,001	-	115,000	455,500
6	115,001	-	120,000	715,500
5	120,001	-	125,000	623,719
1	125,001	-	130,000	126,000
7	130,001	-	135,000	936,500
4	135,001	-	140,000	555,500
4	140,001	-	145,000	572,000
11	145,001	-	150,000	1,641,500
2	150,001	-	155,000	308,646
3	155,001	-	160,000	473,097
2	160,001	-	165,000	324,500
5	170,001	-	175,000	870,400
2	175,001	-	180,000	360,000
2	180,001	-	185,000	364,500
1	185,001	-	190,000	190,000

Pattern of Shareholding

14	195,001	-	200,000	2,800,000
1	200,001	-	205,000	205,000
4	205,001	-	210,000	829,562
2	210,001	-	215,000	427,000
1	215,001	-	220,000	218,000
1	220,001	-	225,000	225,000
3	225,001	-	230,000	685,700
4	245,001	-	250,000	996,500
2	250,001	-	255,000	505,500
3	260,001	-	265,000	786,456
1	265,001	-	270,000	270,000
1	270,001	-	275,000	275,000
2	275,001	-	280,000	554,183
1	280,001	-	285,000	284,903
3	290,001	-	295,000	877,000
6	295,001	-	300,000	1,800,000
1	300,001	-	305,000	300,969
1	305,001	-	310,000	307,449
1	325,001	-	330,000	330,000
1	330,001	-	335,000	335,000
2	345,001	-	350,000	700,000
2	360,001	-	365,000	724,500
1	365,001	-	370,000	370,000
1	380,001	-	385,000	381,000
1	385,001	-	390,000	385,500
2	395,001	-	400,000	794,500
1	400,001	-	405,000	401,014
1	440,001	-	445,000	444,771
2	455,001	-	460,000	914,600
1	460,001	-	465,000	461,000
2	465,001	-	470,000	935,613
1	475,001	-	480,000	480,000
1	495,001	-	500,000	500,000
1	530,001	-	535,000	531,000
1	555,001	-	560,000	559,480
1	570,001	-	575,000	574,000
1	595,001	-	600,000	600,000
2	615,001	-	620,000	1,235,500
1	660,001	-	665,000	663,861
1	690,001	-	695,000	690,315
1	695,001	-	700,000	700,000
1	700,001	-	705,000	702,000
1	715,001	-	720,000	720,000
1	730,001	-	735,000	733,500
3	745,001	-	750,000	2,249,000

Pattern of Shareholding

1	750,001	-	755,000	752,000
1	770,001	-	775,000	775,000
1	795,001	-	800,000	800,000
1	800,001	-	805,000	805,000
1	845,001	-	850,000	850,000
1	950,001	-	955,000	950,509
3	995,001	-	1,000,000	2,999,000
1	1,055,001	-	1,060,000	1,059,784
1	1,075,001	-	1,080,000	1,076,517
1	1,095,001	-	1,100,000	1,100,000
1	1,145,001	-	1,150,000	1,150,000
1	1,205,001	-	1,210,000	1,208,500
1	1,325,001	-	1,330,000	1,329,500
1	1,565,001	-	1,570,000	1,567,100
1	1,620,001	-	1,625,000	1,623,450
1	1,995,001	-	2,000,000	2,000,000
1	2,170,001	-	2,175,000	2,174,000
1	2,320,001	-	2,325,000	2,323,182
1	2,995,001	-	3,000,000	3,000,000
1	3,435,001	-	3,440,000	3,437,676
1	3,775,001	-	3,780,000	3,778,409
1	4,695,001	-	4,700,000	4,700,000
1	6,315,001	-	6,320,000	6,318,000
1	8,295,001	-	8,300,000	8,300,000
1	9,705,001	-	9,710,000	9,706,969
1	9,995,001	-	10,000,000	10,000,000
1	14,835,001	-	14,840,000	14,837,775
1	15,570,001	-	15,575,000	15,574,500
1	17,155,001	-	17,160,000	17,159,860
1	32,915,001	-	32,920,000	32,917,688
1	111,955,001	-	111,960,000	111,955,750
1	3,378,000,001	-	3,378,100,000	3,378,098,487
1	9,414,455,001	-	9,414,460,000	9,414,458,612
15,619				13,167,074,983

Pattern of Shareholding

Categories of Shareholders (ordinary shares)

As on 30 June 2008

	Number	Total Shares Held	Percentage
Shareholders holding ten percent or more voting interest in the Company			
KES Power Limited	1	9,414,458,612	71.500
President of the Islamic Republic of Pakistan	1	3,378,098,487	25.656
Associated Companies, Undertakings and Related Parties			
NIT and ICP			
Hasan Associates (Pvt.) Ltd.	1	111,955,750	0.850
Premier Mercantile Services (Pvt.) Ltd.	1	32,917,688	0.250
National Bank of Pakistan Trustee Dept	1	3,778,486	0.029
Investment Corporation of Pakistan	1	10,339	0.000
National Investment Trust	1	41,231	0.000
Directors, CEO & Their Spouse and Minor Children	-	-	-
Executives	2	55,000	0.000
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Banks, Financial Institutions	32	44,700,511	0.339
Investment Companies	25	3,214,637	0.024
Insurance Companies	12	2,095,892	0.016
Joint Stock Companies	131	32,261,403	0.245
Modarabah Management Companies	1	10,000	0.000
Modarabah Companies	10	255,189	0.002
Charitable Trusts	12	743,677	0.006
Mutual Funds	4	7,875,000	0.060
Leasing Companies	2	2,025,000	0.015
Individual	15,372	131,933,107	1.002
Others	9	644,974	0.005
	15,619	13,167,074,983	100.000

Pattern of Shareholding

Redeemable Preference Shares
As on 30 June 2008

	Ranges		
Shareholders	From	To	Shareholding
539	1	100	21,222
1,110	101	500	262,297
496	501	1,000	336,414
574	1,001	5,000	1,134,357
73	5,001	10,000	505,158
30	10,001	15,000	387,559
12	15,001	20,000	203,381
3	20,001	25,000	66,642
6	25,001	30,000	158,522
3	30,001	35,000	97,059
3	35,001	40,000	111,575
1	40,001	45,000	43,224
1	45,001	50,000	46,349
1	50,001	55,000	52,968
2	55,001	60,000	113,905
4	65,001	70,000	260,388
1	90,001	95,000	91,787
2	95,001	100,000	195,292
1	130,001	135,000	130,194
1	439,655,001	439,660,000	439,658,388
1	1,270,405,001	1,270,410,000	1,270,409,032
2,864			1,714,285,713

Pattern of Shareholding

Categories of Shareholders (Redeemable Preference Shares)

As on 30 June 2008

	Number	Total Shares Held	Percentage
Shareholders holding ten percent or more voting interest in the Company			
KES Power Limited	1	1,270,409,032	74.107
President of the Islamic Republic of Pakistan	1	439,658,388	25.647
Associated Companies, Undertakings and Related Parties			
NIT and ICP	-	-	-
Directors, CEO & Their Spouse and Minor Children	-	-	-
Executives	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Banks, Financial Institutions	2	95,692	0.006
Investment Companies	-	-	-
Insurance Companies	1	56	0.000
Joint Stock Companies	22	107,382	0.006
Modarabah Management Companies	-	-	-
Modarabah Companies	-	-	-
Charitable Trusts	1	4,295	0.000
	2	1,806	0.000
Mutual Funds	-	-	-
Leasing Companies	-	-	-
Individual	2,831	4,004,605	0.234
Others	3	4,457	0.000
	2,864	1,714,285,713	100.000

Proxy Form

I / We ______________________________________of __________being a member of the Karachi Electric Supply Company Limited (*formerly: Karachi Electric Supply Corporation Limited*), hereby appoint ______________________________ of __________ or failing him / her ____________________________________ of __________ as my / our proxy to attend and vote for me / us and on my / our behalf at the **98**TH Annual General Meeting of the Company to be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Saturday, 29 November 2008 at 11:30 a.m. or at any adjournment thereof.

As witnessed given under my / our hand(s) this ________ day of _________ 2008.

1. Witness: __________________
   Signature: __________________
   Name: __________________
   Address: __________________
   ____

Affix Revenue Stamp of Rs.5/-

2. Witness: __________________
   Signature: __________________
   Name: __________________
   Address: __________________
   ____

____
Signature of Member

Shares held ______________________
Shareholder's Folio # ______________________
/ CDC Account # ______________________

CNIC # | | | | | | | | | | | | | | | |

NB:

1. Name may be written in BLOCK LETTERS and mention your Ledger Folio / CDC Account No. and also the Ledger Folio / CDC Account No. of the Proxy Holder.
2. Proxy may be given to a person who is a member of the Company, except in the case of Companies where the proxy may be given to any of its employee for which certified true copy of Power of Attorney and / or Board Resolution with regard to appointment of proxy may be attached.
3. In case the proxy is the beneficial owner of CDC, must enclose an attested copy of his / her CNIC or Passport.