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COMPANY INFORMATION

Board of Directors	Mrs. Sughra Mahmood Mr. Klaus Triendl Mr. Stanley Alan Ridley Mr. Taj ud Deen Kurji Mr. Anthony Rustin Mr. Stephane Mailhot Mr. Muhammad Khalid Rashid Mr. Khurshid Hadi Mr. Rashid Mirza
Chief Executive	Mr. Ali Mahmood
Chief Operating Officer	Mr. Amjad Awan
Chief Financial Officer	Mr. Shamsul Aziz
Company Secretary	Mr. Salman Rahim
Audit Committee	Mr. Taj ud Deen Kurji <i>Chairman</i> Mrs. Sughra Mahmood Mr. Khurshid Hadi
Auditors	Taseer Hadi Khalid & Co. Chartered Accountants
Leading Bankers	Askari Commercial Bank Limited Faysal Bank Limited National Bank of Pakistan Prime Commercial Bank Limited United Bank Limited UFJ Bank Limited
Registered Office	6th Floor, Razia Sharif Plaza, 90 West, Jinnah Avenue, Blue Area, Islamabad-44000, Pakistan. Tel: (92 51) 227 8118, 227 9230-1 Fax: (92 51) 282 5465 Website: www.sepcol.com
Shares Department	6th Floor, Razia Sharif Plaza, 90 West, Jinnah Avenue, Blue Area, Islamabad-44000, Pakistan. Tel: (92 51) 227 8118, 227 9230-1 Fax: (92 51) 282 5465
Plant	Rairwind, District Lahore

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 11th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") is scheduled to be held on October 31, 2005 at 10:00 a.m. at the Registered Office of the Company at 6th Floor, Razia Sharif Plaza, 90-West, Jinnah Avenue, Blue Area, Islamabad-44000, Pakistan to transact the following business:

- o confirm the minutes of the last Annual General Meeting held on December 31, 2004.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2005 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Salman Rahim
Company Secretary

Place: Islamabad
Dated: October 10, 2005

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 23, 2005 to October 31, 2005 (both days inclusive). Transfers received at the Company's Registered Office upto the close of business on October 22, 2005 will be treated in time for the purpose of to attend the Annual General Meeting.
2. 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.
3. 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.
4. Members are requested to immediately notify the Company any change in their addresses.
5. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

- a) In case of individuals, the account holder or sub account holder and / or the persons whose securities and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b) 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

- a) In case of individuals, the account holder or sub-account holder and/ or the persons whose securities and their registration details are uploaded as per the Regulations, shall submit the Proxy Form as per the above requirement.
- b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- c) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- d) 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) alongwith Proxy Form to the Company.

Your Directors are pleased to present before you the 11th Annual Report of the Company, the audited annual accounts for the year ended June 30, 2005.

Financial Results

Your Company's annual turnover for the year under review was Rs. 2.59 Billion as compared to Rs. 2.26 Billion last year. Higher turnover is due to higher dispatch requirement by WAPDA which was 41% of the installed plant capacity as compared to 34% last year.

Your Company made a net profit of Rs.62.5 million for the year as compared to Rs. 234.2 million last year. As explained in the previous reports, lower profitability is attributable to the heavy consumption of spare parts for the major overhauling of the engines and temporary reduction in the Dependable Capacity by WAPDA to 95.8MW from October'04 to April'05. The Dependable Capacity has, after major overhaul, been reestablished at 110.165MW.

Accordingly, the earnings per share worked out at Rs.0.46 this year as compared to Rs.1.71 last year.

Annual Dependable Capacity (ADC) Test

After completing the major overhaul of the engines, the Company, on May 5th 2005, conducted an ADC test and demonstrated a net Dependable Capacity of the complex to be 110.165MW. This Capacity has been accepted by WAPDA and the capacity payments to the Company are accordingly being made at 110.165MW.

Additional Engine

After obtaining the necessary approvals from the Board of Directors / Lenders and the GoP, the Company in pursuance of the Settlement Agreement between WAPDA and itself, executed a new engine procurement contract with MAN B&W of Germany. Under the Contract, the Supplier shall supply to the Company an 18.9MW Diesel engine / generator with complete scope of supply within 6 months of the opening of an irrevocable Letter of Credit in its favor.

The Letter of Credit in favour of MAN Germany has been established and the installation of the new engine is expected to take place within 10 to 12 months. Besides helping in reducing the existing load on the existing five engines and minimizing Liquidated Damages and the escalating consumption of spare parts, the additional engine of 18.9MW will also bring additional revenues to the Company.

Financial Statements and Internal Controls

The Directors are pleased to state that:

- (a) the financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity;
- (b) proper books of account have been maintained;
- (c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been

adequately disclosed;

- (e) the system of internal control is sound in design and has been effectively implemented and monitored;
- (f) there are no significant doubts upon 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 data for five years is available in this report.

Appropriations

The reduced profitability due to the above mentioned circumstances does not put the directors in a position to recommend a dividend.

Auditors

The present auditors Messers Taseer Hadi Khalid & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Changes in the Board of Directors

During the year, Ms. Hermance Bernier resigned as Director of the Company and was replaced by Mr. Stanley Alan Ridley.

Board of Directors Meetings Held During the Year

Five Board of Directors meetings were held during the year from July 1st 2004 to June 30th 2005. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mrs. Sughra Mahmood	5
Mr. Klaus Triendl	5
Mr. Stanley Alan Ridley	5
Mr. Anthony Rustin	5
Mr. Stephane Mailhot	5
Mr. Taj ud Deen Kurji	5
Mr. Khalid Rashid	5
Mr. Rashid Mirza	4
Mr. Khurshid Hadi	5

Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2005 is attached.

For and on behalf of the Board

Ali Mahmood
Chief Executive

Islamabad
October 3, 2005



KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2005	2004	2003	2002	2001
Dispatch Level (%age)	41%	34%	42%	32%	18%
Dispatch (MWH)	398,365	336,767	409,308	310,574	179,199
Total Revenue (Rs. '000)	2,591,542	2,261,335	2,555,006	2,194,513	1,687,464
Profit for the Year (Rs. '000)	62,542	234,282	304,419	342,154	295,868
Shareholders' Equity (Rs. '000)	2,436,998	2,374,456	2,140,174	1,711,504	1,509,132
Book Value Per Share (Rupees)	17.83	19.11	17.22	18.37	16.19
Earnings Per Share Basic (Rupees)	0.46	1.71	2.89	3.40	3.17
Rate of Dividend (%age)	-	10%	15%	15%	-



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the requirement of Code of Corporate Governance as per the listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance.

The Company has applied the principles contained in the Code of Corporate Governance (the Code) in the following manner:

1. The Board of the Company (excluding the Chief Executive) comprises of eight non-executive directors and one executive director. At present there is no representation of independent non-executive director and director representing minority shareholders on the Board of the Company.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board during the year that was filled up by the directors on the same day.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and senior employees of the Company.
6. The Board has developed a vision statement and overall corporate strategy for the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration, terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The Meetings of the Board were presided over by the Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course on Code of Corporate Governance for the resident directors of the Company during last year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for the year ended June 30, 2005 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three members, all of whom are non executive directors of the Company.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan. The auditors have further confirmed that neither they nor any of the partners of the firm, their spouses 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Islamabad
October 3, 2005

Ali Mahmood
Chief Executive

AUDITORS' 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 Southern Electric Power Company Limited ("the Company") to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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.

**Islamabad
October 3, 2005**

**Taseer Hadi Khalid & Co.
Chartered Accountants**



Taseer Hadi Khalid & Co. Chartered Accountants

We have audited the annexed balance sheet of Southern Electric Power Company Limited ("the Company") as at June 30, 2005 and the related profit and loss account, cash flow statement and 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 the 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 above 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 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, except for the change referred to in note 4.10, with which we concur;

- ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the 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, cash flow statement and 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 June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

ISLAMABAD
October 3, 2005

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 2005

	Note	2005 Rupees '000	2004 Rupees '000
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 ordinary shares of Rs. 10 each		<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid up capital	5	1,366,758	1,242,507
Reserve for issue of bonus shares		-	124,251
Unappropriated profit		<u>1,070,241</u>	<u>1,007,699</u>
		2,436,999	2,374,457
NON-CURRENT LIABILITIES			
Long term financing - secured	6	2,852,339	3,437,870
Deferred liabilities	7	16,848	15,128
Liabilities against assets subject to finance lease	8	5,671	1,376
		2,874,858	3,454,374
CURRENT LIABILITIES			
Trade and other payables	9	383,913	185,914
Short term borrowings - secured	10	1,139,166	564,396
Current portion of long term financing	6	671,749	758,516
Current portion of liabilities against assets subject to finance lease	8	2,735	3,554
		2,197,563	1,512,380
CONTINGENCIES AND COMMITMENTS	11	-	-
		<u>7,509,420</u>	<u>7,341,211</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

Note

2005
Rupees '0002004
Rupees '000**NON CURRENT ASSETS**

Property, plant and equipment	12	6,514,590	6,620,924
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CURRENT ASSETS

Stores, spare parts and loose tools	13	217,039	161,691
Stock in trade	14	156,096	81,173
Trade debts	15	328,543	267,595
Advances and other receivables - considered good	16	131,718	104,709
Trade deposits and short term prepayments	17	20,197	29,371
Taxes paid in advance	18	129,793	66,492
Cash and bank balances	19	11,444	9,256
		994,830	720,287

7,509,420

7,341,211

Islamabad
October 3, 2005

Chief Executive

Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 Rupees '000	2004 Rupees '000
Gross revenue	20	2,798,066	2,408,106
Less: Sales tax		206,524	146,770
Net revenue		<u>2,591,542</u>	<u>2,261,336</u>
Cost of sales	21	<u>2,112,654</u>	<u>1,586,155</u>
Gross profit		478,888	675,181
Administration and general expenses	22	82,253	84,532
Other operating income	23	15,210	581
Operating profit		<u>411,845</u>	<u>591,230</u>
Financial charges	24	349,303	356,947
Net profit for the year		<u>62,542</u>	<u>234,283</u>
Earnings per share - basic (Rupees)	31	<u>0.46</u>	<u>1.71</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

Islamabad
October 3, 2005

Chief Executive

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 Rupees '000	2004 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the year		62,542	234,283
Adjustments for :			
Depreciation		248,377	244,941
Provision for gratuity		4,195	1,509
Receivables - written off		-	46,196
Gain on disposal of property, plant and equipment		(1,422)	(485)
Interest income		(665)	(833)
Exchange differences		(11,998)	737
Financial charges		349,303	356,947
		<u>650,332</u>	<u>883,295</u>
Working capital changes			
Increase in store, spares and tools		(55,349)	(41,706)
(Increase)/ decrease in stock in trade		(74,923)	25,324
Increase in trade debts		(60,947)	(10,756)
Increase in advances, trade deposits, short term prepayments, and taxes paid in advance		(81,136)	(1,267)
Increase in trade and other payables		177,692	43,638
		<u>(94,663)</u>	<u>15,233</u>
Gratuity paid		(2,810)	(1,148)
Net cash generated from operating activities		<u>552,859</u>	<u>897,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(9,406)	(11,926)
Proceeds from disposal of property, plant and equipment		1,615	842
Proceeds from sale and lease back of assets		7,565	-
Interest income received		665	833
Net cash from/(used in) investing activities		439	(10,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		(786,265)	(504,618)
Financial charges paid		(334,814)	(371,499)
Lease rentals paid		(4,608)	(3,068)
Dividends paid		(193)	(184,752)
Net cash used in financing activities		<u>(1,125,880)</u>	<u>(1,063,937)</u>
Net decrease in cash and cash equivalents		<u>(572,582)</u>	<u>(176,808)</u>
Cash and cash equivalents at the beginning of the year	29	(555,140)	(378,332)
Cash and cash equivalents at the end of the year	29	<u>(1,127,722)</u>	<u>(555,140)</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

Islamabad
October 3, 2005

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	Share Capital Rupees '000	Reserve for issue of bonus shares Rupees '000	Un-appropriated Profit Rupees '000	Total Rupees '000
Balance as at July 1, 2003 - as previously reported	1,242,507	-	897,667	2,140,174
Effect of change in accounting policy - Final dividend for the year ended June 30, 2003	-	-	186,376	186,376
Balance as at July 1, 2003 (restated)	1,242,507	-	1,084,043	2,326,550
Net profit for the year ended June 30, 2004	-	-	234,283	234,283
Final dividend for the year ended June 30, 2003	-	-	(186,376)	(186,376)
Transfer to reserve for issue of bonus shares	-	124,251	(124,251)	-
Balance as at June 30, 2004	1,242,507	124,251	1,007,699	2,374,457
Net profit for the year ended June 30, 2005	-	-	62,542	62,542
Issuance of bonus shares	124,251	(124,251)	-	-
Balance as at June 30, 2005	1,366,758	-	1,070,241	2,436,999

The annexed notes 1 to 32 form an integral part of these financial statements.

Islamabad
October 3, 2005

Chief Executive

Director



1 STATUS AND NATURE OF OPERATIONS

Southern Electric Power Company Limited ("the Company") was incorporated in Pakistan on December 20, 1994 as a public limited company under the Companies Ordinance, 1984. The company is listed on all three stock exchanges in Pakistan. The company has established a 117 Megawatt power generation station near Raiwind, Lahore.

The company's registered office is located at 6th floor, Razia Sharif Plaza, Blue Area, Islamabad, Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except that certain exchange differences referred to in note 12 have been incorporated in the cost of relevant assets and obligation under employees' benefit referred to in note 7.2 has been recognized at present value determined by actuary.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Taxation

The company's income is exempt from tax under clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The company is also exempt from minimum tax on turnover under clause (15) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.2 Staff retirement benefits

4.2.1 Defined benefit plan

The company is operating an un-funded gratuity scheme for all its employees according to the terms of employment subject to a minimum qualifying period of service. The liability is provided on the basis of actuarial valuation using Projected Unit Credit Method, carried out at least once in every three years. Latest actuarial valuation was carried out as at June 30, 2004. The details of actuarial valuation are given in note 7 to the accounts.

The company recognizes actuarial gains / losses above the corridor defined in International Accounting Standard IAS: 19 "Employee Benefits" over the expected future services of employees.

4.2.2 Compensated absences

The Company also provides for compensated absences according to the company's Policies. Related expected cost and liability has been included in the financial statements.

4.3 Property, plant and equipment

Owned

Property, plant and equipment, owned by the company are stated at cost less accumulated depreciation, except freehold land and capital work in progress (CWIP), which are stated at



cost. Cost also includes exchange gains and losses on loans obtained for acquisition of property, plant and equipment.

Depreciation is charged on the straight line method at rates given in note 12, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Exchange differences on the loans utilized for the acquisition of plant building and machinery are being depreciated over the remaining useful life of the plant. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year.

Maintenance and repairs are charged to income as and when incurred. Gains and losses on disposals of assets are taken to the profit and loss account.

An impairment loss on the asset is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined on the basis of higher of an asset's net selling price and its value in use.

Leased

Assets subject to finance lease are stated at the lower of present value of the minimum lease payments under the lease agreements and the fair value of the assets less accumulated depreciation. Financial charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged on the leased assets on the basis similar to that of the owned assets.

4.4 Stock, stores, spares and loose tools

Inventories are valued at lower of cost and net realizable value. Cost has been calculated as follows:

Furnace oil	First in first out basis
High speed diesel	Moving average cost
Lubricants	Moving average cost
Stores, spares and loose tools	Moving average cost

The cost of the inventory consists of the purchase price and other costs incurred in bringing the assets to their present location and condition. Net realizable value is taken at estimated selling price less the estimated costs necessary to make the sale.

4.5 Trade debts and other receivables

Trade debts are stated at original invoice value and other receivables are recognized and carried at cost. Known impaired debts are written off, while debt considered doubtful of recovery are fully provided for.

4.6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Short term borrowings that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

4.7 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

4.8 Trade and other payables

Trade and other payables are stated at cost.

4.9 Provisions

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

4.10 Dividend recognition

The Company has during the year changed its accounting policy whereby dividend is now recognized as a liability in the period in which it is declared. The change was considered necessary due to revision of Fourth Schedule to the Companies Ordinance, 1984, whereby the requirements of IAS 10, "Events after the balance sheet date", are now applicable. The change in accounting policy has resulted in decrease in appropriations for the final dividend proposed for 2003 of Rs. 186.37 million with a corresponding increase in appropriations for 2004 by the same amount. The change, however, has no effect on the comparative financial statements presented.

4.11 Borrowing costs

Borrowing costs on loans are capitalized up to the date of commissioning of the asset. Subsequent borrowing costs are charged to income. All other borrowing costs are charged to income.

4.12 Foreign currencies

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Exchange gains or losses are taken to income currently except that exchange differences on loans utilized for the acquisition of plant building and machinery are capitalized.

4.13 Revenue recognition

Revenue on account of energy is recognized on dispatch of electricity, whereas revenue on account of capacity is recognized when due. Income on bank deposits is accrued on a time proportion basis.

4.14 Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account.

4.15 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. The company derecognizes financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2005 (Rupees '000)	2004 (Rupees '000)
124,250,684 Ordinary Shares of Rs. 10 each issued for cash	1,242,507	1,242,507
12,425,068 (2004: Nil) bonus shares of Rs. 10 each	124,251	-
	<u>1,366,758</u>	<u>1,242,507</u>

Lender and facility	Note	Sanctioned amount '000	Outstanding amounts					
			2005 US \$ '000	2005 JPY '000	2004 US \$ '000	2004 JPY '000	2005 Rupees '000	2004 Rupees '000
<i>From banking companies</i>								
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-1st Facility	6.1	USD 35,000	31,501	-	35,002	-	1,883,155	2,039,892
ANZ Bank, Paris, France (French Buyer's Credit)-1st Facility	6.2	USD 21,948	6,584	-	8,779	-	393,615	511,652
UJF Bank Limited (Commercial Bank Credit)	6.3	USD 35,000	2,188	-	6,563	-	130,769	382,463
ANZ Bank, Paris, France - 2nd Facility	6.4	USD 8,706	8,706	-	8,706	-	520,440	507,381
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-2nd Facility	6.5	USD 7,456	6,710	-	7,456	-	401,386	434,533
<i>From others</i>								
Sojitz Corporation, Tokyo (formerly Nisho Iwai Corporation) JPY Facility	6.6	JPY 1,552,973	-	358,378	-	597,297	194,723	320,465
			55,689	358,378	66,506	597,297	3,524,088	4,196,386
LESS : INSTALLMENTS DUE OVER THE NEXT TWELVE MONTHS			9,065	238,919	10,816	238,919	671,749	758,516
			46,624	119,459	55,690	358,378	2,852,339	3,437,870

6.1 PSEDF Debt-1st Facility

Lender

National Bank of Pakistan

Repayable in currency

Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.

Repayment terms

Repayable in 20 equal semi-annual installments starting from October 25, 2004.

Rate of interest

As per PSEDF guidelines :

From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3% or World Bank lending rate + 2.5% thereafter and until final termination date : Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%

Security

- Same charge on securities as a senior loan but on a subordinated basis to senior loans.
- Pledge over 75 percent of the sponsors' shares for the term of the loan.

6.2	French Buyer's Credit-1st Facility	
	Lender	Australia and New Zealand Banking Group Limited, (ANZ), France.
	Rate of interest	6.6 percent per annum.
	Repayment terms	Repayable in 20 equal semi-annual installments ending on March 28, 2008.
	Security	Repayment guarantee from National Bank of Pakistan which is counter guaranteed by a syndicate of underwriter banks. The counter guarantee issued by the syndicate is secured by first registered mortgage charge over the company's assets ranking pari passu with other similar charge holders referred to in note 6.3, 10.1 and 11.1.1
6.3	Commercial Bank Credit	
	Lender	UFJ Bank Limited, Japan
	Rate of interest	The lesser of 6 months LIBOR plus 0.5% plus 2.6% or UFJ LIBOR plus 2.6%.
	Repayment terms	Repayable in 12 equal semi-annual installments ending on October 25, 2005.
	Security	First registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in note 6.2, 10.1, 11.1.1 and guarantee from Sojitz Corporation Tokyo (formerly Nissho Iwai Corporation).
6.4	ANZ Bank, Paris, France- 2nd Facility	
		This represents the facility created by payment of five instalments to ANZ Bank, France by COFACE. The liability of the company stands towards the Government of Pakistan through its Economic Affairs Division (EAD). During the year, the company has held discussions and exchanged correspondence with EAD to finalize the terms and conditions relating to the repayment of this facility. Until the repayment terms are finalized. Interest is being accrued on this debt at LIBOR + 0.6% per annum as approved by PPIB, Government of Pakistan at the time of financial restructuring of the company.
6.5	PSEDF Debt - 2nd Facility	
	Lender	National Bank of Pakistan
	Repayable in Currency	Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.
	Repayment Terms	Repayable in 20 equal semi-annual installments starting from October 25, 2004.
	Rate of Interest	From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE. Facility repayment schedule, have been paid: Greater of one year US Treasury + 3.0 % or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%

6.2	French Buyer's Credit-1st Facility	
	Lender	Australia and New Zealand Banking Group Limited, (ANZ), France.
	Rate of interest	6.6 percent per annum.
	Repayment terms	Repayable in 20 equal semi-annual installments ending on March 28, 2008.
	Security	Repayment guarantee from National Bank of Pakistan which is counter guaranteed by a syndicate of underwriter banks. The counter guarantee issued by the syndicate is secured by first registered mortgage charge over the company's assets ranking pari passu with other similar charge holders referred to in note 6.3, 10.1 and 11.1.1
6.3	Commercial Bank Credit	
	Lender	UFJ Bank Limited, Japan
	Rate of interest	The lesser of 6 months LIBOR plus 0.5% plus 2.6% or UFJ LIBOR plus 2.6%.
	Repayment terms	Repayable in 12 equal semi-annual installments ending on October 25, 2005.
	Security	First registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in note 6.2,10.1, 11.1.1 and guarantee from Sojitz Corporation Tokyo (formerly Nissho Iwai Corporation).
6.4	ANZ Bank, Paris, France-2nd Facility	
		This represents the facility created by payment of five instalments to ANZ Bank, France by COFACE. The liability of the company stands towards the Government of Pakistan through its Economic Affairs Division (EAD). During the year, the company has held discussions and exchanged correspondence with EAD to finalize the terms and conditions relating to the repayment of this facility. Until the repayment terms are finalized. Interest is being accrued on this debt at LIBOR + 0.6% per annum as approved by PPIB, Government of Pakistan at the time of financial restructuring of the company.
6.5	PSEDF Debt - 2nd Facility	
	Lender	National Bank of Pakistan
	Repayable in Currency	Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.
	Repayment Terms	Repayable in 20 equal semi-annual installments starting from October 25, 2004.
	Rate of Interest	From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE. Facility repayment schedule, have been paid: Greater of one year US Treasury + 3.0 % or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%

Security As per note 6.1

6.6 Sojitz Corporation Tokyo

Lender Sojitz Corporation Tokyo (formerly Nissho Iwai Corporation)

Rate of Interest Japanese LTPR plus 4 %

Repayment Terms Repayable in 13 equal semi-annual installments ending October 25, 2006.

Security Senior security interest on the project assets ranking pari passu with the security interest of the other senior lenders.

7 DEFERRED LIABILITY

	Note	2005 (Rupees '000)	2004 (Rupees '000)
Deferred income	7.1	335	-
Staff retirement benefit - gratuity	7.2	16,513	15,128
		<u>16,848</u>	<u>15,128</u>

7.1 This represents excess of sales proceeds over book value of fixed assets in respect of sale and lease back transactions. This amount has been deferred over the period of lease liability and is being taken to income on a straight-line basis over the lease term.

7.2 Staff retirement benefit - gratuity

7.2.1 Reconciliation of amounts recognized in the balance sheet is as follows:

Present value of defined benefit obligation	17,197	15,812
Unrecognized actuarial losses	(684)	(684)
	<u>16,513</u>	<u>15,128</u>
Movement in liability recognized		
Opening liability	15,128	14,767
Charge for the year	4,195	1,509
Payments during the year	(2,810)	(1,148)
Closing liability	<u>16,513</u>	<u>15,128</u>

7.2.2 Amounts recognized in the profit and loss account are as follows:

Current service cost	2,930	2,673
Interest cost	1,265	923
Recognized transitional asset	-	(2,087)
	<u>4,195</u>	<u>1,509</u>

7.2.3 Significant actuarial assumptions

Valuation discount rate	8.00%	8.00%
salary increase rate	8.00%	8.00%

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2005 (Rupees '000)			2004 (Rupees '000)		
	Minimum lease payments	Finance charge allocated to future periods	Principal outstanding	Minimum lease payments	Finance charge allocated to future periods	Principal outstanding
Not later than one year	3,396	661	2,735	3,940	386	3,554
Later than one year but not later than five years	6,732	1,061	5,671	1,384	8	1,376
	<u>10,128</u>	<u>1,722</u>	<u>8,406</u>	<u>5,324</u>	<u>394</u>	<u>4,930</u>

- 8.1 Rentals are payable in equal monthly installment. The company has a right to exercise purchase option at the end of the lease term. Financing rate of 8.75 % to 12.54 % per annum (2004: 13.42 % to 15.50 % per annum) has been used as a discounting factor.

	2005 (Rupees '000)	2004 (Rupees '000)
9. TRADE AND OTHER PAYABLES		
Creditors	168,009	2,148
Accrued Liabilities	9,276	11,801
Interest and other financial charges accrued on loans - secured	125,765	105,265
Tax deducted at source	242	622
Liquidated damages payable	52,158	36,000
Due to associated undertakings	20,937	22,359
Unclaimed dividend	3,621	3,814
Other payables	3,905	3,905
	<u>383,913</u>	<u>185,914</u>

		Outstanding	
	Sanctioned Limit Rupees '000	2005 (Rupees '000)	2004 (Rupees '000)
10. SHORT TERM BORROWINGS - Secured			
From banking companies and other financial institutions			
Prime Commercial Bank Limited	250,804	250,804	92,648
Askari Commercial Bank Limited	200,000	198,749	199,951
National Bank of Pakistan	125,000	124,833	127,000
United Bank Limited	145,000	144,797	144,797
Saudi Pak Commercial Bank Limited	145,000	144,983	-
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	125,000	125,000	-
Faysal Bank Limited	150,000	150,000	-
	<u>1,140,804</u>	<u>1,139,166</u>	<u>564,396</u>

- 10.1 These are secured by way of first charge of Rs. 1,253 million (2004: Rs. 742 million) on current assets and a first registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in note 6.2, 6.3 & 11.1.1 These carry interest rates ranging between 8.78 % to 11.24 % (2004: 6.75% to 7.50 % p.a.).

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1 The company is contingently liable for a letter of guarantee of US\$ 2.46 million (2004: US\$ 2.46 million) issued to WAPDA by Prime Commercial Bank Limited on behalf of the company. The guarantee is secured by a first registered mortgage charge over the company's assets ranking pari-passu with the lenders referred to in note 6.2, 6.3 and 10.1.

- 11.1.2 The company is contingently liable for liquidated damages of Rs. 18.3 million (2004: Rs. Nil) claimed by WAPDA. The management is confident that the matter will be resolved in the company's favour.



11.1.3 For tax matters, refer to note 11.4

11.2 Significant contracts

11.2.1 The company has entered into an Implementation Agreement (IA) dated November 23, 1994 with the GOP, pursuant to which the GOP guaranteed the implementation, execution and operation for the term of 22 years extended to 30 years through amendment dated 11 March 2002.

11.2.2 Under the Power Purchase Agreement (PPA) signed on November 17, 1994, the total electricity produced will be sold to WAPDA. The company has obtained a guarantee from the GOP, guaranteeing payment obligations of WAPDA for the term of 22 years extended to 30 years through amendment dated Feb 14, 2002.

11.2.3 The company has entered into Fuel Supply Agreement dated October 24, 1995 with Pakistan State Oil Company Limited (PSO) to supply furnace oil to the company for the term of 22 years extended to 30 years through amendment dated December 12, 2001. Obligation of PSO has also been guaranteed by GOP.

11.2.4 The company has entered into an Operations and Maintenance (O & M) contract dated July 28, 1995 with British Columbia Hydro International Power Development Corporation.

11.3 Commitments

11.3.1 The value of the Letters of Credit outstanding at the year end amounted to Rs. 14.47 million representing EURO 182,949 and US\$ 17,652 (2004: Rs 43.89 million representing Euro 612,693 and US\$ 12,600).

11.3.2 Subsequent to the balance sheet date, the company has entered into a equipment supply agreement with MAN B&W for the 6th engine amounting to EURO 6.6 million.

11.4 TAXATION

11.4.1 Tax authorities have finalized tax assessments of the company up to and including the assessment year 2002-2003 (income year ended 30 June 2002). Tax returns for the tax years 2003 and 2004 stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. However, tax authorities have issued notices to amend assessments of tax year 2003 and 2004 on account of taxability of interest income.

While finalizing original assessments for the assessment years 1996-1997 to 2002 to 2003, the taxation officer raised tax demands aggregating Rs. 127 million against the company. Income Tax Appellate Tribunal (ITAT) set aside assessments for assessment years 1996-97, 1997-98 and 1998-99. Assessing officer repeated the treatment given in the original assessments and raised tax demand of Rs. 35 million for aforesaid years. On appeal, the Commissioner (Appeals) confirmed taxability of interest income and directed the assessing officer to compute business income. Appeals filed by the company against this order along with appeals for assessment years 1999-2000 and 2000-01 are pending before ITAT whereas appeals for assessment years 2001-2002 and 2002-2003 are pending before Commissioner (Appeals).

In addition to the above, the taxation officer has raised a demand of Rs. 118 million for the assessment year 1996-97 by treating the company as an assessee in default for not withholding tax on payments mainly to project contractors. Commissioner (Appeals) set aside the order of the taxation officer and the matter is now pending before the ITAT.

No provision has been made in these accounts for the above referred demands since the management is confident for a favourable outcome of the appeals.

Particulars	Cost			Depreciation			Net Book Value As at June 30	Rate %
	As at July 01	of additions/ (deletions)/ adjustments*	As at June 30	As at July 01	For the year/(deletions)	As at June 30		
OWNED								
Freehold land	32,504	-	32,504	-	-	-	32,504	-
Office building on freehold land	17,074	-	17,074	3,800	1,707	5,507	11,567	10
Plant building on freehold land	1,398,751	21,672	1,420,423	207,355	42,757	250,112	1,170,311	3.33
Plant and machinery	6,242,605	112,062	6,354,667	919,607	191,613	1,111,220	5,243,447	3.33
Rail siding	38,332	-	38,332	6,344	1,276	7,620	30,712	3.33
Leasehold improvements	7,255	-	7,255	5,792	726	6,518	737	10
Electric equipments	14,020	1,223	15,243	11,967	1,529	13,496	1,747	20
Computers and Office equipment	7,785	907 (111)	8,581	6,184	933 (89)	7,028	1,553	20
Laboratory equipment	5,586	-	5,586	4,519	769	5,288	298	20
Furniture and fittings	8,851	59	8,910	5,505	860	6,365	2,545	10
Vehicles	33,262	2,561 (10,849) (8,812)*	16,162	20,365	2,582 (10,500) (1,553)*	10,894	5,268	20
Capital work in progress - civil works	-	3,625	3,625	-	-	-	3,625	-
	7,806,025	142,109 (10,960) (8,812)*	7,928,362	1,191,438	244,752 (10,589) (1,553)*	1,424,048	6,504,314	
LEASED								
Vehicles	10,560	7,565	18,125	4,224	3,625	7,849	10,276	20
	10,560	7,565	18,125	4,224	3,625	7,849	10,276	
2005 Rupees '000	7,816,585	149,674 (10,960) (8,812)*	7,946,487	1,195,662	248,377 (10,589) (1,553)*	1,431,897	6,514,590	
2004 Rupees '000	7,723,245	94,960 (1,620)	7,816,586	951,983	244,941 (1,262)	1,195,662	6,620,924	

12.1.1 Additions to Plant building and machinery during the year include exchange differences on foreign loans aggregating to Rs. 118.684 million (2004: Rs. 69 million). The company has opted for capitalization of exchange losses as these would be compensated by enhanced revenue due to indexation mechanism available under the Power Purchase Agreement (PPA). Exchange loss included in the carrying amount of assets at the year end amounts to Rs. 739 million (2004: Rs. 648 million).

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

	Note	2005 (Rupees '000)	2004 (Rupees '000)
Operating costs	21	235,647	230,833
Administration and general expenses	22	12,730	14,108
		<u>248,377</u>	<u>244,941</u>



12.1.3 Detail of fixed assets disposed off during the year

Description	Cost	Book Value 2005 (Rupees '000)	Sale Proceeds
Computers and office equipment			
By negotiation:			
Resources and Asset Management	111	22	20
Vehicles			
By company policy to executives / staff	6,896	-	675
By negotiations / tender:			
To outsiders			
Mr. Aqueel Ahmed	655	-	50
Mr. Shaukat Ali Malik	815	163	-
Mr. Munawar-ul-Islam	630	-	420
Mr. Muhammad Aslam	465	-	350
To associated undertaking			
Southern Travels (Pvt) Limited	699	-	50
Southern Travels (Pvt) Limited	689	-	50
By sale and lease back			
Faysal Bank Limited	8,812	7,259	7,565
	19,772	7,444	9,180

	2005 (Rupees '000)	2004 (Rupees '000)
13 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	170,114	109,162
Spare parts and loose tools	46,925	52,529
	<u>217,039</u>	<u>161,691</u>
14 STOCK IN TRADE		
Heavy furnace oil	145,975	70,082
High speed diesel	3,290	5,701
Lubricants	6,831	5,390
	<u>156,096</u>	<u>81,173</u>

15 TRADE DEBTS

This represents receivables from Water and Power Development Authority (WAPDA) against capacity purchase price and supply of electricity. This is secured by way of guarantee issued by the Government of Pakistan (GOP) in favour of the company and are considered good.

	Note	2005 (Rupees '000)	2004 (Rupees '000)
16			
ADVANCES AND OTHER RECEIVABLES - considered good			
Against expenses		1,592	1,835
To staff	16.1	9,073	9,582
To suppliers and others		11,145	28,549
For purchase of fuel		109,908	64,743
		<u>131,718</u>	<u>104,709</u>
16.1	Included in advances to staff are amounts due from executives and directors aggregating to Rs. 7.753 million (2004: Rs. 8.860 million) and Rs. Nil (2004: Rs. Nil) respectively.		
17			
TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin against bank guarantees and security deposits		2,289	1,527
Prepayments		17,908	27,844
		<u>20,197</u>	<u>29,371</u>
18			
TAXES PAID IN ADVANCE			
Advance income tax		7,736	7,140
General sales tax adjustable		122,057	59,352
		<u>129,793</u>	<u>66,492</u>
19			
CASH AND BANK BALANCES			
Cash at banks:			
-Current accounts:			
Foreign currency	19.1	629	606
Local currency		147	155
		<u>776</u>	<u>761</u>
-Saving accounts:			
Local currency	19.2	9,466	7,599
		<u>10,242</u>	<u>8,360</u>
Cash in hand		1,202	896
		<u>11,444</u>	<u>9,256</u>

19.1 This Includes compensation accounts aggregating US\$ 6,208 equivalent Rs. 369,873 (2004: US\$ 10,056 equivalent Rs.584,080) with UFJ Bank Limited which is in escrow. These funds are utilized subject to the lenders approval.

19.2 These accounts carry effective mark-up rate of 3% (2004: 3%).

		2005 (Rupees '000)	2004 (Rupees '000)
20	TURNOVER		
	Capacity billing	1,214,718	1,282,874
	Energy billing - gross	1,583,348	1,125,232
		<u>2,798,066</u>	<u>2,408,106</u>
	Less: General Sales Tax	206,524	146,770
		<u>2,591,542</u>	<u>2,261,336</u>
21	COST OF SALES		
	Raw materials consumed	21.1 1,385,296	976,899
	Stores and spare parts consumed	292,697	120,466
	Fuel decanting charges	1,680	1,898
	Operation and maintenance fees	33,871	31,518
	Salaries, wages and other benefits	21.2 43,214	39,082
	Traveling and conveyance	259	801
	Vehicle running expenses	2,487	2,781
	Communication charges	2,146	4,216
	Electricity charges	7,013	8,473
	Printing and stationery	585	546
	Repairs and maintenance	29,306	39,307
	Entertainment	5,036	3,357
	Insurance	38,698	40,193
	WAPDA liquidated damages	30,198	36,267
	Receivables written off	-	46,196
	Depreciation	12.1.2 235,647	230,833
	Others	4,521	3,322
		<u>2,112,654</u>	<u>1,586,155</u>

21.1 Raw materials consumed

	(Rupees'000)			2005	2004
	HFO	HSD	Lubricants	Total	Total
Opening balance	70,082	5,701	5,390	81,173	106,497
Add: Purchases	1,380,054	18,513	61,652	1,460,219	951,575
Available for consumption	<u>1,450,136</u>	<u>24,214</u>	<u>67,042</u>	<u>1,541,392</u>	<u>1,058,072</u>
Less: Closing balance	145,975	3,290	6,831	156,096	81,173
Consumption during the year 2005	<u>1,304,161</u>	<u>20,924</u>	<u>60,211</u>	<u>1,385,296</u>	-
Consumption during the year 2004	922,047	12,816	42,036	-	976,899

- 21.2 These include Rs. 3.11 million (2004: Rs. 2.24 million) charged in respect of staff retirement benefits.
- 21.3 Provision for workers profit participation fund (WPPF) has not been made in these accounts, since it is a pass through item under PPA with WAPDA. In case the liability arises, it will be recoverable from WAPDA.

	Note	2005 (Rupees'000)	2004 (Rupees'000)
22 ADMINISTRATION AND GENERAL EXPENSES			
Salaries, wages and benefits	22.1	26,210	24,985
Traveling and conveyance		7,850	12,656
Vehicle running expenses		3,395	3,321
Communication costs		2,866	3,402
Utilities		1,794	2,135
Printing and stationery		944	1,046
Repairs and maintenance		308	417
Rent, rates and taxes		7,204	8,322
Entertainment		2,697	2,244
Insurance		1,507	1,169
Guest house expenses		8,271	5,862
Auditors' remuneration	22.2	1,655	1,541
Depreciation	12.1.2	12,730	14,108
Others		4,822	3,324
		<u>82,253</u>	<u>84,532</u>
22.1 These include Rs. 1.09 million (2004: Rs. 1.01 million) charged in respect of staff retirement benefits.			
22.2 Auditors' remuneration			
Annual audit		650	650
Half yearly review		200	200
Tax services		263	540
Other certifications		392	-
Out of pocket expenses		150	151
		<u>1,655</u>	<u>1,541</u>
23 OTHER OPERATING INCOME			
From financial assets			
Interest income		665	833
Exchange gain/(loss)		11,998	(737)
From assets other than financial assets			
Gain on sale of fixed assets		1,422	485
Others		1,125	-
		<u>15,210</u>	<u>581</u>



	2005 (Rupees'000)	2004 (Rupees'000)
24 FINANCIAL CHARGES		
Interest on long term financing - secured	232,680	268,320
Markup on short term borrowings - secured	69,898	36,033
Commitment charges, management and agency fee	4,068	5,346
Fee and expenses of trustee	1,200	1,690
Interest on finance lease and others	517	873
Guarantee commissions	31,230	39,580
Legal consultancy fee and expenses	1,663	967
Letter of credit charges	7,074	3,055
Bank charges	973	1,083
	<u>349,303</u>	<u>356,947</u>

25 NUMBER OF EMPLOYEES

Number of permanent employees as at 30 June 2005 was 262 (2004: 286)

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2005			2004		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Number of persons	1	1	9	1	1	9
	Rupees '000			Rupees '000		
Managerial remuneration and allowances	1,964	1,440	11,695	1,964	1,429	12,329
Staff retirement benefits	180	120	975	180	120	1,027
Others	196	621	1,000	196	132	-
	<u>2,340</u>	<u>2,181</u>	<u>13,670</u>	<u>2,340</u>	<u>1,681</u>	<u>13,356</u>

In addition, the Chief Executive, Directors and all Executives were provided company maintained cars for business purposes and are also covered by the company's retirement benefit scheme.

27 RELATED PARTY TRANSACTIONS

The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees. The company has a policy whereby all transactions with related parties, are entered into at arms length prices using the "Comparable Uncontrolled Price Method". Transactions with related parties, other than remuneration under the terms of employment and the balances which are disclosed elsewhere in the accounts, are as follows:

	2005 (Rupees '000)	2004 (Rupees '000)
Expenses and Fees under Operation and Maintenance Agreement	32,109	30,648
Purchase of air tickets and travel related services	4,794	5,031
Repayments/Interest on TFCs/ Sponsors' Support Advance	-	15,863

- 27.1 Fees under O&M is booked in accordance with the agreements entered into with British Columbia Hydro International Power Development Corporation as mentioned in note 11.2.4.
- 27.2 The company sold certain vehicles to an associated undertaking as fully disclosed in note 12.1.3.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Interest Rate Risk Exposure

Out of total interest bearing liabilities of Rs. 4,860 million (2004: Rs. 4,872 million), liabilities amounting to Rs. 3,226 million (2004: Rs. 3,770 million) are tied with LTPR, LIBOR, US Treasury Bonds and prevailing World Bank lending rates. The remaining interest bearing liabilities of Rs. 416 million (2004: Rs. 535 million) carry fixed interest rates. Out of total interest bearing assets of Rs. 338 million (2004: Rs. 275 million), assets of Rs. 329 million (2004: Rs. 267 million) are tied with rate for six months Treasury Bills as announced by SBP from time to time and the remaining assets of Rs. 9 million (2004: Rs. 8 million) carry fixed interest rates.

The information about company's exposure to interest rate risk based on contractual financing agreement or maturity dates which ever is earlier is as follows:

	2005 (Rupees '000)				Total
	Exposed to interest rate risk			Not exposed	
	Less than one year	More than one year and less than five years	More than five years	to interest rate risk	
Financial Assets					
Trade debts	328,543	-	-	-	328,543
Advances and other receivables	-	-	-	9,073	9,073
Trade deposits and short term prepayments	-	-	-	2,289	2,289
Cash and bank balances	9,466	-	-	1,978	11,444
	338,009	-	-	13,340	351,349
Financial Liabilities					
Long term financing	671,749	1,596,374	1,255,965	-	3,524,088
Liabilities against assets subject to finance lease	2,735	5,671	-	-	8,406
Short term borrowings	1,139,166	-	-	-	1,139,166
Trade and other payables	177,923	-	-	205,748	383,671
	1,991,573	1,602,045	1,255,965	205,748	5,055,330
Excess of financial liabilities over financial assets	1,653,565	1,602,045	1,255,965	192,408	4,703,981



2004 (Rupees '000)

	Exposed to interest rate risk			Not exposed to interest rate risk	Total
	Less than one year	More than one year and less than five years	More than five years		
Financial Assets					
Trade debts	267,595	-	-	-	267,595
Advances, and other receivables	-	-	-	9,583	9,583
Trade deposits and short term prepayments	-	-	-	1,527	1,527
Cash and bank balances	7,599	-	-	1,657	9,256
	275,194	-	-	12,767	287,961
Financial Liabilities					
Long term financing	758,516	1,940,718	1,497,152	-	4,196,386
Liabilities against assets subject to finance lease	3,554	1,376	-	-	4,930
Short term borrowings	564,396	-	-	-	564,396
Trade and other payables	141,265	-	-	44,027	185,292
	1,467,731	1,942,094	1,497,152	44,027	4,951,004
Excess of financial liabilities over financial assets	1,192,537	1,942,094	1,497,152	31,260	4,663,043

The effective interest rates for financial assets and liabilities are as follows:

	2005	2004
	Effective Interest Rate %	
Assets		
Trade debts	11	10
Cash and bank balances	3	3
Liabilities		
Liabilities against assets subject to finance lease	8.75 - 12.54	13.42 - 15.50
Long term financing	0.25 - 9.3	0.25 - 10.12
Short term borrowings	8.78 - 11.24	6.75 - 7.50

28.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. The company's credit risk primarily attributable to its trade debts and balances with banks. Credit risk on liquid funds is limited because counter parties are banks with reasonably high credit ratings. Trade receivable represents sale of electricity to WAPDA as per PPA. The company's credit risk relating to trade debts is secured by way of guarantee issued by the Government of Pakistan in favour of the company.

28.3 Liquidity risk

Liquidity risk reflects an entity's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

28.4 Currency risk

Currency wise break down of assets and liabilities is as follows:

	(Rupees '000)			
	Assets		Liabilities	
	2005	2004	2005	2004
Pak Rupees	7,508,791	7,340,605	1,410,792	2,003,769
Foreign currencies (equivalent Pak Rupees)	629	606	3,647,923	4,314,615
	<u>7,509,420</u>	<u>7,341,211</u>	<u>5,058,715</u>	<u>6,318,384</u>

28.5 Fair Value of Financial Assets and Liabilities

The fair value of financial assets and financial liabilities is estimated to approximate their carrying value as at 30 June 2005

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise of following balance sheet amounts.

	Note	2005 (Rupees '000)	2004 (Rupees '000)
Cash in hand and balances with banks	19	11,444	9,256
Short term borrowings	10	(1,139,166)	(564,396)
		<u>(1,127,722)</u>	<u>(555,140)</u>

30 CAPACITY AND PRODUCTION

	2005 MWH	2004 MWH
Installed capacity - for the year	1,024,920	1,024,920
Actual energy delivered	398,365	336,767

Generation is dependent upon dispatch demand from WAPDA. Pursuant to the Dependable Test carried out in May 2005, WAPDA has agreed to increase the Dependable Capacity of the plant to 110.165 MW effective from May 6, 2005. The effect of the same has been incorporated in these financial statements. Further, WAPDA has given the approval to the company to install additional engine for which the company would be entitled to receive capacity payments as per PPA subject to successful completion of dependable Capacity Test for the increased capacity.

31 EARNINGS PER SHARE - BASIC

		2005	2004
Profit for the year	Rupees '000	62,542	234,283
Weighted average number of shares outstanding	Numbers	136,675,752	136,675,752
Earnings per share - basic	Rupees	<u>0.46</u>	<u>1.71</u>



32.1 Figures have been rounded off to the nearest thousand of rupees.

32.2 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on October 3, 2005

Islamabad
October 3, 2005

Chief Executive

Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005

No. of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage %
178	1	100	12,836	0.01
400	101	500	135,958	0.10
813	501	1,000	579,280	0.42
1,559	1,001	5,000	3,991,825	2.92
593	5,001	10,000	4,219,446	3.09
340	10,001	15,000	4,100,692	3.00
122	15,001	20,000	2,184,768	1.60
113	20,001	25,000	2,544,005	1.86
69	25,001	30,000	1,906,516	1.39
59	30,001	35,000	1,930,394	1.41
30	35,001	40,000	1,124,812	0.82
26	40,001	45,000	1,115,510	0.82
30	45,001	50,000	1,464,173	1.07
25	50,001	55,000	1,340,598	0.98
12	55,001	60,000	693,663	0.51
9	60,001	65,000	562,932	0.41
11	65,001	70,000	738,782	0.54
11	70,001	75,000	807,869	0.59
10	75,001	80,000	767,965	0.56
13	80,001	85,000	1,077,033	0.79
7	85,001	90,000	619,850	0.45
2	90,001	95,000	183,100	0.13
10	95,001	100,000	988,048	0.72
4	100,001	105,000	412,714	0.30
14	105,001	110,000	1,539,890	1.13
3	110,001	115,000	335,565	0.25
10	115,001	120,000	1,179,054	0.86
4	120,001	125,000	496,800	0.36
3	125,001	130,000	384,700	0.28
2	130,001	135,000	266,465	0.19
1	140,001	145,000	143,500	0.10
2	145,001	150,000	294,982	0.22
8	150,001	155,000	1,223,515	0.90
2	155,001	160,000	316,898	0.23
3	160,001	165,000	492,900	0.36
5	165,001	170,000	842,082	0.62
3	170,001	175,000	515,450	0.38
3	175,001	180,000	531,715	0.39
2	180,001	185,000	370,000	0.27
2	185,001	190,000	379,150	0.28
2	190,001	195,000	385,000	0.28
2	195,001	200,000	397,000	0.28
3	200,001	205,000	603,554	0.44
1	205,001	210,000	207,000	0.15
3	215,001	220,000	656,250	0.48
2	225,001	230,000	456,382	0.33
1	235,001	240,000	236,500	0.17
2	260,001	260,000	527,232	0.39
1	280,001	285,000	281,098	0.21
1	295,001	300,000	300,000	0.22
1	300,001	305,000	303,000	0.22
2	325,001	330,000	655,600	0.48
1	330,001	335,000	331,750	0.24
2	335,001	340,000	676,232	0.49
1	390,001	395,000	390,700	0.29
1	395,001	400,000	400,000	0.29
2	435,001	440,000	880,000	0.64
1	455,001	460,000	455,500	0.33
1	545,001	550,000	550,000	0.40
1	550,001	555,000	550,182	0.40
1	600,001	605,000	604,500	0.44
1	655,001	660,000	658,532	0.48
1	690,001	695,000	690,764	0.51
1	800,001	805,000	801,900	0.59
1	890,001	895,000	891,101	0.65
1	995,001	1,000,000	1,000,000	0.73
1	1,190,001	1,195,000	1,191,300	0.87
1	1,250,001	1,255,000	1,255,000	0.92
1	1,270,001	1,275,000	1,273,250	0.93
1	1,330,001	1,335,000	1,332,550	0.97
1	1,525,001	1,530,000	1,525,100	1.12
1	1,545,001	1,550,000	1,546,050	1.13
1	1,620,001	1,625,000	1,620,614	1.19
1	1,640,001	1,645,000	1,643,650	1.20
1	1,685,001	1,690,000	1,685,369	1.23
1	2,245,001	2,250,000	2,250,000	1.65
1	2,305,001	2,310,000	2,310,000	1.69
1	2,390,001	2,395,000	2,391,010	1.75
1	2,680,001	2,685,000	2,682,483	1.96
1	3,600,001	3,605,000	3,602,500	2.64
1	4,835,001	4,840,000	4,837,052	3.54
1	6,265,001	6,270,000	6,270,000	4.59
1	42,550,001	42,555,000	42,554,612	31.14

4,567

136,675,752

100.00



CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2005

Particulars	No. of Shareholders	Share Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mrs. Sughra Ali Mahmood	1	<u>1,010,024</u>	0.74
Associated Companies, undertakings and related parties			
BCHIL Southern Company Limited (Sponsor)		42,554,612	
Southern Electric Limited (Sponsor)		7,228,062	
	2	<u>49,782,674</u>	36.42
National Investment Trust and Investment Corporation of Pakistan			
Investment Corporation of Pakistan	1	<u>658,532</u>	0.48
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Deutsche Bank Ag		275	
Saudi Pak Commercial Bank Ltd		99,732	
Pakistan Kuwait Investment Co.(Pvt) Ltd		169,950	
Prudential Fund Management		182	
Prime Commercial Bank Limited		300,650	
Faysal Bank Limited		200,000	
Crescent Standard Investment Bank Limited		235,100	
Saudi Pak Ind.& Agricultural Investment Co.(Pvt) Ltd		1,620,614	
First Dawood Investment Bank		215,748	
Fiquity International (Pvt) Ltd.		27,500	
First Credit & Discount Corporation Ltd		262,500	
Escorts Investment Bank Ltd		604,500	
Habib Bank Ag Zurich, London		16,500	
The Bank of Khyber		78,000	
Habibsons Bank Limited		1,546,050	
Dawood Bank Limited		400,000	
	16	<u>5,777,301</u>	4.23
Insurance Companies			
State Life Insurance Corp. Of Pakistan		440,000	
International General Insurance Co. Pak		40,000	
EFU Life Assurance Limited		115,500	
The Crescent Star Insurance Co. Limited		550,000	
New Jubilee Life Insurance Co. Limited		22,000	
Shahcen Insurance Co. Limited		22,000	
Century Insurance Company Limited		22,000	
	7	<u>1,212,050</u>	0.89
Modarabas and Mutual Funds			
Guardian Modaraba		67,465	
First Prudential Modaraba		27,000	
B.R.R. International Modaraba		55,000	
First Alnoor Modaraba		49,866	
CDC - Trustee PICIC Investment Fund		1,332,550	
Prudential Stock Fund Limited		9,366	
	6	<u>1,541,247</u>	1.13
Leasing Companies			
Crescent Leasing Corp. Limited		1,685,150	
Dawood Leasing Company Limited		5,500	
	2	<u>1,690,650</u>	1.24
Shareholder(s) holding ten percent or more voting interest			
BCHIL Southern Company Limited (see above as Sponsor)		-	
General Public			
a - Local		61,288,159	
b - Foreign		-	
	4,447	<u>61,288,159</u>	44.84

Others (to be specified)

Joint Stock Companies

A. Sattar Motiwala Securities (Pvt) Limited		5,500	
Aag Securities (Pvt) Limited		207,000	
Ace Securities (Pvt) Limited		134,283	
Adeel & Nadeem Securities (Pvt) Limited		52,250	
Afic Securities (Pvt) Limited		87,000	
AKD Securities (Pvt) Limited		4,500	
Al-Mal Securities & Services Limited		482	
AMZ Securities (Pvt) Limited		550	
Associated Consultancy Centre (Pvt) Limited		9,350	
Azee Securities (Private) Limited		74,415	
Aziz Fidahuscain & Company (Pvt) Limited		50	
B & B Securities (Private) Limited		4,000	
Beaming Invest & Securities (Pvt) Limited		1,000	
Capital Vision Securities (Pvt) Limited		48,700	
Central Chemicals Limited		7,332	
Darson Securities (Pvt) Limited		15,000	
Dawood Hercules Chemicals Limited		6,270,000	
Dawood Lawrencepur Limited		801,900	
DIM Securities (Private) Limited		331,750	
Dossiani's Securities (Pvt) Limited		34,432	
Excel Securities (Pvt) Limited		1,050	
Excel Securities (Pvt) Limited		21,000	
First Capital Equities		5,250	
Freedom Enterprises (Pvt) Limited		182	
General Inves. Serv. (Pvt) Limited		500	
General Invest. & Securities (Pvt) Limited		5,366	
Guarantee Engineers (Pvt) Limited		732	
HH Misbah Securities (Pvt) Limited		550	
Intermarket Securities (Private) Limited		10,100	
Inter Securities Management Limited		5,500	
Invest and Finance Securities (Pvt) Limited		22,000	
Invest Forum Pvt. Limited		850	
Jamshaid & Hasan Securities (Pvt) Limited		5,350	
Javed Omer Vohra & Company Limited		1,273,250	
KASB Securities Limited		66,000	
Live Securities (Pvt) Limited		42,750	
M. S. Securities (Pvt) Limited		1,000	
Maan Securities (Pvt) Limited		20,400	
Mars Securities (Pvt) Limited		14,000	
Mars Securities (Pvt) Limited		2,200	
Masood Fabrics Limited		104,500	
Mega Securities (Pvt) Limited		1,453	
Millenium Securities & Investment (Pvt) Limited		47,187	
Molasses Export Co. (Pvt) Limited		300,000	
Moosani Securities (Pvt) Limited		3,250	
N. H. Securities Pvt. Limited		5,500	
Networth Securities Limited		100	
Noman Abid & Company Limited		98,000	
Pace Investment & Securities (Pvt) Limited		3,200	
Pacific Multi Product (Pvt) Limited		366	
Progressive Inv. Management (Pvt) Limited		9,400	
Prudential Securities Limited		113,100	
Rcfch (Pvt) Limited		300	
Rafi Securities (Pvt) Limited		67,500	

Particulars	No. of Shareholders	Share Held	Percentage
Rahat Securities Limited		5,500	
S.H. Bukhari Securities (Pvt) Limited		9,900	
S.Z. Securities (Private) Limited		2,182	
Safe Securities (Pvt) Limited		3,000	
Sakarwala Capital Securities (Pvt) Limited		7,150	
Sardar Mohammad Ashraf D Baluch (Pvt) Limited		4,500	
Sherwani Securities (Pvt) Limited		550	
Stock Master Securities (Pvt) Limited		1,000	
Stock Street (Pvt) Limited		37,000	
Switch Securities (Pvt) Limited		3,300	
Tajico Southern (Pvt) Limited		23,566	
Time Securities (Pvt) Limited		10,850	
VSL Securities (Pvt) Limited		500	
We Financial Services Limited		550	
Y.S. Securities & Services (Pvt) Limited		123,600	
Zafar Moti Capital Securities (Pvt) Limited		17,000	
Zafar Securities (Pvt) Limited		45,417	
Zahid Latif Khan Securities (Pvt) Limited		4,450	
Zahid Latif Khan Securities (Pvt) Limited		1,200	
Zillion Capital Securities (Pvt) Limited		34,417	
Zum Zum Soap Factory (Pvt) Limited		200	
	75	<u>10,677,212</u>	7.81
Foreign Companies			
Asia Brown Boveri Karftwerke A. G.		34,904	
Bankers Trust Company		3,850	
BCHIL Southern Company Limited (as above)		-	
Brown brothers Harriman and Company		118,250	
Citi Bank NA Hong Kong		5,500	
HSBC International Trustee Limited		2,200	
Northern Trust Company		1,100	
RO Limited		169,400	
SFP Holding Corporation		2,682,483	
Soomers Nominees Far East Limited		5,550	
	10	<u>3,023,237</u>	2.21
Cooperative Societies, Charitable Trusts			
The Okhai Memon Anjuman		<u>14,666</u>	0.01
Total number of shareholders and paid up capital	<u>4,567</u>	<u>136,675,752</u>	100.00

4,052 Shareholders hold 90,407,092 Shares in the name of Central Depository Company of Pakistan Limited

PROXY FORM

I/We.....
of (full address).....

being a member(s) of **Southern Electric Power Company Limited** hold.....

Ordinary Shares hereby appoint Mr/Mrs/Miss

of (full address)

as my/ our proxy to attend and vote for me/us and on my/our behalf at the 11th Annual General Meeting of the Company to be held on October 31, 2005 at 10:00 am and or any adjournment thereof.

Signed by
in the presence of following witnesses

Signed this day of..... 2005

Registered Folio No./CDC A/C No.

Signature on
Five Rupee
Revenue
Stamp

(The signature should agree with the specimen registered with the Company)

WITNESS:

1. Signature.....
Name.....
Address.....
.....
NIC or.....
Passport No.....

2. Signature.....
Name.....
Address.....
.....
NIC or.....
Passport No.....

NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 6th floor, Razia Sharif Plaza, 90 West, Jinnah Avenue, Blue Area, Islamabad no later than 48 hours before the time of holding the meeting.
2. It must be signed by the appointer or his/her attorney duly authorised in writing, or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.
3. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid

For CDC Account Holders/Corporate Entities

In addition to the above the following requirements have to be met.

- 1) The proxy form shall be witnessed by two persons whose names, addresses and NIC/Passport numbers shall be stated on the form.
- 2) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- 3) The proxy shall produce his/her original NIC or original passport at the time of meeting.
- 4) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

