ANNUAL REPORT 2012

SOUTHERN ELECTRIC POWER COMPANY LIMITED

Contents

Company information

Board of Directors	Mr. S. M. Ghalib Mr. Rashid Mirza Ms. Carole Linda Idris Ms. Lynn Margaret Isobel Bell Mr. Florian Zenner Mr. Manuel Makki Mr. Salman Rahim Ms. Louisa Grasso
Chief Executive	Mr. Shamsul Aziz
Chief Financial Officer	Mr. Shamsul Aziz
Company Secretary	Mr. Salman Rahim
Audit Committee	Mr. S. M. Ghalib Mr. Manuel Makki Ms. Carole Linda Idris
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Leading Bankers	Askaribank Limited Faysal Bank Limited National Bank of Pakistan United Bank Limited
Registered Office	No. 50, Street No. 60, F-11/4, Islamabad - 44000, Pakistan. Tel: (92-51) 211 4400-02 Fax: (92-51) 211 4399 Website: www.sepcol.com
Share Registrar	Corplink (Pvt.) Ltd. Wings Arcade, 1-K, Commercial, Model Town, Lahore, Pakistan. Tel: (92-42) 3583 9182 Fax: (92-42) 3586 9037
Plant	Raiwind, District Lahore

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 18th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 31, 2012 at 11:00 a.m. at the Registered Office of the Company, No. 50, Street No. 60, F-11/4 Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2012 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors 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 08, 2012

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 24, 2012 to October 31, 2012 (both days inclusive). Transfers received at Shares Registrar Office of the Company' " Corplink (Pvt.) Limited" at Wings Arcade, 1-K, Commercial, Model Town, Lahore up to the close of business on October 23, 2012 will be treated in time for the purpose of attendance at 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 Share Registrar of the Company of 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 a 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 a 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.

DIRECTORS' REPORT

Your Directors are pleased to present before you the 18th Annual Report of the Company, and the audited Annual Financial Statements for the year ended 30 June 2012.

Plant Operations

As detailed in note 1.2 to the financial statements, the Complex achieved a despatch factor of 28% as compared to 50% of the prior year that presents a considerable decline in energy despatched during the year.

The Company has experienced significant delays in release of fuel advance and Capacity Purchase Price payments that together with increasing fuel prices during the year, especially during the second half of the financial year, led to inadequate fuel and lubricants stocks which significantly restricted the plant operations to a much derated load. The decline in quantum of energy despatched during the year due to cited reasons has resulted in incurrence of exorbitant Liquidated Damages (LDs), which have been disputed by the Company on various grounds. The ultimate settlement of such LDs shall be based on the final outcome of the third settlement agreement with WAPDA presently under negotiation. A reconciliation exercise has been initiated with WAPDA for determining LDs that are payable, if any. Once a consensus is reached, management of both sides shall meet and negotiate the terms pertinent to resolution of disputed LDs, withheld CPP amounts of the Company and interest thereon, arbitration claim of the Company, installation of heat recovery steam turbine and a formal commitment of fuel advance facility from WAPDA.

The arbitration between the Company and WAPDA continues to remain in abeyance pending out-of-court settlement. Accordingly, the suit filed by the Company in the International Court of Arbitration against WAPDA claiming damages to the tune of Rs. 5 billion remains suspended for the time being.

Depending on the outcome of the settlement with WAPDA and the financing arrangement, the Company intends to move ahead with its earlier plan of retrofitting a steam turbine to lead the project towards profitability and meet its operational and financial obligations in time.

Annual Dependable Capacity ("ADC") Test

Due to unavoidable circumstances and inordinate delays in the release of Capacity Purchase Price payments from WAPDA during the year that is the only source of revenue that covers O&M costs, the ADC test could not be conducted during the year. The Company has proposed 2 November 2012 for conductance of the ADC test of its Complex to which a response from WAPDA is awaited.

Financial Results

The Company incurred a net loss of Rs. 1,832 million as compared to a net loss of Rs. 3,922 million during last year.

The Company experienced a decline of Rs. 1,483 million in its Energy Purchase Price ("EPP") revenue, net of sales tax, from Rs. 5,163 million during the year ended 30 June 2011 to Rs. 3,680 million during the year under review. Cost of sales on the other hand has not shown a comparable fall and a decline of Rs. 1,025 million, from Rs. 6,426 million during the year ended 30 June 2011 to Rs. 5,401 million during the current year, was experienced that resulted in a gross loss of Rs. 575 million as opposed to a gross profit of Rs. 154 million in the last year.

Gross loss for the year is mainly attributable towards incurrence of heavy fuel losses due to inadequacy of energy tariff, hike in prices of fuel and output derating, reduction in capacity revenues as a result of reduction in dependable capacity of the Complex, incurrence of massive Liquidated damages (LDs) due to running of the Complex at a derated load and heavy repair and maintenance costs during the year.

The Company has disputed all LDs on legal, technical and other valid grounds that will ultimately be decided once a consensus is reached under the third settlement agreement with WAPDA. Accordingly, a set-off of the closure period LDs with the respective capacity payments and interest thereon is likely. In the event of a positive settlement with WAPDA, all or substantial portion of the LDs may be reversed and may positively impact shareholders equity.

Administrative expenses have shown decrease of 87% from 500 million during the year ended 30 June 2011 to Rs. 63 million during the year under review. This substantial variation is related to provisioning of CPP interest on withheld amounts of CPP by WAPDA in the last year as the same is likely to be settled against LDs imposed on the Company under suggested third settlement agreement.

Finance cost has increased mainly due to devaluation of rupee that effected heavy exchange loss of Rs. 191 million during the year as compared to Rs. 8 million during the last year.

Loan Defaults

Due to the declining revenues of the Company, high O&M costs and reduction in dependable capacity of the Plant; the Company was unable to discharge its loan obligations towards various lenders and consequently received notices of Event of Default from National Bank of Pakistan. Currently overdue instalments towards various lenders aggregates to Rs. 2,785 million as mentioned in note 5 to the financial statements. However, the Company was able to settle principal portion of first five rescheduled instalments of UBL along with markup of the first two and paid three instalments to the lease syndicate as detailed in note 5.6 and 7.2 to the financial statements.

Comments on the Auditors' Report

a) Although dependable capacity of the plant has been reduced during the last year, the Company is in a continuous process of applying maximum funds towards meeting its O&M obligations. Your Directors are pleased to report that despite all the odds facing the Company, the plant has been running without any major breakdown since its restart though a general derating of certain engines has been necessitated due to technical limits. As during the coming years the demand for electricity in the country is expected to increase considerably with a persistent shortfall in supply, the Company expects that with the planned maintenance of its plant and the continuity of fuel and capacity payments from WAPDA, there is no sufficient basis to believe that the carrying amount of property, plant and equipment would not be recoverable. As such, the management does not agree with the opinion of the auditors and has prepared the accounts on historical cost basis which, in its opinion, reflects the true and fair view of the state of the Company's affairs.

b) According to the terms of the loan agreements, a lender has the right to call for repayment of the entire amount of the outstanding loan in case of a default in repayment of any instalment. However, the lenders have not called upon the Company to pay off these loans in entirety and have kept their rights reserved.

   The Company is currently in the process of discussing with the lenders a possible rescheduling of the outstanding loan amounts, including the overdue instalments, and is hopeful that the requested rescheduling will be agreed to by the lenders depending on the outcome of third settlement agreement with WAPDA.

On the basis of the reasons cited in the preceding paragraph, and in the absence of any adverse action by the lenders under the Finance Documents, management does not see any grounds for classifying the entire outstanding loan as a current liability and, therefore, disagrees with the auditors' stance in this matter.

Going Concern

The constantly increasing demand of electricity in the country has necessitated the demand to operate existing IPPs to their full capacity. WAPDA continues to release fuel advance payments to the Company albeit in a slow and irregular manner and therefore the management has included in its draft third settlement agreement proposals to ensure some permanence for such advances. It is the sincere hope and belief of the management that all disputes between the Company and WAPDA will be settled to their mutual benefit thereby enabling the former to operate the project with a clean slate and ensure continued supply of electricity to the national grid for the foreseeable future.

As the management of the Company remains confident about continuity of fuel advance payments and Plant operations, the annexed financial statements have been prepared on a going concern basis.

The loss per share worked out at Rs. 13.40 this year as compared to loss per share of Rs. 28.70 last year.

Financial Statements and Internal Control

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 Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;

e) the system of internal control is sound in design and has been effectively implemented and monitored;

f) there has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations except for formation of HR and Remuneration Committee and training programme of directors which shall be implemented in the coming year;

g) key operating data for the last six years is available in this report.

Appropriations

The Directors are not in a position to recommend a dividend this year.

Auditors

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

Changes in the Board of Directors

Mr. Anthony Rustin resigned from the Board on 15 August 2011 and Ms. Louisa Grasso was appointed in his place.

Board of Directors Meetings Held During the Year

Eight meetings of the Board of Directors were held during the year from 1 July 2011 to 30 June 2012. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mr. S.M. Ghalib	8
Mr. Rashid Mirza (Nominee of NBP)	8
Ms. Carole Linda Idris	8
Ms. Lynn Margaret Isobel Bell	8
Mr. Florian Zenner	8
Mr. Manuel Makki	8
Mr. Salman Rahim	8
Ms. Louisa Grasso	8

Pattern of Shareholding

A statement showing the pattern of shareholding as of 30 June 2012 is attached.

The Directors wish to thank the staff for their dedication and the shareholders and lenders for their continued support.

For and on behalf of the Board

Shamsul Aziz
Chief Executive

Islamabad
24 September 2012

KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2012	2011	2010	2009	2008	2007
Despatch Level (%age)	28	50	37.6	4.6	32	53
Despatch (Mwh)	244,691	465,562	393,242	48,202	368,660	540,242
Total Revenue (Rs. '000)	4,825,434	6,579,822	5,842,332	1,911,237	3,627,586	4,000,450
(Loss)/Profit for the Year (Rs. '000)	(1,831,882)	(3,922,132)	52,682	146,762	(297,762)	(295,124)
Shareholders' Equity (Rs. '000)	(3,672,938)	(1,841,056)	2,081,076	2,028,394	1,881,632	2,179,393
Book Value Per Share (Rupees)	(26.87)	(13.47)	15.23	14.84	13.77	15.95
(Loss)/Earning per share - basic (Rupees)	(13.40)	(28.70)	0.39	1.07	(2.18)	(2.16)
Rate of Dividend (%age)	-	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	**Names**
Independent /non-executives directors	· S.M. Ghalib
	· Carole Linda Idris
	· Lynn Margaret Isobel Bell
	· Florian Zenner
	· Manuel Makki
	· Louisa Grasso
	· Rashid Mirza
Executive directors	· Salman Rahim
	· Shamsul Aziz (CEO)

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on August 15, 2011 was filled up by the director within seven days.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with 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 and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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. As the requirement was applicable at the end of fiscal year and due to busy schedule of directors, no training program could be conducted by the end of fiscal year. However, the omission will be

rectified in the next year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 CCG except wherever mentioned otherwise.

15. The board has formed an Audit Committee. It comprises three members, all are non- executive directors, and the chairman of the committee is an independent director.

16. The Board will take the required steps to formalize a HR and Remuneration Committee. It will comprise three members, of whom two are independent directors and the chairman of the committee will also be an independent director.

17. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. 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.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation of the Karachi Stock Exchange (Guarantee) Limited.

24. We confirm that all other material principles enshrined in the CCG have been complied with except wherever mentioned otherwise with reasons.

Islamabad
24 September 2012

Shamsul Aziz
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Sothern Electric Power Company Limited ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

a) As disclosed in point 9 of the Statement, none of the directors have obtained certification under directors' training program as required under clause (xi) of the Code.

b) As disclosed in point 16 of the Statement the Company has not made Human Resource and Remuneration Committee as required under clause (xxv) of the Code.

Based on our review, with the exception of the matters described in (a) and (b) above, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Islamabad
24 September 2012

AUDITORS' REPORT TO THE MEMBERS

KPMG TASEER HADI & CO.
Chartered Accountants

We have audited the annexed balance sheet of Southern Electric Power Company Limited ("the Company") as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, 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 except for the matter referred to in paragraph (a) below, 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 financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) The Company has incurred a net loss of Rs. 1,831.882 million during the year and it equity is eroded as at 30 June 2012 which stands at Rs. 3,672.938 million negative. Further, the Annual Dependable Capacity of the plant was reduced last year and accordingly, the Company is not able to generate sufficient cash flows from plant operations. Pending resolution of matters as described in note 1.2 to the financial statements, an exercise to estimate cash flows to determine the recoverable amount of the assets has not been carried out. Accordingly, we were not able to determine whether any impairment might be necessary to the amounts shown in the financial statements for property, plant and equipment.

(b) As disclosed in notes 5.4, 5.5, 5.6, 7.2, 11.1and 11.3 to the financial statements, the Company has defaulted in repayments of principal and mark-up of long term loans and syndicated lease liability for the 6th engine. Further, at the current level of operations, the Company may not be able to meet its obligations to the lenders. In view of these defaults and as disclosed in note 5.7, the Company no longer has an unconditional right to defer settlement of the long term financing and syndicated lease liability for at least twelve months after the reporting date. Consequently, the Company should have classified long term financing amounting to Rs. 1,104.641 million and syndicated lease liability of Rs. 206.970 million as current liability. Had the said liabilities been classified as current in the financial statements, total non-current liabilities would have been lower by Rs. 1,311.611 million with a corresponding increase in current liabilities.

(c) Except for the matters referred in paragraphs (a) and (b) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(d) in our opinion –

i. Except for the matters referred in paragraphs (a) and (b) above, 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 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.

(e) Except for the effect on the financial statements of the matters referred to in paragraphs (a) and (b) above; 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

(f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to:

- Note 18.1 to the financial statements wherein it is stated that trade debts include an amount of Rs. 2,260.221 million receivable from WAPDA, the recovery of which is associated with eventual outcome of settlement of the Company's dispute with WAPDA, the Company considers the amount as fully recoverable for the reason given in the notes 18.1 and 18.3 to the financial statements; and

- Note1.2 to the financial statements which elaborates the status of negotiations between the Company and Water and Power Development Authority (WAPDA) to settle outstanding disputes. The Company has incurred a net loss of Rs. 1,831.882 million during the year ended 30 June 2012 and, as of that date; the Company's current liabilities exceeded its total assets by Rs. 2,326.142 million. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Islamabad
24 September 2012

BALANCE SHEET AS AT 30 JUNE 2012

	Note	2012 Rupees '000	2011 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	4	1,366,758	1,366,758
Accumulated loss		(5,039,696)	(3,207,814)
		(3,672,938)	(1,841,056)
NON - CURRENT LIABILITIES			
Long term financing - secured	5	1,104,641	1,534,234
Deferred liability	6	35,185	23,131
Liabilities against assets subject to finance lease	7	206,970	263,720
		1,346,796	1,821,085
CURRENT LIABILITIES			
Trade and other payables	8	51,979	34,927
Liquidated damages payable	9	4,646,005	3,887,992
Advance from customer - unsecured	10	1,303,089	1,154,488
Accrued markup	11	2,750,448	1,901,729
Short term borrowings - secured	12	1,057,970	1,088,461
Current portion of long term financing - secured	5	3,430,106	2,635,445
Current portion of liabilities against assets subject to finance lease	7	69,500	62,673
		13,309,097	10,765,715
		10,982,955	10,745,744
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 37 form an integral part of these financial statements.

	Note	2012 Rupees '000	2011 Rupees '000
NON - CURRENT ASSETS			
Property, plant and equipment	14	6,937,855	6,899,154
Long term advances - secured	15	19,662	11,595
		6,957,517	6,910,749
CURRENT ASSETS			
Stores, spare parts and loose tools	16	273,734	203,513
Stock in trade	17	272,900	225,725
Trade debts - secured	18	2,594,901	2,834,594
Advances	19	390,008	237,746
Trade deposits, short term prepayments and balance with statutory authority	20	220,666	180,291
Advance income tax - net	21	35,287	2,451
Cash and bank balances	22	237,942	150,675
		4,025,438	3,834,995
		10,982,955	10,745,744

Islamabad
24 September 2012

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees '000	2011 Rupees '000
Turnover - net	23	4,825,434	6,579,822
Cost of sales	24	(5,400,879)	(6,425,944)
Gross (loss)/ profit		(575,445)	153,878
Administrative expenses	25	(63,195)	(499,727)
Liquidated damages	9.1	-	(2,597,825)
Finance cost	26	(1,261,821)	(1,048,433)
Other operating income	27	36,974	74,291
Net loss before taxation		(1,863,487)	(3,917,816)
Taxation	28	31,605	(4,316)
Net loss after taxation		(1,831,882)	(3,922,132)
Loss per share - basic and diluted (Rupees)	35	(13.40)	(28.70)

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
24 September 2012

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees '000	2011 Rupees '000
Net loss after taxation	(1,831,882)	(3,922,132)
Other comprehensive loss	-	-
Total comprehensive loss for the year	(1,831,882)	(3,922,132)

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
24 September 2012

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees '000	2011 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before taxation		(1,863,487)	(3,917,816)
Adjustments for non cash items:			
Depreciation		355,438	330,400
Provision for gratuity		12,581	8,369
Provision for doubtful advances to other suppliers		-	10,005
Provision for doubtful interest on Capacity Purchase Price receivable		-	425,088
Old liabilities written back		-	(15,086)
Gain on disposal of property, plant and equipment - net		(2,966)	(1,687)
Finance cost		1,261,821	1,048,433
		(236,613)	(2,112,294)
Working capital changes:			
(Increase) / decrease in stores, spare parts and loose tools		(70,221)	19,638
(Increase) / decrease in stock in trade		(47,175)	78,456
Decrease in trade debts		239,693	205,869
(Increase) in advances		(152,262)	(112,848)
(Increase) in trade deposits, short term prepayments and balance with statutory authority		(40,375)	(105,903)
Increase / (decrease) in advance from customer		148,601	(237,108)
Increase in liquidated damages payable		758,013	3,082,683
Increase / (decrease) in trade and other payables		17,052	(1,910)
		853,326	2,928,877
Cash generated from operations		616,713	816,583
(Increase) in long term advances		(8,067)	(1,147)
Gratuity paid		(527)	(13,113)
Income taxes paid		(1,231)	(67,390)
Net cash generated from operating activities		606,888	734,933
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(12,570)	(7,494)
Proceeds from disposal of property, plant and equipment		6,119	4,430
Net cash used in investing activities		(6,451)	(3,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(19,653)	-
Change in short term borrowings		(30,491)	22
Finance cost paid		(413,102)	(580,474)
Lease rentals paid		(49,924)	(40,566)
Net cash used in financing activities		(513,170)	(621,018)
Net increase in cash and cash equivalents		87,267	110,851
Cash and cash equivalents at beginning of the year		150,675	39,824
Cash and cash equivalents at end of the year	22	237,942	150,675

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad **Chief Executive** **Director**
24 September 2012

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share Capital	(Accumulated loss)/ Unappropriated profit	Total
	Rupees '000	Rupees '000	Rupees '000
Balance as at 01 July 2010	**1,366,758**	**714,318**	**2,081,076**
Total comprehensive loss for the year	-	(3,922,132)	(3,922,132)
Balance as at 30 June 2011	**1,366,758**	**(3,207,814)**	**(1,841,056)**
Balance as at 01 July 2011	1,366,758	(3,207,814)	(1,841,056)
Total comprehensive loss for the year	-	(1,831,882)	(1,831,882)
Balance as at 30 June 2012	**1,366,758**	**(5,039,696)**	**(3,672,938)**

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad **Chief Executive** **Director**
24 September 2012

1 STATUS AND NATURE OF OPERATIONS

1.1 Southern Electric Power Company Limited ("the Company") was incorporated in Pakistan on 20 December 1994 as a public limited Company under the Companies Ordinance, 1984. The Company is listed on all three stock exchanges in Pakistan. The Company originally established a 117 Megawatt power generation capacity station near Raiwind, Lahore ("Complex / Plant") for supply of electricity. The installed capacity of the Plant was increased to 135.9 Megawatt through the installation of sixth engine in September 2007. The Company's registered office is situated at No. 50, Street No. 60, Sector F-11/4, Islamabad, Pakistan.

1.2 Material uncertainty

The Plant remained operational and continued to supply electricity to the national grid but at a much derated and partial load with energy dispatch factor of 28% (2011: 50%). The delayed and irregular energy and Capacity Purchase Price (CPP) payments by Water and Power Development Authority (WAPDA) played a pivotal role in restricting the plant operations to partial load.

Disputes between the Company and WAPDA pertaining to Liquidated Damages (LDs) for the period from 15 February 2008 to 31 December 2009 (closure period) and withheld CPP amounts and interest thereon for the period from 01 June 2008 till 31 December 2009 continue to be held in abeyance. However, on prudent basis, the Company has recognized LDs as claimed by WAPDA for the closure period (refer note 9). Also the suit filed by the Company in the International Court of Arbitration (ICA) against WAPDA claiming damages to the tune of Rs. 5 billion remains in abeyance for the time being.

After productive but challenging negotiations with WAPDA officials for an out of court settlement of all existing disputes in the best interest of both parties, the Company has forwarded a draft Third Settlement Agreement (TSA) to WAPDA on 29 August 2011 that mainly includes suggested resolutions of disputed LDs, withheld CPP and interest thereon as stated above, arbitration claim of the Company, installation of heat recovery steam turbine and formal commitment of fuel advance facility from WAPDA.

As of the balance sheet date, the Company has recognised all Liquidated Damages (LD's) as claimed by WAPDA however, during the year, a reconciliation exercise has been started for determination of the payable LDs, if any. After the LD's are worked out, the management of both sides shall meet and negotiate the concessions to be agreed under the TSA. The management of the Company expects a balanced resolution of the existing disputes with WAPDA as both parties have serious claims and counter claims against each other and realize the necessity of a judicious settlement to carry on the Project with a clean slate and in the best national interest.

The Company's operation is dependent on continuance of fuel advance facility from WAPDA. Should WAPDA discontinue the fuel advance facility again and the Company fails to arrange additional working capital from any other sources, the Company may not be able to continue its operations in the foreseeable future. However, on the basis of continuance of fuel advance facility by WAPDA, payments of Capacity Purchase Price invoices to the Company by WAPDA and continuance of negotiations between WADPA and the Company to resolve various disputes, the Company has prepared these financial statements on the assumption that the Company will be able to continue as a going concern in the foreseeable future.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such

International Financial Reporting Standards (IFRS) issued by the International Accounting Standard 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.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except that obligation under employees' benefit referred to in note 6.1 which has been recognized at present value on the basis of actuarial valuation.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency.

2.4 Significant estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

(a) Employee retirement plans

Defined benefit plans of gratuity are provided for all eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

(b) Property, plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment.

(c) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding effect on the impairment.

(d) Provision for liquidated damages

At each balance sheet date, the Company reviews the provisions for Liquidated Damages from WAPDA. The Company provides the amounts of Liquidated Damages in the financial statements on the basis of legal or constructive obligation as a result of past event and it is probable that an outflow of economic resources will be required to settle the obligation.

(e) Taxation

Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carry forwards. The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Taxation

(a) Current

The profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any and any adjustment to tax payable in respect of previous years. Further, 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.

(b) Deferred

Deferred tax has not been provided in these financial statements as the Company's management believes that the temporary differences will not be reversed in the foreseeable future due to the fact that the profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

3.2 Staff retirement benefits

(a) Defined benefit plan

The Company is operating an unfunded gratuity scheme for 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. The Company has a policy of carrying out actuarial valuations after every two years. Latest valuation was conducted as of 30 June 2011. The details of actuarial valuation are given in note 6.1 to the financial statements.

Employees qualifying the minimum period of service are entitled to interest free advances against their accumulated gratuity as per company's policy which are eventually settled on their severance / retirement from the Company.

The amount recognized in the balance sheet represents the present value of defined benefits as is adjusted for unrecognized actuarial gains and losses. Unrecognized actuarial gains and losses, exceeding corridor limits defined in International Accounting Standard - 19 "Employee benefits" are amortized over the expected average remaining working lives of the employees participating in the plan.

(b) Compensated absences

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

3.3 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Heavy Furnace Oil ("HFO")	First in first out basis
High Speed Diesel ("HSD")	Moving average cost
Lubricants	Moving average cost

Cost of inventory comprises of the purchase price and other direct costs incurred in bringing the inventory items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.4 Stores, spare parts and loose tools

These are valued at lower of moving average cost and net realizable value.

Cost comprises of the purchase price and other direct costs incurred in bringing the stores, spare parts and loose tools to their present location and condition.

3.5 Property, plant and equipment

(a) Owned

Property, plant and equipment, owned by the Company are stated at cost less accumulated depreciation and impairment loss, if any, except freehold land and capital work in progress, which are stated at cost less impairment loss, if any. Cost also includes exchange gains and losses on loans obtained for acquisition of property, plant and equipment.

Depreciation is charged on straight line method at the rates given in note 14, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Exchange differences related to foreign currency loans obtained for financing of the plant are capitalized by the Company as allowed by Securities and Exchange Commission of Pakistan (SECP) through its circular number 11 dated 13 June 2008. Exchange differences on the loans utilized for acquisition of plant, building and machinery are being depreciated over the remaining useful life of the plant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are taken to the profit and loss account.

(b) Leased

Assets subject to finance lease are stated at lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses, if any. Related obligations under the agreement are accounted for as liabilities and financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of owned assets at the rates given in note 14.

3.6 Revenue recognition

Revenue on account of energy is recognized on dispatch of electricity, whereas revenue on account of capacity is recognized when due.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortized cost using the effective interest method, less provision for doubtful debts, if any.

3.8 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Only those short term borrowings that are repayable on demand and that often fluctuates from being positive to overdrawn form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of cash flow statement.

3.9 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between originally recognized amount and redemption value being recognized in profit and loss account over the period of borrowings on an effective interest rate basis.

3.10 Trade and other payables

Liabilities for trade and other payables are carried at amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received.

3.11 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. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.12 Dividend recognition

Dividend is recognized as a liability in the period in which it is declared.

3.13 Borrowing costs

Borrowing costs on loans are capitalized up to the date of commissioning of the related qualifying asset. Subsequent borrowing costs are charged to profit and loss account. All other borrowing costs are charged to profit and loss account.

3.14 Foreign currencies

As mentioned in note 2.3, PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date. Non monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Exchange differences are accounted for as follows:

(a) Exchange differences related to foreign currency loans obtained for financing of the plant are capitalized and depreciated over the remaining useful life of the related assets.

(b) All other exchange differences are dealt with through the profit and loss account.

3.15 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 fair value. Subsequent to initial recognition, these financial assets and liabilities are measured at fair value or amortized cost as the case may be. The Company de-recognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instrument.

3.16 Finance income and finance cost

– Finance income comprises interest income on bank deposits. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

– Finance cost comprises interest expense on borrowings and bank charges. Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

3.17 Provisions for Workers Profit Participation Fund and Workers Welfare Fund

The Company does not account for Provision for Workers Profit Participation Fund (WPPF) and Workers Welfare Fund (WWF) in its financial statements as they are pass through items to WAPDA under the Power Purchase Agreement (PPA). In case the liability arises, it is recovered from WAPDA.

3.18 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.19 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 in order to determine the extent of impairment loss, if any. Impairment losses, if any, are recognized in the profit and loss account.

– Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit and loss account. An impairment loss is reversed in the profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

– Non financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

3.20 New accounting standards and IFRIC interpretations that are not yet effective

The following approved accounting standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial losses amounting to Rs. 2.179 million at 30 June 2012 would need to be recognized in other comprehensive income.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an

associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

– Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The above amendments have no impact on financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

4 SHARE CAPITAL

4.1 Authorized share capital

This represents 150 million (2011: 150 million) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

2012	2011		2012	2011
Number of shares			(Rupees '000)	(Rupees '000)
124,250,684	124,250,684	Ordinary shares of Rs. 10 each issued for cash	1,242,507	1,242,507
12,425,068	12,425,068	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	124,251	124,251
136,675,752	136,675,752		1,366,758	1,366,758

4.3 BCHIL Southern Company Limited holds 40.178 million ordinary shares (2011: 40.178 million ordinary shares) of Rs. 10 each at the balance sheet date.

5 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amounts		Outstanding amounts			
				2012	2011	2012	2011
From banking companies		USD '000	Rupees '000	USD '000		Rupees '000	
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 1st Facility	5.1	35,002	-	22,751	22,751	2,143,147	1,956,589
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 2nd Facility	5.2	7,456	-	4,846	4,846	456,528	416,788
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 3rd Facility	5.3	10,614	-	10,614	10,614	999,846	912,811
ANZ Bank, Paris, France - 2nd Facility	5.5	8,706	-	8,706	8,706	820,098	748,710
United Bank Limited	5.6	-	133,128	-	-	115,128	134,781
				46,917	46,917	4,534,747	4,169,679
Less: Installments due over the next twelve months shown under current liabilities							
Overdue / defaulted installments				(29,563)	(23,050)	(2,784,865)	(1,997,317)
Current maturity				(6,679)	(6,513)	(645,241)	(638,128)
				(36,242)	(29,563)	(3,430,106)	(2,635,445)
				10,675	17,354	1,104,641	1,534,234

5.1 PSEDF Debt - 1st Facility

Lender	National Bank of Pakistan (NBP)
Outstanding amount :	USD 22,751,031
Repayable currency	Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
Repayment terms	Repayable in 13 equal semi-annual installments effective from 25 April 2008.
Rate of interest per annum	Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
Security	(a) First registered mortgage charge on the Company's assets but on a subordinated basis to the Senior Loans.
	(b) Pledge over 36,012,702 sponsors' shares for the term of the loan.

5.2 PSEDF Debt - 2nd Facility

Lender	National Bank of Pakistan
Outstanding amount :	USD 4,846,374
Repayable currency	Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
Repayment terms	Repayable in 13 equal semi-annual installments effective from 25 April 2008.
Rate of interest per annum	Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
Security	Same as mentioned in note 5.1(a) and 5.1 (b) above.

5.3 PSEDF Debt - 3rd Facility

Lender	National Bank of Pakistan
Outstanding amount :	USD 10,614,078
Repayable currency	Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
Repayment terms	Repayable in 13 equal semi-annual installments effective from 25 April 2008.
Rate of interest per annum	Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
Security	Same as mentioned in note 5.1(a) and 5.1 (b) above.

5.4 The Company has defaulted in repayment of one to nine installments each of the restructured PSEDF 1st, 2nd and 3rd facilities. Though NBP has served formal notices of Event of Default, it has not called upon the Company to pay-off the entire outstanding loan amounts immediately nor have they exercised their stepping-in rights under the Finance Documents. The Company intends to apply to NBP for a further rescheduling of the PSEDF facilities on the appropriate terms. An extension in the tenor of the loan shall also be required.

5.5 ANZ Bank, Paris, France - 2nd Facility

This represents the facility created by payment of five installments to ANZ Bank, France by COFACE. The liability of the Company stands towards the Government of Pakistan through Economic Affairs Division (EAD). Until the repayment terms are renegotiated and finalized, interest is being accrued on this debt at six months' LIBOR + 0.6% per annum as approved by Private Power and Infrastructure Board (PPIB), Government of Pakistan at the time of financial restructuring of the Company. No payment of principal loan amount is being made by the Company.

5.6 United Bank Limited

Lender	United Bank Limited ("UBL")
Outstanding amount:	Pak Rupees 115,128,031
Repayment terms	This facility was created by conversion of the existing short-term working capital facility of Rs. 144.781 million by UBL into a medium-term demand finance facility in 2009. Upon Company's request, UBL has rescheduled Rs. 133.128 million in 2011 to be repaid in seventeen stepped-up quarterly installments commencing 17 May 2011. The Company has defaulted on payment of markup on installments that fell due on 17 November 2011, 17 February 2012 and 17 May 2012.
Rate of interest	1 month KIBOR minus 6% per annum (KIBOR rate to be re-set on 1st working day of each month)
Security	This borrowing is secured by way of first charge of Rs. 182 million on current and fixed assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

5.7 The Company is also in breach of certain financial covenants of the loan agreements (including amendment agreement). Due to default in repayments of loans and breach of certain financial covenants including syndicated lease liability (refer note 7.2), the lenders have the right to demand accelerated payments from the Company.

6 DEFERRED LIABILITY

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Staff retirement benefit - gratuity	6.1	35,185	23,131

6.1 Staff retirement benefit - gratuity

(a) Reconciliation of payable to defined benefit plan

	2012	2011
Present value of defined benefit obligation	37,364	25,310
Unrecognized actuarial losses	(2,179)	(2,179)
	35,185	23,131

(b) Movement in the present value of defined benefit obligation is as follows:

	2012	2011
Present value of defined benefit obligation at beginning of the year	25,310	32,941
Current service cost	9,418	4,762
Interest cost	3,163	3,430
Benefit paid	(527)	(13,113)
Actuarial gain on obligation	-	(2,710)
Present value of defined benefit obligation at end of the year	37,364	25,310

(c) Movement in net liability recognized

	2012	2011
Opening net liability	23,131	27,875
Expense for the year	12,581	8,369
Benefit paid during the year	(527)	(13,113)
Closing net liability	35,185	23,131

(d) Expense recognized in profit and loss account is as follows:

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Current service cost		9,418	4,762
Interest cost		3,163	3,430
Actuarial losses recognized		-	177
		12,581	8,369

(e) Expense is recognized in the following line items in profit and loss account:

	Note	2012	2011
Cost of sales	24.2	5,566	2,938
Administrative expenses	25.1	7,015	5,431
		12,581	8,369

(f) Key actuarial assumptions

	2012	2011
Discount rate	14.00%	14.00%
Salary increase rate	14.00%	14.00%
Mortality rate	EFU 61-66	EFU 61-66

(g) Comparison of present values of defined benefit obligation for five years is as follows:

	2012	2011	2010	2009	2008
	(Rupees '000)				
Present value of defined benefit obligation	37,364	25,310	32,941	26,551	28,515

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012 (Rupees '000)			2011 (Rupees '000)		
	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding
Not later than one year	139,940	70,440	69,500	112,160	49,487	62,673
Later than one year but not later than five years	283,585	76,615	206,970	395,776	132,056	263,720
	423,525	147,055	276,470	507,936	181,543	326,393

7.1 Rentals are payable in quarterly installments. The Company has a right to exercise purchase option at the end of the lease term. Implicit rate of 12.82% to 14.79% per annum (2011: 16.42% to 18% per annum) has been used as a discounting factor.

7.2 The Company has executed the third supplemental lease agreement with the syndicate on 27 September 2011 and accordingly has paid the three quarterly installments under the agreement to the syndicate. However, due to cash flow constraints, the Company has not been able to pay the fourth installment due on 26 April 2012 which has been settled subsequent to the year end on 01 August 2012.

8. TRADE AND OTHER PAYABLES

	2012 (Rupees '000)	2011 (Rupees '000)
Creditors	33,747	22,045
Accrued liabilities	7,328	2,850
Provision for compensated absences	6,822	6,475
Unclaimed dividend	3,557	3,557
Other payables	525	-
	51,979	34,927

9 LIQUIDATED DAMAGES PAYABLE

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Pertaining to closure period	9.1	2,597,825	2,597,825
Others	9.2	2,048,180	1,290,167
		4,646,005	3,887,992

9.1 These Liquidated Damages (LDs) have been levied by WAPDA under the Power Purchase Agreement (PPA) and pertain to the period from 15 February 2008 to 31 December 2009 (closure period) during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility from WAPDA. The Company has disputed these LDs on valid legal and technical grounds, however, has recognised a liability on a prudent basis. Discharge of this liability is associated with eventual outcome of settlement of the Company's dispute with WAPDA including recovery of CPP payments for the closure period. Management has forwarded draft third settlement agreement for an out of court settlement and expects an amicable resolution of all disputes with WAPDA (also refer notes 1.2 and 18.1).

9.2 These liquidated damages (LDs) have been levied by WAPDA under the Power Purchase Agreement and disputed by the Company on various legal and technical grounds, however, has recognised a liability on a prudent basis. The major reason of dispute is staggered fuel advance payments and prolonged delays in releasing CPP receivables from WAPDA forcing the Company to operate the Plant at partial load that results in incurrence of exorbitant LDs. The Company has initiated a reconciliation exercise to agree to an installment plan with WAPDA to pay the reconciled and agreed portion of these LDs; if any.

10 ADVANCE FROM CUSTOMER - UNSECURED

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Advance against fuel purchase	10.1	1,303,089	1,154,488

10.1 This unsecured advances from WAPDA carries markup ranging from 16% to 18% per annum (2011: 16.5% to 18% per annum).

11. ACCRUED MARKUP

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Markup on long term financing - secured	11.1	2,563,531	1,774,791
Markup on short term borrowings - secured	11.2	107,674	50,758
Markup on liabilities against assets subject to finance lease	11.3	77,932	73,728
Markup on advance from customer - unsecured		1,311	2,452
		2,750,448	1,901,729

11.1 This includes overdue mark-up aggregating to Rs. 2,434.911 million (2011: Rs. 1,665.479 million) that comprises of overdue markup on foreign currency borrowings of Rs. 2,429.010 million (2011: Rs. 1,664.398 million) equivalent to USD 25.785 million (2011: USD 19.353 million) and on local currency borrowing of Rs. 5.901 million (2011: Rs. 1.081 million).

11.2 This includes overdue mark-up amounting to Rs. 73.261 million (2011: Rs. 10.004 million).

11.3 This includes Rs. 4.845 million (2011: Rs. 65.060 million) which represents overdue markup of lease syndicate finance facility. After execution of the third supplemental agreement, overdue markup of prior years had been spreaded over remaining lease installments under the agreement on equivalent basis commencing April 2012 till end of the lease term.

12. SHORT TERM BORROWINGS - SECURED

	Note	Expiry dates of facilities	Sanctioned Limit 2012	Sanctioned Limit 2011	Outstanding Balance 2012	Outstanding Balance 2011
			(Rupees '000)			
Running finance facilities from banking companies:						
Faysal Bank Limited		31 March 2013	247,933	260,000	247,933	258,619
Askari Bank Limited	12.2	Expired	305,052	325,000	305,052	324,857
National Bank of Pakistan	12.2	Expired	250,000	250,000	249,988	249,988
Silkbank Limited		30 September 2012	145,000	145,000	144,997	144,997
Term finance facility from financial institution:						
Saudi Pak Industrial and Agricultural Investment Company Limited		16 November 2012	110,000	110,000	110,000	110,000
			1,057,985	1,090,000	1,057,970	1,088,461

12.1 The above borrowings are secured by way of first charge of Rs. 1,394 million (2011: Rs. 1,394 million), second charge of USD 2.5 million (2011: USD 2.5 million) on current and fixed assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in note 5. These carry mark-up ranging between 12.91% to 17.56% per annum (2011: 14.41% to 17.56% per annum.).

12.2 Short term borrowings from Askari Bank Limited and National Bank of Pakistan expired as of the balance sheet date and management is in the process of getting renewal of the facilities.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There were no contingencies of the Company as on the balance sheet date. For contingencies related to tax matters - refer notes 28.2 (b) and 28.2 (c).

13.2 Commitments

Letter of credit other than capital expenditure of Euros 789,085.58 (2011: Euros 686,335.89) equivalent to Rs. 93.506 million (2011: Rs. 85.654 million).

13.3 Significant contracts as at balance sheet date

(a) Implementation Agreement

The Company has entered into an Implementation Agreement ("IA") dated 23 November 1994 with the Government of Pakistan (GoP), pursuant to which the GoP guaranteed implementation, execution and operation of the Company's project for the term of 22 years extended to 30 years through amendment dated 11 March 2002.

(b) Power Purchase Agreement

Under the Power Purchase Agreement (PPA) signed on 17 November 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 14 February 2002 under the IA.

(c) Fuel Supply Agreement

The Company has entered into a Fuel Supply Agreement dated 24 October 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 12 December 2001. Obligation of PSO has also been guaranteed by GoP under the IA.

14 PROPERTY, PLANT AND EQUIPMENT

	OWNED											LEASED			
	Freehold land	Office building on freehold land	Plant building on freehold land	Plant, machinery and equipment	Rail sliding	Leasehold improvements	Electric equipment	Computers and Office equipment	Laboratory equipment	Furniture and fittings	Vehicles	Sub-Total	Vehicles	Plant, machinery and equipment-Sixth engine	Sub-Total	**Grand Total**
	Rupees '000															
Cost																
Balance as at 01 July 2010	32,504	20,684	1,700,994	7,478,739	38,332	7,255	16,670	9,683	9,105	9,012	5,829	9,328,807	16,636	688,616	705,252	10,034,059
Additions during the year	-	-	-	-	-	-	87	245	-	30	7,132	7,494	-	-	-	7,494
Exchange loss	-	-	3,427	15,340	-	-	-	-	-	-	-	18,767	-	-	-	18,767
Transfers	-	-	-	-	-	-	-	-	-	-	8,795	8,795	(8,795)	-	(8,795)	-
Disposals	-	-	-	-	-	-	-	-	-	-	(10,335)	(10,335)	-	-	-	(10,335)
Balance as at 30 June 2011	32,504	20,684	1,704,421	7,494,079	38,332	7,255	16,757	9,928	9,105	9,042	11,421	9,353,528	7,841	688,616	696,457	10,049,985
Balance as at 01 July 2011	32,504	20,684	1,704,421	7,494,079	38,332	7,255	16,757	9,928	9,105	9,042	11,421	9,353,528	7,841	688,616	696,457	10,049,985
Additions during the year	-	-	-	-	-	-	1,579	1,342	-	32	9,617	12,570	-	-	-	12,570
Exchange loss	-	-	70,250	314,472	-	-	-	-	-	-	-	384,722	-	-	-	384,722
Transfers	-	-	-	-	-	-	-	-	-	-	7,841	7,841	(7,841)	-	(7,841)	-
Write-offs	-	-	-	-	-	-	(9,110)	(4,497)	-	(4,361)	(1,814)	(19,782)	-	-	-	(19,782)
Disposals	-	-	-	-	-	-	(655)	(1,245)	-	-	(6,685)	(8,585)	-	-	-	(8,585)
Balance as at 30 June 2012	32,504	20,684	1,774,671	7,808,551	38,332	7,255	8,571	5,528	9,105	4,713	20,380	9,730,294	-	688,616	688,616	10,418,910
Depreciation																
Balance as at 01 July 2010	-	14,842	488,401	2,166,355	14,000	7,255	16,152	9,129	8,149	8,739	4,626	2,737,648	9,949	80,426	90,375	2,828,023
Depreciation for the year	-	1,521	54,936	240,371	1,276	-	213	281	540	169	646	299,953	2,061	28,386	30,447	330,400
Transfers	-	-	-	-	-	-	-	-	-	-	7,566	7,566	(7,566)	-	(7,566)	-
Disposals	-	-	-	-	-	-	-	-	-	-	(7,592)	(7,592)	-	-	-	(7,592)
Balance as at 30 June 2011	-	16,363	543,337	2,406,726	15,276	7,255	16,365	9,410	8,689	8,908	5,246	3,037,575	4,444	108,812	113,256	3,150,831
Balance as at 01 July 2011	-	16,363	543,337	2,406,726	15,276	7,255	16,365	9,410	8,689	8,908	5,246	3,037,575	4,444	108,812	113,256	3,150,831
Depreciation for the year	-	1,514	59,441	260,468	1,276	-	352	362	419	37	3,183	327,052	-	28,386	28,386	355,438
Transfers	-	-	-	-	-	-	-	-	-	-	4,444	4,444	(4,444)	-	(4,444)	-
Write-offs	-	-	-	-	-	-	(9,110)	(4,497)	-	(4,361)	(1,814)	(19,782)	-	-	-	(19,782)
Disposals	-	-	-	-	-	-	(655)	(1,245)	-	-	(3,532)	(5,432)	-	-	-	(5,432)
Balance as at 30 June 2012	-	17,877	602,778	2,667,194	16,552	7,255	6,952	4,030	9,108	4,584	7,527	3,343,857	-	137,198	137,198	3,481,055
Carrying amounts - 2011	**32,504**	**4,321**	**1,161,084**	**5,087,353**	**23,056**	-	**392**	**518**	**416**	**134**	**6,175**	**6,315,953**	**3,397**	**579,804**	**583,201**	**6,899,154**
Carrying amounts - 2012	**32,504**	**2,807**	**1,171,893**	**5,141,357**	**21,780**	-	**1,619**	**1,498**	**(3)**	**129**	**12,853**	**6,386,437**	-	**551,418**	**551,418**	**6,937,855**
Rates of depreciation per annum		10%	3.33%-5.85%	3.33%-5.85%	3.33%	10%	20%	20%	20%	10%	20%		20%	4.76%-5.85%		

14.1 Exchange differences

Exchange differences included in the carrying amount of assets at the year end amounts to Rs. 1,976 million (2011: Rs. 1,681 million). Had these not been capitalized, the equity of the Company would have been lowered by similar amount.

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

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Cost of sales	24	349,570	324,969
Administration expenses	25	5,868	5,431
		355,438	330,400

14.3 Detail of property, plant and equipment disposed / written-off during the year

Assets description	Cost Rs. (000)	Book value Rs. (000)	Sale Proceeds Rs. (000)	Gain Rs. (000)	Sold To	Mode of Sale
Honda City	1,322	771	1,300	529	Nasir Shahzad	By negotiation
Honda City	1,322	771	1,150	379	Aqeel Ahmad	Company policy
Honda Civic	1,729	576	1,500	924	M. Attaul Aleem	Company policy
Honda Civic	1,778	741	1,584	843	Syed Amir Hassan	By negotiation
Suzuki High Roof	535	294	530	236	Ansar Mahmood	By negotiation
Photocopier	291	-	1	1	Samiullah	Company policy
Air Conditioner	55	-	8	8	M. Azam	By negotiation
Air Conditioner	55	-	8	8	M. Azam	By negotiation
LG TV	52	-	4	4	M. Azam	By negotiation
Others - disposals	1,446	-	34	34	M. Azam	By negotiation
Others - write-offs	19,782	-	-	-	write-offs	Not applicable
30 June 2012	28,367	3,153	6,119	2,966	Also refer note 27	
30 June 2011	10,335	2,743	4,430	1,687	Also refer note 27	

15 LONG TERM ADVANCES - SECURED

This represents secured advances to staff against gratuity and includes Rs. 7.614 million, Rs. 3.610 million and Rs. 2.929 million (2011: Rs. 5.215 million, Rs. 2.610 million and Rs. 715 thousand) given to Chief Executive Officer, an Executive Director and Executives of the Company respectively.

16 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Stores		235,741	166,507
Spare parts and loose tools		37,993	37,006
		273,734	203,513

17 STOCK IN TRADE

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Heavy furnace oil ("HFO")		242,493	197,951
High speed diesel ("HSD")		11,482	10,241
Lubricants		18,925	17,533
	24.1	272,900	225,725

18 TRADE DEBTS - SECURED

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Capacity Purchase Price receivable - considered good	18.1	2,512,257	2,351,916
Interest on Capacity Purchase Price receivable - considered good	18.2	21,593	4,669
Interest on Capacity Purchase Price receivable - considered doubtful	18.2	425,088	425,088
		2,958,938	2,781,673
Less: Provision for interest on Capacity Purchase Price receivable	25	(425,088)	(425,088)
		2,533,850	2,356,585
Energy Purchase Price receivable - considered good		61,051	478,009
	18.3	2,594,901	2,834,594

18.1 This includes overdue CPP receivable from WAPDA amounting to Rs. 2,260.221 million (2011: Rs. 2,260.221 million) pertaining to the period from 01 June 2008 till 31 December 2009 ("the closure period"). The recoverability of this amount is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer notes 1.2 and 9.1).

18.2 This represents interest amount calculated at the rates ranging from 14% to 16% per annum (2011: 14.5% to 16% per annum) on delayed Capacity Purchase Price (CPP) payments by WAPDA from 01 July 2008 to 30 June 2010 as admissible under article 9.7 (e) of the Power Purchase Agreement (PPA). However, the Company has not recognized receivables on account of interest on withheld amounts of CPP pertaining to closure period commencing from 01 July 2010 till 30 June 2012 in these financial statements aggregating to Rs. 680.640 million (2011: Rs. 353.001 million).

18.3 These are secured by way of guarantee issued by the Government of Pakistan under the Implementation Agreement (IA).

19 ADVANCES

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Advances to employees against expenses		279	312
Advance to supplier for the purchase of fuel		331,940	194,857
Advances to other suppliers		57,789	42,577
Advances - considered good		390,008	237,746
Advances - considered doubtful		13,016	13,016
		403,024	250,762
Less: Provision for doubtful advances to other suppliers		(13,016)	(13,016)
		390,008	237,746

20 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCE WITH STATUTORY AUTHORITY

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Security deposits		1,153	1,756
Margin against letters of credit	20.1	107,393	93,406
Short term prepayments		25,307	21,251
Sales tax receivable		213,736	190,801
Less: Provision for doubtful sales tax receivable		(126,923)	(126,923)
		86,813	63,878
		220,666	180,291

20.1 This represents amount held in a bank account against LCs commitments of the Company and carries profit at the rate of 9% per annum (2011: Nil). Accrued profit on the referred bank account can only be utilized against principal or mark-up settlement on medium term demand finance facility availed by the Company from the respective bank.

21 ADVANCE INCOME TAX - net

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Advance tax as on 01 July		2,451	-
Transferred from provision for taxation - net		-	3,205
Income tax receivable	28.2 (e)	31,605	-
Advance tax adjusted against WWF		-	(754)
Taxes paid during the year		1,231	-
Advance tax as at 30 June		35,287	2,451

22 CASH AND BANK BALANCES

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Cash at banks in-			
- Current accounts:			
Foreign currency	22.1	273	250
Local currency		221,740	117,864
- Saving accounts:		222,013	118,114
Local currency	22.2	15,822	32,232
		237,835	150,346
Cash in hand		107	329
		237,942	150,675

22.1 This comprises of compensation accounts aggregating USD 1,264 equivalent Rs. 118,816 (2011: USD 1,264 equivalent Rs. 108,451) and insurance proceeds account USD 1,645 equivalent Rs. 154,630 (2011: USD 1,645 equivalent Rs. 141,141) with United National Bank London which are escrow accounts.

22.2 These carry mark-up at the rate of 4% to 5% per annum (2011: 4% to 5% per annum).

23 TURNOVER - NET

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Capacity billing	23.1	1,145,108	1,416,181
Gross energy billing		4,269,178	6,041,460
Less: sales tax		(588,852)	(877,819)
		3,680,326	5,163,641
		4,825,434	6,579,822

23.1 The Company has not recognized interest on withheld amounts of CPP pertaining to closure period in these financial statements for the year that amounts to Rs. 327.639 million (2011: Rs. 353.001 million).

24 COST OF SALES

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Raw materials consumed	24.1	3,841,843	5,291,990
Salaries, wages and other benefits	24.2	72,109	54,843
Insurance		42,174	41,682
Electricity charges		7,813	4,951
Stores and spare parts consumed		272,653	193,350
Liquidated Damages		758,012	484,858
Depreciation	14.2	349,570	324,969
Vehicle running expenses		9,075	7,068
Communication charges		2,345	1,731
Repairs and maintenance		33,382	13,101
Staff welfare		5,449	4,536
Fuel decanting charges		1,738	-
Operations and maintenance		110	625
Traveling and conveyance		1,755	252
Printing and stationery		624	444
Others		2,227	1,544
		5,400,879	6,425,944

24.1 Raw materials consumed

(Rupees '000)

	HFO	HSD	Lubricants	2012 Total	2011 Total
Opening balance - also refer note 17	197,951	10,241	17,533	225,725	304,181
Add: Purchases	3,768,867	21,853	98,298	3,889,018	5,213,534
Available for consumption	3,966,818	32,094	115,831	4,114,743	5,517,715
Less: Closing balance - also refer note 17	(242,493)	(11,482)	(18,925)	(272,900)	(225,725)
Consumption during the year 2012	3,724,325	20,612	96,906	3,841,843	-
Consumption during the year 2011	5,122,342	40,123	129,525	-	5,291,990

24.2 These include Rs. 5.566 million (2011: Rs. 2.938 million) charged in respect of staff retirement benefits.

25 ADMINISTRATIVE EXPENSES

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Salaries, wages and benefits	25.1	34,506	35,726
Depreciation	14.2	5,868	5,431
Traveling and conveyance	25.2	4,622	1,569
Rent, rates and taxes		2,700	2,460
Vehicle running expenses		2,559	3,570
Guest house expenses		-	4,417
Insurance		688	657
Legal consultancy fee and related expenses		940	2,267
Communication costs		1,234	1,054
Provision for doubtful advances to other suppliers		-	10,005
Provision for doubtful interest on Capacity Purchase Price receivable	18	-	425,088
Auditors' remuneration	25.3	5,070	1,666
Utilities		679	598
Printing and stationery		789	872
Repairs and maintenance		566	632
Entertainment		526	794
Others		2,448	2,921
		63,195	499,727

25.1 These include Rs. 7.015 million (2011: Rs. 5.431 million) charged in respect of staff retirement benefits.

25.2 These include Chairman of the Board of Directors traveling expenses aggregating Rs. 856 thousand (2011: Rs. Nil) for business purposes.

25.3 Auditors' remuneration

	Note	2012 (Rupees '000)	2011 (Rupees '000)
Annual audit		800	700
Six monthly review		400	300
Tax services		3,800	515
Other certifications		-	25
Out of pocket expenses		70	126
		5,070	1,666

26 FINANCE COST

	2012	2011
Mark-up on long term financing - secured	646,285	569,187
Mark-up on short term borrowings - secured	144,315	170,676
Mark-up on advance from customer - unsecured	226,098	242,107
Exchange loss	190,968	8,474
Commitment charges, management and agency fee	6,179	6,561
Fee and expenses of trustee	723	1,936
Mark-up on finance lease	40,213	49,111
Letter of credit charges	6,740	237
Bank charges	300	144
	1,261,821	1,048,433

27 OTHER OPERATING INCOME

	Note	2012	2011
From financial assets		7,141	168
Interest income		7,141	168
From other than financial assets			
Gain on disposal of property, plant and equipment - net	14.3	2,966	1,687
Reversal of sales tax provision		-	44,781
Gain on sale of scrap		7,867	12,324
Old liabilities written back		-	15,086
Others		19,000	245
		29,833	74,123
		36,974	74,291

28	TAXATION	Note	2012 (Rupees '000)	2011 (Rupees '000)
	Income tax refund	28.2 (e)	31,605	-
	Provision - Prior years'		-	(4,316)
			31,605	(4,316)

28.1 No numeric tax reconciliation is given as the Company's income derived from electric power generation is exempt from tax under clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 as stated in note 3.1 (a).

28.2 Tax matters and status

(a) Tax assessments of the Company up to and including the Assessment Year 2002-2003 (year ended 30 June 2002) stand finalized under section 62 of the repealed Income Tax Ordinance 1979.

(b) Assessments for the Tax Years 2003 to 2004 (years ended 30 June 2003 to 2004) were amended under provisions of the Income Tax Ordinance 2001 [the Ordinance]. The main issue in amendment was set off of interest income against business losses which stand decided in Company's favour at the level of Appellate Tribunal Inland Revenue [ATIR] up to the Tax Year 2004. The departmental reference filed before the Honorable High Court for the Assessment Years 1996-1997 to 2000-2001 on the same issue is pending adjudication to date whereas the departmental reference for the Assessment Years 2001-2002 and 2002-2003 was rejected by the Honorable High Court being barred by time. Being aggrieved the department has filed review application with the Honorable Supreme Court of Pakistan, which is pending adjudication to date.

(c) For the Tax Years 2005 to 2010, the Company's assessments were amended by raising aggregate tax demand of Rs. 159 million on the issue of depreciation claim on the premise that the fixed assets are not depreciable as these are employed in deriving exempt income and taxation of income from other sources (mainly comprising of interest income on delayed payments from WAPDA). Against these amendments, the Company filed appeals with Commissioner Inland Revenue (Appeals) [CIR (A)]. The CIR (A) rejected the appeal for the Tax Year 2008 to 2010 by stating that only those assets are qualified depreciable assets which are used to derive business income chargeable to tax. Further he upheld taxation of other income on delayed payments from WAPDA on the analogy that interest income cannot be termed as business income. Against these decisions of CIR (A), the Company filed appeals before the Appellate Tribunal Inland Revenue [ATIR] which are pending adjudication to date.

28.2 Tax matters and status (continued)

Correspondingly, the Company also filed appeal with the CIR (A) against rejection of rectification application for the Tax Year 2008 to Tax Year 2010, on the basis that interest income on delayed payments from WAPDA is business income as already held by the appellate authorities which legal position was not considered by tax authorities while amending the assessments of the Company for the Tax Year 2008 to Tax Year 2010. In this round while disposing off the appeals, the CIR (A) has accepted Company's contention that interest income on delayed payments from WAPDA is in fact business income on the basis of a recent judgment of the ATIR on the similar issue. As a result of this order, the demand of Rs. 156 million on account of interest income on delayed payments from WAPDA stands deleted. Further, Company's appeals for the Tax Year 2005 to 2007 have also been decided in its favour by following the judgment of appellate authorities. Tax department being aggrieved from the aforesaid orders filed appeals with ATIR which are pending disposal to date.

(d) The assessment of the Company for the Tax Year 2011 has been finalized in terms of section 120 of the Ordinance. However, the tax authorities are empowered to amend the assessment of the Company within five years from the end of the financial year in which the same was filed.

(e) For the Assessment Year 1996-1997, the tax authorities raised tax demand of Rs. 69 million, inclusive of additional tax of Rs. 47 million, by treating the Company as assessee in default for not deducting tax on various payments made to its vendors. Certain relief was allowed by the CIR (A) as a result of which the tax demand is reduced to Rs. 39 million. The Company has preferred appeal against the appellate order with the ATIR on the issues decided against the Company, which is pending adjudication till to date. Reassessment proceedings in the light of the directions of the CIR (A) were initiated and finalized whereby a tax refund of Rs. 31 million was determined in favour of the Company, which was received subsequent to the balance sheet date.

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive	Executives	Chief Executive	Executives
	2012		2011	
	Rupees '000		Rupees '000	
Managerial remuneration and allowances	**7,800**	**23,676**	12,389	14,722
Staff retirement benefits	**3,000**	**3,718**	3,131	3,074
Others	**1,668**	**3,609**	-	1,055
	12,468	**31,003**	15,520	18,851
Number of persons	**1**	**13**	1	9

- In addition, the Chief Executive, an Executive Director and few Executives were provided with Company maintained cars for business purposes.
- Directors of the Company were not paid any remuneration during the year except for an Executive Director who was paid remuneration of Rs. 6.159 million (2011: Rs. 3.138 million) and Rs. 1.450 million (2011: Rs. 1.848 million) was accrued during the year as his retirement benefits for services as Company Secretary and Executive Director Legal.

30 RELATED PARTY TRANSACTIONS

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. Transactions with key management personnel are as follows:

	2012 (Rupees '000)	2011 (Rupees '000)
Remuneration of key management personnel	**31,513**	28,096

31 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The primary activity of the Company is power generation and sale of total output to WAPDA as mentioned in note 13.3 (b). The Company is exposed to credit risk from its operations.

Exposure to credit risk

(i) The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 (Rupees '000)	2011 (Rupees '000)
Trade debts - Also refer note 18.1	2,594,901	2,834,594
Bank balances	237,835	150,346
Others	128,208	106,757
	2,960,944	3,091,697

Credit risk of the Company arises principally from the trade debts and bank balances.

(ii) The maximum exposure to credit risk for trade debts, bank balances and others at the reporting date by geographic region was:

	2012 (Rupees '000)	2011 (Rupees '000)
Domestic	2,960,671	3,091,447
United Kingdom	273	250
	2,960,944	3,091,697

The Company's only customer is WAPDA. The credit risk on trade debts from WAPDA is managed by a guarantee from the Government of Pakistan (GoP) under the Implementation Agreement (IA) and by continuous follow-ups for release of payments from WAPDA. The bank accounts are maintained with reputable banks with good credit ratings. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. When no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off by the Company.

(iii) **Aging analysis and impairment losses**

The aging of trade debts at the reporting date was.

	2012		2011	
	Gross Rs. (000)	Impairment Rs. (000)	Gross Rs. (000)	Impairment Rs. (000)
Not past due	77,974	-	481,721	-
Past due 0-30 days	94,150	-	91,695	-
Past due 31-120 days	162,556	-	-	-
Past due 121-365 days	-	-	957	-
Above 365 days	2,685,309	425,088	2,685,309	425,088
	3,019,989	425,088	3,259,682	425,088

The recoverability of amounts due over 365 or more is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer note 18.1).

(b) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The following are the contractual maturities of financial liabilities, including accrued, overdue and estimated interest payments and excluding the impact of netting agreements:

	2012 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	4,534,747	4,845,646	3,655,773	742,755	447,118
Finance lease liabilities	276,470	423,526	139,940	131,540	152,046
Short term borrowing	1,057,970	1,271,071	1,271,071	-	-
Advance from customer - unsecured	1,303,089	1,341,288	1,341,288	-	-
Liquidated damages payable	4,646,005	4,646,005	4,646,005	-	-
Trade and other payables	51,979	51,979	51,979	-	-
	11,870,260	12,579,515	11,106,056	874,295	599,164

	2011 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	4,169,679	6,520,205	4,724,212	801,916	994,077
Finance lease liabilities	326,393	507,966	112,190	112,190	283,586
Short term borrowing	1,088,461	1,253,201	1,253,201	-	-
Advance from customer - unsecured	1,154,488	1,172,333	1,172,333	-	-
Liquidated damages payable	3,887,992	3,887,992	3,887,992	-	-
Trade and other payables	34,927	34,927	34,927	-	-
	10,661,940	13,376,624	11,184,855	914,106	1,277,663

The Company closely monitors its liquidity and cash flow position. The liquidity risk is managed by a continuous follow-up for collecting receivables and restoring the fuel advance facility from WAPDA. Due to the adverse operating conditions, the Company was unable to meet the repayment of loans and lease obligations to its lenders except for the three installments of the rescheduled syndicate lease facility and principal portion of UBL installments falling due during the year (also refer notes 1.2, 5.6 and 7.2).

As disclosed in note 1.2, the Company's ability to continue as a going concern is substantially dependent on its ability to successfully manage the liquidity risk.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on long term loans, short term borrowings and finance leases. The Company receives interest on overdue balances from WAPDA at variable rate provided under the PPA. The interest rate profile of the Company's interest-bearing financial instruments at the balance sheet date was as under:

	Interest rate		Carrying amounts	
	2012 %	2011 %	2012 Rs. (000)	2011 Rs. (000)
- **Fixed rate instruments**				
Financial assets	-	-	-	-
- **Variable rate instruments**				
Financial assets				
Trade debts	14 - 16	14.5 - 16	2,594,901	2,834,594
Bank balances	4 - 5	4 - 5	15,822	32,232
			2,610,723	2,866,826
Financial liabilities				
Long term loans	1.08 - 11.49	11.30	4,534,747	4,169,679
Liability against assets subject to finance lease	12.82 - 14.79	16.42 - 18.00	276,470	326,393
Advance from customer - unsecured	16.00 - 18.00	16.5 - 18.00	1,303,089	1,154,488
Short term borrowing	12.91 - 17.56	14.41 - 17.56	1,057,970	1,088,461
			7,172,276	6,739,021

(ii) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account for the year.

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased unappropriated profit by Rs. 88.23 million (2011: Rs. 84.944 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company receives interest on overdue balances from WAPDA at variable rates in accordance with the PPA, however, due to insignificant portion of this amount in proportion to total debts, management believes that any change in the variable interest rate does not significantly affect profit and loss account for the year.

(iv) Currency risk management

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprise:

(a) Transactional exposure in respect of non functional currency monetary items.

(b) Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

(a) Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

(b) Transactional exposure in respect of non functional currency expenditure and revenues

There is no transactional exposure in respect of non functional currency expenditure and revenues.

(v) Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on following amounts:

	2012 Rs. (000)		
	USD	**GBP**	**Euro**
Advances and bank balances	3	-	-
Secured bank loans	(46,917)	-	-
Financial charges payable	(27,130)	-	-
Trade and other payables	-	-	(227)
Gross balance sheet exposure	(74,044)	-	(227)

	2011 Rs. (000)		
	USD	**GBP**	**Euro**
Advances and bank balances	13	-	8
Secured bank loans	(46,917)	-	-
Financial charges payable	(20,747)	(20)	-
Trade and other payables	-	(35)	(130)
Gross balance sheet exposure	(67,651)	(55)	(122)

(vi) Following significant exchange rates were used:

	Balance sheet date rate		Average rate	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
United States Dollars (USD)	94.20	86.00	90.50	85.84
Great Britain Pounds (GBP)	147.08	138.54	141.61	136.21
Euros	118.50	124.80	118.49	119.17

(vii) Sensitivity analysis

A 10 percent weakening of the PKR against the foreign currencies at 30 June would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit and loss account	
	2012 (Rupees '000)	2011 (Rupees '000)
USD	(281,536)	(200,726)
GBP	-	281
Euros	(2,690)	(1,533)

A 10 percent strengthening of the PKR against the foreign currencies at 30 June would have had the equal but opposite effect on the foreign currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Fair values

Fair value versus carrying amounts

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost, as indicated in the tables below. The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values.

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	2012 (Rupees '000)			
Financial assets				
Trade debts	2,594,901	-	-	2,594,901
Bank balances	237,835	-	-	237,835
Others	128,208	-	-	128,208
Total financial assets	2,960,944	-	-	2,960,944
Non financial assets				8,022,011
TOTAL ASSETS				10,982,955
Financial liabilities				
Long term financing - secured	-	-	4,534,747	4,534,747
Finance lease liabilities	-	-	276,470	276,470
Short term borrowings	-	-	1,057,970	1,057,970
Accrued markup	-	-	2,750,448	2,750,448
Liquidated damages payable	-	-	4,646,005	4,646,005
Trade and other payables	-	-	51,979	51,979
Advance from customer - unsecured	-	-	1,303,089	1,303,089
Total financial liabilities			14,620,708	14,620,708
Non financial liabilities				35,185
TOTAL LIABILITIES				14,655,893

Financial assets	2011 (Rupees '000)			
Trade debts	2,834,594	-	-	2,834,594
Bank balances	150,346	-	-	150,346
Others	106,757	-	-	106,757
Total financial assets	3,091,697	-	-	3,091,697
Non financial assets				7,654,047
TOTAL ASSETS				10,745,744
Financial liabilities				
Long term financing - secured	-	-	4,169,679	4,169,679
Finance lease liabilities	-	-	326,393	326,393
Short term borrowings	-	-	1,088,461	1,088,461
Accrued markup	-	-	1,901,729	1,901,729
Liquidated damages payable	-	-	3,887,992	3,887,992
Trade and other payables	-	-	34,927	34,927
Advance from customer - unsecured	-	-	1,154,488	1,154,488
Total financial liabilities			12,563,669	12,563,669
Non financial liabilities				23,131
TOTAL LIABILITIES				12,586,800

(e) Determination of fair values

The basis for determining fair values is as follows:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

32 CAPITAL RISK MANAGEMENT

The Company defines the capital that it manages as the Company's total equity. The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company is a non-recourse funded project and is not subject to externally imposed capital requirements. There were no changes in the Company's capital management policy during the year. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. However, the Company is subject to terms of certain financing agreements whereby dividend will be paid only after repayment of such loans.

33 EXEMPTION FROM APPLICABILITY OF IFRIC 4 - "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

International Accounting Standards Board (IASB) has issued International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining whether an Arrangement contains a Lease", which became effective for financial periods beginning on or after 01 January 2006. Under IFRIC 4, the consideration required to be made by lessee for the right to use the asset is accounted for as finance lease under IAS 17 - "Leases". The Company's plant's control due to purchase of total output by WAPDA appears to fall under the scope of IFRIC 4.

On 22 June 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of IFRIC 4 for power sector companies where Letter of Intent (LoI) is issued by Government of Pakistan (GoP) on or before 30 June 2010. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC 4. Had this interpretation been applied the effects on the results and equity of the Company would have been as follows:

	2012 (Rupees '000)	2011 (Rupees '000)
Increase in accumulated loss as at 01 July	491,796	441,491
Increase in loss for the year	170,104	50,305
Increase in accumulated loss as at 30 June	661,900	491,796

34 CAPACITY AND PRODUCTION

	2012	2011
Original installed capacity - MW	135.9	135.9
Annual Dependable Capacity - MW	110.47	110.47
Actual energy delivered - MWh	244,691	465,562

Actual output produced by the plant is determined on the load demand and advance payments by WAPDA to PSO for supply of furnace oil to the Company. Last Annual Dependable Capacity (ADC) Test of the Complex was conducted on 09 March 2011. WAPDA has requested the Company to conduct a fresh ADC test of the Complex for which the Company has proposed 02 November 2012 for its conductance.

35 LOSS PER SHARE - BASIC AND DILUTED

	2012	2011
Net loss after taxation - Rupees (000)	(1,831,882)	(3,922,132)
Weighted average number of shares outstanding during the year - Numbers	136,675,752	136,675,752
Loss per share - basic and diluted - Rupees	(13.40)	(28.70)

36 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.

37 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on 24 September 2012.

Islamabad
24 September 2012

Chief Executive **Director**

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2012

No. of Shareholders	Shareholding From	Shareholding To	Number of Shares Held	Percentage %
273	1	100	14,219	0.01
411	101	500	150,162	0.11
681	501	1,000	525,401	0.38
1,248	1,001	5,000	3,791,938	2.77
588	5,001	10,000	4,755,064	3.48
269	10,001	15,000	3,431,562	2.51
166	15,001	20,000	3,049,793	2.23
150	20,001	25,000	3,511,895	2.57
75	25,001	30,000	2,089,937	1.53
53	30,001	35,000	1,731,335	1.27
57	35,001	40,000	2,191,283	1.60
32	40,001	45,000	1,378,294	1.01
67	45,001	50,000	3,310,133	2.42
28	50,001	55,000	1,479,940	1.08
27	55,001	60,000	1,580,359	1.16
14	60,001	65,000	889,173	0.65
15	65,001	70,000	1,027,496	0.75
10	70,001	75,000	736,931	0.54
13	75,001	80,000	1,003,926	0.73
7	80,001	85,000	581,716	0.43
12	85,001	90,000	1,068,225	0.78
5	90,001	95,000	466,100	0.34
30	95,001	100,000	2,988,298	2.19
7	100,001	105,000	712,868	0.52
14	105,001	110,000	1,515,747	1.11
2	110,001	115,000	336,404	0.25
9	115,001	120,000	1,059,128	0.77
5	120,001	125,000	622,166	0.46
5	125,001	130,000	644,172	0.47
5	130,001	135,000	663,000	0.49
3	135,001	140,000	419,500	0.31
2	140,001	145,000	290,000	0.21
8	145,001	150,000	1,193,468	0.87
3	150,001	155,000	461,365	0.34
4	155,001	160,000	626,848	0.46
2	160,001	165,000	325,587	0.24
3	165,001	170,000	504,671	0.37
2	175,001	180,000	354,487	0.26
2	180,001	185,000	363,417	0.27
1	190,001	195,000	192,500	0.14
10	195,001	200,000	1,995,200	1.46
2	200,001	205,000	404,300	0.30
6	205,001	210,000	1,247,032	0.91
3	210,001	215,000	640,563	0.47
4	215,001	220,000	875,050	0.64
2	220,001	225,000	447,000	0.33
2	225,001	230,000	457,284	0.33
1	230,001	235,000	233,000	0.17
2	235,001	240,000	476,000	0.35
1	240,001	245,000	243,150	0.18
3	245,001	250,000	745,697	0.55
4	270,001	275,000	1,098,128	0.80
2	280,001	285,000	565,094	0.41
1	285,001	290,000	289,000	0.21
2	295,001	300,000	600,000	0.44
1	300,001	305,000	300,200	0.22
2	305,001	310,000	617,000	0.45
1	320,001	325,000	324,350	0.24
3	335,001	340,000	1,013,495	0.74
2	345,001	350,000	697,000	0.51
1	350,001	355,000	353,980	0.26
1	365,001	370,000	369,095	0.27
1	390,001	395,000	393,000	0.29
2	395,001	400,000	800,000	0.59
1	430,001	435,000	431,370	0.32
1	495,001	500,000	500,000	0.37
1	500,001	505,000	504,231	0.37
1	550,001	555,000	550,998	0.40
1	555,001	560,000	559,200	0.41
2	595,001	600,000	1,200,000	0.88
1	645,001	650,000	649,500	0.48
1	665,001	670,000	670,000	0.49
1	700,001	705,000	700,597	0.51
1	715,001	720,000	715,850	0.52
1	735,001	740,000	736,000	0.54
1	790,001	795,000	794,000	0.58
1	845,001	850,000	845,991	0.62
1	895,001	900,000	900,000	0.66
1	935,001	940,000	936,884	0.69
1	995,001	1,000,000	1,000,000	0.73
1	1,065,001	1,070,000	1,070,000	0.78
1	1,495,001	1,500,000	1,500,000	1.10
1	1,920,001	1,925,000	1,922,900	1.41
1	2,225,001	2,230,000	2,228,010	1.63
1	5,055,001	5,060,000	5,058,749	3.70
1	5,795,001	5,800,000	5,800,000	4.24
1	40,175,001	40,180,000	40,178,346	29.40
4,391			**136,675,752**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2012

Particulars	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Salman Rahim (Director)	1	550	0.00
Associated Companies, undertakings and Related Parties			
BCHIL- Southern Company Limited (Sponsor)		40,178,346	
Southern Electric Limited (Sponsor)		2,228,062	
	2	**42,406,408**	31.03
National Investment Trust and Investment Corporation of Pakistan		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Habib Bank AG Zurich, Deira Dubai		794,000	
Crescent Investment Bank Limited		47,772	
Escorts Investment Bank Limited		33,300	
Industrial Development Bank of Pakistan		11,171	
Saudi Pak Industrial and Agricultural Investment Company Limited		4,000	
	5	**890,243**	0.65
Insurance Companies			
The Crescent Star Insurance Company Limited		670,000	
State Life Insurance Corporation of Pakistan		504,231	
Pakistan Reinsurance Company Limited		13,963	
Habib Insurance Company Limited		550	
	4	**1,188,744**	0.87
Modarabas and Mutual Funds			
First Alnoor Modaraba		64,866	
Prudential Stocks Fund Limited		14,366	
First Fidelity Leasing Modaraba		4,100	
	3	**83,332**	0.06
Shareholder(s) Holding Five Percent or More Voting Interest			
BCHIL- Southern Company Limited (see above as sponsor)		-	
General Public			
A- Local	4316	83,057,757	
B- Foreigner	2	354,263	
		83,412,020	61.03

Particulars	No. of Shareholders	Shares Held	Percentage %
Others (To Be Specified)			
Joint Stock Companies			
Dawood Hercules Corporation Limited		1,922,900	
Dr. Arslan Razaque Securities (Smc-Pvt.) Limited		243,150	
A.I. Securities (Pvt.) Limited		210,000	
Dada Enterprises (Pvt.) Limited		150,000	
Capital Vision Securities (Pvt.) Limited		140,840	
CMA Securities (Pvt.) Limited		125,000	
First Capital Securities Corporation Limited		106,390	
Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Limited		70,000	
Ismail Abdul Shakoor Securities (Pvt.) Limited		64,850	
Darson Securities (Pvt.) Limited		55,393	
Time Securities (Pvt.) Limited		36,350	
M.R.A. Securities (Pvt.) Limited		30,000	
Fair Deal Securities (Pvt.) Limited		23,000	
Jamshaid & Hasan Securities (Pvt.) Limited		20,200	
Mohammad Salim Kasmani Securities (Pvt.) Limited		20,000	
Pearl Capital Management (Pvt.) Limited		16,264	
Bulk Management Pakistan (Pvt.) Limited		12,500	
Imperial Investments (Pvt.) Limited		12,000	
Multiple Investment Management Limited		10,000	
S.H. Bukhari Securities (Pvt.) Limited		9,900	
Highlink Capital (Pvt.) Limited		9,500	
Al-Haq Securities (Pvt.) Limited		5,500	
NH Securities (Pvt.) Limited		5,500	
Excel Securities (Pvt.) Limited		5,000	
MAM Securities (Pvt.) Limited		5,000	
Sardar Mohammad Ashraf D Baluch (Pvt.) Limited		4,500	
Axis Globel Limited		3,650	
Bandenawaz (Pvt.) Limited		3,000	
Imperial Investments (Pvt.) Limited		2,900	
Maan Securities (Pvt.) Limited		2,200	
H.S.Z. Securities (Pvt.) Limited		1,500	
Fairtrade Capital Securities (Pvt.) Limited		1,050	
AWJ Securities (Smc-Pvt.) Limited		950	
Msmaniar Financials (Pvt.) Limited.		734	
Vohrah Engineering (Pvt.) Limited		732	
Stock Master Securities (Pvt.) Limited		594	
Al-Mal Securities & Services Limited		550	
NCC - Pre Settlement Delivery Account		500	
Prudential Securities Limited		482	
Oriental Securities (Pvt.) Limited		350	
Millennium Securities & Invest. (Pvt.) Limited		300	
Rafeh (Pvt.) Limited		300	
ZHV Securities (Pvt.) Limited		300	
Adeel & Nadeem Securities (Pvt.) Limited		250	
Freedom Enterprises (Pvt.) Limited		182	
M.R. Securities (Smc-Pvt.) Limited		150	
Southern Electric Limited (Sponsor)		-	
	46	**3,334,411**	2.44

Particulars	No. of Shareholders	Shares Held	Percentage %
Foreign Companies			
SEP Holdings Corporation		5,058,749	
Brown Brothers Harriman & Co		115,750	
ASEA Brown Boveri Kraftwerke A .G.		27,904	
Citibank N.A. Hong Kong		5,500	
Somers Nominees (Far East) Limited		5,050	
Bankers Trust Co.		3,850	
HSBC International Trustee Limited		2,200	
The Northern Trust Company		1,100	
State Street Bank and Trust Company		275	
BCHIL- Southern Company Limited (Sponsor)		-	
	9	**5,220,378**	3.82
Cooperative Societies, Charitable Trusts			
Managing Committee of Ahmed Garib Foundation		100,000	
The Okhai Memon Anjuman		14,666	
	2	**114,666**	0.08
Provident Fund Schemes			
1295 Trustee Avari Hotel Lahore Staff Provident Fund	1	**25,000**	0.02
Total Number of Shareholders and Paid up Capital	**4,391**	**136,675,752**	**100.00**

3,941 shareholders hold 93,284,583 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 18th Annual General Meeting of the Company to be held on 31 October 2012 at 11:00 am and or any adjournment thereof.

Signed by ....
in the presence of following witnesses

Signed this .... day of................ 2012

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 ________________________
____
CNIC or ________________________
Passport No________________________

2.
Signature________________________
Name________________________
Address ________________________
____
CNIC or ________________________
Passport No________________________

NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, No. 50, Street No. 60, F-11/4, Islamabad not 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 CNIC/Passport numbers shall be stated on the form.
2) Attested copies of CNIC 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 CNIC 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.