

## **Southern Electric Power Company Limited**

### **Annual Report 1998**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

Mr. David Harrison  
Miss Hermance Bernier  
Mr. Klaus Triendl  
Mr. Mohammad Akram Khan  
Dr. Mohammad Yousuf  
Mr. Mumtaz H Syed  
Mrs. Sughra Mahmood  
Mr. Sultan Kurji  
Mr. Phillip Donald Swoboda

##### **CHIEF EXECUTIVE**

Mr. Ali Mahmood

##### **COMPANY SECRETARY**

Syed Akbar Kazim

##### **AUDITORS**

Taseer Hadi Khalid & Co  
Chartered Accountants

##### **BANKERS OF THE COMPANY**

Allied Bank of Pakistan  
Al-Faysal Investment Bank Limited  
ANZ Grindlays Bank p.l.c  
Askari Commercial Bank Limited  
Bank Al Habib Limited  
Crescent Investment Bank Limited  
Gulf Commercial Bank Limited  
(Former Schon Bank Limited)  
Indus Bank Limited

National Development Finance Corporation  
Prime Commercial Bank Limited  
Prudential Commercial Bank Limited  
Standard Chartered Bank  
Trust Investment Bank

**REGISTERED OFFICE**

6th Floor, Razia Sharif Plaza,  
90 West, Jinnah Avenue,  
Blue Area, Islamabad  
Tel: (92 51) 278 118, 279230-1  
Fax: (92 51) 825 465

**SHARE DEPARTMENT**

6th Floor, Razia Sharif Plaza,  
90 West, Jinnah Avenue,  
Blue Area, Islamabad  
Tel: (92 51) 278 118, 279230-1  
Fax: (92 51) 825 465

SITE: Raiwind near Lahore

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 4th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited (SEPCOL) is scheduled to be held on Saturday, February 27th, 1999 at 11.00 a.m. at it's Registered Office, 6th Floor, 90 West, Razia Sharif Plaza, Blue Area, Islamabad - 44000, Pakistan to transact the following business:

1. To confirm the minutes of the last meeting.
2. To receive and consider the accounts for the year ended June 30th, 1998 together with the Reports of Auditors and the Directors thereon.
3. To appoint auditors of the Company and to fix their remuneration.
4. To elect the Directors of the Company under Section 178 of the Companies Ordinance 1984.
  - A) The number of elected directors fixed under Section 178(i) of the Companies Ordinance 1984 is seven (7).
  - B) All the present Directors shall retire at the meeting and 6 of them have notified the Company of their intent to offer themselves for re-election:

- |                         |                            |
|-------------------------|----------------------------|
| 1. Ms. Hermance Bernier | 2. Mr. Klaus Triendl       |
| 3. Mr. David Harrison   | 4. Mr. Sultan Kurji        |
| 5. Ms. Sughra Mahmood   | 6. Mr. Mohammad Akram Khan |
| 7. Mr. Gary Rodford     |                            |

5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Islamabad

Dated: February 5th, 1999

**Syed Akbar Kazim**

COMPANY SECRETARY

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from February 13th, 1999 to February 27th, 1999 (both days inclusive).

2. A member eligible to attend, speak and vote at this meeting may appoint another member his/her proxy to attend, speak and vote instead of him/her. Proxies in order to be effective must reach the Company's-Office at 6th Floor, 90 West, Razia Sharif Plaza, Blue Area, Islamabad, Pakistan, not later than 48 hours before the time of the meeting and must be in the prescribed form given herein.

3. Members are requested to immediately notify the change in addresses, if any.

**DIRECTORS' REPORT**

Your Directors are pleased to present before you the fourth annual report of the Company and the annual audited accounts and annexed notes for the year ended June 30, 1998.

The Company has incurred the following expenses as of:

	<b>June 30, 1998 Rupees</b>	<b>June 30, 1997 Rupees</b>
Capital Work in Progress	5,521,566,175	4,426,437,437
Operating Fixed Assets	63,133,293	60,205,065

The plant has been fully constructed and is currently undergoing operational testing.

**THE YEAR IN REVIEW**

After completion of construction, the plant started trial production in January 1998 and commenced operational testing with WAPDA immediately thereafter.

shortly before the close of the financial year, the Company received notices from WAPDA, PSO and the PP&IB to sign declarations under the Eradication of Corrupt Business Practices Ordinance 1998 which were signed by the company within the specified time period.

On July 09, 1998, the Company received a Notice of Termination of the Implementation Agreement containing unsubstantiated allegations of improper business practices in securing the approval and implementation of the project. The Company responded by serving a Rejection Notice to the GOP challenging the validity of the Notice of Termination and it's contents. On October 02, 1998, the Company initiated arbitration proceedings under the

auspices of the International Chamber of Commerce.

Subsequently, an agreement has been signed between the Government and the Company pursuant to which the GOP has withdrawn the Notice of Termination and the Company has withdrawn the arbitration proceedings.

The Company has made proposals to the Government which would result in significant savings to WAPDA without further adversely affecting the anticipated return to shareholders. These proposals are yet to be formalized in agreement form.

The Directors wish to place on record their appreciation for the services rendered by the officers and workers of the Company and their thanks to the bankers and lenders of the Company who have provided their support during the last year.

#### **CURRENT STATUS**

The project site was re-mobilized at the end of December 1998. In January, comprehensive internal testing was conducted during which the plant operated at near full capacity for extended periods of time. The Company now expects to commence commercial operations testing with WAPDA shortly.

#### **YEAR 2000**

The Company is well aware of the potential problems caused by the Year 2000 issue ("Y2K"). An extensive risk assessment and mitigation plan is currently underway and the Company intends to be fully Year 2000 compliant by June 30, 1999.

#### **AUDITORS**

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

#### **PATTERN OF SHAREHOLDING**

A statement showing the pattern of holding of shares as of June 30, 1998 is attached.

FOR AND ON BEHALF OF THE BOARD

Islamabad  
February 04, 1999

**Ali Mahmood**  
Chief Executive

#### **AUDITORS' REPORT TO THE MEMBERS**

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

We have audited the annexed balance sheet of Southern Electric Power Company Limited as at 30th June, 1998 and the related statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

b) in our opinion:

(i) the balance sheet 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.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and the statement of changes in financial position, together with the notes forming part thereof, 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 30th June, 1998 and of the changes in the financial position for the year then ended;

d) without qualifying our opinion, we draw attention to note 1 and note 5.1 wherein the current status of the project and debt repayment are explained; and

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

ISLAMABAD  
February 04, 1999

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

## **BALANCE SHEET**

**AS AT JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL</b>	4	931,880,130	931,880,130
<b>LONG TERM LOANS - SECURED</b>	5	3,546,305,323	2,773,778,503
<b>DEFERRED LIABILITY</b>			
Staff retirement gratuity		2,082,300	1,563,642
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans	5	406,776,585	89,037,375
Short term borrowings	6	271,752,923	-
Creditors, accrued and other liabilities	7	626,241,655	935,195,204

-----	-----
1,304,771,163	1,024,232,579
-----	-----
5,785,038,916	4,731,454,854
=====	=====

**FIXED CAPITAL EXPENDITURE**

Operating fixed assets	8	53,065,045	54,777,143
Capital work in progress	9	5,521,566,175	4,426,437,437
		-----	-----
		5,574,631,220	4,481,214,580

**PRELIMINARY EXPENSES**

141,650	141,650
---------	---------

**CURRENT ASSETS**

Inventories	10	69,461,687	-
Trade debtors	11	31,746,163	-
Advances, deposits, prepayments and other receivables	12	108,712,118	24,279,961
Cash and bank balances	13	346,078	225,818,663
		-----	-----
		210,266,046	250,098,624
		-----	-----
		5,785,038,916	4,731,454,854
		=====	=====

The annexed notes form an integral part of these accounts

Islamabad	<b>Ali Mahmood</b>	<b>Sultan Kurji</b>
February 04, 1999	Chief Executive	Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 1998**

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of operating fixed assets	(3,728,228)	(19,238,316)
Disposal of operating fixed assets	640,000	-
Increase in capital work in progress	(1,089,809,754)	(3,243,321,138)
	-----	-----
	(1,092,897,982)	(3,262,559,454)

(Increase)/decrease in:

Advances, deposits, prepayments and other receivables	(84,432,157)	3,939,832
Inventories	(69,461,687)	-

Trade debtors	(31,746,163)	-
(Decrease)/increase in current liabilities	(308,953,549)	982,833,648
	-----	-----
	(494,593,556)	986,773,480
	-----	-----
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(1,587,491,538)	(2,275,785,974)
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Long term loans	1,090,266,030	2,212,740,103
Short term borrowings	271,752,923	-
	-----	-----
<b>NET CASH FROM FINANCING ACTIVITIES</b>	1,362,018,953	2,212,740,103
	-----	-----
Net decrease in cash and cash equivalents	(225,472,585)	(63,045,871)
Cash and cash equivalents at the beginning of the year	225,818,663	288,864,534
	-----	-----
Cash and cash equivalents at the end of the year	346,078	225,818,663
	=====	=====

Islamabad  
February 04, 1999

**Ali Mahmood**  
Chief Executive

**Sultan Kurji**  
Director

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1998**

**1. STATUS AND OPERATIONS**

Southern Electric Power Company Limited (the "company") was incorporated in Pakistan on December 20, 1994. The company is listed on the stock exchanges of Pakistan. The company is in the process of setting up a 117 Megawatt power plant near Lahore, Pakistan.

The Government of Pakistan (GOP) on 09 July, 1998, issued a Notice to Terminate the Implementation Agreement (IA) of the company. Consequently the company initiated arbitration proceedings against the GOP and simultaneously entered into negotiations to resolve the dispute. On 13 November, 1998, the GOP announced the restoration of the project. Subsequently to this, on 08 January, 1999, the GOP and the company entered into a Withdrawal Agreement pursuant to which the Termination Notice to the company was formally withdrawn and the company in turn, withdrew the Arbitration Proceedings against the GOP.

The company had commenced the reliability tests of the plant during January, 1998, which were suspended due to the dispute with GOP. The company plans to recommence its trial operation in first quarter of 1999. The trial operation costs of 1998 have been included in unallocated expenditure.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's accounts.

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

## 2.2 Taxation

The company's profits and gains from power generation are exempt from tax under clause (176) of Part 1 of the Second Schedule to the Income Tax Ordinance, 1979. The company is also exempt from minimum tax on turnover under clause (20) of Part IV of the Second Schedule to the Income Tax Ordinance, 1979.

## 2.3 Staff retirement benefits

The Company operates a non-funded gratuity scheme for all employees. Provision is made semi-annually to cover obligations under the scheme.

## 2.4 Fixed assets

Operating fixed assets except land are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost.

Depreciation on operating fixed assets is charged on the straight line method at the rates given in note 8, so as to write off the historical cost of assets over their estimated useful lives. Full year's depreciation is charged on additions during the year while no depreciation is charged on assets deleted during the year.

## 2.5 Capital work in progress

Capital work in progress is stated at cost.

Un allocated development expenditure represents expenditure incurred during the development phase till the company commences commercial operations. These will be capitalised as cost of plant, machinery and building on commencement of operations.

## 2.6 Inventories

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

Furnace Oil	First in First out
High Speed Diesel	Average cost
Lubricating Oil	Average cost
Stores and spares	Average cost

## 2.7 Foreign currency translations

Transaction in foreign currencies are converted to Pak Rupees at the rates ruling on the transaction date. Assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the balance sheet date. Exchange differences are capitalised prior to commencement of commercial operations.

## 3. PROFIT AND LOSS ACCOUNT

These accounts do not include a Profit and Loss account as the company has not commenced operations.

1998	1997
Rupees	Rupees

## 4. SHARE CAPITAL



**Authorised**

100,000,000 ordinary shares of Rs. 10 each 1,000,000,000    1,000,000,000  
=====            =====

**Issued, subscribed and paid up**

93,188,013 ordinary shares of 931,880,130    931,880,130  
 Rs. 10 each issued for cash =====            =====

**5. LONG TERM LOANS - SECURED**

These are analyzed as follows:

				Disbursed amounts			
Lender and facility	Note	Currency of loan	Sanctioned amount US \$	1998 US \$	1997 US \$	1998 Rupees	1997 Rupees
-----							
National Development Finance Corporation/World Bank/PSEDF Debt	5.2	US \$	35,000,000	32,992,561	25,477,961	1,532,504,452	1,037,024,342
ANZ Bank, Paris, France/French Buyer's Credit	5.3	US \$	21,948,000	17,111,463	9,856,657	794,827,456	401,193,536
Sanwa Bank Limited, Japan/Commercial Bank Credit	5.4	US \$	35,000,000	35,000,000	35,000,000	1,625,750,000	1,424,598,000
-----							
			91,948,000	85,104,024	701,334,618	3,953,081,908	2,862,815,878
<b>LESS CURRENT PORTION</b>				8,757,300	2,187,500	406,776,585	89,037,375
-----							
				76,346,724	68,147,118	3,546,305,323	2,773,778,503
=====							

**5.1 Restructuring the debt**

As explained in note 1, the company was unable to achieve commercial operations for over 12 months. Due to this, the company was unable to meet its obligations to its lenders.

Currently, the company has initiated dialogue with its lenders in order to restructure/reschedule debt payments. Formal applications to this effect have been submitted by the company.

**5.2 World Bank/PSEDF Debt**

**Lender:** National Development Finance Corporation, Pakistan.

**Amount:** US \$ 35,000,000

**Repayable in currency:** Pak Rupee to be calculated based on rate of exchange ruling on the date of repayment. of the loan.

**Repayment terms:** Repayable in 20 equal semi-annual installments starting 8.5 years

after the date of commercial operations.

Rate of interest

As per Guidelines:

i) During construction:

Equal to the greater of the sum of the prevailing five years United States Treasury Bond rate and 2.0 percent, and the sum of the prevailing World Bank Lending rate and 1.5 percent;

ii) During operation for the first 10 years and until the termination of the senior loan:

Equal to the greater of the sum of the prevailing one year United States Treasury Bond rate and 3.0 percent or the sum of the prevailing World Bank lending rate and 2.5 percent; and

iii) For the remaining loan period:

Equal to the greater of the sum of the prevailing one year United States Treasury Bond rate and 4.0 percent or the sum of the prevailing World Bank lending rate and 3.5 percent.

Security:

- a) Second mortgage charge on the company's assets.
- b) Pledge over 75 percent of the sponsors shares for the term of loan.

### 5.3 French Buyer's Credit

Lender:

Australia and New Zealand Banking Group Limited, France.

Amount:

US \$ 21,948,000.

Rate of interest:

6.60 percent per annum.

Repayment terms:

12 years including grace period of 2 years payable in 20 equal semi-annual installments starting 31 months after the Effective Date i.e., September 30, 1998.

Security:

Repayment guarantee from National Bank of Pakistan which is counter guarantee by a syndicate of underwriter Banks. The counter guarantee issued by the syndicate is secured by first registered mortgage charge over the company's assets ranking pari passu with other similar charge holders referred to in note 5.4 and 6.1.

### 5.4 Commercial Bank Credit

Lender:

Sanwa Bank Limited, Japan.

Amount:

US \$ 35,000,000

Rate of interest:

LIBOR plus 2.60 percent.

Repayment terms:

10 years including grace period of 2 years payable in 16 equal semi-annual installments starting 6 months after the commercial operations, or April 25, 1998 whichever is earlier.

Security: First registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in note 5.3 and 6.1.

	Sanctioned Limit Rupees	Disbursed amounts 1998 Rupees	1997 Rupees
--	-------------------------------	-------------------------------------	----------------

**6. SHORT TERM BORROWINGS**

These are as follows:

Prime Commercial Bank Limited	6.1	110,786,000	87,752,923	-
Standard Chartered Bank Limited	6.1	125,000,000	125,000,000	-
Trust Investment Bank Limited	6.1	15,000,000	15,000,000	-
Crescent Investment Bank Limited	6.2	44,000,000	44,000,000	-
		-----	-----	-----
		294,786,000	271,752,923	-
		=====	=====	=====

**6.1 Working Capital Facilities**

These are secured by way of first charge on current assets and a first registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in notes 5.3 and 5.4. These carry interest at rates ranging between 17 to 21 percent per annum.

6.2 This represent amount arranged from Crescent Investment Bank Limited at the rate of 21 percent per annum for which security has been provided by the sponsors of the company.

	1998 Rupees	1997 Rupees
--	----------------	----------------

**7. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Civil works contractors bills payable	1,715,362	22,176,206
Payable to foreign machinery suppliers & erectors	23,736,013	27,992,943
Payable to independent engineers	29,656,135	-
Creditors and accrued liabilities	26,352,128	9,770,354
Retention money	323,205,801	759,014,293
Financial charges payable	157,379,743	106,759,721
Amounts due to associated undertakings	58,471,168	8,223,634
Other payables	5,725,305	1,258,053
	-----	-----
	626,241,655	935,195,204
	=====	=====

**8. OPERATING FIXED ASSETS**

Particulars	Cost	Cost	Cost	Accumulated	Book	Rate	Depreciation
-------------	------	------	------	-------------	------	------	--------------

	as at 01-Jul-97	of additions/ (Deletion)	as at 30-June-98	depreciation as at 30-Jun-98	value as at 30-Jun-98	%	charge for the year/ deletions
Freehold land	32,504,239	-	32,504,239	-	32,504,239	-	-
Building on freehold land	-	1,236,401	1,236,401	123,640	1,112,761	10	123,640
Leasehold improvements	7,151,766	95,666	7,247,432	1,439,920	5,807,512	10	724,743
Electric appliances	5,932,042	791,497	6,723,539	2,743,107	3,980,432	20	1,344,708
Computers and office equipment	2,217,695	758,26	2,975,955	1,205,765	1,770,190	20	595,191
Furniture and fixtures	4,349,607	421,404	4,771,011	1,018,870	3,752,141	10	477,101
Vehicles	8,049,716	425,000 (800,000)	7,674,716	3,536,946	4,137,770	20	1,694,943 (160,000)
1998 Rupees	60,205,065	3,728,228 (800,000)	63,133,293	10,068,248	53,065,045		4,800,326
1997 Rupees	40,966,749	19,238,316	60,205,065	5,427,922	54,777,143		4,390,028

8.1 Depreciation for the year has been taken to unallocated capital expenditure.

8.2 Deletion represents vehicle handed over to the insurance company against a claim lodged on accident.

**9. CAPITAL WORK IN PROGRESS**

	1998 Rupees	1997 Rupees
Cost of civil works	639,306,884	503,539,447
Cost of plant and machinery	9.1 2,994,058,708	3,122,093,385
Advance for plant and machinery and civil works	21,144,419	61,722,610
Pakistan Railways for rail sidings	35,328,103	31,828,103
Unallocated capital expenditure	9.2 1,831,728,061	707,253,892
	5,521,566,175	4,426,437,437

**9.1 Cost of Plant and Machinery**

Liquidated damages of Rs. 250,521,349 have been adjusted against cost of plant and machinery.

**9.2 UNALLOCATED CAPITAL EXPENDITURE**

	1998 Rupees	1997 Rupees
Salaries, wages and benefits	57,295,267	38,129,034
Travelling and conveyance	56,571,385	44,432,675

Vehicle running expenses		7,661,803	3,780,075
Communication costs		16,804,256	10,806,834
Inventories consumed		202,726,749	-
Fuel decanting charges		1,120,508	-
Utilities		11,151,570	2,125,889
Printing and stationery		3,133,691	2,397,417
Repair and maintenance		3,023,965	2,207,958
Rent, rate and taxes		11,943,250	6,164,714
Entertainment		2,370,871	1,222,760
Insurance		845,294	401,952
Guest house expenses		9,101,034	6,212,495
Public issue expenses		12,932,473	12,932,473
Engineering and technical consultancy fee and expenses		103,839,541	51,016,224
Financial charges	9.2.1	1,453,742,708	507,520,450
Fee for increase in share capital		1,380,000	1,380,000
Auditors' remuneration	9.2.2	3,025,296	1,697,306
Donations	9.2.3	886,700	770,700
Depreciation on operating assets		10,228,248	5,427,922
Others		16,061,212	8,627,014
		-----	-----
		1,985,845,821	707,253,892
Test trial income (energy purchase price)		(154,117,760)	-
		-----	-----
		1,831,728,061	707,253,892
		=====	=====

#### 9.2.1 Financial charges

Interest on long term loans		455,158,315	160,176,158
Interest on working capital facilities		26,716,483	-
Management and agency fee		66,180,301	57,746,023
Commitment charges		25,084,530	22,449,871
Fee and expenses of trustees		1,833,858	858,175
Guarantee commission		179,180,193	114,680,960
Legal consultancy fee and expenses		89,924,747	79,862,237
Mortgage registration and stamp duty		31,681,307	31,681,307
Letter of credit opening charges		31,203,338	31,203,338
Exchange loss net-off interest income		545,986,705	8,405,132
Bank charges		792,931	457,249
		-----	-----
		1,453,742,708	507,520,450
		=====	=====

#### 9.2.2 Auditor's remuneration

	1998	1997
	Rupees	Rupees
Annual audit	891,800	616,800
Statutory audit	40,300	40,300
Tax advisory services	593,496	335,496

Consultancy for public issue	384,410	384,410
Other services and certifications	1,115,290	320,300
	-----	-----
	3,025,296	1,697,306
	=====	=====

### 9.2.3 Donations

Donations were not made to any institutions in which the directors or their spouses are interested.

### 10. INVENTORIES

These comprise of the following:

Furnace oil	61,885,286	-
High speed diesel	1,487,098	-
Lubricants	4,609,365	-
Stores and spares	1,479,938	-
	-----	-----
	69,461,687	-
	=====	=====

### 11. TRADE DEBTORS

These are receivable from Water and Power Development Authority ("WAPDA") against supply of energy during commissioning test and are secured by way of guarantee issued by the Government of Pakistan in favor of the company.

### 12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance against expenses	1,206,171	3,470,011
Advances to staff	392,695	1,334,226
Advance recoverable	-	3,106,027
Advances to suppliers	20,341	514,136
Claims receivable from Pakistan State Oil	8,562,213	-
Margin against bank guarantee & security deposits	4,647,626	3,075,150
Interest receivable	-	1,935,128
Advance tax	687,395	591,862
Prepayments	1,531,921	5,980,495
Liquidated damages receivable	88,770,645	-
Other receivables	2,893,111	4,272,926
	-----	-----
	108,712,118	24,279,961
	=====	=====

### 13. CASH AND BANK BALANCES

Balances at bank on:

- Current accounts:

Foreign currency	20,680	168,039,991
------------------	--------	-------------

Local currency	245,628	54,361,306
	-----	-----
	266,308	222,401,297
- Saving accounts:		
Foreign currency	63,271	802,812
Cash in hand	16,499	2,614,554
	-----	-----
	346,078	225,818,663
	=====	=====

#### 14. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Number of persons	1998			1997		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	1	1	23	1	1	10
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration and allowances	843,636	807,825	4,329,016	843,636	1,227,273	3,001,818
House rent	379,636	327,273	1,948,057	379,636	327,273	1,350,818
Recreation an entertainment	84,364	72,727	432,902	84,364	72,727	300,182
Gratuity	116,000	100,000	595,240	116,000	100,000	417,500
Others	84,364	72,727	432,902	84,364	72,727	300,182
	-----	-----	-----	-----	-----	-----
	1,508,000	1,380,552	7,738,117	1,508,000	1,800,000	5,370,500
	=====	=====	=====	=====	=====	=====

In addition, the Chief Executive, Director and 8 Executives were provided company maintained cars and they are also covered by the company's retirement gratuity scheme.

#### 15. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

15.1 The aggregate value of goods and services purchased from associated undertakings during the year amounted to Rs. 61,467,127 (1997' R~. 47,307,773)

15.2 Associated undertakings incurred expenses amounting to Rs. 119,847 (1997: Rs. 598,246) on behalf of the company.

#### 16. CONTINGENCIES AND COMMITMENTS

##### 16.1 Contingencies

16.1.1 The company is contingently liable for a guarantee of US\$ 21.948 million issued by The National Bank of Pakistan on behalf of the company to secure the French Buyer's Credit Facility. The guarantee is counter guaranteed by a syndicate of underwriter banks as referred to in note 5.3.

16.1.2 The company is also contingently liable for a letter of completion guarantee of US \$2.88 million issued to The WAPDA by Prime Commercial Bank Limited on behalf

of the company. The guarantee is secured by a first registered mortgage charge over the company's assets ranking pari - passu with the lenders referred to in note 5.3, 5.4 and 6.1.

16.1.3 The company is contingentially liable for a guarantee of Pak Rupees 2,740,024/- issued by Prime Commercial Bank Limited on behalf of the company to the Collector of Customs for release of plant and machinery.

#### **16.2 Commitments**

Commitments in respect of capital expenditure amounted to Rs. 11,529,546 (1997 . Rs. 980,925,463).

#### **16.3 Significant contracts**

16.3.1 The company has entered into an Implementation Agreement (IA) dated November 23, 1994 with the COP, pursuant to which the COP guaranteed the implementation, execution and operation of the project for a term of twenty two years.

16.3.2 Under the 22 years Power Purchase Agreement (PPA) signed on November 17,1994, the total electricity produced will be sold to WAPDA. The company has obtained a guarantee from COP, guaranteeing the payment obligations of WAPDA.

16.3.3 The company has entered into a Fuel Supply Agreement dated October 24, 1995 with Pakistan State Oil Limited (PSO) to supply furnace oil to the company for the term of 22 years. Obligation of PSO has also been guaranteed by COP through a guarantee.

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

16.3.5 The company has entered into a Project Management Agreement (PMA) dated October 24, 1995 with BC Transpower for the management and supervision of project construction.

#### **17. TAXATION**

The income tax authorities have raised a demand of Rs. 118 million treating the company as an assessee in default for not-withholding tax on payments. No provision has been made in these accounts since the management believes that the tax authorities have not considered the provisions of the Power Purchase Agreement, the Power Policy and relevant treaties for Avoidance of Double Taxation and are confident of a favorable resolution at the Appellate Forums.

#### **18. FIGURES**

- of the previous year have been rearranged where necessary for the purpose of comparison.

- have been rounded off to the nearest rupee.

Islamabad

Ali Mahmood

Sultan Kurji



**PATTERN OF HOLDING OF THE SHARES  
HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998**

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
2	1	100	2	0.00
15,184	101	500	7,592,000	8.15
33	501	1,000	33,000	0.04
43	1,001	5,000	135,500	0.15
2	5,001	10,000	16,000	0.02
2	10,001	15,000	22,500	0.02
2	15,001	20,000	38,500	0.04
1	20,001	25,000	25,000	0.03
1	30,001	35,000	30,500	0.03
1	35,001	40,000	39,500	0.04
1	55,001	60,000	60,000	0.06
1	95,001	100,000	100,000	0.11
1	100,001	105,000	100,500	0.11
1	105,001	110,000	108,000	0.12
1	115,001	120,000	118,922	0.13
1	135,001	140,000	137,000	0.15
1	195,001	200,000	200,000	0.21
1	270,001	275,000	271,000	0.29
1	495,001	500,000	499,500	0.54
1	560,001	565,000	563,000	0.60
1	760,001	765,000	763,070	0.82
1	800,001	805,000	801,000	0.86
1	860,001	865,000	861,390	0.92
1	1,095,001	1,100,000	1,100,000	1.18
1	1,230,001	1,235,000	1,234,500	1.32
1	1,390,001	1,395,000	1,395,000	1.50
1	4,320,001	4,325,000	4,322,900	4.64
1	5,600,001	5,605,000	5,603,602	6.01
1	6,240,001	6,245,000	6,242,140	6.70
1	7,630,001	7,635,000	7,630,121	8.19
1	12,965,001	12,970,000	12,965,520	13.91
1	40,175,001	40,180,000	40,178,346	43.12
-----			-----	-----
15,293			93,188,013	100.00
=====			=====	=====

**CATEGORIES OF SHAREHOLDERS  
AS AT JUNE 30, 1998**

Shareholders Particulars	Shareholding	%
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15,271 INDIVIDUALS	8,150,924	8.75
11 FOREIGN COMPANIES	60,015,107	64.40
5 JOINT STOCK COMPANIES	10,914,572	11.71
3 FINANCIAL INSTITUTIONS	13,857,410	14.87
2 MODARABAS	113,000	0.12
1 INSURANCE COMPANIES	137,000	0.15
-----	-----	-----
15,293	93,188,013	100.00
=====	=====	=====