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# COMPANY INFORMATION

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



# NOTICE OF ANNUAL GENERAL MEETING

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NOTICE is hereby given that the 12<sup>th</sup> Annual General Meeting of the Shareholders of Southern Electric Power Company Limited (“the Company”) is scheduled to be held on October 31, 2006 at 9:00 a.m. at the Registered Office of the Company at 6<sup>th</sup> Floor, Razia Sharif Plaza, 90-West, Jinnah Avenue, Blue Area, Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2005.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2006 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

## BY ORDER OF THE BOARD

**Salman Rahim**  
Company Secretary

Place: Islamabad  
Dated: October 09, 2006

## NOTES

1. The Share Transfer Books of the Company shall remain closed from October 24, 2006 to October 31, 2006 (both days inclusive). Transfers received at the Company's Registered Office upto the close of business on October 23, 2006 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 Company any change in their addresses.
5. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

### A- For Attending the Meeting

- a) In case of individuals, the account holder or sub account holder and/ or the persons whose securities and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b) In case of corporate entity, the Board of Directors' Resolution/ Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

### B- For Appointing Proxies

- a) In case of individuals, the account holder or sub-account holder and/ or the persons whose securities and their registration details are uploaded as per the Regulations, shall submit the Proxy Form as per the above requirement.
- b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- c) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- d) In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith Proxy Form to the Company.



# DIRECTORS' REPORT

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Your Directors are pleased to present before you the 12<sup>th</sup> Annual Report of the Company, the audited annual accounts for the year ended June 30, 2006.

## Financial Results

Your Company's annual turnover for the year under review was Rs 3.86 billion as compared to Rs 2.59 billion last year and operating costs were Rs 3.31 billion as compared to Rs 2.11 billion last year. Both turnover and operating costs registered an increase in the current year due to higher load factor and higher fuel prices. The load factor was 49% of the installed plant capacity as compared to 41% last year.

Your Company made a net profit of Rs.37.5 million for the year as compared to Rs.62.5 million last year. The lower profitability this year is primarily attributable to a significant increase in the Liquidated Damages to WAPDA which mainly resulted from a few major breakdowns of the engines during the year. In addition, due to high dispatch factor resulting in increased auxiliary generation of power, the Company also incurred losses on its gross fuel consumption during the year. Consequently, the financial charges also rose as a result of higher utilization of overdraft facilities.

Accordingly, the earnings per share worked out at Rs.0.27 this year as compared to Rs.0.46 last year.

## Annual Dependable Capacity (ADC)

After the ADC test of May 5, 2005, the Company was able to maintain the Dependable Capacity of 110.165MW throughout the year and the capacity payments were made accordingly.

## Additional Engine

The work on the installation and commissioning of the new engine is progressing at a fast pace and the commissioning of the engine is expected in October 2006. The new engine would entitle the Company to additional capacity payments subject to successful completion of the Dependable Capacity Test for the increased capacity.

## 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed;
- (e) the system of internal control is sound in design and has been effectively implemented and monitored;
- (f) there are no significant doubts upon the company's ability to continue as a going concern;



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- (g) there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
  - (h) key operating data for the last six years is available in this report.

### Appropriations

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

### Auditors

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

### Changes in the Board of Directors

During the year, Mr. Muhammad Khalid Rashid and Mr. Khurshid Hadi resigned as Directors of the Company and were replaced by Mrs. Sheereen Awan and Mr. Nessar Ahmed respectively.

### Board of Directors Meetings Held During the Year

Four Board of Directors meetings were held during the year from July 1<sup>st</sup> 2005 to June 30<sup>th</sup> 2006. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mrs. Sughra Mahmood	4
Mr. Klaus Triendl	4
Mr. Stanley Alan Ridley	4
Mr. Anthony Rustin	4
Mr. Stephane Mailhot	4
Mr. Taj ud Deen Kurji	4
Mr. Khalid Rashid	4
Mr. Rashid Mirza	4
Mr. Khurshid Hadi	3
Mrs. Sheereen Awan	0
Mr. Nessar Ahmed	0

### Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2006 is attached.

**For and on behalf of the Board**

**Ali Mahmood**  
**Chief Executive**

Islamabad  
September 28, 2006



## KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2006	2005	2004	2003	2002	2001
Dispatch Level (%age)	49%	41%	34%	42%	32%	18%
Dispatch (MWH)	503,028	398,365	336,767	409,308	310,574	179,199
Total Revenue (Rs. '000)	3,863,767	2,591,542	2,261,335	2,555,006	2,194,513	1,687,464
Profit for the Year (Rs. '000)	37,519	62,542	234,282	304,419	342,154	295,868
Shareholders' Equity (Rs. '000)	2,474,518	2,436,999	2,374,456	2,140,174	1,711,504	1,509,132
Book Value Per Share (Rupees)	18.11	17.83	19.11	17.22	18.37	16.19
Earnings Per Share - basic and diluted (Rupees)	0.27	0.46	1.71	2.89	3.40	3.17
Rate of Dividend (%age)	-	-	10%	15%	15%	-



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of the Company (excluding the Chief Executive) comprises of nine non-executive directors. At present there is one independent non-executive director, and one independent non-executive director representing special interests on the Board of the Company.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred in the Board during the year that were filled up.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and senior employees of the Company.
6. The Board has developed a vision statement and overall corporate strategy for the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration, terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The Meetings of the Board were presided over by the Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course on Code of Corporate Governance was arranged for the resident directors of the Company during last year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for the year ended June 30, 2006 has been prepared in compliance with the requirements of the Code of corporate Governance and fully describes the salient matters required to be disclosed.



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

Islamabad  
September 28, 2006

Ali Mahmood  
Chief Executive





## **AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Southern Electric Power Company Limited (“the Company”) to comply with the Listing Regulations of the Stock Exchanges where the Company is listed.

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

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

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

Islamabad  
September 28, 2006

**KPMG TASEER HADI & CO.**  
**CHARTERED ACCOUNTANTS**



# AUDITORS' REPORT TO THE MEMBERS

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## **KPMG TASEER HADI & CO.** **Chartered Accountants**

We have audited the annexed balance sheet of Southern Electric Power Company Limited (“the Company”) as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion --
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts 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, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Islamabad  
September 28, 2006

**KPMG TASEER HADI & CO.**  
**CHARTERED ACCOUNTANTS**

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan, is the Pakistan member firm of KPMG International, a Swiss cooperative



# BALANCE SHEET AS AT JUNE 30, 2006

	Note	2006 Rupees '000	2005 Rupees '000
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	5	1,366,758	1,366,758
Un-appropriated profit		<u>1,107,760</u>	<u>1,070,241</u>
		2,474,518	2,436,999
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	6	2,407,706	2,852,339
Deferred liabilities	7	18,764	16,848
Liabilities against assets subject to finance lease	8	517,915	5,671
		2,944,385	2,874,858
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	324,078	258,148
Accrued markup	10	177,960	125,765
Short term borrowings - secured	11	1,260,010	1,139,166
Current portion of long term financing	6	493,236	671,749
Current portion of liabilities against assets subject to finance lease	8	30,901	2,735
		2,286,185	2,197,563
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	-	-
		<u>7,705,088</u>	<u>7,509,420</u>

The annexed notes 01 to 32 form an integral part of these financial statements.



	Note	2006 Rupees '000	2005 Rupees '000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	6,973,878	6,514,590
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	14	152,917	217,039
Stock in trade	15	55,313	156,096
Trade debts	16	113,423	328,543
Advances - considered good	17	231,571	131,718
Trade deposits, short term prepayments and balance with statutory authority	18	148,132	142,254
Taxes paid in advance		8,012	7,736
Cash and bank balances	19	21,842	11,444
		731,210	994,830
		<u>7,705,088</u>	<u>7,509,420</u>

Islamabad  
September 28, 2006

Chief Executive

Director



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees '000	2005 Rupees '000
<b>Gross revenue</b>	20	4,240,616	2,798,066
Less: Sales tax		(376,849)	(206,524)
<b>Net revenue</b>		<u>3,863,767</u>	<u>2,591,542</u>
<b>Cost of sales</b>	21	<u>(3,314,315)</u>	<u>(2,112,654)</u>
<b>Gross profit</b>		549,452	478,888
Administration and general expenses	22	(86,454)	(82,253)
Other operating income	23	3,212	15,210
		<u>466,210</u>	<u>411,845</u>
Finance cost	24	(428,691)	(349,303)
<b>Profit for the year</b>		<u>37,519</u>	<u>62,542</u>
Earnings per share - basic and diluted (Rupees)	31	<u>0.27</u>	<u>0.46</u>

The annexed notes 01 to 32 form an integral part of these financial statements.

Islamabad  
September 28, 2006

Chief Executive

Director



# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees '000	2005 Rupees '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		37,519	62,542
Adjustments for:			
Depreciation		249,923	248,377
Provision for gratuity		5,015	4,195
Loss/(gain) on disposal of property, plant and equipment		7	(1,422)
Amortization of deferred income on sale and lease back transaction		(67)	-
Interest income		(395)	(665)
Exchange differences		(1,424)	(11,998)
Finance cost		428,691	349,303
		<u>719,269</u>	<u>650,332</u>
Working capital changes			
Decrease/(increase) in store, spares and loose tools		52,157	(55,349)
Decrease/(increase) in stock in trade		100,783	(74,923)
Decrease/(increase) in trade debts		215,120	(60,947)
Increase in advances		(99,853)	(27,009)
Increase in trade deposits, short term prepayments and balances with statutory authority		(5,878)	(53,531)
Increase in trade and other payables		65,940	177,692
		<u>328,269</u>	<u>(94,067)</u>
Cash generated from operations		1,047,538	556,265
Gratuity paid		(3,031)	(2,810)
Taxes paid		(279)	(596)
<b>Net cash from operating activities</b>		<u>1,044,228</u>	<u>552,859</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(122,097)	(9,406)
Proceeds from disposal of property, plant and equipment		40	1,615
Proceeds from sale and lease back of assets		-	7,565
Interest income received		395	665
<b>Net cash (used in)/ from investing activities</b>		<u>(121,662)</u>	<u>439</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of long term financing		(641,994)	(786,265)
Finance cost paid		(389,002)	(334,814)
Lease rentals paid		(2,007)	(4,608)
Dividends paid		(9)	(193)
Net cash used in financing activities		<u>(1,033,012)</u>	<u>(1,125,880)</u>
Net decrease in cash and cash equivalents		<u>(110,446)</u>	<u>(572,582)</u>
Cash and cash equivalents at beginning of the year		<u>(1,127,722)</u>	<u>(555,140)</u>
Cash and cash equivalents at end of the year	29	<u><u>(1,238,168)</u></u>	<u><u>(1,127,722)</u></u>

The annexed notes 01 to 32 form an integral part of these financial statements.

Islamabad  
September 28, 2006

Chief Executive

Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	Reserve for issue of bonus shares	Un-appropriated Profit	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
<b>Balance as at 30 June 2004</b>	<b>1,242,507</b>	<b>124,251</b>	<b>1,007,699</b>	<b>2,374,457</b>
Profit for the year	-	-	62,542	62,542
Issuance of bonus shares	124,251	(124,251)	-	-
<b>Balance as at 30 June 2005</b>	<b>1,366,758</b>	<b>-</b>	<b>1,070,241</b>	<b>2,436,999</b>
Profit for the year	-	-	37,519	37,519
<b>Balance as at 30 June 2006</b>	<b>1,366,758</b>	<b>-</b>	<b>1,107,760</b>	<b>2,474,518</b>

The annexed notes 01 to 32 form an integral part of these financial statements.

Islamabad  
September 28, 2006

Chief Executive

Director





# NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2006

## 1 STATUS AND NATURE OF OPERATIONS

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

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

## 2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

### 2.1 STATEMENT OF COMPLIANCE

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

### 2.2 SIGNIFICANT ESTIMATES

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 from 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 IAS 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.

#### 2.2.1 Employee retirement plans

Defined benefit plans of gratuity and compensated absences are provided for all eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principle 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.

#### 2.2.2 Property, plant and equipment

The Company views the useful lives 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 equipments with a corresponding affect on the depreciation charge and impairment.



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## 2.3 New accounting standards and IFRIC interpretations that are not yet effective:

2.3.1 An interpretation “IFRIC 4 - Determining whether an Arrangement Contains a Lease” has been issued by the International Financial Reporting Interpretation Committee which is applicable for the financial year ending 30 June 2007. The Company is in the process of determining the financial impact of this forthcoming change of accounting policy on its revenues, assets and liabilities.

2.3.2 The following standards amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2006 and are not expected to have a significant effect on the Company’s financial statements or nor relevant to the Company:

IAS 1 (Amendment), Presentation of Financial Statements Capital Disclosures;  
IAS 19 (Amendment), Employee Benefits contractual agreement between the multi employer plan and defined benefit plans disclosures;  
IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intergroup Transactions;  
IAS 39 (Amendment), The Fair Value Option;  
IAS 21 (Amendment), The Effects of Changes in Foreign Exchange Rates: net investment in foreign operation;  
IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;  
IFRIC 6, Liabilities arising from Participating in a specific market - Waste Electrical and Electronic Equipment; and  
IFRIC 9, Reassessment of Embedded Derivatives (1 June 2006)

## 3 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except that certain exchange differences referred to in note 13 have been incorporated in the cost of relevant assets and obligation under employees’ benefit referred to in note 7.2 has been recognized at present value on the basis of actuarial valuation.

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Taxation

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

### 4.2 Staff retirement benefits

#### 4.2.1 Defined benefit plan

The company is operating an un-funded gratuity scheme for all its employees according to the terms of employment subject to a minimum qualifying period of service. The liability is provided on the basis of actuarial valuation using Projected Unit Credit Method, carried out at least once in every three years. Latest actuarial valuation was carried out as at June 30, 2004. The details of actuarial valuation are given in note 7.2 to the financial statements.

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

#### 4.2.2 Compensated absences

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



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### 4.3 Property, plant and equipment

#### 4.3.1 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 (CWIP), 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 the straight line method at rates given in note 13, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Exchange differences on the loans utilized for the acquisition of plant building and machinery are being depreciated over the remaining useful life of the plant. 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.

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.

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

#### 4.3.2 Leased

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

### 4.4 Stock, stores, spares and loose tools

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

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

The cost of the inventory consists of the purchase price and other costs incurred in bringing the assets to their present location and condition.

For stocks, net realizable value is taken at estimated selling price less the estimated costs necessary to make the sale. In case of stores, spares and loose tools, replacement cost is used as net realizable value.

### 4.5 Trade debts and other receivables

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

### 4.6 Cash and cash equivalents

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



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#### **4.7 Mark-up bearing borrowings**

Mark-up bearing borrowings are recognized initially at cost being the fair value of the consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between cost (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on the effective markup basis.

#### **4.8 Trade and other payables**

Trade and other payables are stated at amortized cost.

#### **4.9 Provisions**

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

#### **4.10 Dividend recognition**

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

#### **4.11 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 income. All other borrowing costs are charged to income.

#### **4.12 Foreign currencies**

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

#### **4.13 Revenue recognition**

Revenue on account of energy is recognized on dispatch of electricity, whereas revenue on account of capacity is recognized when due. Income on bank deposits is accounted for on a time proportion basis using the applicable rate of interest.

#### **4.14 Impairment**

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

#### **4.15 Financial instruments**

Financial assets and financial liabilities are recognized when the company becomes a party to contractual provisions of the instrument. These are initially measured at 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 provision of the instruments.

#### **4.16 Offsetting**

Financial assets and liabilities and tax assets and liabilities are setoff 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.



#### 4.17 Related Party Transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

### 5 SHARE CAPITAL

#### 5.1 Issued, subscribed and paid up capital

2006 Numbers	2005 Numbers		2006 (Rupees '000)	2005 (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
<u>136,675,752</u>	<u>136,675,752</u>		<u>1,366,758</u>	<u>1,366,758</u>

#### 5.2 Authorized share capital

This represents 150 million (2005: 150 million) ordinary shares of Rs. 10 each.

5.3 British Columbia Hydro International Limited Southern Company ("the Parent Company") holds 42.554 million ordinary shares (2005: 42.554 million ordinary shares) of Rs. 10 each at the balance sheet date.

### 6 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amount '000	Outstanding amounts					
			2006 US \$ '000	2006 JPY '000	2005 US \$ '000	2005 JPY '000	2006 Rupees '000	2005 Rupees '000
<i>From banking companies</i>								
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund ( PSEDF Debt )-1st Facility	6.1	USD 35,000	28,001	-	31,501	-	1,688,756	1,883,155
ANZ Bank, Paris, France ( French Buyer's Credit)-1st Facility	6.2	USD 21,948	4,390	-	6,584	-	264,736	393,615
UFJ Bank Limited (Commercial Bank Credit)	6.3	USD 35,000	-	-	2,188	-	-	130,769
ANZ Bank, Paris, France - 2nd Facility	6.4	USD 8,704	8,704	-	8,704	-	525,055	520,440
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund ( PSEDF Debt )-2nd Facility	6.5	USD 7,456	5,965	-	6,712	-	359,735	401,386
<i>From others</i>								
Sojitz Corporation, Tokyo (formerly Nisho Iwai Corporation) JPY Facility	6.6	JPY 1,552,973	-	119,459	-	358,378	62,660	194,723
			47,060	119,459	55,689	358,378	2,900,942	3,524,088
<b>LESS : INSTALLMENTS DUE OVER THE NEXT TWELVE MONTHS</b>			7,140	119,459	9,065	238,919	493,236	671,749
			<u>39,920</u>	-	46,624	119,459	<u>2,407,706</u>	<u>2,852,339</u>



<b>6.1</b>	<b>PSEDF Debt-1st Facility</b>	
	<b>Lender</b>	National Bank of Pakistan
	<b>Repayable in currency</b>	Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.
	<b>Repayment terms</b>	Repayable in 20 equal semi-annual installments starting from October 25, 2004.
	<b>Rate of interest</b>	As per PSEDF guidelines :  From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3% or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%
	<b>Security</b>	a) Same charge on securities as a senior loan but on a subordinated basis to senior loans. b) Pledge over 75 percent of the sponsors' shares for the term of the loan.
<b>6.2</b>	<b>French Buyer's Credit-1st Facility</b>	
	<b>Lender</b>	Australia and New Zealand Banking Group Limited, (ANZ), France.
	<b>Rate of interest</b>	6.6 percent per annum.
	<b>Repayment terms</b>	Repayable in 20 equal semi-annual installments ending on March 28, 2008.
	<b>Security</b>	Repayment guarantee from National Bank of Pakistan which is counter guaranteed by a syndicate of underwriter banks. The counter guarantee issued by the syndicate is secured by first registered mortgage charge over the company's assets ranking pari passu with other similar charge holders referred to in note 6.3, 11.1 and 12.1.1
<b>6.3</b>	<b>Commercial Bank Credit</b>	
	<b>Lender</b>	UFJ Bank Limited, Japan
	<b>Rate of interest</b>	The lesser of 6 months LIBOR plus 0.5% plus 2.6% or UFJ LIBOR plus 2.6%.
	<b>Repayment terms</b>	Repayable in 12 equal semi-annual installments ending on October 25, 2005.
	<b>Security</b>	First registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in note 6.2, 11.1, 12.1.1 and guarantee from Sojitz Corporation Tokyo (formerly Nissho Iwai Corporation).
<b>6.4</b>	<b>ANZ Bank, Paris, France-2nd Facility</b>	
		This represents the facility created by payment of five instalments to ANZ Bank, France by COFACE. The liability of the company stands towards the Government of Pakistan through its Economic Affairs Division (EAD). During the year, the company has held discussions and exchanged





correspondence with EAD to finalize the terms and conditions relating to the repayment of this facility. Until the repayment terms are finalized, interest is being accrued on this debt at LIBOR + 0.6% per annum as approved by PPIB, Government of Pakistan at the time of financial restructuring of the company.

## 6.5 PSEDF Debt - 2nd Facility

### Lender

National Bank of Pakistan

### Repayable in Currency

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

### Repayment Terms

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

### Rate of Interest

From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3.0 % or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%

### Security

As per note 6.1

## 6.6 Sojitz Corporation Tokyo

### Lender

Sojitz Corporation Tokyo (formerly Nissho Iwai Corporation)

### Rate of Interest

Japanese LTPR plus 4 %

### Repayment Terms

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

### Security

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

## 7 DEFERRED LIABILITY

	Note	2006 (Rupees '000)	2005 (Rupees '000)
Deferred income	7.1	268	335
Staff retirement benefit - gratuity	7.2	18,496	16,513
		<u>18,764</u>	<u>16,848</u>

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

### 7.2 Staff retirement benefit - gratuity

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

	2006 (Rupees '000)	2005 (Rupees '000)
Present value of defined benefit obligation	19,180	17,197
Unrecognized actuarial losses	(684)	(684)
	<u>18,496</u>	<u>16,513</u>
Movement in liability recognized		
Opening liability	16,513	15,128
Charge for the year	5,015	4,195
Payments during the year	(3,031)	(2,810)
Closing liability	<u>18,497</u>	<u>16,513</u>



	2006 (Rupees '000)	2005 (Rupees '000)
<b>7.2.2</b> Amounts recognized in the profit and loss account are as follows:		
Current service cost	3,639	2,930
Interest cost	1,376	1,265
	<u>5,015</u>	<u>4,195</u>
<b>7.2.3</b> Significant actuarial assumptions		
Valuation discount rate	8.00%	8.00%
salary increase rate	8.00%	8.00%

## 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006 (Rupees '000)			2005 (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	100,850	69,949	30,901	3,396	661	2,735
Later than one year but not later than five years	625,902	222,552	403,350	6,732	1,061	5,671
Later than five years	123,941	9,376	114,565	-	-	-
	<u>850,693</u>	<u>301,877</u>	<u>548,816</u>	<u>10,128</u>	<u>1,722</u>	<u>8,406</u>

**8.1** Rentals are payable in equal monthly installment. The company has a right to exercise purchase option at the end of the lease term. Financing rate of 8.75 % to 15.50 % per annum (2005: 8.75% to 12.54% per annum) has been used as a discounting factor.

	Note	2006 (Rupees '000)	2005 (Rupees '000)
<b>9. TRADE AND OTHER PAYABLES</b>			
Creditors		40,601	168,009
Advance from customer	9.1	89,913	-
Accrued Liabilities		7,214	9,276
Tax deducted at source		68	242
Liquidated damages payable		123,532	52,158
Due to associated undertakings	9.2	55,229	20,937
Unclaimed dividend		3,612	3,621
Other payables		3,909	3,905
		<u>324,078</u>	<u>258,148</u>

**9.1** This represents advance from WAPDA for purchase of fuel carrying markup @ 11% per annum.

**9.2** This represents payable to associated undertaking as disclosed in note 27 to the financial statements. The balance is unsecured, interest free and payable within a period of one year.





	2006 (Rupees '000)	2005 (Rupees '000)
<b>10. ACCRUED MARKUP</b>		
Markup on long term financing - secured	127,468	102,827
Markup on short term borrowings - secured	34,838	22,938
Markup on liabilities against assets subject to finance lease	12,506	-
Markup on advance from customer	3,148	-
	<u>177,960</u>	<u>125,765</u>

	Sanctioned Limit Rupees '000	<u>Outstanding Balance</u>	
		2006 (Rupees '000)	2005 (Rupees '000)
<b>11. SHORT TERM BORROWINGS - Secured</b>			
From banking companies and other financial institutions			
Prime Commercial Bank Limited	250,000	245,736	250,804
Askari Commercial Bank Limited	200,000	199,693	198,749
National Bank of Pakistan	250,000	249,861	124,833
United Bank Limited	145,000	144,797	144,797
Saudi Pak Commercial Bank Limited	145,000	144,923	144,983
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	125,000	125,000	125,000
Faysal Bank Limited	150,000	150,000	150,000
	<u>1,265,000</u>	<u>1,260,010</u>	<u>1,139,166</u>

**11.1** These are secured by way of first charge of Rs. 1,437 million (2005: Rs. 1,253 million) on current assets and a first registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in notes 6.2, 6.3 & 12.1.1 These carry interest rates ranging between 10.71 % to 14.05 % (2005: 8.78% to 11.24 % p.a.).

## **12. CONTINGENCIES AND COMMITMENTS**

### **12.1 Contingencies**

**12.1.1** The company is contingently liable for a letter of guarantee of US\$ 2.46 million (2005: US\$ 2.46 million) issued to Water and Power Development Authority (WAPDA) by Prime Commercial Bank Limited on behalf of the company. The guarantee is secured by a first registered mortgage charge over the company's assets ranking pari - passu with the lenders referred to in note 6.2, 6.3 and 11.1.

**12.1.2** The company is contingently liable for liquidated damages of Rs. 26.718 million (2005: Rs. 18.3 million) claimed by WAPDA. The management is confident that the matter will be resolved in the company's favour.

**12.1.3** For tax matters, refer to note 12.4.

### **12.2 Significant contracts**

**12.2.1** 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 the 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.



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

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

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

### **12.3 Commitments**

**12.3.1** The value of the Letters of Credit outstanding at the year end amounted to Rs. 1.61 million representing Euro 21,046 (2005: Rs. 14.47 million representing Euro 182,949 and US\$ 17,652).

### **12.4 TAXATION**

**12.4.1** 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. Assessments for Tax Years 2003 to 2005 (years ended 30 June 2003 to 2005) were finalized under section 120 of the Income Tax Ordinance 2001 (the Ordinance). However, assessments for Tax Years 2003 and 2004 were amended by the tax authorities under section 122 of the Ordinance as discussed in 12.4.4 below.

**12.4.2** The principal issue in the assessments finalized by the taxation authorities were taxation of interest and other income and assessment of business loss. While finalizing original assessments for the assessment year 1996-1997 to 2002-2003, the taxation officer raised tax demands aggregating Rs. 127 million on account of taxation of interest income, Exchange gain and liquidated damages received from WAPDA. Income Tax Appellate Tribunal (ITAT) deleted the tax demand on account of exchange gain and set aside assessments for the assessment year 1996-97 to 1998-99.

**12.4.3** On re-assessments for the assessment years 1996-1997 to 1998-99, the taxation officer repeated the treatment given in the original assessment and raised tax demand of Rs. 35 million for aforesaid years on account of interest income and liquidated damages from WAPDA. On appeal, the Commissioner (Appeals) confirmed taxation of interest income and liquidated damages and directed the assessing officer to compute business income. Appeal filed by the company along with appeals for assessments year 1999-2000 to 2001-2002 are pending before ITAT on question of taxation of interest and other income.

**12.4.4** Tax assessments for the Tax Year 2003 and 2004 were also amended by the Additional Commissioner of Income Tax (ACIT) on question of taxation of interest income thereby raising aggregate tax demand of Rs. 4.4 million for the aforesaid years. However, the demand was deleted in entirety by the Commissioner (Appeals) on question of lack of jurisdiction by the ACIT.

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

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





**13.1.1** Additions to plant building and machinery during the year include exchange differences on foreign loans aggregating to Rs. 19.933 million (2005: Rs. 118.684 million). The Company has opted for capitalization of exchange losses as these would be compensated by enhanced revenue due to indexation mechanism available under Power Purchase Agreement (PPA). Exchange loss included in the carrying amount of assets at the year end amounts to Rs. 731 million (2005: Rs. 739 million).

**13.1.2** Included in the capital work in progress as on 30th June 2006 is Rs. 12.506 million on account of borrowing costs capitalized during the year.

**13.1.3** Depreciation charge for the year has been allocated as follows:

	Note	2006 Rupees '000	2005 Rupees '000
Operating costs	21	238,218	235,647
Administration and general expenses	22	11,705	12,730
		<u>249,923</u>	<u>248,377</u>
<b>14</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores		109,858	170,114
Spare parts and loose tools		43,059	46,925
		<u>152,917</u>	<u>217,039</u>
<b>15</b>	<b>STOCK IN TRADE</b>		
Heavy furnace oil		41,924	145,975
High speed diesel		5,815	3,290
Lubricants		7,574	6,831
		<u>55,313</u>	<u>156,096</u>
<b>16</b>	<b>TRADE DEBTS</b>		

This represents receivables from WAPDA against capacity purchase price. This is secured by way of guarantee issued by the GOP in favour of the Company and are considered good.

	Note	2006 Rupees '000	2005 Rupees '000
<b>17</b>	<b>ADVANCES - considered good</b>		
Against expenses		1,366	1,592
To staff	17.1	9,020	9,073
To suppliers		23,397	11,145
For purchase of fuel		197,788	109,908
		<u>231,571</u>	<u>131,718</u>



17.1 Included in advances to staff are amounts due from executives aggregating to Rs. 6.788 million (2005: Rs. 7.753 million).

	Note	2006 Rupees '000	2005 Rupees '000
<b>18</b>			
<b>TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCE WITH STATUTORY AUTHORITY</b>			
Margin against bank guarantees and security deposits		2,530	2,289
Prepayments		16,902	17,908
General sales tax adjustable		128,700	122,057
		<u>148,132</u>	<u>142,254</u>
<b>19</b>			
<b>CASH AND BANK BALANCES</b>			
<b>Cash at banks:</b>			
<b>-Current accounts:</b>			
Foreign currency	19.1	4,923	629
Local currency		4,339	147
		<u>9,262</u>	<u>776</u>
<b>-Saving account:</b>			
Local currency	19.2	11,977	9,466
		<u>21,239</u>	<u>10,242</u>
Cash in hand		603	1,202
		<u>21,842</u>	<u>11,444</u>

19.1 This Includes compensation accounts aggregating US\$ 6,316 equivalent Rs. 379,653 (2005: US\$6,208 equivalent Rs.369,873) with UFJ Bank Limited which is in escrow. These funds are utilized subject to the lenders approval.

19.2 These carry mark up at the rate of 3.78% per annum (2005: 3% per annum).

	2006 Rupees '000	2005 Rupees '000
<b>20</b>		
<b>GROSS REVENUE</b>		
Capacity billing	1,351,442	1,214,718
Energy billing - gross	2,889,174	1,583,348
	<u>4,240,616</u>	<u>2,798,066</u>



	Note	2006 Rupees '000	2005 Rupees '000
<b>21 COST OF SALES</b>			
Raw materials consumed	21.1	2,611,166	1,385,296
Stores and spare parts consumed		176,792	292,697
Fuel decanting charges		1,777	1,680
Operations and maintenance fees		40,519	33,871
Salaries, wages and other benefits	21.2	42,841	43,214
Traveling and conveyance		366	259
Vehicle running expenses		2,537	2,487
Communication charges		2,636	2,146
Electricity charges		5,081	7,013
Printing and stationery		704	585
Repairs and maintenance		11,449	29,306
Entertainment		3,924	5,036
Insurance		37,583	38,698
WAPDA liquidated damages		134,916	30,198
Depreciation	13.1.3	238,218	235,647
Others		3,806	4,521
		<u>3,314,315</u>	<u>2,112,654</u>

### 21.1 Raw materials consumed

	(Rupees'000)			2006	2005
	HFO	HSD	Lubricants	Total	Total
Opening balance	145,975	3,290	6,831	156,096	81,173
Add: Purchases	2,387,159	28,346	94,878	2,510,383	1,460,219
Available for consumption	2,533,134	31,636	101,709	2,666,479	1,541,392
Less: Closing balance	41,924	5,815	7,574	55,313	156,096
<b>Consumption during the year 2006</b>	<b>2,491,210</b>	<b>25,821</b>	<b>94,135</b>	<b>2,611,166</b>	-
Consumption during the year 2005	1,304,161	20,924	60,211	-	1,385,296

**21.2** These include Rs. 3.37 million (2005: Rs. 3.11 million) charged in respect of staff retirement benefits.

**21.3** Provision for Workers Profit Participation Fund (WPPF) has not been made in these accounts, since it is a pass through item under PPA with WAPDA. In case the liability arises, it will be recoverable from WAPDA.



	Note	2006 Rupees '000	2005 Rupees '000
<b>22</b>			
<b>ADMINISTRATION AND GENERAL EXPENSES</b>			
Salaries, wages and benefits	22.1	24,355	26,210
Traveling and conveyance		9,492	7,850
Vehicle running expenses		9,157	3,395
Communication costs		2,346	2,866
Utilities		1,411	1,794
Printing and stationery		769	944
Repairs and maintenance		460	308
Rent, rates and taxes		7,416	7,204
Entertainment		3,102	2,697
Insurance		1,974	1,507
Guest house expenses		9,471	8,271
Auditors' remuneration	22.2	1,607	1,655
Depreciation	13.1.3	11,705	12,730
Others		3,189	4,822
		<u>86,454</u>	<u>82,253</u>

22.1 These include Rs. 1.65 million (2005: Rs. 1.09 million) charged in respect of staff retirement benefits.

	Note	2006 Rupees '000	2005 Rupees '000
<b>22.2</b>			
<b>Auditors' remuneration</b>			
Annual audit		750	650
Half yearly review		200	200
Tax services		478	263
Other certifications		100	392
Out of pocket expenses		79	150
		<u>1,607</u>	<u>1,655</u>

## 23 OTHER OPERATING INCOME

### *From financial assets*

Interest income	395	665
Exchange gain	1,424	11,998

### *From assets other than financial assets*

(Loss)/ gain on sale of property, plant and equipment	(7)	1,422
Others	1,400	1,125
	<u>3,212</u>	<u>15,210</u>



	Note	2006 Rupees '000	2005 Rupees '000
<b>24 FINANCE COST</b>			
Markup on long term financing - secured		220,281	232,680
Markup on short term borrowings - secured		132,686	69,898
Markup on advance from customer		33,133	-
Commitment charges, management and agency fee		3,980	4,068
Fee and expenses of trustee		565	1,200
Markup on finance lease and others		764	517
Guarantee commissions		23,833	31,230
Legal consultancy fee and expenses		1,527	1,663
Letter of credit charges		9,262	7,074
Bank charges		2,660	973
		<u>428,691</u>	<u>349,303</u>

**25 NUMBER OF EMPLOYEES**

Number of permanent employees at 30 June 2006 was 269 (2005: 262)

**26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

	2006			2005		
	Chief Executive 1	Director 1	Executives 7	Chief Executive 1	Director 1	Executives 9
Number of persons	Rupees '000			Rupees '000		
Managerial remuneration and allowances	2,201	1,806	9,680	1,964	1,440	11,695
Staff retirement benefits	180	150	723	180	120	975
Others	139	114	618	196	621	1,000
	<u>2,520</u>	<u>2,070</u>	<u>11,021</u>	<u>2,340</u>	<u>2,181</u>	<u>13,670</u>

In addition, the Chief Executive, Director and all Executives were provided Company maintained cars for business purposes.

**27 RELATED PARTY TRANSACTIONS**

The Company is a subsidiary of British Columbia Hydro International Limited Southern Company (BCHILSC) ("the Parent Company") therefore all subsidiaries and associated undertakings of BCHILSC are related parties of the Company. Other 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 related parties, other than remuneration and benefits to directors and key management personnel as per the terms of their employment are as follows:

	2006 Rupees '000	2005 Rupees '000
<b>Associated undertaking by virtue of holding of the Parent Company</b>		
Services purchased	39,837	36,903
Expenses incurred on behalf of an associated undertaking	309	-
Balance payable at the year end	55,229	20,937

**27.1** This includes fees under O&M amounting to Rs. 34.268 million (2005: Rs. 32.109 million) booked in accordance with the agreements entered into with British Columbia Hydro International Power Development Corporation as mentioned in note 12.2.4.





## 28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 28.1 Financial assets and liabilities

	Effective markup rate %/age	Mark-up bearing					Non-mark-up bearing			
		Maturity upto one year	Maturity after one year and upto two years	Maturity after three years upto four years	Maturity after four years upto five years	Maturity after five years and after	Maturity upto one year	Maturity after one year	2006 Total	
		year	years	years	years	years	year	year	Sub-total	
<b>Financial assets</b>										
Trade debts	11%	113,423	-	-	-	-	-	113,423	-	113,423
Advances	-	-	-	-	-	-	-	-	9,020	9,020
Trade deposits and short term prepayments	-	-	-	-	-	-	-	-	2,530	2,530
Cash and Bank Balances	3.78%	11,977	-	-	-	-	-	11,977	9,865	21,842
		125,400	-	-	-	-	-	125,400	21,415	146,815
<b>Financial liabilities</b>										
Long term financing - Secured	0.25%-9.5%	493,236	408,584	284,467	284,929	289,547	1,144,179	2,900,942	-	2,900,942
Liabilities against assets subject to finance lease	8.75%-15.5%	30,902	63,237	70,574	79,731	88,891	215,481	548,816	-	548,816
Short term borrowings	10.71%-14.05%	1,260,010	-	-	-	-	-	1,260,010	-	1,260,010
Accrued markup	-	-	-	-	-	-	-	-	177,960	177,960
Trade and other payables	11%	213,445	-	-	-	-	-	213,445	110,565	324,010
		1,997,593	471,821	351,041	364,660	378,438	1,359,660	4,923,213	288,525	5,211,738
<b>Excess of financial liabilities over financial assets</b>		<b>1,872,193</b>	<b>471,821</b>	<b>351,041</b>	<b>364,660</b>	<b>378,438</b>	<b>1,359,660</b>	<b>4,797,813</b>	<b>267,110</b>	<b>5,064,923</b>
<b>Financial assets and liabilities</b>										
<b>Financial assets</b>										
Trade debts	11%	328,543	-	-	-	-	-	328,543	-	328,543
Advances	-	-	-	-	-	-	-	-	9,073	9,073
Trade deposits and short term prepayments	-	-	-	-	-	-	-	-	2,289	2,289
Cash and bank balances	3%	9,466	-	-	-	-	-	9,466	1,978	11,444
		338,009	-	-	-	-	-	338,009	13,340	351,349
<b>Financial liabilities</b>										
Long term financing	0.25%-9.3%	671,749	493,236	408,584	280,467	284,929	1,385,123	3,524,088	-	3,524,088
Liabilities against assets subject to finance lease	8.75%-12.54%	2,735	2,836	2,835	-	-	-	8,406	-	8,406
Short term borrowings	8.78%-11.24%	1,139,166	-	-	-	-	-	1,139,166	-	1,139,166
Accrued markup	-	-	-	-	-	-	-	-	125,765	125,765
Trade and other payables	7.5%	52,158	-	-	-	-	-	52,158	205,748	257,906
		1,865,808	496,072	411,419	280,467	284,929	1,385,123	4,723,818	331,513	5,055,331
<b>Excess of financial liabilities over financial assets</b>		<b>1,527,799</b>	<b>496,072</b>	<b>411,419</b>	<b>280,467</b>	<b>284,929</b>	<b>1,385,123</b>	<b>4,385,809</b>	<b>318,173</b>	<b>4,703,982</b>



## 28.2 Credit risk

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

## 28.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payable due to transaction with foreign buyer and supplier. Financial assets and liabilities includes Rs. 4,923 million (2005: Rs. 0.629 million) and Rs. 3,114.2 million (2005: Rs. 3,647.9 million) respectively which are exposed to currency risk.

## 28.4 Liquidity risk

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

## 28.5 Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities is estimated to approximate their fair values as at 30 June 2006.

## 29 CASH AND CASH EQUIVALENTS

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

	Note	2006 (Rupees '000)	2005 (Rupees '000)
Cash in hand and balances with banks	19	21,842	11,444
Short term borrowings	11	(1,260,010)	(1,139,166)
		<u>(1,238,168)</u>	<u>(1,127,722)</u>

## 30 CAPACITY AND PRODUCTION

	2006 MWH	2005 MWH
Installed capacity - for the year	1,024,920	1,024,920
Actual energy delivered	503,028	398,365

Output produced by the plant is determined on the load demanded by WAPDA and the plant availability. Subsequent to the year end, Annual Dependable Capacity Test (ADC) resulted in a capacity of 103.79 MW. However, the Company expects its sixth engine to commence operations shortly and another ADC is expected in October 2006. On the enhanced capacity.

## 31 EARNINGS PER SHARE - BASIC AND DILUTED

		2006	2005
Profit for the year	Rupees '000	37,519	62,542
Weighted average number of shares outstanding during the year	Numbers	136,675,752	136,675,752
Earnings per share - basic and diluted	Rupees	<u>0.27</u>	<u>0.46</u>

## 32 GENERAL

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

32.2 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on September 28, 2006.

Islamabad  
September 28, 2006

Chief Executive

Director



# PATTERN OF SHAREHOLDING AS AT JUNE 30, 2006

No. of Shareholders	Shareholding		Total Number of Shares Held	Percentage %
	From	To		
300	1	100	21,752	0.02
537	101	500	189,433	0.14
856	501	1,000	666,635	0.49
1,539	1,001	5,000	4,212,659	3.08
606	5,001	10,000	4,546,556	3.33
288	10,001	15,000	3,559,726	2.60
127	15,001	20,000	2,299,804	1.68
107	20,001	25,000	2,468,691	1.81
66	25,001	30,000	1,830,320	1.34
47	30,001	35,000	1,546,596	1.13
43	35,001	40,000	1,643,798	1.20
26	40,001	45,000	1,114,077	0.82
30	45,001	50,000	1,475,645	1.08
28	50,001	55,000	1,494,822	1.09
13	55,001	60,000	760,613	0.56
8	60,001	65,000	503,112	0.37
9	65,001	70,000	603,914	0.44
6	70,001	75,000	440,248	0.32
7	75,001	80,000	549,766	0.40
3	80,001	85,000	248,000	0.18
7	85,001	90,000	618,450	0.45
6	90,001	95,000	558,500	0.41
20	95,001	100,000	1,985,964	1.45
6	100,001	105,000	613,800	0.45
16	105,001	110,000	1,751,440	1.28
5	110,001	115,000	563,587	0.41
8	115,001	120,000	933,570	0.68
5	120,001	125,000	615,150	0.45
1	125,001	130,000	126,500	0.09
5	130,001	135,000	664,680	0.49
2	135,001	140,000	274,300	0.20
1	140,001	145,000	145,000	0.11
5	145,001	150,000	746,183	0.55
3	150,001	155,000	455,715	0.33
1	155,001	160,000	158,200	0.12
2	160,001	165,000	325,500	0.24
2	165,001	170,000	335,132	0.25
2	175,001	180,000	352,065	0.26
3	180,001	185,000	552,000	0.40
1	190,001	195,000	192,500	0.14
3	195,001	200,000	598,500	0.44
2	200,001	205,000	405,382	0.30
1	210,001	215,000	214,182	0.16
3	215,001	220,000	658,250	0.48
2	220,001	225,000	440,850	0.32
4	225,001	230,000	911,800	0.67
1	235,001	240,000	236,500	0.17
4	260,001	265,000	1,052,232	0.77
2	270,001	275,000	548,700	0.40
1	310,001	315,000	313,000	0.23
1	330,001	335,000	330,098	0.24
1	335,001	340,000	336,232	0.25
1	345,001	350,000	349,500	0.26
2	355,001	360,000	719,000	0.53
1	365,001	370,000	368,000	0.27
3	395,001	400,000	1,200,000	0.88
1	435,001	440,000	440,000	0.32
2	495,001	500,000	1,000,000	0.73
1	545,001	550,000	550,000	0.40
1	550,001	555,000	550,182	0.40
1	555,001	560,000	558,532	0.41
2	800,001	805,000	1,605,900	1.17
1	810,001	815,000	815,000	0.60
1	815,001	820,000	816,950	0.60
2	890,001	895,000	1,786,101	1.31
1	1,060,001	1,065,000	1,060,051	0.78
1	1,075,001	1,080,000	1,080,000	0.79
1	1,365,001	1,370,000	1,368,650	1.00
1	1,430,001	1,435,000	1,431,100	1.05
1	1,845,001	1,850,000	1,850,000	1.35
1	2,165,001	2,170,000	2,167,000	1.59
1	2,305,001	2,310,000	2,310,000	1.69
1	2,390,001	2,395,000	2,391,010	1.75
1	2,680,001	2,685,000	2,682,483	1.96
1	3,775,001	3,780,000	3,779,500	2.77
1	3,940,001	3,945,000	3,945,000	2.89
1	4,835,001	4,840,000	4,837,052	3.54
1	6,265,001	6,270,000	6,270,000	4.59
1	42,550,001	42,555,000	42,554,612	31.14
<b>4,805</b>			<b>136,675,752</b>	<b>100.00</b>



## CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2006

Particulars	No. of Shareholders	Share Held	Percentage %
<b>Directors, Chief Executive Officer and their spouse and minor Children</b>			
Mrs. Sughra Ali Mahmood	1	<u>1,010,024</u>	0.74
<b>Associated Companies, undertakings and related Parties</b>			
BCHIL Southern Company Limited (Sponsor)		42,554,612	
Southern Electric Limited (Sponsor)		<u>7,228,062</u>	
	2	<u>49,782,674</u>	36.42
<b>National Investment Trust and Investment Corporation of Pakistan</b>			
Investment Corporation of Pakistan	1	<u>558,532</u>	0.41
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>			
Bank Alfalah Limited		3,779,500	
Pakistan Kuwait Investment Co.(Pvt.) Limited		816,950	
Habib Bank A.G Zurich, Deira Dubai		804,000	
Escorts Investment Bank Limited		373,000	
Prime Commercial Bank Limited		110,000	
Prime Commercial Bank Limited		91,000	
Crescent Investment Bank Limited		50,272	
Saudi Pak Industrial and Agricultural Investment Co. (Pvt.) Limited		4,500	
Deutsche Bank AG		275	
First Dawood Investment Bank		248	
Crescent Standard Investment Bank Limited		100	
	11	<u>6,029,845</u>	4.41
<b>Insurance Companies</b>			
The Crescent Star Insurance Co. Limited		815,000	
State Life Insurance Corporation of Pakistan		440,000	
International General Insurance Co Pakistan		100,000	
Askari General Insurance Co. Limited		25,000	
Century Insurance Company Limited		22,000	
New Jubilee Life Insurance Co. Limited		22,000	
Habib Insurance Company Limited		550	
	7	<u>1,424,550</u>	1.04
<b>Modarabas and Mutual Funds</b>			
First Alnoor Modaraba		74,866	
Guardian Modaraba		16,865	
Prudential Stock Fund Limited		9,366	
Prudential Fund Management		182	
	4	<u>101,279</u>	0.07
<b>Leasing Companies</b>			
Crescent Leasing Corporation Limited		1,368,650	
Dawood Leasing Company Limited		5,500	
Trust Leasing Corporation Limited		1,000	
	3	<u>1,375,150</u>	1.01
<b>Shareholder(s) holding ten percent or more voting interest</b>			
BCHIL Southern Company Limited (See above as Sponsor)		-	
<b>General Public</b>			
a- Local	4,696	60,217,981	
b- Foreign	2	<u>2,670,000</u>	
		<u>62,887,981</u>	46.01



Particulars	No. of Shareholders	Share Held	Percentage %
<b>Others (to be specified)</b>		-	-
<b>Joint Stock Companies</b>			
Dawood Hercules Chemicals Limited		6,270,000	
Molasses Export Co. (Pvt.) Limited		2,167,000	
Dawood Lawrencepur Limited		801,900	
Capital Vision Securities (Pvt.) Limited		218,250	
Darson Securities (Pvt.) Limited		133,264	
First Capital Securities Corporation Limited		109,390	
Millennium Securities & Investment (Pvt.) Limited		119,150	
Ali Husain Rajabali Limited		65,000	
Zafar Securities (Pvt.) Limited		59,733	
United Capital Securities (Pvt.) Limited		54,000	
Y.S. Securities & Services (Pvt.) Limited		51,100	
Moosani Securities (Pvt.) Limited		45,000	
Dosslani's Securities (Pvt.) Limited		35,700	
Progressive Securities (Pvt.) Limited		35,500	
Zillion Capital Securities (Pvt.) Limited		29,517	
Jahangir Siddiqui Capital Markets Limited		25,000	
Azee Securities (Pvt.) Limited		21,532	
Millwala Sons (Pvt.) Limited		20,000	
Khalid Javed Securities (Pvt.) Limited		16,000	
Invest Forum (Pvt.) Limited		15,850	
Al-Mal Securities & Services Limited		15,482	
General Investment Services (Pvt.) Limited		13,000	
Time Securities (Pvt.) Limited		12,400	
Pace Investment and Securities (Pvt.) Limited		12,000	
Adeel & Nadeem Securities (Pvt.) Limited		10,250	
S.H. Bukhari Securities (Pvt.) Limited		9,900	
Associated Consultancy Centre (Pvt.) Limited		9,350	
Wisdom Securities (Pvt.) Limited		8,000	
Molasses Export Co. (Pvt.) Limited		8,000	
Progressive Investment Management (Pvt.) Limited		7,400	
Cliktrade Limited		7,000	
ACE Securities (Pvt.) Limited		6,200	
Kai Securities (Pvt.) Limited		5,650	
HH Misbah Securities (Pvt.) Limited		5,550	
N. H . Securities (Pvt.) Limited		5,500	
First Capital Equities Limited		5,250	
Avitronic Staff Limited		5,000	
Sardar Mohammad Ashraf D Baluch (Pvt.) Limited		4,500	
Switch Securities (Pvt.) Limited		3,300	
Jamshaid & Hasan Securities (Pvt.) Limited		3,250	
Rahat Securities Limited		3,000	
Taurus Securities Limited		2,500	
ABM Securities (Pvt.) Limited		2,500	
Beaming Invest & Securities (Pvt.) Limited		2,000	
Zafar Moti Capital Securities (Pvt.) Limited		2,000	
Fair Edge Securities (Pvt.) Limited		1,000	
DJM Securities (Pvt.) Limited		1,000	
Progressive Securities (Pvt.) Limited		1,000	
Live Securities (Pvt.) Limited		1,000	
Stock Master Securities (Pvt.) Limited		1,000	
Guarantee Engineers (Pvt.) Limited		732	
We Financial Services Limited		550	



<b>Particulars</b>	<b>No. of Shareholders</b>	<b>Share Held</b>	<b>Percentage %</b>
AMZ Securities (Pvt.) Limited		550	
Sherwani Securities (Pvt.) Limited		550	
Excel Securities (Pvt.) Limited		500	
VSL Securities(Pvt.) Limited		500	
General Invest. & Securities (Pvt.) Limited		366	
Rafeh (Pvt.) Limited		300	
Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Limited		300	
Stock Vision (Pvt.) Limited		200	
Mars Securities (Pvt.) Limited		200	
Freedom Enterprises (Pvt.) Limited		182	
Prudential Securities Limited		100	
Zahid Latif Khan Securities (Pvt.) Limited		100	
Networth Securities Limited		100	
Mega Securities (Pvt.) Limited		100	
Tajico Southern (Pvt.) Limited		66	
Excel Securities (Pvt.) Limited		50	
	68	<u>10,472,314</u>	7.66
<b>Foreign Companies</b>			
SEP Holdings Corporation		2,682,483	
RO Limited		169,400	
Brown Brothers Harriman & Co		116,750	
Asea Brown Boveri Kraftwerke A .G.		31,904	
Somers Nominees ( Far East) Ltd.		5,550	
Citibank N.A. Hongkong		5,500	
Bankers Trust Co.		3,850	
HSBC International Trustee Ltd		2,200	
The Northern Trust Company		1,100	
BCHIL Southern Company Limited (As Above)		-	
	9	<u>3,018,737</u>	2.21
<b>Cooperative Societies, Charitable Trusts</b>			
The Okhai Memon Anjuman	1	<u>14,666</u>	0.01
Total number of shareholders and paid up capital	<u>4,805</u>	<u>136,675,752</u>	<u>100.00</u>

4,319 shareholders hold 90,493,421 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 12<sup>th</sup> Annual General Meeting of the Company to be held on October 31, 2006 at 9:00 am and or any adjournment thereof.

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

Signed this ..... day of..... 2006

**Registered Folio No./CDC A/C No.**

Signature on  
Five Rupee  
Revenue  
Stamp

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

## WITNESS:

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

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

## NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 6th floor, Razia Sharif Plaza, 90 West, Jinnah Avenue, Blue Area, Islamabad 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 NIC/Passport numbers shall be stated on the form.
- 2) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- 3) The proxy shall produce his/her original NIC or original passport at the time of meeting.
- 4) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

