

A N N U A L R E P O R T 2 0 0 9



SOUTHERN ELECTRIC POWER COMPANY LIMITED

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COMPANY INFORMATION

Board of Directors	Mr. Taj ud Deen Kurji Mr. Klaus Triendl Mr. Anthony Rustin Mr. Stephane Mailhot Mr. Rashid Mirza Mr. S. M. Ghalib Mr. Felix Turgeon Ms. Carole Linda Idris
Chief Executive	Mr. Amjad Awan
Chief Financial Officer	Mr. Shamsul Aziz
Company Secretary	Mr. Salman Rahim
Audit Committee	Mr. Taj ud Deen Kurji <i>Chairman</i> Mrs. Sheereen Awan Ms. Nizhat Shahban
Auditors	KPMG Taseer Hadi & Co Chartered Accountants
Leading Bankers	Askari Commercial Bank Limited Faysal Bank Limited National Bank of Pakistan Royal Bank of Scotland (formerly Prime Commercial Bank Limited) United Bank Limited
Registered Office	No. 38, First Street, F-6/3, Islamabad - 44000, Pakistan. Tel: (92-51) 227 9230-1, 843 8550 Fax: (92 51) 282 5465 Website: www.sepcol.com
Shares Department	Corplink (Pvt.) Ltd. Wings Arcade, 1-K, Commercial, Model Town, Lahore, Pakistan. Tel: (92-42) 583 9182 Fax: (92-42) 586 9037
Plant	Raiwind, District Lahore



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 15th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 29, 2009 at 11:00 a.m. at the Registered Office of the Company, No. 38, First Street, F-6/3, Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2008.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2009 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

Place: Islamabad
Dated: October 07, 2009

Salman Rahim
Company Secretary

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 22, 2009 to October 29, 2009 (both days inclusive). Transfers received at Shares Registrar Office of the Company "Corplink (Pvt.) Limited" at Wings Arcade, 1-K, Commercial, Model Town, Lahore upto the close of business on October 21, 2009 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. Members 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 subaccount 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) along with Proxy Form to the Company.



DIRECTORS' REPORT

Your Directors are pleased to present before you the 15th Annual Report of the Company, and the audited Annual Financial Statements for the year ended June 30, 2009.

Financial Results

Your Company's annual turnover net of sales tax for the year under review was Rs. 1,911 million as compared to Rs. 3,628 million for the same period last year, and operating costs were Rs. 904 million as compared to Rs. 3,350 million for the last year. Gross turnover and operating costs registered a decrease of 47% and 73% respectively as compared to the last year, as the plant remained shut down during most of the period under review due to the cessation of payments by WAPDA / PEPCO, as stated in the last annual Directors' Report. This resulted in a plant factor of just 4.6% of the installed plant capacity during the year as compared to 32% for the same period last year.

Your Company recorded a net profit of Rs. 146.7 million during the year under review as compared to a net loss of Rs. 297.7 million during the last year. The profit is mainly attributable to the fact that the Company has not booked liquidated damages claimed by WAPDA / PEPCO for the period under review. As explained in detail in Notes 1.2 and 11.1(a) to the annexed financial statements, the Company has disputed these LDs on valid grounds and is confident that these LDs will be waived once a settlement is arrived at with WAPDA / PEPCO. Accordingly, these LDs have not been provided for in the financial statements. Also contributing to the profit is the negligible consumption of stores and spares due to the plant being inoperational for the major part of the year.

Inordinate Delay in Payments by WAPDA / PEPCO

As disclosed in the last annual Directors' Report, WAPDA / PEPCO was in serious default towards the Company by delaying Capacity Payments due to the Company, and by its failure to renew the obligatory Stand-by Letter of Credit in the Company's favor as required under the Power Purchase Agreement (PPA). This situation persisted during the year under review, except for a brief period of 27 days starting October 23, 2008, during which the plant operated normally upon release of some payment from WAPDA / PEPCO for purchase of fuel. However, it had to be shut down once again on November 18, 2008 due to cessation of fuel payments by WAPDA / PEPCO. As of June 30, 2009, WAPDA / PEPCO owed the Company over Rs. 1,472 million in capacity payments. In addition, the Stand-by Letter of Credit remains un-posted to date.

Due to the payment defaults by WAPDA / PEPCO, the Company was unable to pay its loan installments to various lenders, and consequently received notices of Event of Default from NBP as mentioned in note 5.4 to the annexed financial statements.

As stated earlier, WAPDA / PEPCO arbitrarily discontinued the two year old established practice of making advance payments for the purchase of fuel, because of which the Company was forced to stop operations of the Complex as of February 15, 2008. Consequently, the Company initiated arbitration proceedings laying claim on WAPDA for over Rs. 5 billion and filed a suit for Declaration and Injunction before the Honourable Islamabad High Court, obtaining an *ad interim* injunction preventing WAPDA from deducting Liquidated Damages, which order remains in force to date.

It is worth mentioning that despite the discontinuation of the fuel advance and the resulting adverse operating environment, the Company managed to maintain the Complex in a state of constant readiness for despatch and continued to run the plant periodically to avoid default under the PPA.

Plant Re-Start

Notwithstanding the legal proceedings between the Company and WAPDA / PEPCO, in order to resolve the issues out-of-court the Company's management entered into dialogue with WAPDA / PEPCO for resolution of all disputes. As a result of these efforts, an understanding was reached between



the Company's management and WAPDA / PEPCO in a meeting on August 10, 2009, in which WAPDA / PEPCO agreed to release fuel and capacity advance payments for immediate re-start of the plant. Subsequent to the balance sheet date and in pursuance of the said meeting, WAPDA / PEPCO released Rs. 600 million as fuel advance to PSO for supply of furnace oil to the Company and Rs. 300 million directly to the Company for procurement of stores and spares and to meet other overheads. As such, the plant resumed operations effective August 24, 2009.

However, due to its own cash flow constraints, WAPDA / PEPCO has been staggering payments to the Company, as a consequence of which fuel supplies have been erratic. Thus the plant could not be operated at continuous full load and the management had to resort to load management by varying the load according to the fuel stocks available at site. The complex which started off by running at full load has been despatching as low as 20 MW on some days. In the mean time, the Company has and will continue to formally dispute all Liquidated Damages arising out of the shortage of fuel due to delayed payments by WAPDA / PEPCO.

Pending the continuity of plant operations, the Company also intends to move ahead with its earlier plan of retrofitting a steam turbine to lead the project towards an increased level of profitability and meet its operational and financial obligations in time, provided that WAPDA / PEPCO continues payments to the Company.

Comments on the Auditors' Report

- a) As explained under the heading 'Financial Results' above, the Company has not provided for the LDs levied by WAPDA / PEPCO for the period subsequent to February 15, 2008, to the tune of Rs. 1,838.7 million as these LDs are a direct consequence of cessation of payments by WAPDA / PEPCO to the Company that led to stoppage of plant operations. The Company's stance on this issue is supported by a legal opinion, on the basis of which these LDs have been formally disputed under the Power Purchase Agreement and have not been provided for in the financial statements. The Company is confident that these LDs will be waived once a settlement of the pending disputes is arrived at with WAPDA. The management, therefore, does not agree with the view of the auditors regarding the provision of these disputed LDs in the financial statements.
- b) Although the plant remained inoperational during most of the year under review, because of the acute energy crisis being faced by the country and the management's strenuous efforts the Complex restarted operations effective August 24, 2009 due to the agreement reached with WAPDA / PEPCO. Your Directors are pleased to report that despite all the odds facing the Company, the plant has been running satisfactorily without any major operational problems since its restart. As WAPDA / PEPCO has committed an adequate monthly fuel advance to the Company on an ongoing basis, and as during the coming years the demand for electricity in the country is expected to increase considerably with a persistent shortfall in supply, the Company does not have any reason to believe that the carrying amount of property, plant and equipment would not be recoverable. As such, the management does not agree with the opinion of the auditors and has prepared the accounts on historical cost basis which, in its opinion, reflects the true and fair view of the state of the Company's affairs.
- c) According to the terms of the loan agreements, a lender has the right to call for repayment of the entire amount of the outstanding loan in case of a default in repayment of any instalment. However, as disclosed in note 5.5 to the financial statements, the lenders have not called upon the Company to pay off these loans in entirety. The Company is currently in the process of discussing with the lenders a possible rescheduling of the outstanding loan amounts, including the overdue instalments, and as mentioned in note 5.4 to the financial statements, is confident that in the wake of the restart of the plant the requested rescheduling will be agreed to by the



lenders. Notwithstanding the above, WAPDA owes over Rs. 1,472 million in respect of Capacity Purchase Price to the Company as of the balance sheet date. In the event that the said payments are released by WAPDA /PEPCO the Company would be in a position to honor its loan obligations and the proposed rescheduling of the loans may not be required.

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

Going Concern

As stated above, because of the critical shortage of electricity in the country and the need to operate existing IPPs to their full capacity, management believes that the existing disputes between the Company and WAPDA / PEPCO will be settled in due course and the plant will continue to supply electricity to the national grid for the foreseeable future. Since plants established under the 1994 Power Policy are the most cost-effective in the country today, the management of the Company is sure of the continuity of fuel advance payments by WAPDA / PEPCO; as such, the financial statements have been prepared on a going concern basis.

The earning per share worked out at Rs. 1.07 this year as compared to a loss per share of Rs. 2.18 last year.

Financial Statements and Internal Control

The Directors are pleased to state that:

- (a) the financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity;
- (b) proper books of account have been maintained;
- (c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- (e) the system of internal control is sound in design and has been effectively implemented and monitored;
- (f) there has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations;
- (g) key operating data for the last seven years is available in this report.

Appropriations

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

Auditors

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

Changes in the Board of Directors

During the year, the following changes took place in the Board of Directors:

1. Mr. Amjad Awan was appointed as CEO in place of Mr. Ali Mahmood on July 25, 2008.



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2. Mrs. Sughra Ali Mahmood resigned from the Board on July 25, 2008 and Mr. Dildar Hussain Rizvi was appointed in her place.
 3. On August 25, 2008 Mr. Dildar Hussain Rizvi resigned from the Board and Ms. Nizhat Shahban was appointed in his place.
 4. On January 19, 2009 Ms. Nizhat Shahban resigned from the Board.
 5. On April 10, 2009 Mr. Taj-ud-Deen Kurji was removed from the Board.
 6. On April 13, 2009 Ms. Sheereen Awan resigned from the Board and Mr. Salman Rahim was appointed in her place.
 7. On April 20, 2009 Mr. Salman Rahim resigned from the Board and Ms. Carole Linda Idris was appointed in his place.

Board of Directors Meetings Held During the Year

Eleven meetings of the Board of Directors were held during the year from July 1, 2008 to June 30, 2009. Following is the attendance of each Director in Board Meetings.

<u>Name</u>	<u>Meetings Attended</u>
Mrs. Sughra Ali Mahmood	1
Mr. Taj ud Deen Kurji	10
Mr. Klaus Triendl	11
Mr. Anthony Rustin	11
Mr. Stephane Mailhot	11
Mr. Felix Turgeon	11
Mrs. Sheereen Awan	10
Sardar Muhammad Ghalib	11
Mr. Dildar Hussain Rizvi	1
Ms. Nizhat Shahban	7
Ms. Carole Linda Idris	1
Mr. Salman Rahim	Nil
Mr. Rashid Mirza (Nominee of NBP)	10

Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2009 is attached.

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

For and on behalf of the Board

Amjad Awan
Chief Executive

Islamabad
October 2, 2009



KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2009	2008	2007	2006	2005	2004	2003
Dispatch Level (%age)	4.6	32	53	49	41	34	42
Dispatch (Mwh)	48,202	368,660	540,242	503,028	398,365	336,767	409,308
Total Revenue (Rs. '000)	1,911,237	3,627,586	4,000,450	3,863,767	2,591,542	2,261,335	2,555,006
Profit/(loss) for the Year (Rs. '000)	146,762	(297,762)	(295,124)	37,519	62,542	234,282	304,419
Shareholders' Equity (Rs. '000)	2,028,394	1,881,632	2,179,393	2,474,518	2,436,999	2,374,456	2,140,174
Book Value Per Share (Rupees)	14.84	13.77	15.95	18.11	17.83	19.11	17.22
Earnings/(loss) per share - basic (Rupees)	1.07	(2.18)	(2.16)	0.27	0.46	1.71	2.89
Rate of Dividend (%age)	-	-	-	-	-	10	15



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of the Company (excluding the Chief Executive) comprises of eight directors. At present there are six non-executive directors, one executive director and one independent non-executive director representing the lenders.
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. Four casual vacancies occurred in the Board during the financial year and 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 along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, 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 instructed the resident directors on the Code of Corporate Governance during the 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, 2009 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three members, which was subsequently reduced to two, as the third member was unavailable due to the remaining directors being non-resident and unwilling to act. However, the Company shall use its best efforts to overcome this discrepancy as soon as possible.



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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. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited.
 21. We confirm that all other material principles contained in the Code have been complied with.

Islamabad
October 2, 2009

Amjad Awan
Chief Executive



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

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company'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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Islamabad
October 2, 2009

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



AUDITORS' REPORT TO THE MEMBERS



KPMG TASEER HADI & CO.

Chartered Accountants

We have audited the annexed balance sheet of Southern Electric Power Company Limited (“the Company”) as at 30 June 2009 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) As disclosed in note 11.1 (a) to the financial statements the Company has not provided for liquidated damages (LDs) levied by Water and Power Development Authority (WAPDA) to the Company aggregating Rs. 1,838.7 million under the Power Purchase Agreement entered into between the Company and WAPDA. Had these LDs been provided in the financial statements, the profit for the year would have been translated in loss of Rs. 1,618.07 million and shareholders' equity would have been reduced by Rs. 1,838.7 million as of 30 June 2009 with a corresponding increase in current liability by the same amount.
- (b) In view of continued liquidated damages due to irregular plant operation, the Company may not be able to recover the carrying amount of property, plant and equipment over the life of the project should the eventual outcome of disputed LDs is not settled in Company's favour and adequate working capital is not arranged by the Company to profitably operate the plant. No impairment loss on property, plant and equipment has been incorporated by the Company in these financial statements as the Company maintains that the liquidated damages are disputed while an adequate fuel advance facility has been agreed with WAPDA/PEPCO on an ongoing basis in lieu of the additional working capital lines from the banks. In the absence of any workings, the impact of such impairment could not be quantified.
- (c) As disclosed in notes 5.4 and 5.6 to the financial statements the Company has defaulted in repayments of instalments of long term loans due to National Bank of Pakistan (NBP) and ANZ Bank, Paris (ANZ). NBP have served notices of event of default to the Company. In view of these defaults, the entire outstanding loan amount of Rs. 3,106,594 thousands and Rs. 707,792 thousands to NBP and ANZ respectively became payable immediately pursuant to terms of agreements entered into with these lenders and hence these should have been classified as current liabilities in the financial statements.



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- (d) Except for the matters referred to in paragraphs (a) to (c) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (e) Except for the matters referred to in paragraphs (a) to (c) above, in our opinion-
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of 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.
- (f) Except for the effect on the financial statements of the matters referred to in paragraphs (a) to (c) above; in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (g) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without further modifying our opinion, we draw attention to note 1.3 to the financial statements which states that the Company's operation is dependant on continuance of fuel advance facility from WAPDA or arranging additional working capital finance. This condition along with the other matters as set forth in paragraphs (a) to (c) cast significant doubt about the Company's ability to continue as a going concern. Should WAPDA discontinue the fuel advance facility or the Company fails to arrange adequate working capital facility, the Company may not be able to continue as a going concern.

On the basis of the restart of its plant and release of fuel advance and capacity payments by WAPDA in accordance with the minutes of meeting dated 10 August 2009 as mentioned in note 1.3 to the financial statements, the Company has prepared these financial statements on the assumption that the Company would be a going concern.

Islamabad
October 2, 2009

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Riaz Akbar Ali Pesnani

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, 2009

	Note	2009 Rupees '000	2008 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	4	1,366,758	1,366,758
Un-appropriated profit		<u>661,636</u>	<u>514,874</u>
		2,028,394	1,881,632
NON - CURRENT LIABILITIES			
Long term financing - secured	5	<u>2,678,054</u>	<u>2,506,926</u>
Deferred liabilities	6	<u>21,311</u>	<u>24,750</u>
Liabilities against assets subject to finance lease	7	<u>345,243</u>	<u>391,476</u>
		3,044,608	2,923,152
CURRENT LIABILITIES			
Trade and other payables	8	<u>711,093</u>	<u>743,325</u>
Accrued markup	9	<u>1,008,554</u>	<u>392,596</u>
Short term borrowings - secured	10	<u>939,727</u>	<u>1,249,446</u>
Current portion of long - term financing	5	<u>1,431,113</u>	<u>701,286</u>
Current portion of liabilities against assets subject to finance lease	7	<u>85,053</u>	<u>72,725</u>
		4,175,540	3,159,378
		<u>9,248,542</u>	<u>7,964,162</u>
CONTINGENCIES AND COMMITMENTS			
	11		

The annexed notes 1 to 33 form an integral part of these financial statements.



	Note	2009 Rupees '000	2008 Rupees '000
NON - CURRENT ASSETS			
Property, plant and equipment	12	7,327,682	7,039,634
CURRENT ASSETS			
Stores, spare parts and loose tools	13	168,078	169,880
Stock in trade	14	79,279	34,747
Trade debts - considered good	15	1,617,302	404,783
Advances - considered good	16	25,359	96,322
Trade deposits, short - term prepayments and balance with statutory authority	17	17,310	168,779
Taxes paid in advance		9,033	8,858
Cash and bank balances	18	4,499	41,159
		1,920,860	924,528
		<u>9,248,542</u>	<u>7,964,162</u>

Islamabad
October 2, 2009

Chief Executive

Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees '000	2008 Rupees '000
Turnover	19	1,911,237	3,627,586
Cost of sales	20	(903,706)	(3,350,379)
Gross profit		1,007,531	277,207
Administration and general expenses	21	(240,771)	(102,863)
Other operating income	22	146,959	116,969
Finance cost	23	(766,957)	(589,075)
Profit/(loss) for the year		146,762	(297,762)
Earning/(loss) per share - basic and diluted (Rupees)	31	1.07	(2.18)

The annexed notes 1 to 33 form an integral part of these financial statements.

Islamabad
October 2, 2009

Chief Executive

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees '000	2008 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		146,762	(297,762)
Adjustments for non cash items:			
Depreciation		320,800	283,461
Provision for gratuity		8,071	7,983
Gain on disposal of property, plant and equipment		(6,931)	(625)
Amortization of deferred income on sale and lease back transaction		(67)	(67)
Provision for doubtful receivables		-	3,011
Provision for doubtful sale tax receivables		171,703	-
Finance cost		766,957	589,075
		<u>1,407,295</u>	<u>585,076</u>
Working capital changes			
Decrease/(increase) in stores, spare parts and loose tools		1,802	(20,544)
(Increase)/decrease in stock in trade		(44,532)	40,617
Increase in trade debts		(1,212,519)	(314,355)
Decrease in advances		70,963	218,424
(Increase)/decrease in trade deposits, short-term prepayments and balance with statutory authority		(20,233)	616
Decrease in trade and other payables		(32,232)	(9,062)
		<u>(1,236,751)</u>	<u>(84,304)</u>
Cash generated from operations		170,544	500,772
Gratuity paid		(11,443)	(1,940)
Taxes paid		(175)	(467)
		<u>158,926</u>	<u>498,365</u>
Net cash generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(4,085)	(20,666)
Proceeds from disposal of property, plant and equipment		8,342	625
		<u>4,257</u>	<u>(20,041)</u>
Net cash generated from/ (used in) investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long - term financing		-	(135,682)
Finance cost paid		(150,999)	(350,052)
Lease rentals paid		(33,905)	(58,195)
Dividends paid		-	(35)
		<u>(184,904)</u>	<u>(543,964)</u>
Net cash used in financing activities		(184,904)	(543,964)
Net decrease in cash and cash equivalents		(21,721)	(65,640)
Cash and cash equivalents at beginning of the year		(1,208,288)	(1,142,648)
Conversion of short term borrowings into long term financing		294,781	-
Cash and cash equivalents at end of the year	28	<u>(935,228)</u>	<u>(1,208,288)</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

Islamabad
October 2, 2009

Chief Executive

Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Un-appropriated profit/ (loss)	Total
	Rupees '000	Rupees '000	Rupees '000
Balance as at 01 July 2007	1,366,758	812,636	2,179,394
Changes in equity for the year ended 30 June 2008			
Loss for the year	-	(297,762)	(297,762)
Total recognised income and expense	-	(297,762)	(297,762)
Balance as at 30 June 2008	1,366,758	514,874	1,881,632
Balance as at 01 July 2008	1,366,758	514,874	1,881,632
Changes in equity for the year ended 30 June 2009			
Profit for the year	-	146,762	146,762
Total recognised income and expense	-	146,762	146,762
Balance as at 30 June 2009	1,366,758	661,636	2,028,394

The annexed notes 1 to 33 form an integral part of these financial statements.

Islamabad
October 2, 2009

Chief Executive

Director



1 STATUS AND NATURE OF OPERATIONS

1.1 Southern Electric Power Company Limited ("the Company") was incorporated in Pakistan on 20 December 1994 as a public limited Company under the Companies Ordinance, 1984. The Company is listed on all three stock exchanges in Pakistan. The Company had originally established a 117 Megawatt power generation station near Raiwind, Lahore for supply of electricity, which has been increased to 135.9 Megawatt with the installation of sixth engine in September 2007. The Company's registered office is situated at No. 38, First Street, Sector F-6/3, Islamabad, Pakistan.

1.2 Material uncertainty

As mentioned in the annual published financial statements of the Company for the year ended 30 June 2008, the sudden and abrupt discontinuation of fuel advance payment by Water And Power Development Authority ("WAPDA") resulted in stoppage of the plant on 15 February 2008, except for a brief period of 27 days from 23 October 2008 to 18 November 2008, i.e. the period during which the fuel advance payment was resumed by WAPDA. The plant thus remained shut down during most of the current year.

WAPDA continued to levy Liquidated Damages ("LDs") on the Company in pursuance of the Power Purchase Agreement ("PPA") as explained in note 11.1(a) to these financial statements. Pursuant to WAPDA's unilateral action, the Company filed a suit in the International Court of Arbitration ("ICA") against WAPDA claiming damages to the tune of Rs. 5 billion. The said suit has, however, been kept in abeyance in an attempt to resolve the matter amicably out-of-court. The Company also filed a case against WAPDA in the Islamabad High Court seeking interim relief against any unlawful deduction of LDs from capacity payments due to the Company.

Due to the adverse operating environment, the Company was unable to meet its loan repayment obligation to National Bank of Pakistan as mentioned in note 5.4 to these financial statements. In addition, the Company also defaulted in repayment of the 6th engine lease installments to the lease syndicate led by Faysal Bank Limited ("FBL") which were subsequently rescheduled as mentioned in note 7.2 to these financial statements.

1.3 Plant re-start subsequent to the Balance Sheet date

In view of the acute electricity shortage being faced by the country and management's continuous efforts to resolve the matter out-of-court with WAPDA the Company's senior management met with the officials of WAPDA/PEPCO on 10 August 2009. As per the minutes of the said meeting, WAPDA/PEPCO agreed to provide fuel advance to Pakistan State Oil on behalf of the Company to the tune of Rs. 600 million per month and a one-time capacity payment advance of Rs. 300 million to the Company which will be adjusted against future capacity payments in six months. This fuel advance is adjustable against the monthly Energy Purchase Price invoices to be raised by the Company. The first tranche of fuel payment amounting to Rs. 600 million along with the agreed capacity advance of Rs. 300 million has subsequently been released by WAPDA as a result of which the plant has resumed regular operations since 24 August 2009. All existing disputes between the Company and WAPDA including those pertaining to LDs and withheld CPP amounts have been held in abeyance for the time being.

Should WAPDA discontinue the fuel advance facility again and the Company fails to arrange additional working capital from any other sources, the Company may not be able to continue its operations in the foreseeable future.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting



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

2.2 Basis of measurement

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

2.3 Initial application of a standard or an interpretation

During current year, the Company adopted IFRS 7 "Financial Instruments" which is applicable for annual periods beginning on or after 01 July 2008. IFRS 7 requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements include many disclosures previously required by International Accounting Standard (IAS) 32- "Financial Instruments: Presentation". The Company has adopted this standard from the financial year beginning 01 July 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

2.4 Functional and presentation currency

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

2.5 Significant estimates and judgments

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

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

Judgments made by management in the application of International Accounting Standards (IASs) that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

(a) Employee retirement plans

Defined benefit plans of gratuity 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 principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

(b) Property, plant and equipment

The Company reviews the useful lives 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.

(c) Impairment

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

(d) Liquidated damages

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 Staff retirement benefits

(a) Defined benefit plan

The Company is operating an unfunded gratuity scheme for its employees according to the terms of employment subject to a minimum qualifying period of service. The liability is provided on the basis of actuarial valuation using Projected Unit Credit Method. The Company has a policy of carrying out actuarial valuations after every two years. Latest valuation was conducted as of 30 June 2009. The details of actuarial valuation are given in note 6.1 to the financial statements.

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

(b) Compensated absences

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

3.3 Property, plant and equipment

(a) Owned

Property, plant and equipment, owned by the Company are stated at cost less accumulated depreciation and impairment loss, if any, except freehold land and capital work in progress (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 straight line method at the rates given in note 12, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Exchange differences on the loans utilized for 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.

(b) Leased

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

3.4 Stock in trade

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

Furnace oil	First in first out basis
High speed diesel	Moving average cost
Lubricants	Moving average cost

Cost of inventory comprises of the purchase price and other direct costs incurred in bringing the inventory items to their present location and condition. Replacement cost is used as a measure of net realizable value.

3.5 Stores, spare parts and loose tools

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

Cost comprises of the purchase price and other direct costs incurred in bringing the stores, spares and loose tools to their present location and condition. Replacement cost is used as a measure of net realizable value.

3.6 Trade debts and other receivables

These are originated by the Company and are stated at cost less provision for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

3.7 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.

3.8 Mark-up bearing borrowings

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

3.9 Trade and other payables

Trade and other payables are stated at amortized cost.

3.10 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.

3.11 Dividend recognition

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

3.12 Borrowing costs

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

3.13 Foreign currencies

PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date. Exchange differences are accounted for as follows:

- (a) Exchange differences related to foreign currency loans obtained for financing of the plant are capitalized and depreciated over the remaining useful life of the related assets.
- (b) All other exchange differences are dealt with through the profit and loss account.

3.14 Revenue recognition

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

3.15 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.

3.16 Financial instruments

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

3.17 Finance income and finance cost

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

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

3.18 Offsetting of financial assets and financial liabilities

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

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

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards,



interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

- Revised IAS 1- "Presentation of financial statements" (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- Revised IAS 23- "Borrowing costs" (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2010 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions, the Company will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Company's 2010 financial statements.
- Amendments to IAS 32- "Financial instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) – Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.
- Amendment to IFRS 2- "Share-based Payment" – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.
- Revised IFRS 3- Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27- Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.
- IFRS 8- Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.



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- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
 - IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The above interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

- IFRIC17- Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.
- IFRIC 18- Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- IAS 27 'Consolidated and separate financial statements' effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to



- separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

4 SHARE CAPITAL

4.1 Authorized share capital

This represents 150 million (2008: 150 million) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

2009		2008		2009		2008	
Number of shares				(Rupees '000)		(Rupees '000)	
124,250,684	124,250,684	Ordinary shares of Rs. 10 each issued for cash		1,242,507		1,242,507	
12,425,068	12,425,068	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		124,251		124,251	
<u>136,675,752</u>	<u>136,675,752</u>			<u>1,366,758</u>		<u>1,366,758</u>	

- 4.3 BCHIL Southern Company Limited holds 40.178 million ordinary shares (2008: 40.178 million ordinary shares) of Rs. 10 each at the balance sheet date.

5 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amounts		Outstanding amounts			
				2009	2008	2009	2008
		USD '000	Rupees '000	USD '000		Rupees '000	
<i>From banking companies</i>							
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 1st Facility	5.1	35,002	-	22,751	22,751	1,849,659	1,555,715
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 2nd Facility	5.2	7,456	-	4,846	4,846	394,010	331,395
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 3rd Facility	5.3	10,614	-	10,614	10,614	862,925	725,791
ANZ Bank, Paris, France - 2nd Facility	5.6	8,706	-	8,706	8,706	707,792	595,311
United Bank Limited	5.7	-	144,781	-	-	144,781	-
Faysal Bank Limited	5.8	-	150,000	-	-	150,000	-
				46,917	46,917	4,109,167	3,208,212
LESS : INSTALLMENTS DUE OVER THE NEXT TWELVE MONTHS				(16,613)	(10,256)	(1,431,113)	(701,286)
				<u>30,304</u>	<u>36,661</u>	<u>2,678,054</u>	<u>2,506,926</u>



-
- 5.1 PSEDF Debt - 1st Facility (Also refer note 5.4)**
- Lender** National Bank of Pakistan
- Outstanding amount :** USD 22,751,031
- Repayable currency** Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
- Repayment terms** Repayable in 13 equal semi-annual installments starting from 25 April 2008.
- Rate of interest** As per PSEDF guidelines :
Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
- Security** (a) First registered mortgage charge on the Company's assets but on a subordinated basis to the Senior Loans.
(b) Pledge over 36,012,702 sponsors' shares for the term of the loan.
- 5.2 PSEDF Debt - 2nd Facility (Also refer note 5.4)**
- Lender** National Bank of Pakistan
- Outstanding amount :** USD 4,846,374
- Repayable currency** Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
- Repayment terms** Repayable in 13 equal semi-annual installments starting from 25 April 2008.
- Rate of interest** As per PSEDF guidelines:
Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
- Security** (a) Same charge on securities as mentioned in note 5.1(a) above.
(b) Pledge over 36,012,702 sponsors' shares for the term of the loan.
- 5.3 PSEDF Debt - 3rd Facility (Also refer note 5.4)**
- Lender** National Bank of Pakistan
- Outstanding amount :** USD 10,614,078
- Repayable currency** Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
- Repayment terms** Repayable in 13 equal semi-annual installments starting from 25 April 2008.
- Rate of interest** As per PSEDF guidelines:
Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
- Security** (a) Same charge on securities as mentioned in note 5.1(a) above.
(b) Pledge over 36,012,702 sponsors' shares for the term of the loan.
- 5.4** In 2007, National Bank of Pakistan (NBP) restructured three installments each (25 October 2006, 25 April 2007 and 25 October 2007) of the 1st and 2nd PSEDF facilities along with interest outstanding on these installments into PSEDF 3rd facility. 1st installment of the restructured PSEDF 1st, 2nd and 3rd facilities was payable on 25 April 2008. However, as mentioned in note 1.2 to these financial statements, the Company remained unable to repay the 1st, 2nd and 3rd installments each of the restructured PSEDF 1st, 2nd and 3rd facilities that were due on 25 April 2008, 25 October 2008 and 25 April 2009, and received formal notices from NBP of Event of Default of each instalment. The Company intends to apply to NBP for a further rescheduling of the PSEDF facilities on the lines that the three installments in default plus further three installments falling due on 25 October 2009, 25 April 2010 and 25 October 2010 to be rescheduled into PSEDF - 4th facility. An extension in the tenure of the loan may also be required. The Company remains confident that restructuring into PSEDF - 4th facility will be agreed to by NBP.



5.5 Though the Company has defaulted in repayments of the 1st, 2nd and 3rd PSEDF facilities, NBP has not called upon the Company to pay-off the entire outstanding loan amounts immediately nor have they exercised their stepping-in rights under the Finance Documents.

5.6 ANZ Bank, Paris, France - 2nd Facility

This represents the facility created by payment of five installments to ANZ Bank, France by COFACE. The liability of the Company stands towards the Government of Pakistan through its Economic Affairs Division (EAD). 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 6 months' LIBOR + 0.6% per annum as approved by PPIB, Government of Pakistan at the time of financial restructuring of the Company. No payments of principal loan amount is being made by the Company.

5.7 United Bank Limited (Also refer note 10.2)

Lender United Bank Limited
Amount : Pak Rupees 144,781,615
Repayment terms During the year, UBL converted the existing short-term working capital facility of Rs. 144,781,615 into medium-term demand finance facility. The loan is repayable in nine stepped-up quarterly instalments commencing from 17 November 2009.
Rate of interest 1 month KIBOR plus 3% per annum (KIBOR rate to be re-set on 1st of each month)
Security This borrowing is secured by way of first charge of Rs. 182 million on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

5.8 Faysal Bank Limited (Also refer note 10.2)

Lender Faysal Bank Limited
Amount : Pak Rupees 150,000,000
Repayment terms During the year, FBL converted the existing short-term working capital facility of Rs. 150,000,000 into a medium-term demand finance facility. The loan is repayable in twelve monthly instalments commencing from 01 April 2010.
Rate of interest 3 months KIBOR plus 3.5 % per annum (KIBOR to be re-set on 1st of each quarter)
Security This borrowing is secured by way of first charge of Rs. 215 million on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

6 DEFERRED LIABILITIES	Note	2009 (Rupees '000)	2008 (Rupees '000)
Deferred income on sale and lease back transaction		67	134
Staff retirement benefit - gratuity	6.1	21,244	24,616
		<u>21,311</u>	<u>24,750</u>
6.1 Staff retirement benefit - gratuity			
(a) Reconciliation of payable to defined benefit plan:			
Present value of defined benefit obligation		26,551	28,515
Unrecognized actuarial losses		(5,307)	(3,899)
		<u>21,244</u>	<u>24,616</u>



	2009 (Rupees '000)	2008 (Rupees '000)			
(b) Movement in net liability recognized					
Opening net liability	24,616	18,573			
Expense for the year	8,071	7,983			
Benefit paid during the year	(11,443)	(1,940)			
Closing net liability	<u>21,244</u>	<u>24,616</u>			
(c) Charge for the defined benefit plan					
Current service cost	5,132	5,555			
Interest cost	2,852	2,264			
Actuarial losses recognized	87	164			
	<u>8,071</u>	<u>7,983</u>			
(d) Key actuarial assumptions	<u>2009</u>	<u>2008</u>			
Valuation discount rate	13.00%	10.00%			
Salary increase rate	13.00%	10.00%			
(e) Comparison of present values of defined benefit obligation for five years is as follows:					
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(Rupees '000)				
Present value of defined benefit obligation	26,551	28,515	22,636	19,180	17,197

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009 (Rupees '000)			2008 (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	157,054	72,001	85,053	131,504	58,779	72,725
Later than one year but not later than five years	454,312	109,069	345,243	511,557	120,081	391,476
	<u>611,366</u>	<u>181,070</u>	<u>430,296</u>	<u>643,061</u>	<u>178,860</u>	<u>464,201</u>

7.1 Rentals are payable in equal monthly installments (quarterly for the lease of sixth engine) in advance upto 26 April 2013. The Company has a right to exercise purchase option at the end of the lease term. Financing rate of 13.49% to 20.67% per annum (2008: 8.75% to 15.37% per annum) has been used as a discounting factor.

7.2 During the year, two instalments of the 6th engine finance lease facility falling due on 26 January 2009 and 26 April 2009 were rescheduled by the Faysal Bank Limited led lease syndicate in the manner that first instalment of the rescheduled lease facility fell due on 26 July 2009. The said first instalment of the rescheduled lease facility was paid by the Company subsequent to the balance sheet date on 21 August 2009. No change has been made in the original tenor of the lease.

8. TRADE AND OTHER PAYABLES	Note	2009 (Rupees '000)	2008 (Rupees '000)
Creditors		37,914	27,319
Advance from customer	8.1	-	52,499
Accrued liabilities		18,876	9,263
Liquidated damages payable	8.2	641,109	641,109
Due to associated undertakings - unsecured	26	-	408
Unclaimed dividend		3,575	3,575
Other payables		9,619	9,152
		<u>711,093</u>	<u>743,325</u>



8.1 This represents advance from WAPDA for purchase of fuel carrying markup ranging from 16% to 19% per annum (2008: 11.5% to 16% p.a).

8.2 These liquidated damages have been levied by WAPDA under the Power Purchase Agreement. As per the past practice, the Company expects to agree an installment plan with WAPDA to pay these liquidated damages.

9.	ACCRUED MARKUP	Note	2009 (Rupees '000)	2008 (Rupees '000)
	Markup on long term financing - secured	9.1	835,538	352,243
	Markup on short term borrowings - secured		122,934	29,030
	Markup on liabilities against assets subject to finance lease		50,082	11,246
	Markup on advance from customer		-	77
			<u>1,008,554</u>	<u>392,596</u>

9.1 This includes overdue mark-up amounting to Rs. 773.214 million (2008: Rs. 286.292 million) equivalent to USD 9.087 million (2008: USD 4.187 million).

10. SHORT TERM BORROWINGS - SECURED

	Sanctioned Limit		Outstanding Balance	
	2009 (Rupees '000)	2008 (Rupees '000)	2009 (Rupees '000)	2008 (Rupees '000)
<i>From banking companies and other financial institutions</i>				
Royal Bank of Scotland (Formerly ABN AMRO Bank Limited) - note 10.3	110,000	125,000	109,981	124,947
Askari Bank Limited	325,000	325,000	324,857	324,855
National Bank of Pakistan	250,000	250,000	249,892	249,854
United Bank Limited - note 10.2	-	145,000	-	144,797
Silk Bank (Formerly Saudi Pak Commercial Bank Limited)	145,000	145,000	144,997	144,993
Saudi Pak Industrial and Agricultural Investment Company Limited	110,000	110,000	110,000	110,000
Faysal Bank Limited - note 10.2	-	150,000	-	150,000
	<u>940,000</u>	<u>1,250,000</u>	<u>939,727</u>	<u>1,249,446</u>

10.1 The above borrowings are secured by way of first charge of Rs. 1,198 million (2008: Rs. 1,198 million) on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in note 5. These carry markup ranging between 12.32% to 19.69% per annum (2008: 11.97% to 15.56% per annum).

10.2 These working capital lines have been converted into term loans by respective banks as disclosed in notes 5.7 and 5.8.

10.3 As at 30 June 2009, financing facility from Royal Bank of Scotland was expired and management is in the process of renewing this facility.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

(a) As explained in note 1.2 to these financial statements, WAPDA has levied Liquidated Damages (LDs) on the Company to the tune of Rs. 1,838.7 million. These LDs pertain to the period from 15 February 2008 to 30 June 2009 during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility from WAPDA. The Company has disputed these LDs on valid legal grounds supported by a legal opinion confirming the validity of the



dispute.

The management is confident that the matter will be resolved in Company's favour. Therefore, LDs subsequent to 15 February 2008 (the date of stoppage of plant due to cessation of fuel advance payments by WAPDA) have not been provided for in these financial statements which amount to Rs. 1,838.7 million as on 30 June 2009 (2008: Rs. 380.6 million) for which the Company remains contingently liable. In the event that the dispute is settled against the Company, these LDs shall be charged to profit and loss account of the period in which the dispute is settled.

(b) For tax matters, refer to note 11.3.

11.2 Significant contracts as at balance sheet date

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

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

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

11.3 Taxation Contingencies

Income Tax

(a) Tax assessments of the Company up to and including the assessment year 2002-03 (year ended 30 June 2002) stand finalized under section 62 of the repealed Income Tax Ordinance 1979. Assessments for Tax Years 2003 to 2008 (years ended 30 June 2003 to 2008) were finalized under section 120 of the Income Tax Ordinance 2001 [the Ordinance]. However, assessments for Tax Years 2003 and 2004 were amended by taxation authorities under section 122 of the Ordinance.

(b) The taxation officer, following the treatment given in the original assessments charged tax on interest income and liquidated damages and raised tax demand of Rs. 60 million for Assessment Years 1996-97 to 2002-03. On appeal, the Commissioner (Appeals) confirmed taxation of interest income and liquidated damages, however directed the taxation officer to compute business income/ (loss) and proceed further. The Income Tax Appellate Tribunal [ITAT] has also confirmed the treatment followed by the lower authorities; however the ITAT has directed the taxation officer to set-off business loss against taxable income from all sources for the Assessment Years 1996-97 to 2002-03 in terms of the provisions of section 34 and 35 of the repealed Ordinance.

(c) The department has filed reference application before the Honorable High Court on the issue of set off of losses against taxable income for the Assessment Years 1998-99 to 2000-01.

(d) Tax assessments for Tax Years 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) as set off of losses from business income were not considered while amending the orders. Tax department is in appeal with ITAT against this order which is pending disposal to date.

(e) In addition to the above, on reassessment proceedings the taxation officer raised a demand of Rs. 69 million inclusive of additional tax of Rs. 47 million for the Assessment Year 1996-97 by treating the Company as assessee in default for not deducting tax on payments made mainly to project contractors. The issue is pending in appeal with Commissioner (Appeals) on appeal filed by the Company.





12 PROPERTY, PLANT AND EQUIPMENT

	Rupees '000													
	Freehold land	Office building on freehold land	Plant building on freehold land	Plant machinery and equipment	Rail siding equipment	Leasehold improvements	Electric equipments and Office equipment	Computers Laboratory equipment	Furniture and fittings	Vehicles owned	Vehicles Leased	Capital work in progress - Owned (civil works)	Capital work in progress - Leased (Plant & machinery)	Total
Cost														
Balance as at 01 July 2007	32,504	20,684	1,426,856	6,461,878	38,332	7,255	16,141	9,607	8,537	8,992	27,027	13,796	90,045	8,817,999
Additions during the year	-	-	3,747	4,149	-	-	-	80	568	11	632	9,000	84	19,160
Exchange loss	-	-	72,912	326,389	-	-	-	-	-	-	-	-	-	399,301
Disposals	-	-	-	-	-	-	-	-	-	(1,744)	-	-	-	(1,744)
Adjustments	-	-	-	-	-	-	-	-	-	-	-	(1,134)	-	(1,134)
Transfers	-	-	49,953	714,547	-	-	-	-	-	-	-	(88,995)	(675,505)	-
Balance as at 30 June 2008	32,504	20,684	1,553,468	7,506,963	38,332	7,255	16,141	9,687	9,105	9,003	25,915	22,796	-	9,251,853
Balance as at 01 July 2008	32,504	20,684	1,553,468	7,506,963	38,332	7,255	16,141	9,687	9,105	9,003	25,915	22,796	-	9,251,853
Additions during the year	-	-	-	-	-	-	430	148	-	-	-	3,507	-	4,085
Exchange loss	-	-	110,687	495,486	-	-	-	-	-	-	-	-	-	606,173
Disposals	-	-	-	-	-	-	-	(15)	-	(2)	(18,888)	(4,633)	-	(23,538)
Balance as at 30 June 2009	32,504	20,684	1,664,155	8,002,449	38,332	7,255	16,571	9,820	9,105	9,001	7,027	21,670	-	9,838,573
Depreciation														
Balance as at 01 July 2007	-	9,072	336,118	1,500,137	10,172	7,254	14,900	8,177	6,037	7,651	25,054	5,930	-	1,930,502
Depreciation for the year	-	1,945	45,416	222,562	1,276	1	466	544	704	428	1,510	8,609	-	283,461
Disposals	-	-	-	-	-	-	-	-	-	-	(1,744)	-	-	(1,744)
Balance as at 30 June 2008	-	11,017	381,534	1,722,699	11,448	7,255	15,366	8,721	6,741	8,079	24,820	14,539	-	2,212,219
Balance as at 01 July 2008	-	11,017	381,534	1,722,699	11,448	7,255	15,366	8,721	6,741	8,079	24,820	14,539	-	2,212,219
Depreciation for the year	-	1,940	52,530	257,999	1,276	-	513	457	704	414	377	4,590	-	320,800
Disposals	-	-	-	-	-	-	-	(15)	-	(2)	(18,396)	(3,715)	-	(22,128)
Balance as at 30 June 2009	-	12,957	434,064	1,980,698	12,724	7,255	15,879	9,163	7,445	8,491	6,801	15,414	-	2,510,891
Carrying amounts - 2008	32,504	9,667	1,171,934	5,784,264	26,884	-	775	966	2,364	924	1,095	8,257	-	7,039,634
Carrying amounts - 2009	32,504	7,727	1,230,091	6,021,751	25,608	-	692	657	1,660	510	226	6,256	-	7,327,682
Rates of depreciation	10%	3.33%-4.74%	3.33%-4.74%	3.33%-4.74%	3.33%	10%	20%	20%	20%	10%	20%	20%	20%	20%

- 12.1 Exchange loss included in the carrying amount of assets at the year end amounts to Rs. 1,617 million (2008: Rs. 1,079 million).
- 12.2 Borrowing cost capitalized during the year in capital work in progress amounted to Rs. nil (2008: Rs. 15.6 million).
- 12.3 Depreciation charge for the year has been allocated as follows:

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Cost of sales	20	311,846	269,254
Administration and general expenses	21	8,955	14,207
		<u>320,801</u>	<u>283,461</u>

12.4 Detail of fixed assets disposed off during the year

Assets description	2009				Sold To	Mode of Sale
	Cost Rs. (000)	Book value Rs. (000)	Sale Proceeds Rs. (000)	Gain or (loss) Rs. (000)		
<i>Vehicles:</i>						
Honda Civic-Exi	954	-	50	50	Salman Rahim	Company policy
Honda City	784	-	50	50	Samina Qazi	Company policy
Honda Civic-Exi	941	-	50	50	Shamsul Aziz	Company policy
Honda Civic-Exi	941	-	50	50	Amjad Awan	Company policy
Suzuki Baleno	774	92	50	(42)	Aftab Ahmad	Company policy
Honda Civic-Exi	961	-	550	550	Aqeel Ahmad	Company policy
Honda Civic-VTi	1,196	179	50	(129)	Kareem	By negotiation
Mercedes Van	1,760	-	690	690	Mehboob Khan	By negotiation
Mercedes Van	1,760	-	690	690	Mehboob Khan	By negotiation
Mercedes Van	1,760	-	690	690	Mehboob Khan	By negotiation
Mercedes Van	1,760	-	690	690	Mehboob Khan	By negotiation
Toyota Corolla 2.0D	1,019	204	50	(154)	Abdul Sattar	Company policy
Suzuki Baleno	739	-	200	200	Ejaz Warraich	Company policy
Hyundai Shehzore	596	-	250	250	Tariq Mahmood	By negotiation
Honda Civic-VTi	1,244	-	50	50	Kishwar Tariq	By negotiation
Suzuki Cultus	632	400	630	230	S. Kalbey Haider	By negotiation
Toyota Corolla XLI	849	-	825	825	M. Ahmad Khalid	By negotiation
Mercedes Van	1,760	-	750	750	S. M. Rizwan	By negotiation
Honda City	885	192	775	583	M. Muzaffar Islam	Company policy
Honda City	885	192	750	558	Moeen Ayaz	Company policy
Honda Civic	675	-	-	-	Tauseef Mir	Company policy
Hyundai Shehzore	649	151	450	299	Samiullah Khan	Company policy
<i>Furniture & Fixture:</i>						
Revolving chair	2	-	1	1	Arif Shaheen	Company policy
<i>Computer & Accessories:</i>						
Printer	15	-	1	1	Arif Shaheen	Company policy
	<u>23,538</u>	<u>1,410</u>	<u>8,342</u>	<u>6,931</u>		

Assets description	2008				Sold To	Mode of Sale
	Cost Rs. (000)	Book value Rs. (000)	Sale Proceeds Rs. (000)	Gain or (loss) Rs. (000)		
<i>Vehicles:</i>						
Honda Civic	884	-	375	375	Mr. Rizwan	Company policy
Suzuki Alto	430	-	100	100	Mr. Sohail	Company policy
Suzuki Alto	430	-	150	150	EFU Insurance	Insurance Claim
	<u>1,744</u>	<u>-</u>	<u>625</u>	<u>625</u>		



		2009 (Rupees '000)	2008 (Rupees '000)
13	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	129,474	131,276
	Spare parts and loose tools	38,604	38,604
		<u>168,078</u>	<u>169,880</u>
14	STOCK IN TRADE		
	Heavy furnace oil	69,888	18,291
	High speed diesel	2,561	2,284
	Lubricants	6,830	14,172
		<u>79,279</u>	<u>34,747</u>
15	TRADE DEBTS - CONSIDERED GOOD		
	This includes receivable from WAPDA amounting to Rs. 1,606 million against CPP for the period from June 2008 to June 2009 and interest thereon. These are secured by way of guarantee issued by the Government of Pakistan in favour of the Company. During the year, the Company has received Rs. 201.686 million against the CPP while an amount of Rs. 174.737 million was adjusted by WAPDA against fuel advance.		
16	ADVANCES - CONSIDERED GOOD		
		2009 (Rupees '000)	2008 (Rupees '000)
	Advances to employees against expenses	142	163
	Advances to staff	8,804	10,573
	Advance to supplier for the purchase of fuel	1,624	74,663
	Advances to other suppliers	17,800	13,934
	Less: Provision for doubtful receivables	(3,011)	(3,011)
		<u>14,789</u>	<u>10,923</u>
		<u>25,359</u>	<u>96,322</u>
16.1	Included in advances to staff are amounts due from executives aggregating to Rs. 6.62 million (2008: Rs. 6.98 million).		
17	TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCE WITH STATUTORY AUTHORITY		
		2009 (Rupees '000)	2008 (Rupees '000)
	Margin against bank guarantees and security deposits	2,937	3,026
	Prepayments	14,373	8,261
	General sales tax refundable	171,703	157,337
	Less: Provision for doubtful receivable	(171,703)	-
		-	157,337
	Insurance claim receivable	-	155
		<u>17,310</u>	<u>168,779</u>
18	CASH AND BANK BALANCES		
	Cash at banks:		
	- Current accounts:		
	Foreign currency	261	23,688
	Local currency	3,600	14,565
		<u>3,861</u>	<u>38,253</u>
	- Saving account:		
	Local currency	369	1,843
		<u>4,230</u>	<u>40,096</u>
	Cash in hand	269	1,063
		<u>4,499</u>	<u>41,159</u>



18.1 This includes compensation accounts aggregating USD 1,264 equivalent Rs. 102,510 (2008: USD 6,296 equivalent Rs. 429,259) and insurance proceeds account USD 1,645 equivalent Rs. 0.133 million (2008: USD 340,789 equivalent Rs. 23.235 million) with United National Bank London which are escrow accounts.

18.2 These carry mark-up ranging from 4% to 4.5% p.a. (2008: 3.5% to 4% p.a.)

19	TURNOVER	Note	2009 (Rupees '000)	2008 (Rupees '000)
	Capacity billing		1,446,533	1,216,446
	Gross Energy billing		539,057	2,772,811
	Less: sales tax		(74,353)	(361,671)
			<u>464,704</u>	<u>2,411,140</u>
			<u>1,911,237</u>	<u>3,627,586</u>
20	COST OF SALES			
	Raw materials consumed	20.1	484,967	2,477,787
	Salaries, wages and other benefits	20.2	27,752	58,203
	Insurance		42,528	37,135
	Electricity charges		18,282	6,099
	Stores and spare parts consumed		8,254	120,918
	WAPDA Liquidated Damages (LDs)		-	344,590
	Depreciation	12.3	311,846	269,254
	Vehicle running expenses		3,204	2,942
	Communication charges		1,501	1,835
	Repairs and maintenance		1,010	15,394
	Entertainment		1,454	3,691
	Fuel decanting charges		23	1,815
	Operations and maintenance		350	6,558
	Traveling and conveyance		100	426
	Printing and stationery		96	448
	Others		2,339	3,284
			<u>903,706</u>	<u>3,350,379</u>

20.1	Raw materials consumed	(Rupees '000)			2009	2008
		HFO	HSD	Lubricants	Total	Total
	Opening balance	18,291	2,284	14,172	34,747	75,364
	Add: Purchases	519,977	9,522	-	529,499	2,437,170
	Available for consumption	538,268	11,806	14,172	564,246	2,512,534
	Less: Closing balance	69,888	2,561	6,830	79,279	34,747
	Consumption during the year 2009	468,380	9,245	7,342	484,967	-
	Consumption during the year 2008	2,398,596	26,715	52,476	-	2,477,787

20.2 These include Rs. 2.415 million (2008: Rs. 4.147 million) charged in respect of staff retirement benefits.

20.3 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.



21	ADMINISTRATION AND GENERAL EXPENSES	Note	2009 (Rupees '000)	2008 (Rupees '000)
	Salaries, wages and benefits	21.1	35,582	28,601
	Depreciation	12.3	8,955	14,207
	Traveling and conveyance		3,047	8,852
	Rent, rates and taxes		3,744	9,154
	Vehicle running expenses		3,266	4,933
	Guest house expenses		4,588	11,986
	Insurance		1,356	1,914
	Legal consultancy fee and related expenses		1,708	4,768
	Provision for doubtful receivables	16	-	3,011
	Provision for doubtful sales tax receivables	17	171,703	-
	Communication costs		1,483	2,302
	Auditors' remuneration	21.2	1,640	1,749
	Utilities		609	1,097
	Printing and stationery		608	712
	Repairs and maintenance		971	588
	Entertainment		651	2,429
	Others		860	6,560
			<u>240,771</u>	<u>102,863</u>
21.1	These include Rs. 5.656 million (2008: Rs. 3.836 million) charged in respect of staff retirement benefits.			
21.2	Auditors' remuneration	Note	2009 (Rupees '000)	2008 (Rupees '000)
	Annual audit		800	800
	Half yearly review		300	300
	Tax services		495	510
	Other certifications		-	50
	Out of pocket expenses		45	89
			<u>1,640</u>	<u>1,749</u>
22	OTHER OPERATING INCOME			
	From financial assets			
	Interest income		137,903	8,311
	From assets other than financial assets			
	Gain on sale of property, plant and equipment	12.4	6,931	625
	Reversal of operations and maintenance fee		-	94,798
	Income on sale and leaseback transaction		67	67
	Gain on sale of scrap		2,020	1,861
	Old liabilities written back		-	7,861
	Others		38	3,446
			<u>9,056</u>	<u>108,658</u>
			<u>146,959</u>	<u>116,969</u>
23	FINANCE COST			
	Markup on long term financing - secured		429,731	306,047
	Markup on short term borrowings - secured		158,719	120,611
	Markup on advance from customer		28,204	63,580
	Exchange loss		70,493	16,177
	Commitment charges, management and agency fee		6,754	5,566
	Fee and expenses of trustee		-	766
	Markup on finance lease		72,080	53,497
	Guarantee commissions		830	20,431
	Letter of credit charges		28	1,975
	Bank charges		118	425
			<u>766,957</u>	<u>589,075</u>



24 NUMBER OF EMPLOYEES

Number of permanent employees as at 30 June 2009 was 109 (2008: 158). Out of these employees, majority were on leave without pay due to the plant being inoperational and the number of employees on duty was 43 (2008: 158).

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Number of persons	2009		2008	
	Chief Executive 1	Executives 7	Chief Executive 1	Executives 11
	Rupees '000		Rupees '000	
Managerial remuneration and allowances	7,544	12,979	2,201	19,244
Staff retirement benefits	780	1,123	180	1,560
Others	275	877	139	1,230
	<u>8,599</u>	<u>14,979</u>	<u>2,520</u>	<u>22,034</u>

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

Directors of the Company were not paid any remuneration during the year.

26 RELATED PARTY TRANSACTIONS

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees. Transactions with related parties, other than remuneration and benefits to directors and key management personnel as per the terms of their employment which are disclosed in note 25, are as follows:

	2009 (Rupees '000)	2008 (Rupees '000)
Associated undertakings - By virtue of common directorship		
Services purchased	-	4,932
Expenses incurred on behalf of an associated undertaking	-	839
Reversal of operations and maintenance fee	-	94,798
Balance payable at the year end	-	408
Remuneration of key management personnel	20,354	20,860

27 FINANCIAL RISK MANAGEMENT

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

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

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

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

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



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

(a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The primary activity of the Company is power generation and sale of total output to WAPDA as mentioned in note 11.2(b). The Company is exposed to credit risk from its operations.

Exposure to credit risk

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

	2009 (Rupees '000)	2008 (Rupees '000)
Trade debts and other receivables	1,629,043	575,874
Bank balances	4,230	40,096
	<u>1,633,273</u>	<u>615,970</u>

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

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

	2009 (Rupees '000)	2008 (Rupees '000)
Domestic	1,633,012	592,282
United Kingdom	261	23,688
	<u>1,633,273</u>	<u>615,970</u>

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

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

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross Rs. (000)	Impairment Rs. (000)	Gross Rs. (000)	Impairment Rs. (000)
Not past due	266,019	-	103,098	-
Past due 0-30 days	139,625	-	-	-
Past due 31-120 days	390,052	-	301,685	-
120 days - 1 year	821,606	-	-	-
	<u>1,617,302</u>	<u>-</u>	<u>404,783</u>	<u>-</u>

(b) **Liquidity risk**

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

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



	2009 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	4,109,167	4,890,627	1,724,686	914,293	2,251,648
Finance lease liabilities	430,296	611,367	157,053	152,610	301,704
Short term borrowing	939,727	1,005,206	1,005,206	-	-
Accrued markup	1,008,554	1,008,554	1,008,554	-	-
Trade and other payables	711,093	711,093	711,093	-	-
	7,198,837	8,226,847	4,606,592	1,066,903	2,553,352
	2008 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	3,208,212	4,153,612	988,418	668,781	2,496,413
Finance lease liabilities	464,201	716,856	146,737	152,270	417,849
Short term borrowing	1,249,446	1,335,743	1,335,743	-	-
Accrued markup	392,596	392,596	392,596	-	-
Trade and other payables	743,325	743,792	743,792	-	-
	6,057,780	7,342,599	3,607,286	821,051	2,914,262

(c) **Market risk**

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

(i) **Interest rate risk management**

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

	Carrying amounts	
	2009 Rs. (000)	2008 Rs. (000)
- Fixed rate instruments		
Financial assets	-	-
- Variable rate instruments		
Financial assets	1,617,671	406,626
Financial liabilities	5,479,190	4,974,358
	7,096,861	5,380,984

(ii) **Fair value sensitivity analysis for fixed rate instruments**

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

(iii) **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates would have increased or decreased unappropriated profit by Rs. 60,581 million (2008: Rs. 57,748 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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



(iv) **Currency risk management**

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

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

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

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

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

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

(vii) **Exposure to foreign currency risk**

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

	2009		
	USD	GBP	Euro
Trade receivables and bank balances	17	13	13
Secured bank loans	(46,917)	-	-
Financial charges payable	(9,964)	-	-
Trade payables	-	-	(121)
Gross balance sheet exposure	(56,864)	13	(108)
	2008		
	USD	GBP	Euro
Trade receivables and bank balances	357	-	6
Secured bank loans	(46,917)	-	-
Financial charges payable	(5,018)	-	-
Trade payables	(2)	-	(236)
Gross balance sheet exposure	(51,580)	-	(230)

(viii) Following significant exchange rates were used:

	Balance sheet date rate		Average rate	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
US Dollars - USD	81.30	68.38	79.69	65.51
GB Pounds - GBP	135.38	136.29	126.30	128.12
Euros	114.82	107.96	111.20	96.30

(ix) **Sensitivity analysis**

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

	Profit and loss account	
	2009 (Rupees '000)	2008 (Rupees '000)
US Dollars	(137)	(2,427)
GB Pounds	(169)	-
Euro	1,239	2,487



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

(d) Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(e) Capital risk management

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

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

28 CASH AND CASH EQUIVALENTS

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

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Cash in hand and balances with banks	18	4,499	41,159
Short term borrowings	10	(939,727)	(1,249,447)
		<u>(935,228)</u>	<u>(1,208,288)</u>

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

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

SECP vide its circular No. 21 of 22 June 2009 exempted the application of IFRIC 4 for power sector companies where Letter of Intent is issued by Government of Pakistan (GoP) on or before 30 June 2010. However, SECP has made it mandatory to disclose the impact on the results of the application of IFRIC 4. Had this interpretation been applied the effects on the results of the Company would have been as follows:

	2009 (Rupees '000)
Increase in unappropriated profit at beginning of the year	1,847,903
Decrease in profit for the year	(24,302)
Increase in unappropriated profit at end of the year	<u>1,823,601</u>

30 CAPACITY AND PRODUCTION

	2009	2008
Original installed capacity - MW	135.9	135.9
Annual Dependable Capacity - MW	119.458	119.458
Actual energy delivered - MWh	48,202	368,660



Actual output produced by the plant is determined on the load demand by WAPDA. During the year, the plant could not deliver the load as demanded by WAPDA as the plant remained completely shut down during most of the period due to discontinuation of payments by WAPDA to PSO for supply of furnace oil to the Company. The plant resumed operations on 23 October 2008 when WAPDA released payment to PSO for supply of fuel to the Company, however, it had to be shut down again on 18 November 2008 due to cessation of payments by WAPDA.

31 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED

	2009	2008
Profit/(loss) for the year - Rupees '000	<u>146,762</u>	<u>(297,762)</u>
Weighted average number of shares outstanding during the year - Numbers	<u>136,675,752</u>	<u>136,675,752</u>
Earning/(loss) per share - basic and diluted - Rupees	<u>1.07</u>	<u>(2.18)</u>

32 GENERAL

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

33 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on 02 October 2009.

Islamabad
October 2, 2009

Chief Executive

Director



PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

No. of Shareholders	Shareholding		Total Number of Shares Held	Percentage %
	From	To		
287	1	100	19,476	0.01
513	101	500	187,699	0.14
746	501	1,000	588,791	0.43
1227	1,001	5,000	3,554,723	2.60
484	5,001	10,000	3,760,211	2.75
231	10,001	15,000	2,904,284	2.12
103	15,001	20,000	1,873,954	1.37
105	20,001	25,000	2,416,308	1.77
46	25,001	30,000	1,287,430	0.94
43	30,001	35,000	1,405,729	1.03
35	35,001	40,000	1,352,496	0.99
28	40,001	45,000	1,204,798	0.88
37	45,001	50,000	1,822,567	1.33
12	50,001	55,000	634,550	0.46
16	55,001	60,000	938,332	0.69
8	60,001	65,000	508,632	0.37
12	65,001	70,000	813,248	0.60
9	70,001	75,000	648,164	0.47
10	75,001	80,000	778,902	0.57
6	80,001	85,000	498,548	0.36
9	85,001	90,000	799,098	0.58
4	90,001	95,000	372,600	0.27
17	95,001	100,000	1,692,010	1.24
4	100,001	105,000	407,300	0.30
11	105,001	110,000	1,193,056	0.87
3	110,001	115,000	343,500	0.25
7	115,001	120,000	821,520	0.60
2	120,001	125,000	245,366	0.18
2	125,001	130,000	255,000	0.19
1	130,001	135,000	130,500	0.10
3	140,001	145,000	426,432	0.31
9	145,001	150,000	1,335,350	0.98
3	150,001	155,000	461,865	0.34
3	155,001	160,000	475,750	0.35
1	160,001	165,000	160,350	0.12
3	165,001	170,000	501,632	0.37
1	170,001	175,000	175,000	0.13
4	175,001	180,000	709,865	0.52
1	180,001	185,000	182,000	0.13
1	185,001	190,000	187,500	0.14
3	190,001	195,000	578,250	0.42
5	195,001	200,000	997,700	0.73
3	205,001	210,000	619,932	0.45
1	210,001	215,000	211,300	0.15
1	215,001	220,000	217,550	0.16
1	220,001	225,000	225,000	0.16
2	225,001	230,000	457,000	0.33
1	235,001	240,000	236,500	0.17
1	245,001	250,000	250,000	0.18
1	280,001	285,000	284,000	0.21
2	285,001	290,000	577,732	0.42
2	295,001	300,000	600,000	0.44
1	305,001	310,000	306,500	0.22
1	320,001	325,000	324,200	0.24
1	335,001	340,000	336,232	0.25
1	365,001	370,000	368,700	0.27
1	385,001	390,000	386,166	0.28
1	395,001	400,000	400,000	0.29
1	425,001	430,000	427,500	0.31
2	500,001	505,000	1,005,964	0.74
3	545,001	550,000	1,646,500	1.20
1	595,001	600,000	600,000	0.44
1	640,001	645,000	644,000	0.47
2	790,001	795,000	1,589,000	1.16
1	800,001	805,000	801,900	0.59
1	820,001	825,000	824,682	0.60
1	885,001	890,000	887,500	0.65
1	890,001	895,000	891,101	0.65
1	1,145,001	1,150,000	1,147,150	0.84
1	1,765,001	1,770,000	1,767,500	1.29
1	1,900,001	1,905,000	1,905,000	1.39
1	4,360,001	4,365,000	4,365,000	3.19
1	4,600,001	4,605,000	4,603,000	3.37
1	4,835,001	4,840,000	4,837,052	3.54
1	5,055,001	5,060,000	5,058,749	3.70
1	6,265,001	6,270,000	6,270,000	4.59
1	9,380,001	9,385,000	9,383,500	6.87
1	2,390,001	2,395,000	2,391,010	1.75
1	40,175,001	40,180,000	40,178,346	29.40
4,101			136,675,752	100.00



CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2009

Particulars	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Amjad Awan (CEO)	1	<u>25,000</u>	0.02
Associated Companies, undertakings and Related Parties			
BCHIL- Southern Company Limited (Sponsor)		40,178,346	
Southern Electric Limited (Sponsor)		<u>7,228,062</u>	
	2	<u>47,406,408</u>	34.69
National Investment Trust and Investment Corporation Of Pakistan			
		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Bank Alfalah Limited		9,427,600	
Habib Bank AG Zurich, Deira Dubai		794,000	
Escorts Investment Bank Limited		180,800	
M/S Crescent Investment Bank Limited		48,272	
Industrial Development Bank Of Pakistan		11,171	
Saudi Pak Industrial And Agricultural Investment Co. Limited		4,000	
Deutsche Bank AG		275	
	7	<u>10,466,118</u>	7.66
Insurance Companies			
The Crescent Star Insurance Co. Limited		795,000	
State Life Insurance Corp. of Pakistan		504,231	
Century Insurance Company Limited		22,000	
New Jubilee Life Insurance Co. Limited		22,000	
Pakistan Reinsurance Company Limited		13,963	
M/S Habib Insurance Company Limited		550	
	6	<u>1,357,744</u>	0.99
Modarabas And Mutual Funds			
First Prudential Modaraba		300,000	
First Alnoor Modaraba		74,866	
First Pak Modaraba		40,000	
Prudential Stocks Fund Limited		14,366	
	4	<u>429,232</u>	0.31
Leasing Companies			
Al-Zamin Leasing Corporation Limited		1,147,150	
	1	<u>1,147,150</u>	0.84
Shareholder(s) Holding Ten Percent or More Voting Interest			
BCHIL- Southern Company Limited (see above as sponsor)		-	
General Public			
A- Local	3,993	58,279,412	
B- Foreign	2	<u>1,769,500</u>	
		<u>60,048,912</u>	43.94



Particulars	No. of Shareholders	Shares Held	Percentage %
Others (to be specified)		-	
Joint Stock Companies			
Dawood Hercules Chemicals Limited		6,270,000	
Dawood Lawrencepur Limited		801,900	
M.R.A. Securities (Pvt.) Limited		550,000	
Zafar Securities (Pvt.) Limited		501,733	
Hum Securities Limited		386,166	
Highlink Capital (Pvt.) Limited		193,750	
Dada Enterprises (Pvt.) Limited		150,000	
Baba Equities (Pvt.) Limited (Isb)		145,500	
Dr. Arslan Razaque Securities (Smc-Pvt.) Limited		145,350	
Capital Vision Securities (Pvt.) Limited		271,250	
Value Stock Securities (Pvt.) Limited		115,000	
M/S First Capital Securities Corporation Limited		106,390	
M.R. Securities (Smc-Pvt.) Limited		99,980	
Ismail Abdul Shakoor Securities (Private) Limited		64,850	
Y.S. Securities & Services (Pvt.) Limited		48,079	
Moosani Securities (Pvt.) Limited		47,000	
Darson Securities (Private) Limited		82,232	
Amer Securities (Pvt.) Limited		36,000	
Millwala Sons (Private) Limited		27,500	
AFIC Securities (Private) Limited		26,500	
Baba Equities (Pvt.) Limited		25,300	
128 Securities (Pvt.) Limited		22,000	
MAHA Securities (Pvt.) Limited		20,000	
Y.S. Securities & Services (Private) Limited		19,500	
Sat Securities (Pvt.) Limited		18,500	
Slick Associates (Pvt.) Limited		15,000	
Bulk Management Pakistan (Pvt.) Limited		12,500	
Multiple Investment Management Limited		20,000	
Ismail Iqbal Securities (Pvt.) Limited		10,000	
AWJ Securities (Smc-Private) Limited		9,950	
S.H. Bukhari Securities (Pvt.) Limited		9,900	
Time Securities (Pvt.) Limited		9,900	
Associated Consultancy Centre (Pvt.) Limited		9,350	
Kai Securities (Pvt.) Limited		8,150	
NH Securities (Pvt.) Limited		5,500	
Al-Haq Securities (Pvt.) Limited		5,500	
Dosslani's Securities (Pvt.) Limited		5,000	
Sardar Mohammad Ashraf D Baluch (Pvt.) Limited		4,500	
Fair Deal Securities (Pvt.) Limited		4,000	
United Capital Securities (Pvt.) Limited		4,000	
Stock Master Securities (Private) Limited		3,500	
Value Stock Securities Private Limited		3,498	
S.Z. Securities (Private) Limited		3,332	
Bandenawaz (Pvt.) Limited		3,000	
AMCAP Securities (Pvt.) Limited		3,000	
General Invest. & Securities (Pvt.) Limited		2,866	



Particulars	No. of Shareholders	Share Held	Percentage %
Dadas Knitting (Pvt.) Limited		2,500	
Wasi Securities (Smc-Pvt.) Limited		2,500	
Durvesh Securities (Pvt.) Limited		2,297	
Y. S. Stocks (Pvt.) Limited		2,000	
Progresive Securities (Pvt.) Limited		2,000	
H.S.Z. Securities (Private) Limited		3,000	
Invest Capital Investment Bank Limited		1,100	
Fairtrade Capital Securities (Pvt.) Limited		1,050	
Pace Investment & Sec (Pvt.) Limited		1,000	
Cliktrade Limited		1,000	
MAM Securities (Pvt.) Limited		1,000	
Msmaniar Financials (Pvt.) Limited		734	
Vohrah Engineering (Pvt.) Limited		732	
We Financial Services Limited		550	
AMZ Securities (Pvt.) Limited		550	
Al-Mal Securities & Services Limited		550	
Excel Securities (Private) Limited		500	
Elite Stock Service (Pvt.) Limited		500	
Prudential Securities Limited		482	
Oriental Securities (Pvt.) Limited		350	
Rafeh (Pvt.) Limited		300	
Millennium Securities & Invest.(Pvt.) Limited		300	
Muhammad Ahmed Nadeem Securities (Smc-Pvt.) Limited		300	
Adeel & Nadeem Securities (Pvt.) Limited		250	
Stock Vision (Pvt.) Limited		200	
Freedom Enterprises (Pvt.) Limited		182	
Islamabad Stock Exchange (G) Limited		100	
Tajico Southern (Pvt.) Limited		66	
Southern Electric Limited (see above as sponsor)		-	
Foreign Companies	74	10,353,019	7.57
SEP Holdings Corporation		5,058,749	
RO Limited		169,400	
Brown Brothers Harriman & Co		116,750	
ASEA Brown Boveri Kraftwerke A .G.		29,904	
Citibank N.A. Hong Kong		5,500	
Somers Nominees (Far East) Limited		5,050	
Bankers Trust Co.		3,850	
HSBC International Trustee Limited		2,200	
The Northern Trust Company		1,100	
BCHIL- Southern Company Limited (As Above)		-	
	9	5,392,503	3.95
Cooperative Societies, Charitable Trusts			
The Okhai Memon Anjuman	1	14,666	0.01
Provident Fund Schemes			
Trustee Avari Hotel Lahore Staff Provident Fund	1	35,000	0.03
Total Number of Shareholders and Paid up Capital	4,101	136,675,752	100.00

3,645 shareholders hold 93,045,904 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 15th Annual General Meeting of the Company to be held on October 29, 2009 at 11:00 am and or any adjournment thereof.

Signed by
in the presence of following witnesses

Signed this day of 2009

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, No. 38, First Street, F-6/3, 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.

