

Southern Electric Power Company Limited

Annual Report 2000

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COMPANY INFORMATION

Board of Directors	Mrs. Sughra Mahmood Mr. Klaus Triendl Ms. Hermance Bernier Mr. Sultan Kurji Mr. Anthony Rustin Mr. Stephane Mailhot Syed Akbar Kazim Mr. Mumtaz H. Syed Mr. Jamshed A. Khaliqdina
Chief Executive	M. Ali Mahmood
Company Secretary	Syed Akbar Kazim
Auditors	Taseer Hadi Khalid & Co Chartered Accountants
Bankers of the Company	ABN Amro Bank N.V. Allied Bank of Pakistan A1-Faysal Investment Bank ANZ Bank Askari Commercial Bank Limited Crescent Investment Bank Limited Habib Bank AG Zurich Habib Bank Limited National Development Finance Corporation Prime Commercial Bank Limited Prudential Commercial Bank Limited Sanwa Bank Limited Standard Chartered Bank
Registered Office	90 West, Jinnah Avenue, Razia Sharif Plaza, 6th Floor, Blue Area, Islamabad-44000, Pakistan. Tel: (92 51) 227 8118, 227 9230-1 Fax: (92 51) 282 5465
Share Department	90 West, Jinnah Avenue, Razia Sharif Plaza, 6th Floor, Blue Area, Islamabad-44000, Pakistan. Tel: (92 51) 227 8118, 227 9230-1 Fax: (92 51) 282 5465
Plant	Raiwind near Lahore.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 6th Annual General Meeting of shareholders of Southern Electric Power Company Limited (SEPCOL) is scheduled to be held on December 30, 2000 at 11:00 a.m. at its Registered Office, 90 West, Jinnah Avenue, Razia Sharif Plaza, 6th Floor, Blue Area, Islamabad - 44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2000 together with the report of Auditors and the report of Directors thereon.

3. To appoint Auditors of the Company and to fix their remuneration.

4. To pass the following Special Resolutions:

A) RESOLVED that approval be and is hereby accorded to increase the Authorized Share Capital of the Company upto Rs. 1,500,000,000 (Rupees one and a half billion) being 150,000,000 (One hundred and fifty million) Ordinary Shares of Rs. 10 each.

B) That approval be and is hereby accorded to add an object clause numbered as 42 (a) after number 42 of clause III of the Memorandum of Association of the Company to read as follows:

42 (a). To promote, aid, assist, help, endow or establish by pecuniary or other means any body, association, corporation or other entity established or to be established for charitable, educational, social uplift, religious, civil or humanist purposes.

C) RESOLVED that the Board of Directors be and is hereby authorized to amend clause III and V of the Memorandum of Association of the Company in accordance with the Sections 21(1) and 92 of the Companies Ordinance, 1984 and Clause 3 of the Articles of Association of the Company in accordance with the section 28 of the Companies Ordinance, 1984 as the Authorized Share Capital of the Company is Rs. 1,500,000,000 (Rupees one and a half billion) being 150,000,000 (One hundred and fifty million) Ordinary Shares of Rs. 10 each.

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

BY ORDER OF THE BOARD

Islamabad
December 09, 2000

Syed Akbar Kazim
Company Secretary

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

The Special Resolutions are required to:

- i) Enable further issue of capital in the Company
- ii) Enable the Company to further its objectives by promoting and contributing to charitable and social uplift activities.

NOTES:

1. The Share Transfer Books of the Company will remain closed from December 18, 2000 to December 30, 2000 (both days inclusive).
2. A member eligible to attend, speak and vote at this meeting may appoint another member his/her Proxy to attend, speak and vote instead of him/her. Proxies in order to be effective must reach the Company's Office at 90-West, Jinnah Avenue, 6th Floor, Razia Sharif Plaza, Blue Area, Islamabad-44000, Pakistan, not later than 48 hours before the time of the meeting and must be in the prescribed form given herein.
3. Members are requested to immediately notify any change in address.

DIRECTORS' REPORT

Your directors are pleased to present before you the sixth annual report of the Company, the annual audited accounts, and the annexed notes for the year ended June 30, 2000.

The Company has incurred the following expenditures as of:

	<i>June 30,1999</i>	<i>June 30, 2000</i>
	<i>Rupees '000</i>	<i>Rupees '000</i>
Capital Work in Progress	6,661,126	--
Operating Fixed Assets	63,724	6,832,193

The Capital Work in Progress amounting to Rs. 6,661 million was transferred to the Operating Fixed Assets on July 12, 1999, when the Company started its Commercial Operation. The plant is now fully operational and delivering energy to WAPDA. The Company has made a profit of Rs.281.384 million for the year, which is equal to Rs.3.02 earnings per share (EPS).

THE YEAR IN REVIEW:

The Company started dispatch of energy to WAPDA on July 12, 1999 pursuant to a

Memorandum of Understanding signed on that day. Among other things, the MoU formally recognized commencement of Commercial Operations of the Company in consideration for the Company agreeing to reduce the reference tariff from 5.57 cents/kWh to 5.19 cents/kWh and WAPDA has been paying the Company at this rate during the current year.

However, even after the lapse of over one year, the MoU has not yet been formally ratified via an amendment to the Power Purchase Agreement (PPA) despite the best efforts of the Company and despite the fact that the GOP has also approved the terms of the MoU. The Company, and its Lenders are continuing diligent follow-up with WAPDA in this regard.

FINANCIAL RESTRUCTURING:

The financial restructuring, which was agreed between the Company and the Lenders during August 1999 has not yet been completed. The primary reason for this delay was the absence of a full time NDFC Chairman for several months of the year under review. The Company is continuing to face this situation since there is currently still no full time Chairman at NDFC. Since NDFC represents over US\$ 40.0 million in existing and fresh financing, this absence has caused a substantial delay in finalizing the restructuring of the Company.

APPROPRIATIONS:

Due to the delay in finalizing the financial restructuring, as well as the delay in the execution of the amendment to the PPA, the directors are unable to recommend a dividend for the year ending June 30, 2000.

AUDITORS:

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

PATTERN OF SHAREHOLDING:

A statement showing the pattern of shareholding as of June 30, 2000 is attached.

FOR AND ON BEHALF OF THE BOARD

Islamabad
November 30, 2000

Ali Mahmood
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Southern Electric Power Company Limited as at 30 June 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

(e) Without qualifying our opinion, we draw attention to note 6.1 which details matters relating to debt restructuring.

Islamabad
November 30, 2000

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees '000</i>	<i>1999</i> <i>Rupees '000</i>
SHARE CAPITAL	4	931,880	931,880
UNAPPROPRIATED PROFIT		281,384	--
		-----	-----
		1,213,264	931,880
SPONSORS' SUPPORT	5	253,976	134,787
LONG TERM LOANS - SECURED	6	3,663,756	3,857,515
DEFERRED LIABILITY- for staff gratuity		6,398	4,479
CURRENT LIABILITIES			
Current portion of long term loans and overdue installments	6	1,030,801	792,411
Short term borrowings - secured	7	213,396	238,967
Creditors, accrued and other liabilities	8	861,538	978,876
		-----	-----
		2,105,735	2,010,254
		-----	-----
		7,243,129	6,938,915
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	9	6,613,825	48,764
Capital work in progress	10	--	6,661,126
		-----	-----
		6,613,825	6,709,890
DEFERRED COSTS	11	--	142
CURRENT ASSETS			
Stores, spares and tools	12	111,727	110,764
Stock in trade	13	38,040	31,801
Trade debtor - secured	14	389,113	67,181
Advances, deposits, prepayments and other receivables	15	78,266	12,663
Cash and bank balances	16	12,158	6,474
		-----	-----
		629,304	228,883
		-----	-----
		7,243,129	6,938,915
		=====	=====

The annexed notes form an integral part of these accounts

Islamabad

November 30, 2000

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees '000</i>
Turnover	17	1,435,961
Operating costs	18	607,458
Gross profit		828,503
Administration and general expenses	19	55,345
Operating profit		773,158
Loss on sale of fixed assets	9.3	27
Interest income		20,666
		793,797
Financial charges	20	512,413
Unappropriated profit carried to balance sheet		281,384
Earnings per share	27	3.02

The annexed notes form an integral part of these accounts

Islamabad

November 30, 2000

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees '000</i>	<i>1999</i> <i>Rupees '000</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		281,384	--
Adjustments for non cash charges/(credits) and other items			
Depredation		203,386	--
Amortization of deferred costs		142	--
Interest income		(20,666)	--
Provision for gratuity		1,919	--
Financial charges		512,413	--
		978,578	--
Working capital changes			
(Increase)/decrease in current assets			
Store, spares and tools		(963)	(109,284)
Stock in trade		(6,239)	36,181
Trade debtor		(321,932)	(35,436)
Advances, deposits, prepayments and other receivables		(65,603)	96,049
(Decrease) / increase in current liabilities		(629,751)	416,511
		(1,024,488)	404,021
Net cash (used in) / generated from operations		(45,910)	404,021
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(107,375)	(610)
Proceeds from disposal of fixed assets		54	12
Capital work in progress		--	(1,132,264)
Interest income		20,666	--
Net cash used in investing activities		(86,655)	(1,132,862)

CASH FLOW FROM FINANCING ACTIVITIES

Sponsors' support	119,189	26,911
Long term loans	44,631	696,844
Short term borrowings	(25,571)	11,214
	-----	-----
Net cash generated from financing activities	138,249	734,969
	-----	-----
Net increase in cash and cash equivalents	5,684	6,128
Cash and cash equivalents at the beginning of the year	6,474	346
	-----	-----
Cash and cash equivalents at the end of the year	16	12,158
	=====	=====

Islamabad

November 30, 2000

Chief Executive**Director****NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000****1. STATUS AND OPERATIONS**

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan and the requirement of the Companies Ordinance, 1984. The following accounting policies have been applied consistently in dealing with items which are considered material to the company's accounts.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Taxation

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

2.3 Staff retirement benefits

The company operates an un-funded gratuity scheme for all its employees. Provision is made semi-annually to cover obligations under the scheme. The company also provides for compensated absences on annual basis.

2.4 Fixed assets

Operating fixed assets except land are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Depreciation on operating fixed assets is charged on the straight line method at the rates given in note 9, so as to write off the historical cost of assets over their estimated useful lives. Full years depreciation is charged on additions during the year while no depreciation is charged on assets deleted during the year.

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

2.5 Inventories

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

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

2.6 Foreign Currencies

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

2.7 Borrowing Costs

Borrowing costs attributable to the acquisition and construction of fixed assets are capitalised till the time assets are put to commercial use.

2.8 Revenue Recognition

Revenue on accounts of energy is recognised on dispatch of electricity, whereas on account of capacity is recognised when due. Interest income is recognised on accrual basis.

3. PROFIT AND LOSS ACCOUNT

The company commenced power supply to WAPDA from July 12, 1999. The profit and loss has been prepared for the first time and therefore does not carry corresponding figures.

	<i>2000</i> <i>Rupees '000</i>	<i>1999</i> <i>Rupees '000</i>
4. SHARE CAPITAL		
Authorized		
100,000,000 ordinary shares of Rs. 10 each.	1,000,000	1,000,000
	=====	=====
Issued, subscribed and paid up		
93,188,013 ordinary shares of Rs. 10 each issued for cash	931,880	931,880
	=====	=====

5. SPONSORS' SUPPORT

In accordance with the Sponsors' Support Agreement dated 25 October 1995, the sponsors of the company were required to procure or make capital contributions to the extent of equivalent US\$5.8 million against cost overruns upto the project completion date. These include the following.

	<i>2000</i> <i>Rupees '000</i>	<i>1999</i> <i>Rupees '000</i>
Crescent Investment Bank Limited	26,832	44,000
ABN Amro Bank Limited	24,998	--
Habib Bank AG Zurich	8,800	--
Payable against Project Management Agreement	55,376	43,257
O & M Fee payable	66,852	26,425
Others (non contractual)	71,118	21,105
	-----	-----
	253,976	134,787
	=====	=====

Out of total amount of US\$ 5.8 million, sponsors have contributed US\$ 2.3 million during current year (Upto June 30, 1999: US\$ 2.8 million).

In addition to above, the Sponsors have provided US\$ 542,969 in equivalent Pak Rupees in the form of equity which is included in the paid up capital of the company.

6. LONG TERM LOANS - SECURED

<i>Lender and facility</i>	<i>Note</i>	<i>Sanctioned amount</i> <i>US \$ '000</i>	<i>Disbursed and outstanding amounts</i>			
			<i>2000</i> <i>US \$ '000</i>	<i>1999</i> <i>US \$ '000</i>	<i>2000</i> <i>Rupees '000</i>	<i>1999</i> <i>Rupees '000</i>
National Development Finance Corporation / World Bank / Private Sector Energy Development Fund (PSEDF Debt)	6.2	35,000	35,002	32,993	1,830,583	1,705,715
ANZ Bank, Paris, France (French Buyer's Credit)	6.3	21,948	21,948	21,948	1,147,880	1,134,711
Sanwa Bank Limited, Japan (Commercial Bank Credit)	6.4	35,000	32,813	35,000	1,716,094	1,809,500
		-----	-----	-----	-----	-----
		91,948	89,763	89,941	4,694,557	4,649,926
LESS: INSTALLMENTS DUE OVER THE NEXT TWELVE MONTHS			6,570	6,570	343,601	33,965
LESS: OVERDUE INSTALLMENTS			13,140	8,757	687,200	452,752
			-----	-----	-----	-----

	19,710	15,327	1,030,801	792,411
	-----	-----	-----	-----
	70,053	74,614	3,663,756	3,857,515
	=====	=====	=====	=====

6.1 Restructuring of debt

The company is in the process of completing the legal documentation for financial restructuring arising from the delay in commercial operations. The restructuring will regularise the over dues of the company. The company has also signed a restructuring agreement with Nissho Iwai Corporation (refer note 6.4). The effect of restructuring has however not been recognised in these financial statements pending restructuring done.

6.2 NDFC / PSEDF Debt

Lender:	National Development Finance Corporation, Pakistan.
Repayable in currency:	Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.
Repayment terms:	Repayable in 20 equal semi-annual installments starting on the payment date closest to 15 September, 2004.
Rate of interest:	As per PSEDF guidelines:
i) During construction:	Equal to the greater of the sum of the prevailing five years United States Treasury Bond rate and 2.0 percent, or the sum of the prevailing World Bank lending rate and 1.5 percent;
ii) During operation for the first 10 years and until the termination of the senior loan:	Equal to the greater of the sum of the prevailing one year United States Treasury Bond rate and 3.0 percent or the sum of the prevailing World Bank lending rate and 2.5 per cent; and
iii) For the remaining loan period:	Equal to the greater of the sum of the prevailing one year United States Treasury Bond rate and 4.0 percent or the sum of the prevailing World Bank lending rate and 3.5 per cent.

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

6.3 French Buyer's Credit

Lender:	Australia and New Zealand Banking Group Limited, France.
Rate of interest:	6.6 percent per annum.
Repayment terms:	Repayable in 20 equal semi-annual installments starting 31 months after the Effective Date i.e., September 28, 1998.
Security:	Repayment guarantee from National Bank of Pakistan which is counter guaranteed by a syndicate of underwriter banks. The counter guarantee issued by the syndicate is secured by first registered mortgage charge over the company's assets ranking pari passu with other similar charge holders referred to in the note 6.4 and 7.1

6.4 Commercial Bank Credit

Lender:	Sanwa Bank Limited, Japan.
Rate of interest:	LIBOR plus 2.6 percent
Repayment terms:	Repayable in 16 equal semi-annual installments starting from April 25, 1998.
Security:	First registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in note 6.3 and 7.1

The company has entered into an agreement with Nissho Iwai Corporation (NIC) whereby NIC has provided a facility of Yen 1.5 billion to cover all principal, interest and guarantee payments due to Sanwa Bank Limited, Japan from April 27, 1998 to April 26, 1999 and the principal repayment due on October 25, 1999.

This facility carries interest at LTPR + 4 percent per annum and is repayable in 13 equal semi annual installments commencing October 25, 2000. The facility will be secured via a first registered mortgage charge on company's assets ranking pari passu with other similar charge holders referred to in note 6.3 and 7.1 upto completion of restructuring close.

<i>Sanctioned Limited</i>	<i>Disbursed and outstanding amounts</i>	
<i>Rupees '000</i>	<i>2000</i>	<i>1999</i>
<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>

7. SHORT TERM BORROWINGS - SECURED

These are made up as follows:

Prime Commercial Bank	125,786	90,479	98,967
Standard Chartered Bank	125,000	73,604	125,000
Trust Investment Bank	--	--	15,000
Askari Commercial Bank	75,000	49,313	--
	-----	-----	-----
	325,786	213,396	238,967
	=====	=====	=====

7.1 These are secured by way of first charge on current assets and a first registered mortgage charge on the company's assets ranking pari passu with other similar charge holders referred to in notes 6.3, 6.4 and 28.1.2. These carry interest at rates ranging between 16.5 to 18 percent per annum.

	<i>2000</i>	<i>1999</i>
	<i>Rupees '000</i>	<i>Rupees '000</i>
8. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Civil works contractors bills payable	--	863
Payable to foreign machinery suppliers and erectors	42,545	78,831
Payable to independent engineers	19,635	31,506
Creditors and accrued liabilities	29,571	29,660
Retention money	64	131,526
Financial charges payable	765,282	702,477
Amounts due to associated undertakings	183	183
Other payables	4,258	3,830
	-----	-----
	861,538	978,876
	=====	=====

9. OPERATING FIXED ASSETS

<i>Particulars</i>	<i>Cost</i>			<i>Depreciation</i>			<i>Book Value as at June 30</i>	<i>Depreciation rate %</i>
	<i>As at July 01</i>	<i>Of additions/ (deletions)</i>	<i>As at June 30</i>	<i>As at July 01</i>	<i>On deletions</i>	<i>For the year</i>		
Freehold land	32,504	--	32,504	--	--	--	32,504	--
Office building	1,280	573	1,853	252	--	184	436	10
Plant building	--	1,243,597	1,243,597	--	--	36,150	36,150	3.33
Plant and machinery	--	5,474,101	5,474,101	--	--	159,128	159,128	3.33
Rail siding	--	38,332	38,332	--	--	1,238	1,238	3.33
Leasehold improvements	7,247	8	7,255	2,164	--	726	2,890	10
Electric appliances	7,010	1,181 (23)	8,168	4,138	(8)	1,581	5,701	20
Computers and Office equipment	3,092	1,169 (131)	4,130	1,824	(86)	783	2,521	20
Laboratory equipment	--	1,748	1,748	--	--	339	339	20
Furniture and fixtures	4,916	1,715 (52)	6,579	1,511	(21)	655	2,145	10
Vehicles	7,675	6,251	15,926	5,072	--	2,748	7,820	20
	-----	-----	-----	-----	-----	-----	-----	-----
2000 Rupees '000	63,724	6,768,675 (206)	6,832,193	14,961	(125)	203,532	218,368	6,613,825
	=====	=====	=====	=====	=====	=====	=====	=====
1999 Rupees '000	63,133	610 (19)	63,724	10,068	(7)	4,900	14,961	48,764
	=====	=====	=====	=====	=====	=====	=====	=====

9.1 Additions to plant building and to plant and machinery include unallocated capital expenditure aggregating to Rs. 1,007 million, borrowing costs of Rs. 927.04 million and exchange differences on foreign loans and other liabilities aggregating to Rs. 1,177 million.

9.2 The deprecation charge for the year has been allocated as follows:

*2000
Rupees '000*

Operating costs (Note 18)	196,517
Administration and general expenses (Note 19)	6,869
Capitalised to Plant and machinery	121
Capitalised to Plant building	25

	203,532
	=====

9.3 Details of assets disposed off during the year is as follows:

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Sold to</i>
Computer and Office equipment	131	87	44	17	Trade in	IQ International Lhr
Office equipment and furniture and fixtures	75	38	37	37	By negotiation	Mr. Najam ul Hassan (Ex employee)
	-----	-----	-----	-----		
2000 Rupees '000	206	125	81	54		
	=====	=====	=====	=====		

2000 **1999**
Rupees '000 **Rupees '000**

10. CAPITAL WORK IN PROGRESS

Opening balance at the start of the year	6,661,126	5,521,566
Additions during the year	94,904	1,139,560
	-----	-----
Transferred to fixed assets	6,756,030 (6,756,030)	6,661,126 --
	-----	-----
Closing balance at the end of the year	--	6,661,126
	=====	=====

11. DEFERRED COSTS

Preliminary expenses at the start of the year	142	142
Amortized during the year	(142)	--
	-----	-----
Preliminary expenses at the end of the year	--	142
	=====	=====

Amortization for the year has been charged to administration and general expenses.

12. STORES, SPARES AND TOOLS

Stores	3,029	2,066
Spares and tools	108,698	108,698
	-----	-----
	111,727	110,764
	=====	=====

13. STOCK IN TRADE

Heavy furnace oil	34,470	27,944
High speed diesel	874	2,382
Lubricants	2,696	1,475
	-----	-----
	38,040	31,801
	=====	=====

14. TRADE DEBTOR - SECURED

This is receivable from WAPDA against capacity purchase price and for supply of energy including commissioning tests. This is secured by way of guarantee issued by the Government of Pakistan in favour of the company.

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances against expenses	8,441	1,219
Advances to staff	1,358	332
Advances to suppliers	4,906	102
Pakistan State Oil Company Limited	42,385	2,198
Margin against bank guarantees and security deposits	2,062	3,453
Advance tax	2,618	770

General sales tax adjustable		1,493	--
Prepayments		11,480	1,724
Other receivables		3,523	2,865
		-----	-----
		78,266	12,663
		=====	=====

16. CASH AND BANK BALANCES

Balances at banks:

- Current accounts:

Foreign currency	16.1	4,483	6,021
Local currency		285	88
		-----	-----
		4,768	6,109

- Saving accounts:

Local currency		5,064	100
		-----	-----
		9,832	6,209

Cash in hand

		2,326	265
		-----	-----
		12,158	6,474
		=====	=====

16.1 This includes compensation account of US\$ 85,657 (Rs. 4.5 million) (1999: US\$ 116,000: Rs 6 million) with Sanwa Bank Limited, Japan which is in escrow. These funds are released in accordance with the annual budget approved by the lenders. Special permission for operating of, and maintaining, this account has been obtained from the State Bank of Pakistan.

17 TURNOVER

Capacity billing		1,124,806
Energy billing		311,155

		1,435,961
		=====

18. OPERATING COSTS

Raw materials consumed	18.1	307,091
Stores and spares consumed		4,503
Fuel decanting charges		1,549
Operation and maintenance fees		23,068
Salaries, wages and other benefits	18.2	23,428
Traveling and conveyance		521
Vehicle running expenses		3,817
Communication charges		3,963
Electricity charges		11,643
Printing and stationery		666
Repairs and maintenance		1,935
Rent, rates and taxes		623
Entertainment		1,283
Insurance		19,390
Depreciation	9.2	196,517
Others		7,461

		607,458
		=====

18.1 Raw materials consumed

	2000 (Rupees '000)			Total
	HFO	HSD	Lubricants	
Opening balance	27,944	2,382	1,475	31,801
Add: Purchases	244,304	48,553	20,473	313,330
	-----	-----	-----	-----
Available for consumption	272,248	50,935	21,948	345,131
Less: Closing balance	34,470	874	2,696	38,040
	-----	-----	-----	-----
Consumption during the year	237,778	50,061	19,252	307,091
	=====	=====	=====	=====

18.2 These include Rs. 2.13 million charged in respect of staff retirement benefits.

2000
Rupees '000

19 ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and benefits	19.1	13,972
Traveling and conveyance		9,880
Vehicle running expenses		1,600
Communication costs		2,871
Utilities		1,463
Printing and stationery		672
Repairs and maintenance		383
Rent, rates and taxes		5,929
Amortization of deferred costs		142
Entertainment		1,138
Insurance		614
Guest house expenses		4,327
Auditors' remuneration	19.2	350
Donations	19.3	59
Depreciation	9.2	6,869
Others		5,076

		55,345
		=====

19.1 These include Rs. 2.27 million charged in respect of staff retirement benefits.

19.2 Auditors' remuneration

Annual audit		350
Out of pocket expenses		--

		350
		=====

19.3 Donations

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

20. FINANCIAL CHARGES

Interest on long term loans	413,954
Mark-up on short term borrowings	41,005
Management and agency fee	4,647
Commitment charges	1,547
Fee and expenses of trustee	381
Interest on O & M and PMA	9,001
Guarantee commissions	32,582
Legal consultancy fee and expenses	2,406
Exchange loss	6,229
Bank charges	661

	512,413
	=====

2000 **1999**

21. NUMBER OF EMPLOYEES

Number of permanent employees at 30 June	202	79
--	-----	----

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2000			1999		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Number of persons	1	1	26	1	1	18
	Rupees '000			Rupees '000		
Managerial remuneration and allowances	1,472	1,458	11,113	844	727	4,851
House rent allowance	--	--	1,988	380	327	2,183
Recreation and entertainment	147	146	1,111	84	73	485
Staff retirement benefits	402	150	2,363	116	100	631

Others	147	146	1,111	84	73	485
	-----	-----	-----	-----	-----	-----
	2,168	1,900	17,686	1,508	1,300	8,635
	=====	=====	=====	=====	=====	=====

In addition, the Chief Executive, Director and 12 Executives were provided company maintained cars and they are also covered by the company's retirement benefit schemes.

23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

23.1 The aggregate value of goods and services purchased including interest from associated undertakings during the year amounted to Rs. 52.55 million (1999: Rs. 29.113 million)

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

24.1 Interest rate risk exposure

Out of total interest bearing liabilities of Rs. 5,809 million (1999: 5,552 million), liabilities amounting to Rs. 3,669 million (1999: 3,585 million) are tied with LIBOR, US treasury bond and prevailing World bank lending rates. The remaining interest bearing liabilities of Rs. 2,140 million (1999: 1,967 million) carry fixed interest rates. Out of total interest bearing assets of Rs. 399 million (1999: 73 million), assets of Rs. 389 million (1999: 67 million) are tied with rate for six months Pakistan treasury rate as announced by SBP from time to time and remaining assets of Rs. 9.8 million (1999: 6 million) carry fixed interest rates.

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

	2000 (Rupees '000)			Total
	Exposed to interest rate risk		Not exposed to interest rate risk	
	Less than one year	Over one year		
Financial Assets				
Trade debtor	389,113	--	--	389,113
Advances, deposits, prepayments and other receivables	--	--	78,266	78,266
Cash and bank balances	9,832	--	2,326	12,158
	-----	-----	-----	-----
	398,945	--	80,592	479,537
	-----	-----	-----	-----
Financial Liabilities				
Sponsors' Support	182,858	--	71,118	253,976
Long term loans	1,030,801	3,663,756	--	4,694,557
Deferred liability - for staff gratuit	--	--	6,398	6,398
Short term borrowings	213,396	--	--	213,396
Creditors, accrued and other liabilities (financial charges payable on long term	717,689	--	143,849	861,538
	-----	-----	-----	-----
	2,144,744	3,663,756	221,365	6,029,865
	-----	-----	-----	-----
Excess of financial liabilities over financial assets	1,745,799	3,663,756	140,773	5,550,328
	=====	=====	=====	=====

	1999 (Rupees '000)			Total
	Exposed to interest rate risk		Not exposed to interest rate risk	
	Less than one year	Over one year		
Financial Assets				
Trade debtor	67,181	--	--	67,181
Advances, deposits, prepayments and other receivables	--	--	12,663	12,663
Cash and bank balances	6,209	--	265	6,474
	-----	-----	-----	-----
	73,390	--	12,928	86,318
	-----	-----	-----	-----
Financial Liabilities				
Sponsors' Support	113,682	--	21,105	134,787
Long term loans	792,411	3,857,515	--	4,649,926
Deferred liability - for staff gratuit	--	--	4,479	4,479
Short term borrowings	238,967	--	--	238,967
Creditors, accrued and other liabilities (financial charges payable on long term	549,096	--	429,780	978,876
	-----	-----	-----	-----

	1,694,156	3,857,515	455,364	6,007,035
Excess of financial liabilities over financial assets	1,620,766	3,857,515	442,436	5,920,717

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

	2000	1999
	<i>Effective interest rate %</i>	
Assets		
Trade debtor	12	12
Cash and bank balances	8	9
Liabilities		
Sponsors' support	12	21
Long term loans including financial charges	8	8
Short term borrowings	17	18

24.2 Credit Risk

The company's trade receivables which are part of the financial assets are subject to credit risk. These trade receivables relate to the sale of electricity to WAPDA as per the PPA. The company's credit risk is secured by way of guarantee issued by the Government of Pakistan in favour of the company

24.3 Currency Risk

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

	<i>(Rupees '000)</i>			
	<i>Assets</i>		<i>Liabilities</i>	
	2000	1999	2000	1999
Pak Rupees	7,238,646	6,932,894	1,464,950	1,262,971
Foreign Currencies (equivalent to Pak Rupees)	4,483	6,021	5,778,179	5,675,944
	7,243,129	6,938,915	7,243,129	6,938,915

24.4 Fair Value of Financial assets and liabilities

The fair value of financial assets and financial liabilities is estimated to approximate their carrying value as at 30 June 2000.

	2000	1999
	<i>Rupees '000</i>	<i>Rupees '000</i>
25. STATEMENT OF CHANGES IN EQUITY		
Issued Capital		
Balance at the beginning of the year	931,880	931,880
Balance at the end of the year	4	931,880
Unappropriated profit		
Balance at the beginning of the year	--	--
Net profit for the year	281,384	--
Balance at the end of the year	281,384	--
Total equity	1,213,264	931,880

	2000
	<i>MWH</i>
26. CAPACITY AND PRODUCTION	
Installed capacity - For the year	1,027,728
Installed capacity - July 12, 1999 to June 30, 2000	996,840
Gross generation during the year	180,428

Generation is dependent upon dispatch demand from WAPDA.

27. EARNINGS PER SHARE

Profit for the year	Rupees '000	281,384
		=====
Number of shares	Numbers	93,188,013
		=====
Earnings per share	Rupees	3.02
		=====

28. CONTINGENCIES AND COMMITMENTS**28.1 Contingencies**

28.1.1 The company is contingently liable for a guarantee of US\$ 21.948 million issued by National Bank of Pakistan on behalf of the company to secure the French Buyer's Credit Facility. The guarantee is counter guaranteed by a syndicate of underwriter banks as referred to in note 6.3.

28.1.2 The company is also contingently liable for a letter of guarantee of US \$ 2.46 million issued to WAPDA by Prime Commercial Bank Limited on behalf of the company. The guarantee is secured by a first registered mortgage charge over the company's assets ranking pari - passu with the lenders referred to in note 6.3, 6.4 and 7.1.

28.1.3 Provision for Workers Profit Participation Funds (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.

28.1.4 WAPDA in its letter of 16 March 2000 has made certain claims against the company relating to the period when Commercial Operation tests were being conducted. The company has rejected these claims since in the opinion of the management, these are in contravention of the terms of the PPA.

28.2 Significant contracts

28.2.1 The company has entered into an Implementation Agreement (IA) dated November 23, 1994 with the GOP, pursuant to which the GOP guaranteed the implementation, execution and operation for the term of 22 years.

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

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

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

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

28.2.6 In accordance with the MOU signed with WAPDA dated 12 July 1999, the project life has been extended to 30 years. Accordingly, amendments in the relevant agreements are being finalized.

29. TAXATION

The Income tax authorities had raised tax demands aggregating to Rs. 103 million against the company on finalizing tax assessments up to and including the assessment year 1998-99. The company contested these demands before the Commissioner of income tax (Appeals) who has deleted the demand in entirety. The department has filed an appeal against the demand of the Commissioner income tax (Appeals) and the matter is now pending before the Income Tax Appellate Tribunal.

In addition to the above, the income tax authorities have raised a demand of Rs. 118 million for the assessment year 1996-97 by treating the company as an assessee in default for not withholding tax on certain payments. The Commissioner of income tax (Appeals) set aside the order of the Deputy Commissioner of Income Tax and the matter is now with the Income Tax Appellate Tribunal. No provision has been made in these accounts for this demand since the management is confident for a favourable outcome of the appeals.

30. GENERAL

30.1 Corresponding figures have been rearranged where necessary for the purpose of comparison.

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

Islamabad
November 30, 2000

Chief Executive

Director

PATTERN OF HOLDING OF THE SHARES FOR THE YEAR ENDED JUNE 30, 2000

No. of Shareholders	Holding		Shares Held	Percentage %
	From	To		
2	1	100	2	0.00
12,756	101	500	6,378,000	6.84
59	501	1,000	59,000	0.06
67	1,001	5,000	209,000	0.22
10	5,001	10,000	95,500	0.10
5	10,001	15,000	64,500	0.07
2	15,001	20,000	38,500	0.04
2	20,001	25,000	50,000	0.05
1	35,001	40,000	39,500	0.04
1	40,001	45,000	43,000	0.05
1	45,001	50,000	50,000	0.05
2	55,001	60,000	120,000	0.13
1	90,001	95,000	94,000	0.10
1	95,001	100,000	98,000	0.11
1	100,001	105,000	102,500	0.11
1	105,001	110,000	108,000	0.12
1	115,001	120,000	118,922	0.13
1	135,001	140,000	137,000	0.15
1	140,001	145,000	143,000	0.15
1	260,001	265,000	263,500	0.28
1	270,001	275,000	270,500	0.29
1	295,001	300,000	300,000	0.32
1	495,001	500,000	496,500	0.53
1	555,001	560,000	556,500	0.60
1	595,001	600,000	600,000	0.64
1	760,001	765,000	763,070	0.82
1	785,001	790,000	787,500	0.85
1	1,050,001	1,055,000	1,053,000	1.13
1	1,230,001	1,235,000	1,232,500	1.32
1	1,385,001	1,390,000	1,385,500	1.49
1	1,770,001	1,775,000	1,773,000	1.90
1	3,215,001	3,220,000	3,218,900	3.45
1	6,050,001	6,055,000	6,052,140	6.49
1	6,460,001	6,465,000	6,464,992	6.94
1	7,630,001	7,635,000	7,630,121	8.19
1	12,210,001	12,215,000	12,213,520	13.11
1	40,175,001	40,180,000	40,178,346	43.12
-----				-----
12,933			93,188,013	100.00
=====				=====

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2000

Shareholders	Particulars	Shareholding	Percentage
12,907	INDIVIDUALS	7,277,924	7.81
9	FOREIGN COMPANIES	60,857,107	65.31
7	JOINT STOCK COMPANIES	11,343,462	12.17
5	BANKS/FINANCIAL INSTITUTIONS	13,057,020	14.01
2	MODARABA COMPANIES	113,000	0.12
3	INSURANCE COMPANIES	539,500	0.58

12,933		93,188,013	100.00
=====			