ANNUAL REPORT 2013

SOUTHERN ELECTRIC POWER COMPANY LIMITED

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COMPANY INFORMATION

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

NOTICE OF 19TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 19th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 31, 2013 at 11:00 a.m. at the Registered Office of the Company, No. 50, Street No. 60, F-11/4 Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2012.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2013 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors of the Company and to fix their remuneration.
4. The Board of Directors in its September 19, 2013 meeting, fixed the number of directors to be elected as seven (7).

   To elect seven (7) Directors of the Company in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from the date of holding of AGM i.e. October 31, 2013.

   The following Directors of the Company shall retire at the forthcoming AGM and be eligible to offer themselves for re-election.

(1) Mr. S. M. Ghalib	(2) Ms. Lynn Margaret Isobel Bell	(3) Mr. Manuel Makki
(4) Mr. Salman Rahim	(5) Ms. Louisa Grasso	(6) Mr. Yahia Awod Idris
(7) Ms. Carolyne Khan		

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

BY ORDER OF THE BOARD

Place: Islamabad
Dated: October 09, 2013

Salman Rahim
Company Secretary

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Transfers received at Shares Registrar Office of the Company' " Corplink (Pvt.) Limited" at Wings Arcade, 1-K, Commercial, Model Town, Lahore up to the close of business on October 23, 2013 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. Every candidate for election as a Director, whether he/she is a retiring Director or otherwise shall file with the Company not later than fourteen (14) clear days before the date of the Annual General Meeting a notice of his/her intention to offer himself/herself for election as an eligible director along with the consent to act as such.
3. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
4. 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.
5. Members are requested to immediately notify the Share Registrar of the Company of any change in their addresses.
6. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

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

B- For Appointing Proxies

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

DIRECTORS' REPORT

Your Directors are pleased to present before you the 19th Annual Report of the Company, and the audited Annual Financial Statements for the year ended 30 June 2013.

Plant Operations

As detailed in note 1.2 to the financial statements, default on meeting the agreed terms under the Project Agreements and Understandings by WAPDA has effected closure of the Plant operations since September 2012.

The Plant remained inoperational for most of the year as WAPDA has been unable to timely settle the dues of the Company and, after arbitrarily discontinuing fuel advance payments and adjusting overdue CPP balances against fuel advance payable, has disputed Capacity Payments of the Company for the period September 2012 through June 2013. This reflects an attempt of WAPDA to benefit from its own defaults, an untenable position in law. However, the Company has disputed all these acts of WAPDA on valid legal grounds and is actively pursuing WAPDA for an amicable settlement of disputes and restart of plant operations.

The arbitration between the Company and WAPDA continues to remain in abeyance pending out-of-court settlement. Accordingly, the suit filed by the Company in the International Court of Arbitration against WAPDA claiming damages to the tune of Rs. 5 billion (as of March 2008) remains suspended for the time being. In case WAPDA intransigence continues and a timely settlement is not reached, the Company may have to consider the reactivation of the presently suspended ICC litigation against WAPDA as a last resort.

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

Financial Results

The Company incurred a net loss of Rs. 1,883 million as compared to a net loss of Rs. 1,832 million during last year.

Due to closure of its Plant, the Company has experienced a decline of Rs. 2,213 million in its Energy Purchase Price ("EPP") revenue, net of sales tax, from Rs. 3,680 million during the year ended 30 June 2012 to Rs. 1,467 million during the year under review. Cost of sales on the other hand has shown a decline of Rs. 2,024 million, from Rs. 5,401 million during the year ended 30 June 2012 to Rs. 3,377 million during the current year, was experienced that resulted in a gross loss of Rs. 706 million as opposed to a gross loss of Rs. 575 million in the last year.

Gross loss was incurred during the year as a consequence of closure of Plant operations and deficient energy tariff resulting in incurrence of fuel losses. Other factors that also played a pivotal role in the poor operational performance depicted by the gross results of the Company were receipt of bad quality of fuel, increased maintenance of engines and incurrence of massive liquidated damages during the year.

Owing to suspension of Plant operations for reason cited above, exorbitant liquidated damages were incurred. The Company has disputed all LDs on legal, technical and other valid grounds that will ultimately be decided once a consensus is reached under an amicable settlement with WAPDA. Accordingly, a set-off of the closure period LDs with the respective capacity payments and interest thereon is likely. In the event of a positive settlement with WAPDA, all or substantial portion of the LDs may be reversed and may positively impact shareholders equity.

Finance costs decreased during the year as a result of declining KIBOR and Repo rates. Despite the decline, substantial amounts of finance costs were experienced as a consequence of defaults in timely settlement of loan obligations as the plant operations have been disrupted during the current and past few years.

Loan Defaults

Due to suspension of Plant operations, pending CPP receipts from WAPDA, declining revenues of the Company and high O&M costs; the Company was unable to discharge its loan obligations towards various lenders and consequently received notices of Event of Default from National Bank of Pakistan. As explained in note 5, 7 and 11 to the financial statements, principal portion of overdue instalments towards various lenders and lease syndicate aggregates to Rs. 3,601 million with defaulted mark-up of Rs. 3,447 million. Moreover all short term borrowings of Rs. 1,052 million from the financial institutions have expired and became overdue as of the balance sheet date as detailed in note 12 to the financial statements.

However, the Company was able to settle principal portion of two instalments completely and an instalment partially of UBL long term loan and paid two instalments to the lease syndicate during the year that fell due on 26 April 2012 and 26 July 2012 respectively.

We express our gratitude for the support extended to us by our Lenders during this crucial time and it is our sincere hope that after an amicable settlement with WAPDA, further rescheduling of all facilities and loans on appropriate terms shall take effect.

Comments on the Auditors' Report

a) Unilateral and arbitrary acts of WAPDA, outside the signed Project Agreements and Understandings, in the past and current year has pressed the Company into such miserable financial position as depicted by its financial statements.

   Closure of the Complex took place as a direct consequence of non-payment of Capacity Purchase Price Payments and Fuel Advance Payments from WAPDA. Despite these non-payments the Company continued to supply electricity to the National Grid till September 2012 and despatched electricity till February 2013 on a fortnightly basis as required by Power Purchase Agreement. A party cannot profit from its own default is a basic rule of Law but WAPDA first ceased the Company Payments and later also disputed CPP payments and imposed Liquidated Damages against the terms of PPA.

   As reflected in the financial statements, the Company has provided for Liquidated Damages to the tune of Rs. 5.685 billion as a matter of prudence; that is a major contributor to negative equity of the financial statements. Moreover the Company has also a claim worth Rs. 5 billion in the International Court of Arbitration (ICC) that remains in abeyance for an out of court settlement with WAPDA.

   Ultimate fate of these Liquidated Damages, Company's claim and closure period CPP overdue and interest thereon shall be decided once a settlement is reached with WAPDA that may result in a positive impact on equity of the Company.

   Currently negotiations are in place with WAPDA for an amicable settlement of all outstanding disputes and resumption of the Plant operations. However, if an amicable settlement is not reached the Company may resort to arbitration in ICC as a final option.

b) CPP payments are made in advance to the Company by WAPDA to keep its Complex available to despatch electricity to the national grid. In the event of default to keep the Complex available by the Company, the recourse available to WAPDA to recover these advance payments through imposition of LDs. However, for the last many years WAPDA failed to effect these payments in advance and when the Complex ceased its operations in September 2012 WAPDA has only cleared these dues till June 2012 partially.

   As elaborated above, the closure took place due to breach of terms of agreements on WAPDA part in the current year and in the past. Therefore the Company considers these amounts to be fully recoverable under the relevant terms of PPA. Moreover, despite defaults on WAPDA part, LDs have also been provided for in the financial statements of the Company.

   For reasons cited above, neither there is any need to provide any additional provision nor will it have any negative impact on equity of the Company as both CPP and LDs have been properly accounted for in financial statements of the Company.

c) Despite all the odds facing the Company, the plant was running without any major breakdowns till suspension of its operations in September 2012 by WAPDA for reasons cited above and in note 1.2 to the financial statements. As there is a considerable increasing demand for electricity in the country with a persistent shortfall in supply, the Company expects resumptions of its operations in the near future and with the sustained maintenance of its plant; carrying amount of property, plant and equipment and value of stores, spare parts and loose tools reflected in the financial statement shall remain recoverable.

As such, the management does not agree with the opinion of the auditors at this point of time and has prepared the financial information on historical cost basis which, in its opinion, reflects the true and fair view of the state of the Company's affairs.

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

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

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

e) The constantly increasing demand of electricity in the country has necessitated the demand to operate existing IPPs to their full capacity. The Project is an installed national asset with 16 years of remaining contractual life during this time of worst energy crisis in the Country where every installed unit is required to be utilized to cent percent.

Although WAPDA is presently not releasing the fuel advance payments to the Company for the time being, however, considering the same past practice of WAPDA, the ongoing electricity crisis in the country and our plant taking a higher place in the despatch merit order of NTDC, it is sincerely hoped that the disputes between the Company and WAPDA, like in the past, will be settled to their mutual benefit thereby enabling the former to continue operating the project and ensure continued supply of electricity to the national grid in the foreseeable future.

The Company has neither introduced any accounting policy nor has revised any existing policy to finetune any accounting treatments as were the practice for the last many years. The only disagreement between the auditors and the Company is on matters referred in (a) to (e) above as for the last many years where auditors have qualified their opinion in this respect stating that accounting policies have been consistently applied. The only difference arising this year is the matter of going concern adequately explained in (e) above on which an adverse opinion has been issued by the auditors. It is a matter of judgement only and has nothing to do with existing accounting policies of the Company.

For reason cited in (e) above, the annexed financial statements have been prepared on a going concern basis which is deemed to be appropriate by the management applying consistent accounting policies as were in the prior years and gives a true and fair view of the state of Company's affair as at 30 June 2013 and of the loss, its cash flows and changes in equity for the year then ended.

The loss per share worked out at Rs. 13.77 this year as compared to loss per share of Rs. 13.40 last year.

Financial Statements and Internal Control

The Directors are pleased to state that:

a) the financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity;

b) proper books of account have been maintained;

c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

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

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

f) during the year, training program from an approved institution of SECP was arranged and completed by a director of the Company.

g) there has been no material departure from the best practices of the Code of Corporate Governance.

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

Appropriations

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

Auditors

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

Changes in the Board of Directors

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

- Ms. Carole Linda Idris resigned from the Board on 10 June 2013 and Mr. Yahia Awod Idris was appointed in her place.
- Mr. Florian Zenner resigned from the Board on 24 June 2013 and Ms. Carolyne Khan was appointed in his place.

Board of Directors Meetings Held During the Year

Seven meetings of the Board of Directors were held during the year from 1 July 2012 to 30 June 2013. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mr. S.M. Ghalib	7
Mr. Rashid Mirza (Nominee of NBP)	7
Ms. Lynn Margaret Isobel Bell	7
Mr. Florian Zenner	7
Mr. Manuel Makki	7
Mr. Salman Rahim	7
Ms. Louisa Grasso	7

Pattern of Shareholding

A statement showing the pattern of shareholding as of 30 June 2013 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 of Directors

Islamabad
30 September 2013

Shamsul Aziz
Chief Executive

KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2013	2012	2011	2010	2009	2008
Despatch Level (%age)	11	28	50	37.6	4.6	32
Despatch (Mwh)	97,178	244,691	465,562	393,242	48,202	368,660
Total Revenue (Rs. '000)	2,670,811	4,825,434	6,579,822	5,842,332	1,911,237	3,627,586
(Loss)/Profit for the Year (Rs. '000)	(1,882,694)	(1,831,882)	(3,922,132)	52,682	146,762	(297,762)
Shareholders' Equity (Rs. '000)	(5,555,632)	(3,672,938)	(1,841,056)	2,081,076	2,028,394	1,881,632
Book Value Per Share (Rupees)	(40.64)	(26.87)	(13.47)	15.23	14.84	13.77
(Loss)/Earning per share - basic (Rupees)	(13.77)	(13.40)	(28.70)	0.39	1.07	(2.18)
Rate of Dividend (%age)	-	-	-	-	-	-

Statement of compliance with the code of corporate governance for the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in the Regulation No. 35 of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

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

Category	**Names**
Independent /non-executives directors	• Mr. S.M. Ghalib • Ms. Lynn Margaret Isobel Bell • Mr. Manuel Makki • Ms. Louisa Grasso • Mr. Yahia Awod Idris • Ms. Carolyne Khan • Mr. Rashid Mirza
Executive directors	• Mr. Salman Rahim • Mr. Shamsul Aziz (CEO)

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company, (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred in the Board during the financial year and were filled up by the Directors within required time.

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

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranged briefings for its Directors to apprise them of their duties and responsibilities.

One of directors also acquired certification of “Directors Training Program” conducted by Institute of Cost and Management Accountants of Pakistan during the year.

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

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO andCFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

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

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the HR committee is also a non-executive director.

18. The board has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the
Board of Directors

Islamabad
30 September 2013

Shamsul Aziz
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices (“the Statement”) contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Sothern Electric Power Company Limited (“the Company”) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Islamabad
30 September 2013

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 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that except for the matter referred to in paragraph (c) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

Except for the matter referred to in paragraph (c) below, 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 adverse opinion and, after due verification, we report that:

(a) The Company has incurred a net loss of Rs. 1,882.694 million during the year and its equity is eroded as at 30 June 2013 which stands at Rs. 5,555.632 million negative. As of the Balance Sheet date, the Company's current liabilities exceeded its total assets by Rs. 4,983.710 million. As explained in note 1.2, the operation of the Company's plant is dependent upon the fuel advance facility from Water and Power Development Authority / National Transmission and Despatch Company Limited (WAPDA), who has discontinued the same since August 2012; and by virtue of which, the Company's power project is closed for operations since then. Consequently, WAPDA levied Liquidated Damages to the Company during the year amounting to Rs. 1,039.063 million for failure to dispatch electricity. Due to this reason, the Company has not been able to generate sufficient cash flows from plant operations resulting in default on repayments of its obligations to the lenders. Furthermore, the directors have not indicated any commitment to provide or arrange working capital facility.

(b) As stated in note 23.1 and 18.2 to the financial statements, WAPDA has disputed Capacity Purchase Price (CPP) from September 2012 through June 2013 amounting to Rs. 1,006.897 million on the grounds that the Company has shut down the plant and failed to comply with the despatch instructions of WAPDA. Since it is not probable that the economic benefits associated with the aforesaid CPP will flow to the entity, the Company should not have recognized revenue amounting to Rs. 1,006.897 million. Further, as stated in note 18.1 to the financial statements, WAPDA has also disputed CPP of prior years' amounting to Rs. 2,260.221 million. Had the Company not recognized CPP revenue amounting to Rs. 1,006.897 million and made provision for the doubtful debts amounting to Rs. 2,260.221 million, the Company's loss for the year would have been higher by Rs. 3,267.118 million, its equity would have been further eroded by the same amount with a corresponding reduction in current assets.

(c) As stated in paragraph (a), above the Company is not able to generate sufficient cash flows from plant operations. An exercise to estimate cash flows to determine the recoverable amount of the items of property, plant and equipment has not been carried out. Further, we have not been able to obtain sufficient and appropriate audit evidence on the net realizable value of the items of stores, spares and loose tools. Accordingly, we were not able to determine whether any impairment might be necessary to the amounts shown in these financial statements for property, plant and equipment and stores, spare parts and loose tools.

(d) As disclosed in notes 5.4, 5.5, 5.6, 7.2, 11.1, 11.2, 11.3 and 12.1 to the financial statements, the Company has defaulted in repayments of principal and mark-up of short and long term loans and syndicated lease liability. Further, the current state of operations suggests that the Company may not be able to meet its obligations to the lenders in the normal course of business. In view of these defaults and as disclosed in note 5.7, the Company no longer has an unconditional right to defer settlement of the long term financing and syndicated lease liability for at least twelve months after the balance sheet date. Consequently, the Company should have classified long term financing amounting to Rs. 450.952 million and syndicated lease liability of Rs. 120.970 million as current liability. Had the said liabilities been classified as current in the financial statements, total non-current liabilities would have been lower by Rs. 571.922 million with a corresponding increase in current liabilities.

(e) These financial statements have been prepared under the going concern assumption. Because of the circumstances and events as mentioned in (a) to (d) above, along with other matters as set forth in Note 1.2 to the financial statements, we consider that the use of going concern assumption for the preparation of the financial statements is inappropriate and the financial statements should have been prepared on realizable and settlement values.

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

(g) in our opinion –

   i. because of the significance of the matters discussed in paragraphs (a) to (e) above, the balance sheet and profit and loss account together with the notes thereon have not been drawn up in conformity with the Companies Ordinance, 1984 and are not in accordance with accounting policies consistently applied however these are in agreement with the books of account;

   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.

(h) In our opinion, because of the significance of the matters discussed in paragraphs (a) to (e) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the loss, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Islamabad
30 September 2013

BALANCE SHEET AS AT 30 JUNE 2013

	Note	2013 Rupees '000	2012 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	4	1,366,758	1,366,758
Accumulated loss		(6,922,390)	(5,039,696)
		(5,555,632)	(3,672,938)
NON - CURRENT LIABILITIES			
Long term financing - secured	5	450,952	1,104,641
Deferred liability	6	-	35,185
Liabilities against assets subject to finance lease	7	120,970	206,970
		571,922	1,346,796
CURRENT LIABILITIES			
Trade and other payables	8	195,062	51,979
Liquidated damages payable	9	5,685,068	4,646,005
Advance from customer - unsecured	10	763,399	1,303,089
Accrued markup	11	3,688,557	2,750,448
Short term borrowings - secured	12	1,052,818	1,057,970
Current portion of long term financing - secured	5	4,251,683	3,430,106
Current portion of liabilities against assets subject to finance lease	7	130,000	69,500
		15,766,587	13,309,097
		10,782,877	10,982,955
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2013 Rupees '000	2012 Rupees '000
NON - CURRENT ASSETS			
Property, plant and equipment	14	6,743,771	6,937,855
Long term advances - secured	15	-	19,662
		6,743,771	6,957,517
CURRENT ASSETS			
Stores, spare parts and loose tools	16	342,863	273,734
Stock in trade	17	101,236	272,900
Trade debts - secured	18	3,491,511	2,594,901
Advances	19	2,618	390,008
Trade deposits, short term prepayments and balance with statutory authority	20	84,317	220,666
Advance income tax - net	21	8,428	35,287
Cash and bank balances	22	8,133	237,942
		4,039,106	4,025,438
		10,782,877	10,982,955

Islamabad
30 September 2013

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees '000	2012 Rupees '000
Turnover - net	23	2,670,811	4,825,434
Cost of sales	24	(3,377,157)	(5,400,879)
Gross loss		(706,346)	(575,445)
Administrative expenses	25	(61,411)	(63,195)
Finance cost	26	(1,137,343)	(1,261,821)
Other income	27	22,406	36,974
Net loss before taxation		(1,882,694)	(1,863,487)
Taxation	28	-	31,605
Net loss after taxation		(1,882,694)	(1,831,882)
Loss per share - basic and diluted (Rupees)	35	(13.77)	(13.40)

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

Islamabad
30 September 2013

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees '000	2012 Rupees '000
Net loss after taxation	**(1,882,694)**	**(1,831,882)**
Other comprehensive loss	-	-
Total comprehensive loss for the year	**(1,882,694)**	**(1,831,882)**

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

Islamabad
30 September 2013

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees '000	2012 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before taxation		(1,882,694)	(1,863,487)
Adjustments for non cash items:			
Depreciation		373,003	355,438
Provision for gratuity		14,833	12,581
Provision for doubtful advances to other suppliers		917	-
Gain on disposal of property, plant and equipment - net		(900)	(2,966)
Finance cost		1,137,343	1,261,821
		(357,498)	(236,613)
Working capital changes:			
Increase in stores, spare parts and loose tools		(69,129)	(70,221)
Decrease / (increase) in stock in trade		171,664	(47,175)
(Increase) / decrease in trade debts		(896,610)	239,693
Decrease / (increase) in advances		386,473	(152,262)
Decrease / (increase) in trade deposits, short term prepayments and balance with statutory authority		136,349	(40,375)
(Decrease) / increase in advance from customer		(539,690)	148,601
Increase in liquidated damages payable		1,039,063	758,013
Increase in trade and other payables		117,646	17,052
		345,766	853,326
Cash (used in)/generated from operations		(11,732)	616,713
Decrease /(increase) in long term advances		19,662	(8,067)
Gratuity paid		(24,578)	(527)
Income taxes refund/paid - net		26,859	(1,231)
Net cash generated from operating activities		10,211	606,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,873)	(12,570)
Proceeds from disposal of property, plant and equipment		2,140	6,119
Net cash generated from/(used in) investing activities		267	(6,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(10,400)	(19,653)
Change in short term borrowings		(5,152)	(30,491)
Finance cost paid		(199,234)	(413,102)
Lease rentals paid		(25,501)	(49,924)
Net cash used in financing activities		(240,287)	(513,170)
Net (decrease)/ increase in cash and cash equivalents		(229,809)	87,267
Cash and cash equivalents at beginning of the year		237,942	150,675
Cash and cash equivalents at end of the year	22	8,133	237,942

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

Islamabad **Chief Executive** **Director**
30 September 2013

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Share Capital	Accumulated loss	Total
	Rupees '000	Rupees '000	Rupees '000
Balance as at 01 July 2011	**1,366,758**	**(3,207,814)**	**(1,841,056)**
Total comprehensive loss for the year	-	(1,831,882)	(1,831,882)
Balance as at 30 June 2012	**1,366,758**	**(5,039,696)**	**(3,672,938)**
Balance as at 01 July 2012	1,366,758	(5,039,696)	(3,672,938)
Total comprehensive loss for the year	-	(1,882,694)	(1,882,694)
Balance as at 30 June 2013	**1,366,758**	**(6,922,390)**	**(5,555,632)**

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

Islamabad **Chief Executive** **Director**
30 September 2013

1 STATUS AND NATURE OF OPERATIONS

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

1.2 Material uncertainty

Owing to unilateral acts of Water and Power Development Authority (WAPDA)/National Transmission & Despatch Company (NTDC) Limited, through non-payment of fuel advance and Capacity Purchase Price (CPP) payments against the established practices and terms and agreements between both parties, operations of the Company remain suspended since September 2012. WAPDA has informed the Company that in order to reduce the fuel grammage loss and the outstanding fuel advance balance, it is imperative that the Company installs a steam turbine on its plant. In response, the Company has asked for a formal commitment of fuel advance and release of outstanding CPP payments after which appropriate measures will be taken for installation of a steam turbine to eliminate the fuel grammage loss.

Both the Company and WAPDA have served on each other Notices of Event of Default under the Power Purchase Agreement (PPA). However, currently negotiations are in process with WAPDA to reach an out-of-court amicable settlement for resumption of the Plant operations. In case a timely settlement is not reached the Company may resort to litigation /arbitration as a final option.

Disputes between the Company and WAPDA pertaining to Liquidated Damages (LDs) for the period from 15 February 2008 to 31 December 2009 (closure period) and withheld CPP amounts and interest thereon for the period from 01 June 2008 till 31 December 2009 continue to be held in abeyance. Also the suit filed by the Company in the International Court of Arbitration (ICC) against WAPDA claiming damages to the tune of Rs. 5 billion remains in abeyance for the time being.

As of the balance sheet date, the Company has recognised all Liquidated Damages (LD's) on a prudent basis as claimed by WAPDA. However, these LDs have been formally disputed on several legal and technical grounds and payable amounts, if any, can only be determined once a reconciliation of these LD's is finalized and agreed by both parties. After the LD's are worked out, the management of both sides shall meet and negotiate the concessions to be agreed under the settlement agreement. The management of the Company expects a balanced resolution of the existing disputes with WAPDA as both parties have serious claims and counter claims against each other and realize the necessity of a judicious settlement to carry on the Project with a clean slate and in the best national interest.

The Company has incurred a net loss of Rs. 1,883 million during the year and its equity is eroded as at 30 June 2013 which stands at Rs. 5,555.632 million negative. As of the Balance Sheet date, the Company's current liabilities exceeded its total assets by Rs. 4,983.71 million. WAPDA has discontinued the fuel advance facility since August 2012, withheld Capacity Purchase Price since June 2012 and has levied Liquidated Damages for failure to dispatch electricity. Further, the Company has not been able to generate sufficient cash flows from plant operations resulting in default on repayments of its obligations to the lenders. Furthermore, as stated in note 18.1 and 18.2 to the financial statements, WAPDA has disputed the payment of Company's dues amounting to Rs. 2,260.221 million and Rs. 1,006.897 million respectively the recovery of which is associated with eventual outcome of settlement of the Company's dispute with WAPDA. The Company considers these amounts as fully recoverable for the reasons given in note 18.4 to the financial statements.

While the Company's management remains confident that matters with WAPDA will be settled in the near future and that WAPDA will resume fuel advance facility to the Company and the plant will be operational soon; however, should WAPDA continues to suspend the fuel advance facility for considerable period of time 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.

2.3 Functional and presentation currency

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

2.4 Significant estimates and judgments

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

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

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

(a) Property, plant and equipment

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

(b) Impairment

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

(c) Provision for liquidated damages

At each balance sheet date, the Company reviews the provisions for Liquidated Damages from

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

(d) Taxation

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Taxation

(a) Current

The profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any and any adjustment to tax payable in respect of previous years. Further, the Company is also exempt from minimum tax on turnover under clause (15) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

(b) Deferred

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

3.2 Staff retirement benefits

(a) Defined benefit plan

The Company was operating an unfunded gratuity scheme for its employees according to the terms of employment subject to a minimum qualifying period of service. However, during the year the Company has decided to discontinue the scheme effective from 30 April 2013 due to declining financial health of the Company. The liability was provided on the basis of actuarial valuation using Projected Unit Credit Method. The Company had a policy of carrying out actuarial valuations after every two years. Latest valuation was conducted as of 30 April 2013. The details of actuarial valuation are given in note 6.1 to the financial statements.

Employees qualifying the minimum period of service were entitled to interest free advances against their accumulated gratuity as per company's policy.

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

(b) Compensated absences

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

3.3 Stock in trade

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

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

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

3.4 Stores, spare parts and loose tools

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

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

3.5 Property, plant and equipment

(a) Owned

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

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

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

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

(b) Leased

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

3.6 Revenue recognition

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

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

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

3.9 Mark-up bearing borrowings

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

3.10 Trade and other payables

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

3.11 Provisions

Provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.12 Dividend recognition

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

3.13 Borrowing costs

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

3.14 Foreign currencies

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

Exchange differences are accounted for as follows:

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

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

3.15 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets mainly comprise trade debts, advances, trade deposits and cash and bank balances.

The particular recognition and subsequent measurement methods adopted for significant financial assets are disclosed in the individual policy statements associated with them.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Significant financial liabilities are long and short term loans, lease obligations, liquidated damages payable, advance from customer, accrued markup, creditors, accrued and other liabilities.

The particular recognition and subsequent measurement methods adopted for significant financial liabilities are disclosed in the individual policy statements associated with them.

3.16 Finance income and finance cost

- Finance income comprises interest income on bank deposits. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Finance cost comprises interest expense on borrowings and bank charges. Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

3.17 Provisions for Workers Profit Participation Fund and Workers Welfare Fund

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

3.18 Offsetting of financial assets and financial liabilities

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

3.19 Impairment

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

– Financial assets

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

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

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

– **Non financial assets**

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

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

– IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company as the Company has discontinued gratuity benefit during the year.

– IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

– IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

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

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

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

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

The amendments from a to d have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a

contract agree to replace their original counterparty with a new one).

– Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

4 SHARE CAPITAL

4.1 Authorized share capital

This represents 150 million (2012: 150 million) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

2013	2012		2013	2012
Number of shares			(Rupees '000)	(Rupees '000)
124,250,684	124,250,684	Ordinary shares of Rs. 10 each issued for cash	1,242,507	1,242,507
12,425,068	12,425,068	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	124,251	124,251
136,675,752	136,675,752		1,366,758	1,366,758

4.3 BCHIL Southern Company Limited holds 40,178 million ordinary shares (2012: 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			
		USD '000	Rupees '000	2013 USD '000	2012 USD '000	2013 Rupees '000	2012 Rupees '000
From banking companies							
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 1st Facility	5.1	35,002	-	22,751	22,751	2,229,601	2,143,147
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 2nd Facility	5.2	7,456	-	4,846	4,846	474,945	456,528
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 3rd Facility	5.3	10,614	-	10,614	10,614	1,040,180	999,846
ANZ Bank, Paris, France - 2nd Facility	5.5	8,706	-	8,706	8,706	853,181	820,098
United Bank Limited	5.6	-	133,128	-	-	104,728	115,128
				46,917	46,917	4,702,635	4,534,747
Less: Installments due over the next twelve months shown under current liabilities							
Overdue / defaulted installments				(36,158)	(29,563)	(3,557,108)	(2,784,865)
Current maturity				(6,679)	(6,679)	(694,575)	(645,241)
				(42,837)	(36,242)	(4,251,683)	(3,430,106)
				4,080	10,675	450,952	1,104,641

5.1 PSEDF Debt - 1st Facility

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

5.2 PSEDF Debt - 2nd Facility

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

5.3 PSEDF Debt - 3rd Facility

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

5.4 The Company has defaulted in repayment of one to eleven installments each of the restructured PSEDF 1st, 2nd and 3rd facilities. Though NBP has served formal notices of Event of Default, it has not exercised their stepping-in rights under the Finance Documents. The Company intends to apply to NBP for a further rescheduling of the PSEDF facilities on the appropriate terms. An extension in the tenor of the loan shall also be required.

5.5 ANZ Bank, Paris, France - 2nd Facility

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

5.6 United Bank Limited

Lender	United Bank Limited ("UBL")
Outstanding amount:	Pak Rupees 104,728,031
Repayment terms	This facility was created by conversion of the existing short-term working capital facility of Rs. 144.781 million by UBL into a medium-term demand finance facility in 2009. Upon Company's request, UBL rescheduled Rs. 133.128 million in 2011 to be repaid in seventeen stepped-up quarterly installments commencing 17 May 2011. The Company has partially settled the principal portion of the eighth installment due on 17 February 2013 and has defaulted on ninth installment that fell due on 17 May 2013. Further, It has also defaulted on payment of markup on installments for the last seven quarters from 17 November 2011 through 17 May 2013.
Rate of interest	1 month KIBOR minus 6% per annum (KIBOR rate to be re-set on 1st working day of each month).
Security	This borrowing is secured by way of first charge of Rs. 182 million on current and fixed assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

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

6 DEFERRED LIABILITY

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Staff retirement benefit - gratuity	6.1	-	35,185

6.1 Staff retirement benefit - gratuity

(a) Reconciliation of payable to defined benefit plan

	Note	2013	2012
Present value of defined benefit obligation		25,440	37,364
Unrecognized actuarial losses		-	(2,179)
Transferred to trade and other payables	8	(25,440)	-
		-	35,185

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

	2013	2012
Present value of defined benefit obligation at beginning of the year	37,364	25,310
Current service cost	3,985	9,418
Interest cost	4,359	3,163
Benefit paid	(24,578)	(527)
Settlement loss	564	-
Actuarial loss on obligation	3,746	-
Present value of defined benefit obligation at end of the year	25,440	37,364

(c) Movement in net liability recognized

	2013	2012
Opening net liability	35,185	23,131
Expense for the year	14,833	12,581
Benefit paid during the year	(24,578)	(527)
Closing net liability	25,440	35,185

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

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Current service cost		3,985	9,418
Interest cost		4,359	3,163
Actuarial losses recognized		5,925	-
Settlement loss		564	-
		14,833	12,581

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

	Note	2013	2012
Cost of sales	24.2	9,054	5,566
Administrative expenses	25.1	5,779	7,015
		14,833	12,581

(f) Key actuarial assumptions

	2013	2012
Discount rate	11.50%	14.00%
Salary increase rate	11.50%	14.00%
Mortality rate	EFU 61-66	EFU 61-66

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

	2013	2012	2011	2010	2009
	(Rupees '000)				
Present value of defined benefit obligation	25,440	37,364	25,310	32,941	26,551
Experience adjustments - on obligations	(5,925)	-	(177)	(241)	(87)

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2013 (Rupees '000)			2012 (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	203,924	73,924	130,000	139,940	70,440	69,500
Later than one year but not later than five years	148,544	27,574	120,970	283,585	76,615	206,970
	352,468	101,498	250,970	423,525	147,055	276,470

7.1 Rentals are payable in quarterly installments. The Company has a right to exercise purchase option at the end of the lease term. Implicit rate of 10.34% to 13% per annum (2012: 12.82% to 14.79% per annum) has been used as a discounting factor.

7.2 The Company has executed the third supplemental lease agreement with the syndicate on 27 September 2011 and has paid the first six quarterly installments under the agreement to the syndicate. However, due to cash flow constraints, the Company has not been able to settle the seventh, eighth and ninth installment due on 26 October 2012, 26 January 2013 and 26 April 2013.

8. TRADE AND OTHER PAYABLES

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Creditors		146,760	33,747
Accrued liabilities		12,621	7,328
Gratuity payable	6.1	25,440	-
Provision for compensated absences		5,486	6,822
Unclaimed dividend		3,557	3,557
Other payables		1,198	525
		195,062	51,979

9 LIQUIDATED DAMAGES PAYABLE

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Pertaining to closure period	9.1	2,597,825	2,597,825
Others	9.2	3,087,243	2,048,180
		5,685,068	4,646,005

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

9.2 These liquidated damages (LDs) have been levied by WAPDA under the Power Purchase Agreement and disputed by the Company on various legal and technical grounds, however, the Company has recognised this liability on a prudent basis. Major reason of dispute is non or staggered fuel advance payments and prolonged delays in releasing or non-release of CPP receivables from WAPDA forcing the Company to either close or operate the Plant at partial load that results in incurrence of exorbitant LDs.

10 ADVANCE FROM CUSTOMER - UNSECURED

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Advance against fuel purchase	10.1	763,399	1,303,089

10.1 This unsecured advance from WAPDA carries markup ranging from 13% to 16% per annum (2012: 16% to 18% per annum).

11. ACCRUED MARKUP

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Markup on long term financing - secured	11.1	3,376,938	2,563,531
Markup on short term borrowings - secured	11.2	197,915	107,674
Markup on liabilities against assets subject to finance lease	11.3	78,851	77,932
Markup on advance from customer - unsecured		34,853	1,311
		3,688,557	2,750,448

11.1 This includes overdue mark-up aggregating to Rs. 3,239.928 million (2012: Rs. 2,434.911 million) that comprises of overdue markup on foreign currency borrowings of Rs. 3,229.242 million (2012: Rs. 2,429.010 million) equivalent to USD 32.951 million (2012: USD 25.785 million) and on local currency borrowing of Rs. 10.686 million (2012: Rs. 5.901 million).

11.2 This includes overdue mark-up amounting to Rs. 171.138 million (2012: Rs. 73.261 million).

11.3 This includes Rs. 36.217 million (2012: Rs. 4.845 million) which represents overdue markup of lease syndicate finance facility. After execution of the third supplemental agreement, overdue markup of prior years had been spreaded over remaining lease installments under the agreement on equivalent basis commencing April 2012 till end of the lease term.

12. SHORT TERM BORROWINGS - SECURED

	Note	Expiry dates of facilities	Sanctioned Limit 2013	Sanctioned Limit 2012	Outstanding Balance 2013	Outstanding Balance 2012
			(Rupees '000)			
Running finance facilities from banking companies:						
Faysal Bank Limited		Expired	**247,933**	247,933	**247,933**	247,933
Askari Bank Limited		Expired	**299,900**	305,052	**299,900**	305,052
National Bank of Pakistan		Expired	**250,000**	250,000	**249,988**	249,988
Silkbank Limited		Expired	**145,000**	145,000	**144,997**	144,997
Term finance facility from financial institution:						
Saudi Pak Industrial and Agricultural Investment Company Limited		Expired	**110,000**	110,000	**110,000**	110,000
			1,052,833	1,057,985	**1,052,818**	1,057,970

12.1 The Company has defaulted in the repayment of the outstanding balance of these borrowings.

12.2 The above borrowings are secured by way of first charge of Rs. 1,394 million (2012: Rs. 1,394 million), second charge of USD 2.5 million (2012: USD 2.5 million) on current and fixed assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in note 5. These carry mark-up ranging between 10.28% to 13.97% per annum (2012: 12.91% to 17.56% per annum.).

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

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

13.2 Commitments

Letter of credit other than capital expenditure of Euros Nil (2012: Euros 789,085.58) equivalent to Rs. Nil (2012: Rs. 93.506 million).

13.3 Significant contracts as at balance sheet date

(a) Implementation Agreement

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

(b) Power Purchase Agreement

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

(c) Fuel Supply Agreement

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

14 PROPERTY, PLANT AND EQUIPMENT

	OWNED												LEASED			
	Freehold land	Office building on freehold land	Plant building on freehold land	Plant, machinery and equipment	Rail sliding	Leasehold improvements	Electric equipment	Computers and Office equipment	Laboratory equipment	Furniture and fittings	Vehicles	Sub-Total	Vehicles	Plant, machinery and equipment-Sixth engine	Sub-Total	**Grand Total**
	Rupees '000															
Cost																
Balance as at 01 July 2011	32,504	20,684	1,704,421	7,494,079	38,332	7,255	16,757	9,928	9,105	9,042	11,421	9,353,528	7,841	688,616	696,457	10,049,985
Additions during the year	-	-	-	-	-	-	1,579	1,342	-	32	9,617	12,570	-	-	-	12,570
Exchange loss	-	-	70,250	314,472	-	-	-	-	-	-	-	384,722	-	-	-	384,722
Transfers	-	-	-	-	-	-	-	-	-	-	7,841	7,841	(7,841)	-	(7,841)	-
Write-offs	-	-	-	-	-	-	(9,110)	(4,497)	-	(4,361)	(1,814)	(19,782)	-	-	-	(19,782)
Disposals	-	-	-	-	-	-	(655)	(1,245)	-	-	(6,685)	(8,585)	-	-	-	(8,585)
Balance as at 30 June 2012	32,504	20,684	1,774,671	7,808,551	38,332	7,255	8,571	5,528	9,105	4,713	20,380	9,730,294	-	688,616	688,616	10,418,910
Balance as at 01 July 2012	32,504	20,684	1,774,671	7,808,551	38,332	7,255	8,571	5,528	9,105	4,713	20,380	9,730,294	-	688,616	688,616	10,418,910
Additions during the year	-	-	-	389	-	-	759	68	3	-	654	1,873	-	-	-	1,873
Exchange loss	-	-	32,555	145,731	-	-	-	-	-	-	-	178,286	-	-	-	178,286
Disposals	-	-	-	-	-	-	(20)	(383)	-	-	(2,371)	(2,774)	-	-	-	(2,774)
Balance as at 30 June 2013	32,504	20,684	1,807,226	7,954,671	38,332	7,255	9,310	5,213	9,108	4,713	18,663	9,907,679	-	688,616	688,616	10,596,295
Depreciation																
Balance as at 01 July 2011	-	16,363	543,337	2,406,726	15,276	7,255	16,365	9,410	8,689	8,908	5,246	3,037,575	4,444	108,812	113,256	3,150,831
Depreciation for the year	-	1,514	59,441	260,468	1,276	-	352	362	419	37	3,183	327,052	-	28,386	28,386	355,438
Transfers	-	-	-	-	-	-	-	-	-	-	4,444	4,444	(4,444)	-	(4,444)	-
Write-offs	-	-	-	-	-	-	(9,110)	(4,497)	-	(4,361)	(1,814)	(19,782)	-	-	-	(19,782)
Disposals	-	-	-	-	-	-	(655)	(1,245)	-	-	(3,532)	(5,432)	-	-	-	(5,432)
Balance as at 30 June 2012	-	17,877	602,778	2,667,194	16,552	7,255	6,952	4,030	9,108	4,584	7,527	3,343,857	-	137,198	137,198	3,481,055
Balance as at 01 July 2012	-	17,877	602,778	2,667,194	16,552	7,255	6,952	4,030	9,108	4,584	7,527	3,343,857	-	137,198	137,198	3,481,055
Depreciation for the year	-	1,514	66,295	271,473	1,276	-	526	340	-	23	3,170	344,617	-	28,386	28,386	373,003
Disposals	-	-	-	-	-	-	(20)	(84)	-	-	(1,430)	(1,534)	-	-	-	(1,534)
Balance as at 30 June 2013	-	19,391	669,073	2,938,667	17,828	7,255	7,458	4,286	9,108	4,607	9,267	3,686,940	-	165,584	165,584	3,852,524
Carrying amounts - 2012	**32,504**	**2,807**	**1,171,893**	**5,141,357**	**21,780**	-	**1,619**	**1,498**	**(3)**	**129**	**12,853**	**6,386,437**	-	**551,418**	**551,418**	**6,937,855**
Carrying amounts - 2013	**32,504**	**1,293**	**1,138,153**	**5,016,004**	**20,504**	-	**1,852**	**927**	-	**106**	**9,396**	**6,220,739**	-	**523,032**	**523,032**	**6,743,771**
Rates of depreciation per annum		10%	3.33%-6%	3.33%-6%	3.33%	10%	20%	20%	20%	10%	20%		20%	4.58%-4.68%		

14.1 Exchange differences

Exchange differences included in the carrying amount of assets at the year end amounts to Rs. 2,020 million (2012: Rs. 1,976 million). Had these not been capitalized, the equity of the Company would have been lowered by the similar amount.

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

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Cost of sales	24	367,412	349,570
Administrative expenses	25	5,591	5,868
		373,003	355,438

14.3 Detail of property, plant and equipment disposed during the year

Assets description	Cost Rs. (000)	Book value Rs. (000)	Sale Proceeds Rs. (000)	Gain/ (loss) Rs. (000)	Sold To	Mode of Sale
Toyota Corolla GLI	1,526	941	1,400	459	Muhammad Ashfaq	By negotiation
Honda City	845	-	700	700	Ejaz Bukht Durrani	Company policy
Others - disposals	403	299	40	(259)	Retiring Employees	Company policy
30 June 2013	**2,774**	**1,240**	**2,140**	**900**	Also refer note 27	
30 June 2012	28,367	3,153	6,119	2,966	Also refer note 27	

15 LONG TERM ADVANCES - SECURED

Secured advances to staff against gratuity has been settled in full against accumulated balances of gratuity upon termination of the scheme by the Company during the current year.

16 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Stores		304,870	235,741
Spare parts and loose tools		37,993	37,993
		342,863	273,734

17 STOCK IN TRADE

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Heavy furnace oil ("HFO")		76,459	242,493
High speed diesel ("HSD")		7,014	11,482
Lubricants		17,763	18,925
	24.1	101,236	272,900

18 TRADE DEBTS - SECURED

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Capacity Purchase Price receivable - considered good	18.1 & 18.2	3,469,905	2,512,257
Interest on Capacity Purchase Price receivable - considered good		21,606	21,593
Interest on Capacity Purchase Price receivable - considered doubtful	18.3	425,088	425,088
		3,916,599	2,958,938
Less: Provision for interest on Capacity Purchase Price receivable		(425,088)	(425,088)
		3,491,511	2,533,850
Energy Purchase Price receivable - considered good		-	61,051
	18.4	3,491,511	2,594,901

18.1 This includes overdue CPP receivable from WAPDA amounting to Rs. 2,260.221 million (30 June 2012: Rs. 2,260.221 million) pertaining to the period from 01 June 2008 till 31 December 2009 ("the closure period"). The recoverability of this amount is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer notes 1.2 and 9.1).

18.2 This also includes overdue CPP receivable from WAPDA for the period September 2012 through June 2013 amounting to Rs. 1,006.897 million that has been unlawfully disputed by WAPDA against the provisions of PPA and IA on the grounds that the company has shut down the plant and failed to comply with the dispatch instruction of WAPDA which has been formally challenged by the Company. A formal Notice of Event of Default has also been served on WAPDA for payment of these outstanding CPP receivables till January 2013. The Company has not recognized any interest on these overdue CPP receivables.

18.3 This represents interest amount calculated at the rates ranging from 11% to 14% per annum (2012: 14% to 16% per annum) on delayed Capacity Purchase Price (CPP) by WAPDA from 01 July 2008 to 30 June 2010 as admissible under article 9.7 (e) of the Power Purchase Agreement (PPA). However, the Company has not recognized receivables on account of interest on withheld amounts of CPP pertaining to the closure period commencing from 01 July 2010 till 30 June 2013 in these financial statements aggregating to Rs. 952.640 million (2012: Rs. 680.640 million).

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

19 ADVANCES

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Advances to employees against expenses		864	279
Advances to staff		153	-
Advance to supplier for the purchase of fuel		-	331,940
Advances to other suppliers		1,601	57,789
Advances - considered good		2,618	390,008
Advances - considered doubtful		3,430	13,016
		6,048	403,024
Less: Provision for doubtful advances to other suppliers		(3,430)	(13,016)
		2,618	390,008

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

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Security deposits		1,153	1,153
Margin against letters of credit	20.1	91	107,393
Short term prepayments		639	25,307
Sales tax receivable		209,357	213,736
Less: Provision for doubtful sales tax receivable		(126,923)	(126,923)
		82,434	86,813
		84,317	220,666

20.1 This represents amount held in a bank account against LCs commitments of the Company and carries profit at the rate of 9% per annum (2012: 9%). Accrued profit on the referred bank account can only be utilized against principal or mark-up settlement on medium term demand finance facility availed by the Company from the respective bank.

21 ADVANCE INCOME TAX - net

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Advance tax as on 01 July		35,287	2,451
Income tax receivable		-	31,605
Taxes paid during the year		4,746	1,231
Refunds received during the year	28.2 (f)	(31,605)	-
Advance tax as at 30 June		8,428	35,287

22 CASH AND BANK BALANCES

	Note	2013	2012
Cash at banks in-			
- Current accounts:			
Foreign currency	22.1	285	273
Local currency		7,661	221,740
- Saving accounts:		7,946	222,013
Local currency	22.2	78	15,822
		8,024	237,835
Cash in hand		109	107
		8,133	237,942

22.1 This comprises of compensation accounts aggregating USD 1,264 equivalent Rs. 123,872 (2012: USD 1,264 equivalent Rs. 118,816) and insurance proceeds account USD 1,645 equivalent Rs. 161,210 (2012: USD 1,645 equivalent Rs. 154,630) with United National Bank London which are escrow accounts.

22.2 These carry mark-up at the rate of 6% per annum (2012: 4% to 5% per annum).

23 TURNOVER - NET

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Capacity billing	23.1 & 23.2	1,203,660	1,145,108
Gross energy billing		1,701,895	4,269,178
Less: sales tax		(234,744)	(588,852)
		1,467,151	3,680,326
		2,670,811	4,825,434

23.1 This includes capacity billing of Rs.1,006.897 million for the period from September 2012 through June 2013 that has been unlawfully disputed by WAPDA against the provisions of PPA and IA which has been formally challenged by the Company. The Company has not recognized any interest on overdue capacity billing.

23.2 The Company has not recognized interest on withheld amounts of CPP pertaining to closure period in these financial statements for the year that amounts to Rs. 272 million (2012: Rs. 327.639 million).

24 COST OF SALES

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Raw materials consumed	24.1	1,600,674	3,841,843
Salaries, wages and other benefits	24.2	65,255	72,109
Insurance		36,936	42,174
Electricity charges		9,106	7,813
Stores and spare parts consumed		216,070	272,653
Liquidated Damages		1,039,063	758,012
Depreciation	14.2	367,412	349,570
Vehicle running expenses		6,241	9,075
Communication charges		1,816	2,345
Repairs and maintenance		28,199	33,382
Staff welfare		1,927	5,449
Fuel decanting charges		801	1,738
Operations and maintenance		-	110
Traveling and conveyance		1,540	1,755
Printing and stationery		352	624
Others		1,765	2,227
		3,377,157	5,400,879

24.1 Raw materials consumed

(Rupees '000)

	HFO	HSD	Lubricants	2013 Total	2012 Total
Opening balance - also refer note 17	242,493	11,482	18,925	272,900	225,725
Add: Purchases	1,388,942	1,941	38,127	1,429,010	3,889,018
Available for consumption	1,631,435	13,423	57,052	1,701,910	4,114,743
Less: Closing balance - also refer note 17	(76,459)	(7,014)	(17,763)	(101,236)	(272,900)
Consumption during the year 2013	1,554,976	6,409	39,289	1,600,674	-
Consumption during the year 2012	3,724,325	20,612	96,906	-	3,841,843

24.2 These include Rs. 9.054 million (2012: Rs. 5.566 million) charged in respect of staff retirement benefits.

25 ADMINISTRATIVE EXPENSES

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Salaries, wages and benefits	25.1	37,827	34,506
Depreciation	14.2	5,591	5,868
Traveling and conveyance	25.2	4,153	4,622
Rent, rates and taxes		2,241	2,700
Vehicle running expenses		2,711	2,559
Insurance		717	688
Legal consultancy fee and related expenses		736	940
Communication costs		1,393	1,234
Provision for doubtful advances to other suppliers		917	-
Auditors' remuneration	25.3	1,464	5,070
Utilities		696	679
Printing and stationery		776	789
Repairs and maintenance		259	566
Entertainment		777	526
Others		1,153	2,448
		61,411	63,195

25.1 These include Rs. 5.779 million (2012: Rs. 7.015 million) charged in respect of staff retirement benefits.

25.2 These include Chairman of the Board of Directors traveling expenses aggregating Rs. 1.086 million (2012: Rs. 856 thousand) for business purposes.

25.3 Auditors' remuneration

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Annual audit		800	800
Six monthly review		400	400
Tax services		194	3,800
Out of pocket expenses		70	70
		1,464	5,070

26 FINANCE COST

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Mark-up on long term financing - secured		724,304	646,285
Mark-up on short term borrowings - secured		121,004	144,315
Mark-up on advance from customer - unsecured		144,297	226,098
Exchange loss		114,691	190,968
Commitment charges, management and agency fee		3,718	6,179
Fee and expenses of trustee		-	723
Mark-up on finance lease		27,861	40,213
Letter of credit charges		1,285	6,740
Bank charges		183	300
		1,137,343	1,261,821

27 OTHER INCOME

	Note	2013 (Rupees '000)	2012 (Rupees '000)
From financial assets		6,695	7,141
Interest income		6,695	7,141
From other than financial assets			
Gain on disposal of property, plant and equipment - net	14.3	900	2,966
Gain on sale of scrap		14,804	7,867
Others		7	19,000
		15,711	29,833
		22,406	36,974

28 TAXATION

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Income tax refund	28.2 (e)	-	31,605
Provision - Prior years'		-	-
		-	31,605

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

28.2 Tax matters and status

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

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

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

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

(e) The assessments of the Company for the Tax Year 2011 and Tax Year 2012 have been finalized in terms of section 120 of the Ordinance. However, the tax authorities are empowered to amend the assessment of the Company within five years from the end of the financial year in which the same was filed. The tax authorities initiated proceedings in relation to levy of minimum tax on capacity billing, the notice was responded to however till to date no action has been taken by the tax authorities.

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

(g) The Deputy Commissioner Inland Revenue, Large Taxpayer Unit, Islamabad has raised a demand of Rs. 552.132 million subsequently enhanced to Rs. 719.960 million by holding that the Company has failed to apportion and incorrectly claimed input tax in respect of CPP payments received from WAPDA against its sales tax liability for the period from July 2007 to June 2011. The Company preferred an appeal with Commissioner Inland Revenue (Appeals) [CIR(A)] against the demand which was decided in favour of the department. Against these decisions of CIR (A), the Company has filed an appeal before the Appellate Tribunal Inland Revenue which is pending adjudication to date. Considering the provisions of Sales Tax Act, 1990, Sales Tax Rules, 2006, General Orders of the Federal Board of Revenue and judgments passed by superior courts, the management expects a favorable outcome and accordingly no provision has been provided for in the financial statements.

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive	Executives	Chief Executive	Executives
	2013		2012	
	Rupees '000		Rupees '000	
Managerial remuneration and allowances	9,600	23,124	7,800	23,676
Staff retirement benefits	800	3,524	3,000	3,718
Others	1,930	3,303	1,668	3,609
	12,330	29,951	12,468	31,003
Number of persons	1	11	1	13

– In addition, the Chief Executive, an Executive Director and few Executives were provided with the Company maintained cars for business purposes.

– Directors of the Company were not paid any remuneration during the year except for an Executive Director who was paid remuneration of Rs. 6.565 million (2012: Rs. 6.159 million) and Rs. 450 thousand (2012: Rs. 1.450 million) was accrued during the year as his retirement benefits for services as Company Secretary and Executive Director Legal.

30 RELATED PARTY TRANSACTIONS

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees. Transactions with key management personnel are as follows:

	2013 (Rupees '000)	2012 (Rupees '000)
Remuneration of key management personnel	30,799	31,513

31 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

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

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

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The primary activity of the Company is power generation and sale of total output to WAPDA as mentioned in note 13.3 (b). The Company is exposed to credit risk from its operations.

Exposure to credit risk

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

	2013 (Rupees '000)	2012 (Rupees '000)
Trade debts - Also refer note 18.1 & 18.2	3,491,511	2,594,901
Bank balances	8,024	237,835
Others	1,397	128,208
	3,500,932	2,960,944

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

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

	2013 (Rupees '000)	2012 (Rupees '000)
Domestic	3,500,647	2,960,671
United Kingdom	285	273
	3,500,932	2,960,944

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.

	2013		2012	
	Gross Rs. (000)	Impairment Rs. (000)	Gross Rs. (000)	Impairment Rs. (000)
Not past due	100,681	-	77,974	-
Past due 0-30 days	100,681	-	94,150	-
Past due 31-120 days	306,981	-	162,556	-
Past due 121-365 days	701,338	-	-	-
Above 365 days	2,706,918	425,088	2,685,309	425,088
	3,916,599	425,088	3,019,989	425,088

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

(b) Liquidity risk

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

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

	2013 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	4,702,635	8,152,450	7,597,085	138,432	416,933
Finance lease liabilities	250,970	352,468	203,924	148,544	-
Short term borrowing	1,052,818	1,364,301	1,364,301	-	-
Advance from customer - unsecured	763,399	824,195	824,195	-	-
Liquidated damages payable	5,685,068	5,685,068	5,685,068	-	-
Trade and other payables	195,062	195,062	195,062	-	-
	12,649,952	16,573,544	15,869,635	286,976	416,933

	2012 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	4,534,747	7,409,177	6,219,304	742,755	447,118
Finance lease liabilities	276,470	423,526	139,940	131,540	152,046
Short term borrowing	1,057,970	1,271,071	1,271,071	-	-
Advance from customer - unsecured	1,303,089	1,341,288	1,341,288	-	-
Liquidated damages payable	4,646,005	4,646,005	4,646,005	-	-
Trade and other payables	51,979	51,979	51,979	-	-
	11,870,260	15,143,046	13,669,587	874,295	599,164

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

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

(c) Market risk

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

(i) Interest rate risk management

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

	Interest rate		Carrying amounts	
	2013 %	2012 %	2013 Rs. (000)	2012 Rs. (000)
- **Fixed rate instruments**				
Financial assets	-	-	-	-
- **Variable rate instruments**				
Financial assets				
Trade debts	11 - 14	14 - 16	3,491,511	2,594,901
Bank balances	6	4 - 5	78	15,822
			3,491,589	2,610,723
Financial liabilities				
Long term loans	1.0143 - 14.60	1.08 - 14.49	4,702,635	4,534,747
Liability against assets subject to finance lease	10.34 - 13.00	12.82 - 14.79	250,970	276,470
Advance from customer - unsecured	13 - 16	16 - 18	763,399	1,303,089
Short term borrowing	10.28 - 13.97	12.91 - 17.56	1,052,818	1,057,970
			6,769,822	7,172,276

(ii) Fair value sensitivity analysis for fixed rate instruments

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

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased unappropriated profit by Rs. 86.60 million (2012: Rs. 88.23 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

(iv) Currency risk management

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

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

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

The potential currency exposures are discussed below:

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

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

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

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

(v) Exposure to foreign currency risk

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

	2013 Amounts in (000)		
	USD	GBP	Euro
Advances and bank balances	3	-	-
Secured bank loans	(46,917)	-	-
Financial charges payable	(34,345)	-	-
Trade and other payables	-	(35)	(18)
Gross balance sheet exposure	(81,259)	(35)	(18)

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

(vi) Following significant exchange rates were used:

	Balance sheet date rate		Average rate	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
United States Dollars (USD)	**98.00**	94.20	**96.24**	90.50
Great Britain Pounds (GBP)	**149.67**	147.08	**151.28**	141.61
Euros	**128.07**	118.50	**125.23**	118.49

(vii) Sensitivity analysis

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

	Profit and loss account	
	2013 (Rupees '000)	2012 (Rupees '000)
USD	**(796,388)**	(281,536)
GBP	**(525)**	-
Euros	**(798)**	(2,690)

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

(d) Fair values

Fair value versus carrying amounts

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

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	2013 (Rupees '000)			
Financial assets				
Trade debts	3,491,511	-	-	3,491,511
Bank balances	8,024	-	-	8,024
Others	1,397	-	-	1,397
Total financial assets	3,500,932	-	-	3,500,932
Non financial assets				7,281,945
TOTAL ASSETS				10,782,877
Financial liabilities				
Long term financing - secured	-	-	4,702,635	4,702,635
Finance lease liabilities	-	-	250,970	250,970
Short term borrowings	-	-	1,052,818	1,052,818
Accrued markup	-	-	3,688,557	3,688,557
Liquidated damages payable	-	-	5,685,068	5,685,068
Trade and other payables	-	-	195,062	195,062
Advance from customer - unsecured	-	-	763,399	763,399
Total financial liabilities	-	-	16,338,509	16,338,509
Non financial liabilities				-
TOTAL LIABILITIES				16,338,509

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

(e) Determination of fair values

The basis for determining fair values is as follows:

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

32 CAPITAL RISK MANAGEMENT

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

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

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

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

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

	2013 (Rupees '000)	2012 (Rupees '000)
Increase in accumulated loss as at 01 July	661,900	491,796
(Decrease)/ increase in loss for the year	(17,991)	170,104
Increase in accumulated loss as at 30 June	643,909	661,900

34 CAPACITY AND PRODUCTION

	2013	2012
Original installed capacity - MW	135.9	135.9
Annual Dependable Capacity - MW	110.47	110.47
Actual energy delivered - MWh	97,178	244,691

Actual output produced by the plant is determined on the load demand and advance payments by WAPDA to PSO for supply of furnace oil to the Company. Last Annual Dependable Capacity (ADC) Test of the Complex was conducted on 09 March 2011.

35 LOSS PER SHARE - BASIC AND DILUTED

	2013	2012
Net loss after taxation - Rupees (000)	(1,882,694)	(1,831,882)
Weighted average number of shares outstanding during the year - Numbers	136,675,752	136,675,752
Loss per share - basic and diluted - Rupees	(13.77)	(13.40)

36 GENERAL

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

36.2 NUMBER OF PERSONS EMPLOYED (AS REQUIRED BY REVISED FOURTH SCHEDULE)

	2013	2012
Employees on year end (Number)	91	103
Average employees during the year (Number)	95	100

37 APPROVAL OF FINANCIAL STATEMENTS

37.1 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on 30 September 2013.

Islamabad **Chief Executive** **Director**
30 September 2013

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2013

No. of Shareholders	Shareholding From	Shareholding To	Number of Shares Held	Percentage %
278	1	100	13,973	0.01
463	101	500	180,677	0.13
802	501	1,000	654,191	0.48
1,502	1,001	5,000	4,648,637	3.40
710	5,001	10,000	5,904,751	4.32
274	10,001	15,000	3,547,546	2.60
187	15,001	20,000	3,515,894	2.57
156	20,001	25,000	3,688,944	2.70
89	25,001	30,000	2,539,711	1.86
56	30,001	35,000	1,857,654	1.36
53	35,001	40,000	2,059,212	1.51
27	40,001	45,000	1,175,514	0.86
79	45,001	50,000	3,902,267	2.86
24	50,001	55,000	1,287,056	0.94
19	55,001	60,000	1,109,682	0.81
9	60,001	65,000	573,101	0.42
14	65,001	70,000	959,150	0.70
13	70,001	75,000	969,500	0.71
9	75,001	80,000	711,909	0.52
7	80,001	85,000	583,048	0.43
10	85,001	90,000	882,085	0.65
5	90,001	95,000	474,000	0.35
59	95,001	100,000	5,878,198	4.30
5	100,001	105,000	509,250	0.37
11	105,001	110,000	1,199,726	0.88
2	110,001	115,000	225,100	0.16
6	115,001	120,000	707,365	0.52
6	120,001	125,000	750,000	0.55
5	125,001	130,000	644,782	0.47
4	130,001	135,000	533,500	0.39
6	135,001	140,000	837,000	0.61
3	140,001	145,000	435,000	0.32
11	145,001	150,000	1,645,923	1.20
2	150,001	155,000	309,365	0.23
3	155,001	160,000	474,098	0.35
2	160,001	165,000	326,000	0.24
1	165,001	170,000	166,262	0.12
1	170,001	175,000	175,000	0.13
1	175,001	180,000	175,365	0.13
3	180,001	185,000	548,208	0.40
1	190,001	195,000	192,500	0.14
5	195,001	200,000	997,000	0.73
4	200,001	205,000	808,000	0.59
3	205,001	210,000	616,982	0.45
2	210,001	215,000	427,800	0.31
1	215,001	220,000	217,050	0.16
3	220,001	225,000	672,000	0.49
2	225,001	230,000	457,284	0.33
2	230,001	235,000	467,723	0.34
1	235,001	240,000	239,500	0.18
1	240,001	245,000	243,150	0.18
1	245,001	250,000	250,000	0.18
2	255,001	260,000	516,500	0.38
2	265,001	270,000	536,000	0.39
1	280,001	285,000	285,000	0.21
1	285,001	290,000	287,000	0.21
1	290,001	295,000	294,000	0.22
5	295,001	300,000	1,499,000	1.10
2	305,001	310,000	619,092	0.45
1	315,001	320,000	317,500	0.23
2	320,001	325,000	649,350	0.48
2	335,001	340,000	673,495	0.49
1	350,001	355,000	353,980	0.26
1	395,001	400,000	400,000	0.29
1	500,001	505,000	504,231	0.37
1	525,001	530,000	530,000	0.39
1	540,001	545,000	541,000	0.40
2	555,001	560,000	1,116,200	0.82
2	595,001	600,000	1,200,000	0.88
1	670,001	675,000	675,000	0.49
1	695,001	700,000	700,000	0.51
2	745,001	750,000	1,496,000	1.09
1	770,001	775,000	770,850	0.56
1	790,001	795,000	794,000	0.58
2	795,001	800,000	1,600,000	1.17
1	880,001	885,000	884,942	0.65
1	910,001	915,000	913,500	0.67
1	935,001	940,000	936,884	0.69
1	1,065,001	1,070,000	1,070,000	0.78
1	1,495,001	1,500,000	1,500,000	1.10
1	1,605,001	1,610,000	1,607,500	1.18
1	5,055,001	5,060,000	5,058,749	3.70
1	5,795,001	5,800,000	5,800,000	4.24
1	40,175,001	40,180,000	40,178,346	29.40
4,988			**136,675,752**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2013

Particulars	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Salman Rahim (Director)		550	
	1	**550**	0.00
Associated Companies, undertakings and Related Parties			
BCHIL- Southern Company Limited (Sponsor)		40,178,346	
	1	**40,178,346**	29.40
National Investment Trust and Investment Corporation of Pakistan		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Habib Bank AG Zurich, Deira Dubai		794,000	
Soneri Bank Limited		325,000	
Crescent Investment Bank Limited		47,772	
Saudi Pak Industrial and Agricultural Investment Company Limited		4,000	
Escorts Investment Bank Limited		1,300	
	5	**1,172,072**	0.86
Insurance Companies			
State Life Insurance Corporation of Pakistan		504,231	
Pakistan Reinsurance Company Limited		13,963	
The Crescent Star Insurance Company Limited		2,000	
Habib Insurance Company Limited		550	
	4	**520,744**	0.38
Modarabas and Mutual Funds			
Prudential Stocks Fund Limited		14,366	
	1	**14,366**	0.01
Shareholder(s) Holding Five Percent or More Voting Interest			
BCHIL- Southern Company Limited (see above as sponsor)		-	
General Public			
A- Local	4915	86,444,852	
B- Foreigners	3	343,263	
		86,788,115	63.50

Particulars	No. of Shareholders	Shares Held	Percentage %
Others (To Be Specified)			
Joint Stock Companies			
Highlink Capital (Pvt) Limited		541,000	
Bulk Management Pakistan (Pvt.) Limited		317,500	
SAAO Capital (Pvt) Limited		256,500	
Dr. Arslan Razaque Securities (Smc-Pvt) Limited		243,150	
AMCAP Securities Pvt Limited		233,500	
NCC - Pre Settlement Delivery Account		222,000	
CMA Securities (Pvt) Limited		140,000	
Capital Vision Securities (Pvt) Limited		128,782	
First Capital Securities Corporation Limited		106,390	
Maan Securities (Private) Limited		102,200	
Darson Securities (Pvt) Limited		98,102	
Ismail Abdul Shakoor Securities (Private) Limited		64,850	
Capital Vision Securities Pvt Limited		53,367	
Mam Securities (Pvt) Limited		23,000	
Time Securities (Pvt.) Limited		12,350	
Multiple Investment Management Limited		10,000	
Continental Capital Management (Pvt) Limited		10,000	
Adeel & Nadeem Securities (Pvt.) Limited		10,000	
H.M. Idrees H. Adam (Smc-Pvt.) Limited		10,000	
S.H. Bukhari Securities (Pvt) Limited		9,900	
Stock Street (Pvt) Limited		7,000	
NH Securities (Pvt) Limited		5,500	
Al-Haq Securities (Pvt) Limited		5,500	
Excel Securities (Private) Limited		5,000	
Sardar Mohammad Ashraf D Baluch Pvt. Limited		4,500	
First Fidelity Leasing Modaraba		4,100	
Axis Global Limited		3,650	
Fair Deal Securities (Pvt) Limited		3,000	
Imperial Investment (Pvt) Limited		1,900	
H.S.Z. Securities (Private) Limited		1,500	
Fairtrade Capital Securities (Pvt.) Limited		1,050	
AWJ Securities (Smc-Private) Limited		950	
Msmaniar Financials (Pvt) Limited		734	
Vohrah Engineering (Pvt.) Limited		732	
Stock Master Securities (Private) Limited		594	
Al-Mal Securities & Services Limited		550	
Fikree's (Smc-Pvt) Limited		500	
Prudential Securities Limited		482	
Rafeh (Pvt) Limited		300	
Millennium Securities & Invest.(Pvt) Limited		300	
ZHV Securities (Pvt) Limited		300	
Adeel & Nadeem Securities (Pvt) Limited		250	
Jamshaid & Hasan Securities (Pvt) Limited		200	
Freedom Enterprises (Pvt) Limited		182	
M.R. Securities (Smc-Pvt) Limited		150	
	45	**2,641,515**	1.93

Particulars	No. of Shareholders	Shares Held	Percentage %
Foreign Companies			
SEP Holding Corporation		5,058,749	
ASEA Brown Boveri Kraftwerke A .G.		27,904	
Brown Brothers Harriman & Co		15,750	
Citibank N.A. Hong Kong		5,500	
Somers Nominees (Far East) Limited		5,050	
Bankers Trust Co.		3,850	
HSBC International Trustee Limited		2,200	
The Northern Trust Company		1,100	
State Street Bank And Trust Company		275	
BCHIL- Southern Company Limited (As above)		-	
	9	**5,120,378**	3.75
Cooperative Societies, Charitable Trusts			
Managing Committee of Ahmed Garib Foundation		100,000	
Trustees Kaukab Mir Memorial Welfare Trust		100,000	
The Okhai Memon Anjuman		14,666	
	3	**214,666**	0.16
Provident Fund Schemes			
1295 Trustee Avari Hotel Lahore Staff Provident Fund		25,000	
	1	**25,000**	0.02
Total Number of Shareholders and Paid up Capital	**4,988**	**136,675,752**	**100.00**

4,541 shareholders hold 95,544,775 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 19th Annual General Meeting of the Company to be held on 31 October 2013 at 11:00 am and or any adjournment thereof.

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

Signed this .... day of................ 2013

Registered Folio No./CDC A/C No.

Signature on Five Rupee Revenue Stamp

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

WITNESS:

1.
Signature____________________
Name____________________
Address ____________________
____
CNIC or ____________________
Passport No____________________

2.
Signature____________________
Name____________________
Address ____________________
____
CNIC or ____________________
Passport No____________________

NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, No. 50, Street No. 60, F-11/4, Islamabad not later than 48 hours before the time of holding the meeting.

2. It must be signed by the appointer or his/her attorney duly authorised in writing, or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

3. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid

For CDC Account Holders/Corporate Entities
In addition to the above the following requirements have to be met.

1) The proxy form shall be witnessed by two persons whose names, addresses and CNIC/Passport numbers shall be stated on the form.
2) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
3) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
4) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.