

ANNUAL REPORT 2015



Southern Electric Power Company Limited

COMPANY INFORMATION

Board of Directors	Mr. Yahia Awod Idris Mr. Rashid Mirza Ms. Lynn Margaret Isobel Bell Mr. Mohammad Khalid Rashid Mr. Salman Rahim Ms. Louisa Grasso Ms. Carolyne Khan Mr. Osama Salik
Chief Executive	Mr. Salman Rahim
Company Secretary	Mr. Salman Rahim
Audit Committee	Mr. Mohammad Khalid Rashid Ms. Louisa Grasso Mr. Osama Salik
HR & Remuneration Committee	Mr. Yahia Awod Idris Ms. Louisa Grasso Mr. Mohammad Khalid Rashid
Auditors	KPMG Chartered Accountants Taseer Hadi & Co.,
Leading Bankers	Askari bank Limited Faysal Bank Limited National Bank of Pakistan United Bank Limited
Registered Office	Salim Omar Road, Off Korang Road, Banigala, 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

SOUTHERN ELECTRIC POWER COMPANY LIMITED

NOTICE OF 21st ANNUAL GENERAL MEETING

NOTICE is hereby given that the 21st Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 30, 2015 at 11:00 a.m. at the Registered Office of the Company, Salim Omar Road, Off Korang Road, Banigala, Islamabad, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2014.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2015 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Salman Rahim
Company Secretary

Place: Islamabad
Dated: October 08, 2015

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 23, 2015 to October 30, 2015 (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 22, 2015 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Members are requested to immediately notify the Share Registrar of the Company of any change in their addresses.
5. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

- a. In case of individuals, the account holder or sub-account holder and / or the persons whose securities and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b. In case of 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 21st Annual Report of the Company, and the audited Annual Financial Statements for the year ended 30 June 2015.

Plant Operations

The plant has not been in operation since September 2012 to date due to the acts and omissions of WAPDA in not meeting the agreed terms under the Project Agreements and Understandings.

WAPDA has defaulted in timely settlement of the Company receivable balances and, after arbitrarily discontinuing fuel advance payments and adjusting overdue CPP balances against fuel advance payable, has disputed the Capacity Payments of the Company for the period September 2012 through June 2015. 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. During the current year, meetings were arranged with WAPDA and Ministry of Water and Power Officials to find an amicable resolution of the existing disputes and restart of the Plant operations. The Company has also made application with NEPRA for revision of its tariff and has cause to believe that the plant might be restarted on a Take and Pay basis. WAPDA has also indicated its approval to the same provided certain points are clarified and the Ministry of Water and Power are actively participating to reach an amicable settlement between the two parties keeping in view the acute shortage of electricity in the country. An expert mediation on existing disputes also remains an option.

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 or restart the Plant on a Take and Pay basis to eliminate the fuel grammage losses and lead the project towards profitability and meet its operational and financial obligations in time.

It may also be noted that the Company, despite facing extreme financial distress due to prolonged plant closure and non-payment by WAPDA, has managed to sustain itself financially and technically with no adverse measures from Project Lenders that justifies the Company's assumption of going concern; and is hopeful that matters with WAPDA will be settled in due course and the plant will be operational soon. However, should WAPDA continue to suspend the fuel advance facility for considerable period of time or does not release the outstanding CPP payments to the Company 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.

Financial Results

The Company incurred a net loss of Rs. 1,759 million as compared to a net loss of Rs. 1,595 million during last year.

Owing to closure of the Plant, no electricity generation took place during the current year similar to prior year where the plant remained in-operational as well owing to the reasons cited above. Cost of sales on the other hand has shown a decline of Rs. 229 million, from Rs. 1,931 million during the year ended 30 June 2014 to Rs. 1,702 million during the current year, which resulted in a gross loss of Rs. 580 million as opposed to a gross loss of Rs. 654 million in the last year.

Gross loss incurred during the year is mainly attributable towards closure of Plant operations and provisioning of exorbitant liquidated damages. As detailed in note 1.2, 8.1 and 8.2 to the financial statements, 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. In the event of a positive settlement with WAPDA, the management expects all or substantial portion of the LDs may be reversed and may positively impact shareholders equity.

Administrative expenses also decreased as a consequence of suspension of Plant operations. Finance costs increased during the year mainly due to declining of PKR against USD, increased interest rate on defaulted loan and interest charge on compounded fuel advance amounts from WAPDA that effected an increase in interest costs on these amounts.

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, 6 and 10 to the financial statements, principal portion of overdue instalments towards various lenders and lease syndicate aggregates to Rs. 4,517 million with defaulted mark-up of Rs. 5,537 million. Moreover all short term borrowings of Rs. 1,053 million from the financial institutions have expired and became overdue as of the balance sheet date as detailed in note 11 to the financial statements.

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. 8,343 million 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.

Going Concern

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 14 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 its full capacity.

WAPDA is not releasing the fuel/ CPP payments to the Company for the time being. However taking into consideration the 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 will be settled to their mutual benefit and the Company will be able to continue its operations and supply electricity to the national grid once again. The financial statements for the year have, therefore, been prepared on a going concern basis. Preparation of the financial statements on a non-going concern basis is inappropriate at this point of time and will mislead users of the financial statements that the Project is going to wind up in near future and will also weaken the legal position of the Company in litigation matters.

- 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 is by the 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 partially cleared these dues till June 2012.

As elaborated above, the closure took place due to breach of terms of agreements by WAPDA in the past and in the current year. 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 resumption 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.

- f) The disagreement between the auditors and the Company is on the matters referred in (a) to (d) above. It is a matter of judgement only and has nothing to do with existing accounting policies of the Company.

For reasons cited 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 2015 and of the loss, its cash flows and changes in equity for the year then ended.

The loss per share worked out at Rs. 12.87 this year as compared to loss per share of Rs. 11.67 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) the matters related to Company's ability to continue as a going concern are discussed in earlier paragraphs.
- g) there has been no material departure from the best practices of the Code of Corporate Governance as detailed in listing regulations except for the matters already mentioned in the statement of compliance with 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

No casual vacancy took place in the Board during the year. Mr Salman Rahim was appointed as Chief Executive Officer by the Board of Director of the Company as Mr. Shamsul Aziz, Ex Chief Executive Officer resigned on June 30 2015.

Board of Directors Meetings Held During the Year

Nine meetings of the Board of Directors were held during the year from 1 July 2014 to 30 June 2015. Following is the attendance of each Director in Board meetings:

Name	Meetings Attended
Mr. Yahia Awood Idris	9
Mr. Rashid Mirza (Nominee of NBP)	9
Ms. Lynn Margaret Isobel Bell	9
Mr. Manuel Makki	9
Mr. Salman Rahim	9
Ms. Louisa Grasso	9
Ms. Carolyne Khan	9
Mr. Osama Salik	9

Audit Committee Meetings Held During the Year

Four meetings of the audit committee were held during the year from 1 July 2014 to 30 June 2015. Following is the attendance of each member in committee meetings:

Name	Meetings Attended
Ms. Louisa Grasso	4
Mr. Yahia Awood Idris	1
Mr. Manuel Makki	4
Mr. Osama Salik	3

Human Resource and Remuneration Committee Meetings Held During the Year

One meeting of the Human Resource and Remuneration Committee was held during the year from 1 July 2014 to 30 June 2015. Following is the attendance of each member in committee meetings:

Name	Meeting Attended
Ms. Louisa Grasso	1
Mr. Yahia Awood Idris	1
Mr. Shamsul Aziz	1

Pattern of Shareholding

A statement showing the pattern of shareholding as of 30 June 2015 is attached.

No trade in the shares of the Company was carried out by its directors, executives and their spouses and minor children during the year.

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

**Salman Rahim
Chief Executive Officer**

**Islamabad
02 October 2015**

KEY OPERATING AND FINANCIAL DATA
SOUTHERN ELECTRIC POWER COMPANY LIMITED ANNUAL REPORT 2015

Year Ended on June 30	2015	2014	2013	2012	2011	2010
Despatch Level (%age)	-	-	11.0	28.0	50.0	37.6
Despatch (Mwh)	-	-	97,178	244,691	465,562	393,242
Total Revenue (Rs. '000)	1,121,270	1,277,383	2,670,811	4,825,434	6,579,822	5,842,332
(Loss)/Profit for the Year (Rs. '000)	(1,759,024)	(1,594,721)	(1,882,694)	(1,831,882)	(3,922,132)	52,682
Shareholders' Equity (Rs. '000)	(8,909,377)	(7,150,353)	(5,555,632)	(3,672,938)	(1,841,056)	2,081,076
Book Value Per Share (Rupees)	(65.19)	(52.32)	(40.64)	(26.87)	(13.47)	15.23
(Loss)/Earning per share - basic (Rupees)	(12.87)	(11.67)	(13.77)	(13.40)	(28.70)	0.39
Rate of Dividend (%age)	-	-	-	-	-	-

Southern Electric Power Company Limited

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2015

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-executive directors	<ul style="list-style-type: none">• Mr. Yahia Awod Idris• Ms. Lynn Margaret Isobel Bell• Mr. Mohammad Khalid Rashid*• Ms. Louisa Grasso• Mr. Osama Salik• Ms. Carolyne Khan• Mr. Rashid Mirza (NBP Nominee Director)
Executive director	<ul style="list-style-type: none">• Mr. Salman Rahim (CEO)

* Appointed subsequent to the year-end in place of Mr. Manuel Makki

The independent director 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy took place on the board during the year.

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. The board is also in the process of

Southern Electric Power Company Limited

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2015

developing a mechanism for an annual evaluation of its own performance which shall be effective in the forthcoming financial year.

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 except for two meetings where the notice period was reduced. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranged briefings of Sections 194 and 196 for its directors which deal with the Liabilities and Powers of Directors in order to refresh them as to their contents. However, due to busy schedule and unavailability of directors no formal training program was convened during the year.

10. The board has approved appointment of Company Secretary including his remuneration and terms and conditions of employment. However the positions of CFO and Head of Internal Audit are currently vacant and the board is in the process of appointing CFO and Head of Internal Audit for the Company.

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/CFO before approval of the board. However the Company's financial statements for the year ended 30 June 2015 were endorsed by CEO due to vacancy of CFO's position as at 30 June 2015.

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 except wherever mentioned otherwise.

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

Southern Electric Power Company Limited

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2015

18. The board is in the process of appointing a qualified and experienced person for establishing internal audit function.

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 except wherever mentioned otherwise with reasons towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

**For and on Behalf of the
Board of Directors**

SALMAN RAHIM
Chief Executive Officer

Islamabad: October 2, 2015

Review Report to the Members on Statement of Compliance with Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Southern Electric Power Company Limited (“the Company”) for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note references where these are stated in the Statement of Compliance:

- i. As stated in paragraph 06, the Company's board is in the process of developing a mechanism for an annual evaluation of the board's own performance which was required to be put into place, as required under clause V (e) of the Code.
- ii. As stated in paragraph 08, for two board meetings the notices of the meetings were not circulated at least seven days before the meeting, as required under clause VII of the Code.
- iii. As stated in paragraph 09, none of the Directors obtained certification under directors' training program during the year as required under clause XI of the Code.

- iv. As stated in paragraph 10, the board is in the process of appointing a CFO and Head of Internal Audit for the Company as required under clause XII of the Code.
- v. As stated in paragraph 12, the Company's financial statements for the year ended 30 June 2015 were not endorsed by CFO, as required under clause XXI of the Code.
- vi. As stated in paragraph 15, the audit committee formed by the board does not include any independent director who shall preferably be the chairman of the committee, as required under clause XXIV of the Code.
- vii. As stated in paragraph 18, the board is in the process of establishing an internal audit function, as required under clause XXXI of the Code.

2 September 2015
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Syed Bakhtiyar Kazmi



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Southern Electric Power Company Limited ("the Company") as at 30 June 2015 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 we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) The Company has incurred a net loss of Rs. 1,759.024 million during the year and its equity is eroded as at 30 June 2015 which stands at Rs. 8,909.377 million negative. As of the balance sheet date, the Company's current liabilities exceeded its total assets by Rs. 8,685.462 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. Consequently, WAPDA levied Liquidated Damages to the Company during the year amounting to Rs. 1,276.627 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. However as described in note 1.2 these financial statements have been prepared under the going concern assumption. Because of the circumstances and events as mentioned in this paragraph and those mentioned in paragraphs (b) to (d) below, along with other matters as set forth in Note 1.2 to the financial statements, in our opinion the Company cannot be considered to be a going concern and thus the preparation of its financial statements on a going concern basis is inappropriate. In our opinion the financial statements should reflect adjustments to reduce the value of assets to their recoverable amount and to provide for any further liabilities that might arise. These adjustments are likely to be substantial, but we are unable to determine the total of the required adjustments and provisions with a reasonable degree of accuracy.
- (b) As stated in notes 16.2 and 21.1 to the financial statements, WAPDA has disputed Capacity Purchase Price (CPP) from September 2012 through June 2015 amounting to Rs. 3,405.551 million which includes CPP for the period from 01 July 2014 to 30 June 2015 amounting to Rs. 1,121.270 million, on the grounds that the Company has shut down the plant and failed to comply with the dispatch 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. 1,121.270 million during the year. Further, as stated in note 16.1 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. 1,121.270 million during the year and made provision for the doubtful debts amounting to Rs. 4,544.502 million, the Company's loss for the year would have been higher by Rs. 1,121.270 million and its equity would have been further eroded by Rs. 5,665.772 million 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, in the absence of management's estimate of recoverable amount of stores, spares and loose tools we have not been able to conclude on the net realizable value of the items of stores, spares and loose tools. Accordingly, we were not able to conclude 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, 5.7, 6.2, 10.1, 10.2, 10.3 and 11.1 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, markup amounting to Rs. 63.413 million has not been recorded in these financial statements. Had this markup been recorded, the Company's loss for the year would have been higher by Rs. 63.413 million with a corresponding increase in current liabilities. Furthermore, 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. 223.915 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. 223.915 million with a corresponding increase in current liabilities.
- (e) Except for the matters referred in paragraphs (a) to (d) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (f) in our opinion –
- i. because of the significance of the matters discussed in paragraphs (a) to (d) 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.
- (g) In our opinion, because of the significance of the matters discussed in paragraphs (a) to (d) 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 2015 and of the loss, its cash flows and changes in equity for the year then ended; and
- (h) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 02 October 2015

Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Bakhtiyar Kazmi

Southern Electric Power Company Limited
Balance Sheet
As at 30 June 2015

	2015 Rs. (000)	2014 Rs. (000)	2015 Rs. (000)	2014 Rs. (000)	Note
SHARE CAPITAL AND RESERVES					
Share capital	1,366,758	1,366,758	6,105,790	6,318,845	13
Accumulated loss	(10,276,135)	(8,517,111)			
	(8,909,377)	(7,150,353)			
NON-CURRENT LIABILITIES					
Long term financing - secured	223,915	310,362			14
Liabilities against assets subject to finance lease	-	-			15
	223,915	310,362			16
CURRENT LIABILITIES					
Trade and other payables	306,392	255,953	77,931	81,658	18
Liquidated damages payable	8,343,488	7,066,861	8,719	8,618	19
Advance from customer - unsecured	542,869	542,869	1,298	3,311	20
Accrued markup	5,730,686	4,580,468			
Short term borrowings - secured	1,052,818	1,052,818			
Current portion of long term financing - secured	4,614,779	4,354,738			
Current portion of liabilities against assets subject to finance lease	250,970	250,970	6,050,750	4,945,841	
	20,842,002	18,104,677			
CONTINGENCIES AND COMMITMENTS					
	12,156,540	11,264,686	12,156,540	11,264,686	
					12

The annexed notes 1 to 35 form an integral part of these financial statements.

Islamabad

CHIEF EXECUTIVE

DIRECTOR

Southern Electric Power Company Limited**Profit and Loss Account**

For the year ended 30 June 2015

	Note	2015 Rs. (000)	2014 Rs. (000)
Turnover - net	21	1,121,270	1,277,383
Cost of sales	22	<u>(1,701,645)</u>	<u>(1,931,126)</u>
Gross loss		(580,375)	(653,743)
Administrative expenses	23	(36,421)	(49,683)
Finance cost	24	(1,159,741)	(903,842)
Other income	25	17,513	12,547
Net loss before taxation		(1,759,024)	(1,594,721)
Taxation	26	-	-
Net loss after taxation		<u>(1,759,024)</u>	<u>(1,594,721)</u>
Loss per share - basic and diluted (Rupees)	33	<u>(12.87)</u>	<u>(11.67)</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

Islamabad

CHIEF EXECUTIVE

DIRECTOR

Southern Electric Power Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2015

	2015	2014
	<u>Rs. (000)</u>	<u>Rs. (000)</u>
Net loss after taxation	(1,759,024)	(1,594,721)
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>(1,759,024)</u></u>	<u><u>(1,594,721)</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.

Islamabad

CHIEF EXECUTIVE

DIRECTOR

Southern Electric Power Company Limited

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015 Rs. (000)	2014 Rs. (000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before taxation		(1,759,024)	(1,594,721)
Adjustments for non cash items:			
Depreciation		385,627	385,686
Provision for doubtful debts and advances to other suppliers		279	3,144
Advances to suppliers written off		466	-
Advances to staff written-off		-	92
Gain on disposal of property, plant and equipment - net		(2,430)	(1,009)
Write down of stock to net realizable value		-	23,713
Stock written-off		676	1,664
Finance cost		1,159,741	903,842
		(214,666)	(277,589)
Working capital changes:			
Decrease in stores, spare parts and loose tools		1,066	44,837
Decrease in stock in trade		8,291	66,822
Increase in trade debts		(1,121,270)	(1,276,665)
(Increase) / decrease in advances		(56)	1,837
Decrease in trade deposits, short term prepayments and balance with statutory authority		3,727	2,659
Increase in liquidated damages payable		1,276,627	1,381,793
Increase in trade and other payables		41,133	52,967
		209,518	274,250
Cash used in operations		(5,148)	(3,339)
Gratuity paid		(192)	(3,964)
Income taxes paid	19	(101)	(190)
Net cash used in operating activities		(5,441)	(7,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		3,451	2,715
Net cash generated from investing activities		3,451	2,715
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance cost paid		(24)	(44)
Net cash used in financing activities		(24)	(44)
Net decrease in cash and cash equivalents		(2,013)	(4,822)
Cash and cash equivalents at beginning of the year		3,311	8,133
Cash and cash equivalents at end of the year	20	1,298	3,311

The annexed notes 1 to 35 form an integral part of these financial statements.

Islamabad

CHIEF EXECUTIVE

DIRECTOR

Southern Electric Power Company Limited
Statement of Changes in Equity
For the year ended 30 June 2015

	Share capital	Accumulated Loss	Total
	<u>Rs. (000)</u>	<u>Rs. (000)</u>	<u>Rs. (000)</u>
Balance as at 01 July 2013	1,366,758	(6,922,390)	(5,555,632)
Total comprehensive income for the year	-	(1,594,721)	(1,594,721)
Balance as at 30 June 2014	<u>1,366,758</u>	<u>(8,517,111)</u>	<u>(7,150,353)</u>
Balance as at 01 July 2014	1,366,758	(8,517,111)	(7,150,353)
Total comprehensive income for the year	-	(1,759,024)	(1,759,024)
Balance as at 30 June 2015	<u>1,366,758</u>	<u>(10,276,135)</u>	<u>(8,909,377)</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

Islamabad

CHIEF EXECUTIVE

DIRECTOR

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

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 HNo. 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 & Dispatch 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.

The Company has also submitted two proposals to WAPDA for restart of its Plant including one on a take and pay basis so it does not incur any fuel grammage loss on production. WAPDA's response to these proposals is awaited till date.

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 litigation / arbitration shall be left as a final option.

Disputes between the Company and WAPDA pertaining to Liquidated Damages (LDs) for the period from 15 February 2008 to 30 June 2015 and withheld CPP amounts and interest thereon for the period from June 2008 till 31 December 2009 and September 2012 till 30 June 2015 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 recognized 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 eventual outcome will be determined once a settlement is reached on all outstanding disputes between the parties (refer note 8 to the financial statements).

The parties are also considering an expert mediation for a balanced resolution of the existing disputes 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 also filed a petition with National Electric Power Regulatory Authority (NEPRA) for revision of tariff and other issues in order to restart the Plant. Keeping in view the cheaper power generation by the Company in view of the unprecedented fall in the oil prices, and NEPRA's commitment to safeguard the interest of the consumers, the Company expects a favorable decision by NEPRA towards the resumption of Plant operations.

The Company has incurred a net loss of Rs. 1,759 million during the year and its equity is eroded as at 30 June 2015 which stands at Rs. 8,909 million negative. As of the Balance Sheet date, the Company's current liabilities exceeded its total assets by Rs. 8,685 million. WAPDA has discontinued the fuel advance facility since August 2012, withheld Capacity Purchase Price (CPP) and interest thereon for the period from June 2008 till 31 December 2009 and September 2012 till 30 June 2015 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 notes 16.1 and 16.2 to the financial statements, WAPDA has disputed the payment of Company's dues amounting to Rs. 2,260 million and Rs. 3,406 million respectively. The recovery of these disputed amounts 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 16 to the financial statements.

Though the Company has still managed to sustain itself despite excessively prolonged closure of its Plant and no payments coming from WAPDA, and is hopeful that matters with WAPDA will be settled in due course and the plant will be operational soon and accordingly financial statements have been prepared on a going concern basis. The operation of the Company's plant is dependent upon fuel advance facility from WAPDA; however, should WAPDA continue to suspend the fuel advance facility for considerable period of time or does not release the outstanding CPP payments to the Company 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.

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

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.

(e) Provisions for stores and spares, stock in trade and doubtful receivables

The Company reviews the carrying amount of stores and spares and stock in trade on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares and stock in trade. Further, the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt the realisability of these receivables, appropriate amount of provision is made.

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

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 compensated absences

The Company 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 less impairment.

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 which is 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 13, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. 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 S.R.O. 24(1)/2012 dated 16 January 2012. 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 disposal 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 13.

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

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.

Interest income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return and income on scrap sales is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

3.7 Trade debts and other receivables

Trade debts and other receivables are initially stated at fair value of consideration to be received plus directly attributable transaction cost, if any. Subsequent to initial recognition these are carried at their amortized cost using effective interest method, as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

3.8 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

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 initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

3.11 Provisions

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

3.12 Dividend recognition

Dividend distribution to the Company's members is recognized as a liability in the period in which the dividends are approved.

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.

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

3.15 Financial instruments

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset 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 recognized as a separate asset or liability.

Financial assets mainly comprise of 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.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized 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.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. Any gain or loss on derecognition of financial assets and financial liabilities is included in profit or loss for the year.

3.16 Finance cost

Finance cost comprises of interest expense on borrowings and bank charges.

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

3.19.1 Financial assets

A financial asset other than held for trading and carried at fair value is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All impairment losses are recognized in profit or 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.

3.19.2 Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both, specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) 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. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company is in the process of assessing the impact of this standard on the financial statements.

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Notes to the financial statements

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- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - a) IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - b) IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - c) IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - d) IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

Southern Electric Power Company Limited

Notes to the financial statements

For the year ended 30 June 2015

4 SHARE CAPITAL

4.1 Authorized share capital

z This represents 150 million (2014: 150 million) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

2015 Numbers	2014 Numbers		2015 Rs. (000)	2014 Rs. (000)
124,250,684	124,250,684	Ordinary shares of Rs 10 each issued for cash	1,242,507	1,242,507
12,425,068	12,425,068	Ordinary shares of Rs 10 each issued as fully paid bonus shares	124,251	124,251
<u>136,675,752</u>	<u>136,675,752</u>		<u>1,366,758</u>	<u>1,366,758</u>

4.3 BCHIL Southern Company Limited holds 40.178 million ordinary shares (2014: 40.178 million ordinary shares) of Rs. 10 each at the balance sheet date

4.4 Mr. Salman Rahim, an Executive Director, holds 550 ordinary shares (2014: 550 ordinary shares) of Rs. 10 each at the balance sheet date.

5 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned		Outstanding amounts			
		amounts		2015	2014	2015	2014
		USD (000)	Rs. (000)	USD (000)	USD (000)	Rs. (000)	Rs. (000)
<i>From banking companies</i>							
National Bank of Pakistan / World Bank / Private Sector Energy Development Fund (PSEDF) - 1st Facility	5.1	35,002	-	22,751	22,751	2,295,579	2,211,400
National Bank of Pakistan / World Bank / Private Sector Energy Development Fund (PSEDF) - 2nd Facility	5.2	7,456	-	4,846	4,846	488,999	471,068
National Bank of Pakistan / World Bank / Private Sector Energy Development Fund (PSEDF) - 3rd Facility	5.3	10,614	-	10,614	10,614	1,070,960	1,031,688
ANZ Bank, Paris, France - 2nd Facility	5.5	8,706	-	8,706	8,706	878,428	846,216
United Bank Limited	5.6	-	133,128	-	-	104,728	104,728
				46,917	46,917	4,838,694	4,665,100
<i>Less: Installments due over the next twelve months shown under current liabilities</i>							
Overdue / defaulted installments		(43,724)		(42,837)		(4,516,519)	(4,217,413)
Current maturity		(974)		(887)		(98,260)	(137,325)
		(44,698)		(43,724)		(4,614,779)	(4,354,738)
				2,219	3,193	223,915	310,362

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Notes to the financial statements

For the year ended 30 June 2015

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 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 thirteen 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 including an extension in the tenor of the loan. Total amount outstanding and overdue in respect of these facilities as on 30 June 2015 is Rs. 3,855.539 million (30 June 2014: Rs. 3,714.156 million).

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. The Company has defaulted on this loan and no payment of principal loan amount and interest is being made by the Company. Total amount outstanding in respect of this loan as on 30 June 2015 is Rs. 878.428 million (30 June 2014: Rs. 846.216 million) out of which Rs. 556.252 million (30 June 2014: Rs. 449.657 million) is overdue and Rs. 98.260 (30 June 2014: Rs. 86.198 million) is maturing within the next twelve months.

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 has 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 to seventeenth installments that fell due on 17 May 2013, 17 August 2013, 17 November 2013, 17 February 2014, 17 May 2014, 17 August 2014, 17 November 2014, 17 February 2015 and 17 May 2015. Further, the Company has also defaulted on payment of markup on installments for the last fifteen quarters from 17 November 2011 through 17 May 2015. Total amount outstanding in respect of this loan as on 30 June 2015 is Rs. 104.728 million (30 June 2014: Rs. 104.728 million) out of which Rs. 104.728 million (30 June 2014: Rs. 104.728 million) is overdue / maturing within next twelve months.
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 Due to default in repayments of loans and breach of certain financial covenants including syndicated lease liability (refer note 6.2), the lenders have the right to demand accelerated repayments from the Company.

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For the year ended 30 June 2015

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding
	2015 Rs. (000)	2015 Rs. (000)	2015 Rs. (000)	2014 Rs. (000)	2014 Rs. (000)	2014 Rs. (000)
Not later than one year	353,166	102,196	250,970	353,166	102,196	250,970
Later than one year but not later than five years	-	-	-	-	-	-
	353,166	102,196	250,970	353,166	102,196	250,970

6.1 Rentals were payable in quarterly installments. The Company has a right to exercise purchase option at the end of the lease term. This facility carried effective interest rate of 9.6% to 11.17% per annum (2014: 10.07% to 11.15% per annum).

6.2 The Company has executed the third supplemental lease agreement with the syndicate on 27 September 2011. However, due to cash flow constraints, the Company has not been able to pay and defaulted on seventh to seventeenth installment each due on 26 October 2012, 26 January 2013, 26 April 2013, 26 July 2013, 26 October 2013, 26 January 2014, 26 April 2014, 26 July 2014, 26 October 2014, 26 January 2015 and 26 April 2015 respectively.

6.3 Total amount outstanding in respect of lease liability of 6th engine as on 30 June 2015 is Rs. 250.970 million (30 June 2014: 250.970 million) which is overdue (2014: maturing within next twelve months).

7 TRADE AND OTHER PAYABLES

	Note	2015 Rs. (000)	2014 Rs. (000)
Creditors		148,742	147,320
Accrued liabilities	7.1	52,503	18,551
Gratuity payable	7.2	21,284	21,476
Provision for compensated absences	7.3	10,466	8,797
Unclaimed dividend		3,557	3,557
Other payables	7.4	69,840	56,252
		306,392	255,953

7.1 This includes salary payable amounting to Rs 32.413 million (2014: Rs 3.587 million).

7.2 No further provision is being made against staff retirement gratuity since 2013.

7.3 Actuarial valuation for compensated absences has not been carried out since the management believes that resultant impact will not be material to these financial statements.

7.4 This mainly includes liability of Rs. 39,238 (2014: Rs. 39,238 million) and Rs. 14,514 million (2014: Rs. 8,636 million) recognized towards National Bank of Pakistan on account of insurance premium payment made on behalf of the Company and PSEDI' inter-creditor fee respectively.

8 LIQUIDATED DAMAGES PAYABLE

	Note	2015 Rs. (000)	2014 Rs. (000)
Pertaining to closure periods	8.1	6,207,339	4,930,712
Others	8.2	2,136,149	2,136,149
		8,343,488	7,066,861

8.1 These Liquidated Damages (LDs) have been levied by WAPDA under the Power Purchase Agreement (PPA) and pertain to the periods from 15 February 2008 to 31 December 2009 and September 2012 to June 2015 during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility and CPP payments by WAPDA. The Company has disputed these LDs on valid legal and technical grounds, however, has recognized 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 period. Management expects an amicable resolution of all disputes with WAPDA (also refer notes 1.2 and 16.1).

8.2 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 recognized this liability on a prudent basis. Major reason of dispute is non or staggered fuel advance payments and non-payments / delayed payments of CPP receivables by WAPDA forcing the Company to operate the Plant at partial load that results in incurrance of exorbitant LDs. 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 period. Management expects an amicable resolution of all disputes with WAPDA (also refer note 1.2).

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For the year ended 30 June 2015

9 ADVANCE FROM CUSTOMER - UNSECURED	Note	2015	2014
		Rs. (000)	Rs. (000)
Advance against fuel purchase	9.1	542,869	542,869

9.1 This unsecured advance from WAPDA carries markup ranging from 11% to 14% per annum (2014: 13% to 14% per annum).

10 ACCRUED MARKUP	Note	2015	2014
		Rs. (000)	Rs. (000)
Markup on long term financing - secured	10.1	5,006,948	4,067,737
Markup on short term borrowings - secured	10.2	430,743	315,677
Markup on liabilities against assets subject to finance lease	10.3	102,196	95,802
Markup on advance from customer - unsecured		190,799	101,252
		<u>5,730,686</u>	<u>4,580,468</u>

10.1 This includes overdue / defaulted mark-up aggregating to Rs. 5,004,632 million (2014: Rs. 3,935,274 million) that comprises of overdue markup on foreign currency borrowings of Rs. 4,986,299 million (2014: Rs. 3,920,658 million) equivalent to USD 49,418 million (2014: USD 40,336 million) and on local currency borrowing of Rs. 18,544 million (2014: Rs. 14,616 million).

10.2 This includes overdue / defaulted mark-up amounting to Rs. 430,743 million (2014: Rs. 315,677 million).

10.3 This includes Rs. 102,142 million (2014: Rs. 73,981 million) which represents overdue / defaulted 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.

11 SHORT TERM BORROWINGS - SECURED	Note	Expiry dates of facilities	Sanctioned Limit		Outstanding balance		
			2015 Rs. (000)	2014 Rs. (000)	2015 Rs. (000)	2014 Rs. (000)	
<i>Running finance facilities from banking companies:</i>							
		Faysal Bank Limited	Expired	247,933	247,933	247,933	247,933
		Askari Bank Limited	Expired	299,900	299,900	299,900	299,900
		National Bank of Pakistan	Expired	250,000	250,000	249,988	249,988
		Silk Bank Limited	Expired	145,000	145,000	144,997	144,997
<i>Term finance facility from financial institution:</i>							
		Saudi Pak Industrial and Agricultural Investment Company Limited	Expired	110,000	110,000	110,000	110,000
				<u>1,052,833</u>	<u>1,052,833</u>	<u>1,052,818</u>	<u>1,052,818</u>

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

11.2 The above borrowings are secured by way of first charge of Rs. 1,394 million, second charge of 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 facilities carry mark-up ranging between 8.53% to 12.18% per annum (2014: 10.03% to 12.18% per annum.).

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Notes to the financial statements

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12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There were no contingencies of the Company as on the balance sheet date. For contingencies related to tax matters - refer notes 26.2

12.2 Commitments

There were no commitments at the balance sheet date.

12.3 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.

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Notes to the financial statements
For the year ended 30 June 2015

13 PROPERTY, PLANT AND EQUIPMENT

	OWNED										LEASED	Grand Total Rs. (000)	
	Freehold land Rs. (000)	Office building on freehold land Rs. (000)	Plant building on freehold land Rs. (000)	Plant, machinery and equipment Rs. (000)	Rail siding Rs. (000)	Lease hold improvements Rs. (000)	Electric equipment Rs. (000)	Computers and office equipment Rs. (000)	Laboratory equipment Rs. (000)	Furniture and fittings Rs. (000)	Vehicles Rs. (000)		Sub - Total Rs. (000)
Cost													
Balance as at 01 July 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
Exchange gain	-	-	(6,854)	(30,680)	-	-	-	-	-	-	-	(37,534)	-
Disposals	-	-	-	-	-	-	-	-	-	-	(3,227)	(3,227)	-
Balance as at 30 June 2014	32,504	20,684	1,800,372	7,923,991	38,332	7,255	9,310	5,213	9,108	4,713	15,436	9,866,918	688,616
Balance as at 01 July 2014	32,504	20,684	1,800,372	7,923,991	38,332	7,255	9,310	5,213	9,108	4,713	15,436	9,866,918	688,616
Exchange loss	-	-	31,698	141,896	-	-	-	-	-	-	-	173,594	-
Disposals	-	-	-	-	-	-	-	(152)	-	-	(4,202)	(4,354)	-
Balance as at 30 June 2015	32,504	20,684	1,832,070	8,065,887	38,332	7,255	9,310	5,061	9,108	4,713	11,234	10,036,158	688,616
Depreciation													
Balance as at 01 July 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
Depreciation for the year	-	361	68,752	283,382	1,276	-	509	292	-	19	2,709	357,300	28,386
Disposals	-	-	-	-	-	-	-	-	-	-	(1,521)	(1,521)	-
Balance as at 30 June 2014	-	19,752	737,825	3,222,049	19,104	7,255	7,967	4,578	9,108	4,626	10,455	4,042,719	193,970
Balance as at 01 July 2014	-	19,752	737,825	3,222,049	19,104	7,255	7,967	4,578	9,108	4,626	10,455	4,042,719	193,970
Depreciation for the year	-	361	69,179	283,741	1,276	-	501	259	-	17	1,908	357,241	28,386
Disposals	-	-	-	-	-	-	-	(107)	-	-	(3,226)	(3,333)	-
Balance as at 30 June 2015	-	20,113	807,004	3,505,790	20,380	7,255	8,468	4,730	9,108	4,643	9,137	4,396,627	222,356
Carrying amounts - 2014	32,504	932	1,062,547	4,701,942	19,228	-	1,343	635	-	87	4,981	5,824,199	494,646
Carrying amounts - 2015	32,504	571	1,025,066	4,560,097	17,952	-	842	331	-	70	2,097	5,639,530	466,260
Rates of depreciation per annum	10%	3.33%	7.14%	3.33%	7.14%	3.33%	10%	20%	20%	10%	20%	4.58%	4.68%

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13.1 Exchange differences

Exchange differences included in the carrying amount of assets at the year end amounts to Rs. 1,709 million (2014: Rs. 1,846 million). Had these not been capitalized, the equity of the Company would have been lowered by the similar amount.

13.2 Depreciation charge for the year has been allocated as follows:	Note	2015	2014
		Rs. (000)	Rs. (000)
Cost of sales	22	382,582	381,796
Administrative expenses	23	3,045	3,890
		<u>385,627</u>	<u>385,686</u>

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

Assets description	Cost	Book Value	Sale Proceeds	Gain	Sold To	Mode of Sale
	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)		
Honda City	1,590	662	1,300	638	Mr. Muhammad Fakhir (Ex-employee)	By negotiation
Millat Tractor	655	-	510	510	Mr. Muhammad Riaz (Employee)	By negotiation
Hyundai Shahzore	966	-	870	870	Mr. Muhammad Khalid	By negotiation
Suzuki Cultus	991	314	770	456	Mr. Rana Anwar Ahmed	By negotiation
Computers and office equipment	152	45	1	(44)	Mr. Shams ul Aziz (Ex-Chief Executive) and Mr. Muhammad Fakhir (Ex-employee)	By negotiation
30 June 2015	<u>4,354</u>	<u>1,021</u>	<u>3,451</u>	<u>2,430</u>	(refer note 25)	
30 June 2014	<u>3,227</u>	<u>1,706</u>	<u>2,715</u>	<u>1,009</u>	(refer note 25)	

14 STORES, SPARE PARTS AND LOOSE TOOLS	Note	2015	2014
		Rs. (000)	Rs. (000)
Stores		258,967	260,033
Spare parts and loose tools		37,993	37,993
		<u>296,960</u>	<u>298,026</u>

15 STOCK IN TRADE

Heavy Furnace Oil (HFO)		-	1,394
High Speed Diesel (HSD)		70	6,618
Lubricants		-	1,025
	22.1	<u>70</u>	<u>9,037</u>

Southern Electric Power Company Limited**Notes to the financial statements**

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	Note	2015 Rs. (000)	2014 Rs. (000)
16 TRADE DEBTS - SECURED			
Capacity Purchase Price receivable - considered good	16.1 and 16.2	5,665,772	4,544,502
Interest on Capacity Purchase Price receivable - considered doubtful	16.3	428,232	428,232
		6,094,004	4,972,734
Less: Provision for interest on Capacity Purchase Price receivable	16.4	(428,232)	(428,232)
		<u>5,665,772</u>	<u>4,544,502</u>
16.1	This includes overdue CPP receivable from WAPDA amounting to Rs. 2,260.221 million (30 June 2014: Rs. 2,260.221 million) pertaining to the period from June 2008 till 31 December 2009. 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 8.1).		
16.2	This also includes overdue CPP receivable from WAPDA for the period September 2012 through June 2015 amounting to Rs. 3,405.551 million (2014: Rs. 2,284.281 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 recoverability of this amount is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer note 1.2). The Company also contests the arbitrary adjustment of CPP receivable together with interest thereon aggregating Rs. 220.53 million.		
16.3	This mainly represents interest amount calculated at the rates ranging from 9.5% to 17% per annum on delayed Capacity Purchase Price (CPP) by WAPDA for the period from 01 July 2008 to 30 June 2010 and recorded till March 2013, as admissible under article 9.7 (e) of the Power Purchase Agreement (PPA). The Company, however, has not recognized receivables on account of interest on withheld and disputed amounts of CPP except for the aforementioned, until a settlement is reached on these amounts.		
16.4	These are secured by way of guarantee issued by the Government of Pakistan under the Implementation Agreement (IA).		
17 ADVANCES			
<i>Advances - considered good</i>			
Advances to employees against expenses		-	170
Advances to other suppliers		-	519
		-	689
<i>Advances - considered doubtful</i>		308	29
Less: Provision for doubtful advances to other suppliers		(308)	(29)
		<u>-</u>	<u>689</u>
18 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCE WITH STATUTORY AUTHORITY			
Security deposits		1,153	1,153
Margin against letters of credit		1	2
Short term prepayments		185	436
Sales tax receivable		203,515	206,990
Less: Provision for doubtful sales tax receivable		(126,923)	(126,923)
		76,592	80,067
		<u>77,931</u>	<u>81,658</u>
19 ADVANCE INCOME TAX - net			
Advance tax as on 01 July		8,618	8,428
Taxes paid during the year		101	190
Advance tax as at 30 June		<u>8,719</u>	<u>8,618</u>

Southern Electric Power Company Limited

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For the year ended 30 June 2015

	Note	2015 Rs. (000)	2014 Rs. (000)
20 CASH AND BANK BALANCES			
Cash at banks in-			
- <i>Current accounts:</i>			
Foreign currency	20.1	294	283
Local currency		462	2,873
		756	3,156
- <i>Saving accounts:</i>			
Local currency	20.2	70	68
		826	3,224
Cash in hand		472	87
		1,298	3,311

20.1 This comprises of compensation accounts aggregating USD 1,264 equivalent Rs. 127,538 (2014: USD 1,264 equivalent Rs. 122,861) and insurance proceeds account USD 1,645 equivalent Rs. 165,981 (2014: USD 1,645 equivalent Rs. 159,894) with United National Bank London which are escrow accounts.

20.2 These carry mark-up at the rate of 7.7% per annum (2014: 6.5% to 7.125% per annum).

	Note	2015 Rs. (000)	2014 Rs. (000)
21 TURNOVER - NET			
Capacity billing	21.1	1,121,270	1,277,383

21.1 This represents capacity billing that has been unlawfully disputed by WAPDA against the provisions of PPA and IA which has been formally challenged by the Company (refer note 16.2 for further detail). The Company has not recognized any interest on withheld, disputed or adjusted amounts of overdue capacity billing.

	Note	2015 Rs. (000)	2014 Rs. (000)
22 COST OF SALES			
Raw materials consumed	22.1	3,451	17,134
Write down of stock to net realizable value	22.1	-	23,713
Stock written off	22.1	676	1,664
Salaries, wages and other benefits		25,715	33,805
Insurance		4,053	29,381
Electricity charges		1,250	6,865
Stores and spare parts consumed - net		507	46,037
Liquidated damages		1,276,627	1,381,793
Depreciation	13.2	382,582	381,796
Fee and Subscription		461	1,633
Technical consultant		1,560	390
Vehicle running expenses		2,575	3,688
Communication charges		442	1,066
Repairs and maintenance		777	1,389
Staff welfare		178	350
Traveling and conveyance		83	111
Printing and stationery		46	81
Others		662	230
		1,701,645	1,931,126

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For the year ended 30 June 2015

22.1 Raw materials consumed	HFO	HSD	Lubricants	2015	2014
	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000) Total	Rs. (000) Total
Opening balance - refer note 15	1,394	6,618	1,025	9,037	101,236
Add: Purchases	-	1,612	-	1,612	-
Available for consumption	1,394	8,230	1,025	10,649	101,236
Less: Write down of stock to net realizable value	-	-	-	-	(23,713)
Less: Stock written-off due to loss	-	-	(676)	(676)	(1,664)
Less: Sale of contaminated stock	(1,394)	-	-	(1,394)	(49,688)
Less: Sale of other stock (HSD)	-	(5,058)	-	(5,058)	-
Less: Closing balance - refer note 15	-	(70)	-	(70)	(9,037)
Consumption during year 2015	-	3,102	349	3,451	17,134
Consumption during year 2014	-	396	16,738	-	92,199

23 ADMINISTRATIVE EXPENSES	Note	2015	2014
		Rs. (000)	Rs. (000)
Salaries, wages and benefits		22,545	27,562
Depreciation	13.2	3,045	3,890
Traveling and conveyance		115	295
Rent, rates and taxes		1,901	2,446
Vehicle running expenses		1,586	2,510
Insurance		173	542
Legal consultancy fee and related expenses		1,572	2,923
Communication costs		887	991
Provision for doubtful debts and advances		279	3,144
Advances to suppliers written off		466	-
Trade debts written off		-	718
Advances to staff written-off		-	92
Fee and subscription		1,786	-
Consultancy fee		-	982
Auditors' remuneration	23.1	775	1,167
Utilities		447	744
Printing and stationery		278	759
Repairs and maintenance		53	111
Entertainment		440	538
Others		73	269
		36,421	49,683

23.1 Auditors' remuneration	2015	2014
	Rs. (000)	Rs. (000)
Annual audit	400	400
Six monthly review	200	200
Tax services	150	542
Out of pocket expenses	25	25
	775	1,167

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Notes to the financial statements
For the year ended 30 June 2015

24 FINANCE COST	Note	2015 Rs. (000)	2014 Rs. (000)
Mark-up on long term financing - secured		786,039	744,748
Mark-up on short term borrowings - secured		115,066	117,762
Mark-up on advance from customer - unsecured		89,547	66,398
Exchange loss / (gain)		152,782	(54,093)
Commitment charges, management and agency fee		5,551	8,108
Fee and expenses of trustee		3,918	3,924
Mark-up on finance lease		6,394	16,951
Bank charges		25	44
Delayed payment charges		419	-
		<u>1,159,741</u>	<u>903,842</u>
25 OTHER INCOME			
From financial assets			
Interest income		2	4
		2	4
From other than financial assets			
Gain on disposal of property, plant and equipment - net	13.3	2,430	1,009
Gain on sale of scrap		14,815	11,154
Others		266	380
		<u>17,511</u>	<u>12,543</u>
		<u>17,513</u>	<u>12,547</u>

26 TAXATION

26.1 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).

26.2 Tax matters and status

- (a) 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 favor at the level of Appellate Tribunal Inland Revenue [ATIR] up to 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 filed review application with the Honorable Supreme Court of Pakistan, which was rejected by the Apex Court.
- (b) For the Tax Years 2005 to 2010, Company's assessments were amended by taxation authority 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. Further CIR (A) upheld taxation of other income on delayed payments from WAPDA on the analogy that interest income cannot be termed as business income. The Company filed appeals before the ATIR against the decision of CIR (A), which have been decided in favor of the Company.
- (c) 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. CIR (A) has accepted Company's contention and consequently the demand of Rs. 156 million on account of interest income on delayed payments from WAPDA stands deleted. Further, appeals for the Tax Year 2005 to 2007 have also been decided in the Company's favor by following the judgment of appellate authorities. Tax department being aggrieved from the aforesaid orders filed appeals with ATIR, which upheld the decision of CIR (A).

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26.2 Tax matters and status (continued)

- (d) The assessments of the Company for the Tax Year 2013 and Tax Year 2014 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. For the Tax Year 2012, the tax authorities concluded proceedings in relation to levy of minimum tax on capacity billing and raised a tax demand of Rs.11.50 million. The Company being aggrieved with the decision, filed appeal before the CIR (A) which was decided in favor of the Company.
- (e) The Deputy Commissioner Inland Revenue, Large Taxpayer Unit, Islamabad has raised a demand of Rs. 552.132 million which was subsequently enhanced to Rs. 790 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's appeals with Commissioner Inland Revenue (Appeals) [CIR(A)] and Appellate Tribunal Inland Revenue (ATIR) against the demand have been decided in favor of the department. Against the decision of ATIR, the Company has also filed an appeal before the Islamabad high Court which is pending adjudication to date. However 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.

27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive	Directors and Executives	Chief Executive	Directors and Executives
	2015 Rs. (000)	2015 Rs. (000)	2014 Rs. (000)	2014 Rs. (000)
Managerial remuneration and allowances	9,600	16,644	9,600	21,377
Others	419	1,146	497	1,359
	<u>10,019</u>	<u>17,790</u>	<u>10,097</u>	<u>22,736</u>
Number of persons	<u>1</u>	<u>8</u>	<u>1</u>	<u>10</u>

- 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. 675 thousand (2014: Rs. 5,714 million) and Rs. 4.725 million (2014: Rs. 450 thousand) was accrued during the year as payable for services as Company Secretary and Executive Director Legal.

28 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:

	2015 Rs. (000)	2014 Rs. (000)
Remuneration of key management personnel	<u>21,497</u>	<u>24,059</u>

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29 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 12.3 (b). Accordingly the Company's trade debts are solely from WAPDA. 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:

	2015 Rs. (000)	2014 Rs. (000)
Trade debts - also refer note 16.1 & 16.2	5,665,772	4,544,502
Bank balances	826	3,224
Others	1,154	1,155
	<u>5,667,752</u>	<u>4,548,881</u>

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

- (ii) The maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

	2015 Rs. (000)	2014 Rs. (000)
Domestic	5,667,458	4,548,598
United Kingdom	294	283
	<u>5,667,752</u>	<u>4,548,881</u>

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

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(iii) Aging analysis and impairment losses

The aging of trade debts at the reporting date was.

	2015		2014	
	Gross Rs. (000)	Impairment Rs. (000)	Gross Rs. (000)	Impairment Rs. (000)
Not past due	70,354	-	106,964	-
Past due 0-30 days	70,354	-	106,964	-
Past due 31-120 days	255,801	-	327,568	-
Past due 121-365 days	724,761	-	836,569	-
Above 365 days	4,972,734	428,232	3,594,669	428,232
	6,094,004	428,232	4,972,734	428,232

The recoverability of due amounts are associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer note 16.1 and 16.2).

(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 and have been determined on the basis of contractual repayment terms:

	2 0 1 5 - R U P E E S (000)				
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	9,845,642	10,076,450	9,849,002	109,592	117,857
Finance lease liabilities	353,166	353,166	353,166	-	-
Short term borrowings	1,483,561	1,483,561	1,483,561	-	-
Advance from customer - unsecured	733,668	733,668	733,668	-	-
Liquidated damages payable	8,343,488	8,343,488	8,343,488	-	-
Trade and other payables	306,392	306,392	306,392	-	-
	21,065,917	21,296,725	21,069,277	109,592	117,857
	2 0 1 4 - R U P E E S (000)				
	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	8,732,837	9,553,426	9,237,879	97,305	218,242
Finance lease liabilities	346,772	353,166	353,166	-	-
Short term borrowings	1,368,495	1,368,495	1,368,495	-	-
Advance from customer - unsecured	644,121	644,121	644,121	-	-
Liquidated damages payable	7,066,861	7,066,861	7,066,861	-	-
Trade and other payables	255,953	255,953	255,953	-	-
	18,415,039	19,242,022	18,926,475	97,305	218,242

As more fully explained in note 1.2, the Company was unable to meet the repayment of loans and lease obligations to its lenders. The above contractual cash flows have been worked out on the interest rates and foreign currency exchange rates prevalent at the balance sheet date. Further this analysis has been prepared on the basis that all financial obligations currently due, shall be settled within next year and those falling due shall be settled within their respective timelines.

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(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 is entitled to 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	
	2015 %	2014 %	2015 Rs. (000)	2014 Rs. (000)
- Fixed rate instruments				
Financial assets	-	-	-	-
- Variable rate instruments				
Financial assets				
Trade debts	9 - 12	11 - 12	5,665,772	4,544,502
Bank balances	7.78	6.5 - 7.12	70	68
			5,665,842	4,544,570
Financial liabilities				
Long term loans	0.83 - 14.29	0.92 - 13.79	4,838,694	4,665,100
Liability against assets subject to finance lease	9.6 - 11.17	10.07 - 11.15	250,970	250,970
Advance from customer - unsecured	11 - 14	13 - 14	542,869	542,869
Short term borrowings	8.53 - 12.18	10.03 - 12.18	1,052,818	1,052,818
			6,685,351	6,511,757

(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 loss for the year by Rs. 87.17 million (2014: Rs. 82.283 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company is entitled to charge interest on overdue balances from WAPDA at variable rates in accordance with the PPA, however, the Company has not recognized receivables on account of interest on withheld and disputed amounts of CPP after 01 July 2010 till 30 June 2015 pending a settlement on these amounts (refer note 16). Accordingly the impact for cash flow sensitivity arising on trade debts has not been presented. Further interest rates disclosed against trade debts in this note are those applicable during the year. However, since interest has not been accounted for since 1st July 2010, these rates are different from other rates mentioned in note 16.3 which represent rates used to account for interest on withheld and disputed CPP till 30 June 2010.

(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:

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

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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.

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

The Company has obtained certain foreign currency borrowings for which the finance cost is also determined in currency other than the functional currency of the Company. The Company does not enter into forward exchange rate contracts to manage this risk.

(v) Exposure to foreign currency risk

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

	A M O U N T S I N (000)		
	2015	2015	2015
	USD	GBP	Euro
Advances and bank balances	3	-	-
Secured bank loans	(46,917)	-	-
Financial charges payable	(49,439)	-	-
Trade and other payables	(144)	(84)	(18)
Gross balance sheet exposure	(96,497)	(84)	(18)

	A M O U N T S I N (000)		
	2014	2014	2014
	USD	GBP	Euro
Advances and bank balances	3	-	-
Secured bank loans	(46,917)	-	-
Financial charges payable	(41,693)	-	-
Trade and other payables	(89)	(59)	(18)
Gross balance sheet exposure	(88,696)	(59)	(18)

(vi) Following significant exchange rates were used:

	Balance sheet date rate		Average rate	
	2015	2014	2015	2014
	Rupees	Rupees	Rupees	Rupees
United States Dollars (USD)	100.90	97.20	101.00	100.90
Great Britain Pounds (GBP)	158.70	165.49	156.82	167.17
Euros	112.87	132.62	117.81	137.95

(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	
	2015	2014
	Rs. (000)	Rs. (000)
USD	(500,262)	(406,094)
GBP	(1,333)	(976)
Euros	(203)	(239)

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.

Further a 10 percent weakening of the PKR against USD at 30 June would have effect the carrying amount of property, plant and equipment and the Company's obligation in borrowings denominated in foreign currencies by Rs. 473.39 million (2014: Rs. 456.03 million) and vice versa due to capitalization of exchange losses. This analysis also assumes that all other variables, in particular interest rates, remain constant.

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(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/ cash and cash equivalents	Other financial assets and liabilities at amortized cost	Total
	2015 Rs. (000)	2015 Rs. (000)	2015 Rs. (000)
Financial assets			
Trade debts	5,665,772	-	5,665,772
Cash and bank balances	1,298	-	1,298
Others	1,154	-	1,154
Total financial assets	5,668,224	-	5,668,224
Non financial assets			6,488,316
TOTAL ASSETS			12,156,540
Financial liabilities			
Long term financing - secured	-	9,845,642	9,845,642
Finance lease liabilities	-	353,166	353,166
Short term borrowings	-	1,483,561	1,483,561
Liquidated damages payable	-	8,343,488	8,343,488
Trade and other payables	-	306,392	306,392
Advance from customer - unsecured	-	733,668	733,668
Total financial liabilities	-	21,065,917	21,065,917
2014			
	2014 Rs. (000)	2014 Rs. (000)	2014 Rs. (000)
Financial assets			
Trade debts	4,544,502	-	4,544,502
Cash and bank balances	3,311	-	3,311
Others	1,155	-	1,155
Total financial assets	4,548,968	-	4,548,968
Non financial assets			6,715,805
TOTAL ASSETS			11,264,773
Financial liabilities			
Long term financing - secured	-	8,732,837	8,732,837
Finance lease liabilities	-	346,772	346,772
Short term borrowings	-	1,368,495	1,368,495
Liquidated damages payable	-	7,066,861	7,066,861
Trade and other payables	-	255,953	255,953
Advance from customer - unsecured	-	644,121	644,121
Total financial liabilities	-	18,415,039	18,415,039

Southern Electric Power Company Limited**Notes to the financial statements**

For the year ended 30 June 2015

(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.

- (f) As mentioned in notes 1.2 and 16.1 and 16.2 WAPDA has disputed the Company's CPP revenue and further the Company's ability to continue its operations in foreseeable future is dependent upon fuel advance from WAPDA and resolution of matters stated in note 1.2. Accordingly the management believes that a reliable estimate of embedded derivatives and the impact as required by S.R.O 24(1)2012 dated January 16, 2012 of Securities and Exchange Commission of Pakistan cannot be made till the resolution of such disputes and matters and hence required disclosure has not been presented in the financial statements.

30 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.

31 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.

Securities and Exchange Commission of Pakistan (SECP) through its S.R.O. 24(I)/2012 dated 16 January 2012, has exempted the application of IFRIC 4 for power sector companies. 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:

	2015 Rs. (000)	2014 Rs. (000)
Increase in accumulated loss as at 01 July	429,109	723,408
Decrease in loss for the year	(41,668)	(294,299)
Increase in accumulated loss as at 30 June	<u>387,441</u>	<u>429,109</u>

32 CAPACITY AND PRODUCTION

	2015	2014
Original installed capacity - MW	135.9	135.9
Annual Dependable Capacity - MW	110.47	110.47
Actual energy delivered -- MWh	Nil	Nil

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.

Southern Electric Power Company Limited**Notes to the financial statements**

For the year ended 30 June 2015

33 LOSS PER SHARE - BASIC AND DILUTED

	<u>2015</u>	<u>2014</u>
Net loss after taxation - Rupees (000)	<u>(1,759,024)</u>	<u>(1,594,721)</u>
Weighted average number of shares outstanding during the year - Numbers	<u>136,675,752</u>	<u>136,675,752</u>
Loss per share - basic and diluted - Rupees	<u>(12.87)</u>	<u>(11.67)</u>

34 GENERAL

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

34.2 NUMBER OF EMPLOYEES

	2015	2014
Employees on year end (Number)	83	83
Average employees during the year (Number)	83	87

35 APPROVAL OF FINANCIAL STATEMENTS

35.1 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on 02 October 2015.

Islamabad

CHIEF EXECUTIVE

DIRECTOR

Southern Electric Power Company Limited

Pattern of Shareholding as at June 30, 2015

Number of Shareholders	Shareholding		Number of Shares Held	Percentage %
	From	To		
280	1	100	13,289	0.01
462	101	500	186,472	0.14
754	501	1000	616,034	0.45
1319	1001	5000	4,055,836	2.97
558	5001	10000	4,581,909	3.35
228	10001	15000	2,923,323	2.14
162	15001	20000	3,034,450	2.22
134	20001	25000	3,173,628	2.32
65	25001	30000	1,863,221	1.36
46	30001	35000	1,512,425	1.11
32	35001	40000	1,232,945	0.90
22	40001	45000	948,782	0.69
78	45001	50000	3,854,772	2.82
20	50001	55000	1,070,636	0.78
10	55001	60000	591,499	0.43
8	60001	65000	509,850	0.37
12	65001	70000	820,650	0.60
21	70001	75000	1,568,500	1.15
8	75001	80000	634,500	0.46
9	80001	85000	747,048	0.55
7	85001	90000	623,000	0.46
5	90001	95000	463,412	0.34
47	95001	100000	4,688,096	3.00
6	100001	105000	611,400	0.45
11	105001	110000	1,199,890	0.88
3	110001	115000	337,264	0.25
10	115001	120000	1,188,183	0.87
5	120001	125000	625,000	0.46
3	125001	130000	386,000	0.28
1	130001	135000	130,500	0.10
4	135001	140000	559,500	0.41
5	145001	150000	748,500	0.55
2	150001	155000	307,500	0.22
2	155001	160000	316,098	0.23
1	160001	165000	163,500	0.12
2	170001	175000	350,000	0.26
2	185001	190000	378,000	0.28
10	195001	200000	1,997,000	1.46
5	200001	205000	1,011,885	0.74
1	205001	210000	206,100	0.15
1	210001	215000	215,000	0.16
3	215001	220000	652,750	0.48
1	220001	225000	225,000	0.16
2	225001	230000	457,284	0.33
1	230001	235000	235,000	0.17
1	240001	245000	243,150	0.18
5	245001	250000	1,248,162	0.91
1	250001	255000	254,000	0.19
1	255001	260000	256,500	0.19
1	265001	270000	270,000	0.20
2	270001	275000	549,050	0.40
1	295001	300000	300,000	0.22
1	300001	305000	300,480	0.22
2	305001	310000	615,500	0.45
1	315001	320000	317,500	0.23
1	325001	330000	327,500	0.24
1	330001	335000	334,000	0.24
1	335001	340000	336,232	0.25
1	345001	350000	350,000	0.26
1	365001	370000	370,000	0.27
2	395001	400000	800,000	0.59
1	400001	405000	404,000	0.30
2	420001	425000	845,850	0.62
3	445001	450000	1,344,000	0.98
1	475001	480000	479,882	0.35
7	485001	500000	3,500,000	2.56
1	500001	505000	504,231	0.37
1	540001	545000	545,000	0.40
1	555001	560000	560,000	0.41
1	595001	600000	600,000	0.44
1	645001	650000	650,000	0.48
1	745001	750000	746,000	0.55
1	775001	780000	780,000	0.57
1	790001	795000	794,000	0.58
1	885001	890000	886,000	0.65
1	895001	900000	897,000	0.66
1	935001	940000	936,884	0.69
1	945001	950000	949,627	0.69
1	1085001	1070000	1,070,000	0.78
1	2680001	2665000	2,681,000	1.96
1	5055001	5060000	5,058,749	3.70
1	5795001	5800000	5,800,000	4.24
1	7575001	7580000	7,577,500	5.54
1	40175001	40180000	40,178,346	29.40
4423			136,875,752	100.00

Southern Electric Power Company Limited

Categories of Shareholders as at June 30, 2015

Particulars	No. of Shareholders	Shares Held	Percentage %
DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN			
Mr. Salman Rahim (Director)	1	550 <u>550</u>	0.00
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
BCHIL- Southern Company Limited (Sponsor)	1	40,178,346 <u>40,178,346</u>	29.40
NATIONAL INVESTMENT TRUST AND INVESTMENT CORPORATION OF PAKISTAN			
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS			
M/S CRESCENT INVESTMENT BANK LTD.		47,772	
ESCORTS INVESTMENT BANK LTD.		1,300	
SAUDI PAK IND AND AGRICULTURE INVESTMENT	3	4,000 <u>53,072</u>	0.04
INSURANCE COMPANIES			
HABIB INSURANCE COMPANY LTD.		550	
PAKISTAN REINSURANCE COMPANY LIMITED		13,963	
STATE LIFE INSURANCE CORP. OF PAKISTAN		504,231	
THE CRESCENT STAR INSURANCE CO.LTD.	4	2,000 <u>520,744</u>	0.38
MODARABAS AND MUTUAL FUNDS			
PRUDENTIAL STOCK FUND LTD.		9,366	
PRUDENTIAL STOCKS FUND LTD.		5,000	
FIRST FIDELITY LEASING MODARABA		4,100	
MCBFSL - TRUSTEE NAMCO BALANCED FUND	4	7,577,500 <u>7,595,966</u>	5.56
SHAREHOLDER(S) HOLDING FIVE PERCENT OR MORE VOTING INTEREST			
BCHIL- Southern Company Limited (See above - Sponsor)		-	
MCBFSL - TRUSTEE NAMCO BALANCED FUND (See above- Modarbas)		-	
GENERAL PUBLIC			
A- Local	4351	77,682,812	
B- Foreigners	3	105,532 <u>77,788,344</u>	56.91
OTHERS (TO BE SPECIFIED)			
JOINT STOCK COMPANIES			
AL-HAQ SECURITIES (PVT) LTD.		5,500	
AL-MAL SECURITIES & SERVICES LIMITED		550	
AWJ SECURITIES (PRIVATE) LIMITED		450	
BEACON IMPEX (PVT.) LIMITED		334,000	
BLACK STONE EQUITIES (PVT) LTD.		50,000	
BULK MANAGEMENT PAKISTAN (PVT.) LTD.		317,500	
CAPITAL VISION SECURITIES (PVT) LTD.		500	
CAPITAL VISION SECURITIES PVT LIMITED		367	
CMA SECURITIES (PVT) LIMITED.		125,000	
CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD		10,000	
DARSON SECURITIES (PVT) LIMITED		10,002	
DJM SECURITIES (PRIVATE) LIMITED		36,500	
DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LTD.		243,150	
EVERFRESH FARMS (PVT.) LIMITED		500,000	
FAIR DEAL SECURITIES (PVT) LTD.		3,000	
FIKREE'S (SMC-PVT) LTD.		500	
FREEDOM ENTERPRISES (PVT) LTD.		182	
H.M. IDREES H. ADAM (SMC-PVT) LIMITED		10,000	
IMPERIAL INVESTMENT (PVT) LTD.		1,900	
INTERMARKET SECURITIES LIMITED		52	

Particulars	No. of Shareholders	Shares Held	Percentage %
ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED.		64,850	
M.R. SECURITIES (SMC-PVT) LTD.		150	
M.R.A. SECURITIES (PVT) LIMITED		250,000	
MAM SECURITIES (PVT) LIMITED.		3,000	
MAPLE LEAF CAPITAL LIMITED		1	
MILLENNIUM SECURITIES & INVEST.(PVT) LTD		300	
MOHAMAMD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.		254,000	
MSMANIAR FINANCIALS (PVT) LTD.		734	
MULTIPLE INVESTMENT MANAGEMENT LTD.		10,000	
NCC - PRE SETTLEMENT DELIVERY ACCOUNT		886,000	
NH SECURITIES (PVT) LIMITED		5,500	
PRUDENTIAL SECURITIES LIMITED		482	
RAFEH (PVT) LTD.		300	
RAO SYSTEMS (PVT.) LTD.		35,000	
S H. BUKHARI SECURITIES (PVT) LIMITED.		9,900	
S.Z. SECURITIES (PRIVATE) LIMITED		5,600	
SAAO CAPITAL (PVT) LIMITED		225,000	
SHAFI FOODS (PRIVATE) LIMITED		500,000	
STOCK MASTER SECURITIES (PRIVATE) LTD.		594	
TIME SECURITIES (PVT.) LTD.		2,000	
UNITED JUNCTIONS SERVICES (PVT) LTD.		500,000	
VOHRAH ENGINEERING (PVT.) LIMITED.		732	
M/S FIRST CAPITAL SECURITIES CORPORATION LTD		106,390	
	43	<u>4,509,686</u>	3.30
FOREIGN COMPANIES			
M/S CITIBANK N.A HONGKONG		5,500	
M/S ASEA BROWN BOVERI KRAFTWERKE A.G		27,904	
M/S BROWN BROTHERS HARRIMAN & COMPANY		15,750	
M/S SOMERS NOMINEES (FAR EAST) LTD		5,050	
M/S BANKERS TRUST CO.		3,850	
M/S HSBC INTERNATIONAL TRUSTEE LTD		1,100	
M/S THE NORTHERN TRUST COMPANY		1,100	
HSBC INTERNATIONAL TRUSTEE LIMITED		1,100	
STATE STREET BANK & TRUST CO.		275	
SEP HOLDINGS CORPORATION		5,058,749	
HABIB BANK AG ZURICH, DEIRA DUBAI.		794,000	
BCHIL- Southern Company Limited (As above)		-	
	11	<u>5,914,378</u>	4.33
COOPERATIVE SOCIETIES, CHARITABLE TRUSTS			
MANAGING COMMITTEE OF AHMED GARIB FOUNDATION		100,000	
The OKHAI MEMON ANJUMAN		14,666	
	2	<u>114,666</u>	0.08
PROVIDENT FUND SCHEMES		-	
		-	0.00
TOTAL NUMBER OF SHAREHOLDERS AND PAID UP CAPITAL	<u>4,423</u>	<u>136,675,752</u>	<u>100.00</u>

3983 shareholders hold 95,614,254 Shares in the name of Central Depository Company of Pakistan Limited.

Southern Electric Power Company 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 21st Annual General Meeting of the Company to be held on October 30, 2015 at 11:00 am. and or any adjournment thereof.

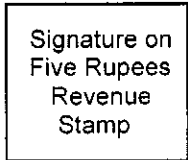
Signed by _____

In the presence of following witnesses

Registered Folio No./CDC A/C No.

[Empty box for Registered Folio No./CDC A/C No.]

Signed this _____ day of _____ 2015



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

WITNESS:

1. Signature _____

Name _____

Address _____

NIC or Passport No. _____

2. Signature _____

Name _____

Address _____

NIC or Passport No. _____

NOTES:

- 1) This Proxy Form duly completed, stamped and signed must be received at the Registered Office of the Company, Salim Omar Road, Off Korang Road, Banigala, Islamabad not later than 48 hours before the time of holding the meeting.
2) It must be signed by the appointer or his attorney duly authorized in writing, or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized 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 instrument of proxies shall be rendered invalid.

For CDC Account Holders/Corporate Entities

In addition to the above the following requirements have to be met.

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