ANNUAL REPORT 2007

SOUTHERN ELECTRIC POWER COMPANY LIMITED

Contents

Company information

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 13th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 31, 2007 at 9:00 a.m. at the Registered Office of the Company at 6th Floor, Razia Sharif Plaza, 90-West, Jinnah Avenue, Blue Area, Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2006.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2007 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
4. To elect the Directors of the Company under Section 178 of the Companies Ordinance, 1984.

   a. The number of Directors fixed as required under Section 178 of the Companies Ordinance, 1984 is seven (7).
   b. All the present Directors shall retire at the meeting. The retiring Directors are:

      Mrs. Sughra Mahmood
      Mr. Klaus Triendl
      Mr. Anthony Rustin
      Mrs. Sheereen Awan
      Mr. Taj ud Deen Kurji
      Mr. Stanley Alan Ridley
      Mr. Stephane Mailhot

   c. All retiring directors have consented to offer themselves for re-election.

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

BY ORDER OF THE BOARD

Salman Rahim
Company Secretary

Place: Islamabad
Dated: October the 9th 2007

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 24, 2007 to October 31, 2007 (both days inclusive). Transfers received at the Company's Registered Office upto the close of business on October 23, 2007 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
3. Duly completed Forms of Proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Members are requested to immediately notify the Company any change in their addresses.
5. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

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

B- For Appointing Proxies

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

Directors' Report

Your Directors are pleased to present before you the 13th Annual Report of the Company, the audited annual accounts for the year ended June 30, 2007.

Financial Results

Your Company's annual turnover for the year under review was Rs. 4.00 billion as compared to Rs. 3.86 billion last year, and operating costs were Rs. 3.74 billion as compared to Rs. 3.31 billion last year. Both turnover and operating costs registered an increase in the current year due to higher load factor and higher fuel prices. The load factor was 53% of the installed plant capacity as compared to 49% last year.

Your Company incurred a net loss of Rs. 295.1 million during the year as compared to a net profit of Rs. 37.5 million during last year. The loss is primarily attributable to a significant increase in Liquidated Damages and spare parts consumption as compared to last year, in direct consequence of the crash maintenance program initiated by the Company. Lengthy shut-downs were required on each engine to remove old con rods and install the new redesigned con rods; in addition, the installation of the sixth engine at plant entailed major earthmoving and construction activity resulting in heavy fouling of heat exchangers, filters and turbochargers. Shut-downs were required for cleaning this machinery on a regular basis. The crash maintenance activity has now been completed and a positive impact is expected in the coming year. The financial charges also rose as a result of higher utilization of overdraft facilities.

Accordingly, the loss per share worked out at Rs. 2.16 this year as compared to earning per share of Rs. 0.27 last year.

Due to cash flow constraints, the Company requested National Bank of Pakistan to reschedule the three installments of PSEDF loan facilities 1 and 2 due in October 2006, April 2007 and October 2007. The rescheduling of these three loan installments has been approved by NBP and these installments will be converted into a separate loan on the same terms, interest rate and other conditions as PSEDF facilities 1 and 2. The first installment of the rescheduled loan will become due on April 25, 2008.

Settlement Agreement

A Settlement Agreement under Article 17.1 of the Power Purchase Agreement was signed with WAPDA on September 13, 2007, as a result of which certain concessions which will have a significant impact on the plant's profitability were obtained by the Company. These include;

1. As a result of the installation of the additional unit, the gross capacity of the plant increased from 117MW to 135.9 MW.
2. Refund of customs duties and taxes levied at the time of the import of the additional unit.
3. A higher tariff for plant capacity above 110.165 MW.
4. An increase in ambient temperature derating from 5 MW to 10.3 MW starting from 34°C instead of 40°C in the past.

Annual Dependable Capacity (ADC) Test

Following the execution of the Second Settlement Agreement under the relevant articles of the PPA, the Company conducted a Dependable Capacity test of the Complex with six engines and demonstrated a net Dependable Capacity of 119.5 MW after applying the necessary correction factors. The new capacity shall be effective from September 21, 2007 and inclusion of the additional engine would entitle the Company to additional capacity payments thereby providing relief to its weakened cashflows.

Financial Statements and Internal Control

The Directors are pleased to state that:

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

Appropriations

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

Auditors

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

Changes in the Board of Directors

There have been no changes in the Board of Directors of the Company during the year.

Board of Directors Meetings Held During the Year

Five Board of Directors meetings were held during the year from July 1, 2006 to June 30, 2007. Following is the attendance of each Director in Board Meetings.

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

Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2007 is attached.

For and on behalf of the Board

Ali Mahmood
Chief Executive

Islamabad
October 5, 2007

KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2007	2006	2005	2004	2003	2002	2001
Dispatch Level (%age)	53%	49%	41%	34%	42%	32%	18%
Dispatch (Mwh)	540,242	503,028	398,365	336,767	409,308	310,574	179,199
Total Revenue (Rs. '000)	4,000,450	3,863,767	2,591,542	2,261,335	2,555,006	2,194,513	1,687,464
(Loss)/profit for the Year (Rs. '000)	(295,124)	37,519	62,542	234,282	304,419	342,154	295,868
Shareholders' Equity (Rs. '000)	2,179,393	2,474,518	2,436,999	2,374,456	2,140,174	1,711,504	1,509,132
Book Value Per Share (Rupees)	15.95	18.11	17.83	19.11	17.22	18.37	16.19
(Loss)/earnings per share - basic (Rupees)	(2.16)	0.27	0.46	1.71	2.89	3.40	3.17
Rate of Dividend (%age)	-	-	-	10%	15%	15%	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of the Company (excluding the Chief Executive) comprises of nine non-executive directors. At present there is one independent non-executive director, and one independent non-executive director representing special interests on the Board of the Company.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

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

4. No casual vacancies occurred in the Board during the year.

5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and senior employees of the Company.

6. The Board has developed a vision statement and overall corporate strategy for the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

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

8. The Meetings of the Board were presided over by the Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged an orientation course on Code of Corporate Governance for resident directors of the Company during last year to apprise them of their duties and responsibilities.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for the year ended June 30, 2007 has been prepared in Compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee comprising of three members, all of whom are the non-executive directors of the Company.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Audit Committee for compliance.

17. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan. The auditors have further confirmed that neither they nor any of the partners of the firm, their spouses and minor children hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code have been complied with.

Islamabad
October 5, 2007

Ali Mahmood
Chief Executive

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2007.

Islamabad
October 5, 2007

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

KPMG TASEER HADI & CO.
Chartered Accountants

We have audited the annexed balance sheet of Southern Electric Power Company Limited ("the Company") as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

(b) in our opinion -

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

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

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2007 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 1.1 in the financial statements wherein it is stated that the Company has incurred losses due to maintenance issues with the engines and identifies management plans to mitigate these factors.

Islamabad
October 5, 2007

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

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

BALANCE SHEET AS AT JUNE 30, 2007

	Note	2007 Rupees '000	2006 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	5	1,366,758	1,366,758
Un-appropriated profit		812,636	1,107,760
		2,179,394	2,474,518
NON-CURRENT LIABILITIES			
Long term financing - secured	6	2,006,083	2,407,706
Deferred liabilities	7	18,774	18,764
Liabilities against assets subject to finance lease	8	459,803	517,915
		2,484,660	2,944,385
CURRENT LIABILITIES			
Trade and other payables	9	752,422	324,078
Accrued markup	10	367,198	177,960
Short term borrowings - secured	11	1,241,955	1,260,010
Current portion of long term financing	6	709,253	493,236
Current portion of liabilities against assets subject to finance lease	8	62,593	30,901
		3,133,421	2,286,185
		-	-
		7,797,475	7,705,088
CONTINGENCIES AND COMMITMENTS	12		

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

	Note	2007 Rupees '000	2006 Rupees '000
NON-CURRENT ASSETS			
Property, plant and equipment	13	6,887,497	6,973,878
CURRENT ASSETS			
Stores, spares and loose tools	14	149,336	152,917
Stock in trade	15	75,364	55,313
Trade debts - considered good	16	90,428	113,423
Advances - considered good	17	317,757	231,571
Trade deposits, short term prepayments and balance with statutory authority	18	169,395	148,132
Taxes paid in advance		8,391	8,012
Cash and bank balances	19	99,307	21,842
		909,978	731,210
		7,797,475	7,705,088

Islamabad
October 5, 2007

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees '000	2006 Rupees '000
Gross revenue	20	4,415,591	4,240,616
Less: Sales tax		(415,141)	(376,849)
Net revenue		4,000,450	3,863,767
Cost of sales	21	(3,748,084)	(3,314,315)
Gross profit		252,366	549,452
Administration and general expenses	22	(87,170)	(87,981)
Other operating income	23	5,227	3,212
Finance cost	24	(465,547)	(427,164)
(Loss)/profit for the year		(295,124)	37,519
(Loss)/earnings per share - basic and diluted (Rupees)	31	(2.16)	0.27

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

Islamabad
October 5, 2007

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees '000	2006 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(295,124)	37,519
Adjustments for:			
Depreciation		249,643	249,923
Provision for gratuity		5,593	5,015
(Gain)/loss on disposal of property, plant and equipment		(1)	7
Amortization of deferred income on sale and lease back transaction		(67)	(67)
Interest income		(6,403)	(395)
Exchange loss/(gain)		3,945	(1,424)
Finance cost		465,547	427,164
		423,134	717,742
Working capital changes			
Decrease in stores, spares and loose tools		3,581	52,157
(Increase)/decrease in stock in trade		(20,051)	100,783
Decrease in trade debts		22,995	215,120
Increase in advances		(86,186)	(99,853)
Increase in trade deposits, short term prepayments and balances with statutory authority		(21,263)	(5,878)
Increase in trade and other payables		428,346	65,940
		327,422	328,269
Cash generated from operations		750,555	1,046,011
Gratuity paid		(5,516)	(3,031)
Taxes paid		(379)	(279)
Net cash generated from operating activities		744,660	1,042,701
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(81,212)	(122,097)
Proceeds from disposal of property, plant and equipment		1	40
Interest income received		6,403	395
Net cash (used in) investing activities		(74,808)	(121,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long term financing		(195,291)	(641,994)
Finance cost paid		(348,805)	(387,475)
Lease rentals paid		(30,232)	(2,007)
Dividends paid		(2)	(9)
Net cash used in financing activities		(574,332)	(1,031,485)
Net increase/(decrease) in cash and cash equivalents		95,520	(110,346)
Cash and cash equivalents at beginning of the year		(1,238,168)	(1,127,722)
Cash and cash equivalents at end of the year	29	(1,142,648)	(1,238,168)

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

Islamabad **Chief Executive** **Director**
October 5, 2007

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Share Capital	Un-appropriated Profit	Total
	Rupees '000	Rupees '000	Rupees '000
Balance as at 30 June 2005	**1,366,758**	**1,070,241**	**2,436,999**
Profit for the year	-	37,519	37,519
Balance as at 30 June 2006	**1,366,758**	**1,107,760**	**2,474,518**
(Loss) for the year	-	(295,124)	(295,124)
Balance as at 30 June 2007	**1,366,758**	**812,636**	**2,179,394**

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

Islamabad **Chief Executive** **Director**
October 5, 2007

1. STATUS AND NATURE OF OPERATIONS

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

The Company's registered office is located at 6th floor, Razia Sharif Plaza, 90 West, Blue Area, Islamabad, Pakistan.

1.1 The Company has incurred losses during the year primarily due to maintenance issues with the engines. This has adversely impacted the revenues and also resulted in liquidated damages under the Power Purchase Agreement. The consequent deficit cash flows also affected debt servicing as explained in note 6.1.1 to the financial statements.

Subsequent to the year end, the Company successfully commissioned its sixth engine on 20 September 2007, which is expected to mitigate the operational issues of the Company. The increased annual capacity demonstrated at the Annual Dependable Capacity Test of September 20, 2007 was 119.5 MW. This will result in increased capacity payments to the Company. In addition, keeping in view the energy demand in the country WAPDA, the power purchaser, is operating the plant on the basis of energy payments in advance which has a positive effect on cash flow.

The management remains confident of:

a) Rescheduling of National Bank of Pakistan loan; and

b) Raising additional working capital finance to substitute advance energy payments from WAPDA.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

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

2.2 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which 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 IAS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.2.1 Employee retirement plans

Defined benefit plans of gratuity and compensated absences are provided for all eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principle ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.2.2 Property, plant and equipment

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

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

2.3.1 An interpretation "IFRIC 4 - Determining whether an Arrangement Contains a Lease" has been issued by the International Financial Reporting Interpretation Committee which is applicable for the annual periods beginning on or after 1 January 2006. The Commission has deferred the application of "IFRIC 4 - Determining whether an Arrangement Contains a Lease" till 30 June 2009 vide its circular No. 07/2007 dated 27 June 2007.

2.3.2 The following standards amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2006 and are not expected to have a significant effect on the Company's financial statements or not relevant to the Company:

IAS 1 (Amendment), Presentation of Financial Statements Capital Disclosures;

IAS 23 - Borrowing Costs (as revised)

IAS 41 - Agriculture

IFRS 2 - Share-based Payments;

IFRS 3 - Business Combinations;

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;

IFRS 6 - Exploration for and Evaluation of Mineral Resources;

IFRIC 10 - Interim Financial Reporting and Impairment;

IFRIC 11 - Group and Treasury Share Transactions;

IFRIC 12 - Service Concession Arrangements;

IFRIC 13 - Customer Loyalty Programmes; and

IFRIC 14- The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

3. ACCOUNTING CONVENTION

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Taxation

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

4.2 Staff retirement benefits

4.2.1 Defined benefit plan

The Company is operating an unfunded gratuity scheme for all its employees according to the terms of employment subject to a minim um qualifying period of service. The liability is provided on the basis of actuarial valuation using Projected Unit Credit Method. Latest actuarial valuation was carried out as at 30 June 2007. The details of actuarial valuation are given in note 7.2 to the financial statements.

The Company recognizes actuarial gains/losses above the corridor defined in International Accounting Standard 19 "Employee Benefits" over the expected average remaining lives of the employees.

4.2.2 Compensated absences

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

4.3 Property, plant and equipment

4.3.1 Owned

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

Depreciation is charged on straight line method at rates given in note 13, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Exchange differences on the loans utilized for acquisition of plant, building and machinery are being depreciated over the remaining useful life of the plant. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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

4.3.2 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.

4.4 Stock in trade

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

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

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

4.5 Store, spares and loose tools

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

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

4.6 Trade debts and other receivables

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

4.7 Cash and cash equivalents

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

4.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

4.9 Trade and other payables

Trade and other payables are stated at amortized cost.

4.10 Provisions

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

4.11 Dividend recognition

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

4.12 Borrowing costs

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

4.13 Foreign currencies

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

4.14 Revenue recognition

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

4.15 Impairment

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

4.16 Financial instruments

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

4.17 Offseting

Financial assets and liabilities and tax 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.

4.18 Related Party Transactions

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

5. SHARE CAPITAL

5.1 Authorized share capital

This represents 150 million (2006: 150 million) ordinary shares of Rs. 10 each.

5.2 Issued, subscribed and paid up capital

2007	2006		2007	2006
Numbers of shares			(Rupees '000)	(Rupees '000)
124,250,684	124,250,684	Ordinary shares of Rs. 10 each issued for cash	1,242,507	1,242,507
12,425,068	12,425,068	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	124,251	124,251
136,675,752	136,675,752		1,366,758	1,366,758

5.3 British Columbia Hydro International Limited Southern Company holds 42.554 million ordinary shares (2006: 42.554 million ordinary shares) of Rs 10 each at the balance sheet date.

6 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amount'000	Outstanding amounts 2007 US $ '000	2007 JPY '000	2006 US $ '000	2006 JPY '000	2007 Rupees '000	2006 Rupees '000
From banking companies								
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-1st Facility	6.1	USD 35,000	28,001	-	28,001	-	1,694,636	1,688,756
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-2nd Facility	6.2	USD 7,456	5,965	-	5,965	-	360,988	359,735
ANZ Bank, Paris, France (French Buyer'sCredit)-1stFacility	6.3	USD 21,948	2,195	-	4,390	-	132,829	264,736
ANZ Bank, Paris,France- 2nd Facility	6.4	USD 8,704	8,704	-	8,704	-	526,883	525,055
From others								
Sojitz Corporation, Tokyo (formerly Nisho Iwai Corporation)- JPY Facility	6.5	JPY 1,552,973	-	-	-	119,459	-	62,660
			44,865	-	47,060	119,459	2,715,336	2,900,942
LESS : INSTALLMENTS DUE OVER THE NEXT TWELVE MONTHS			11,719	-	7,140	119,459	709,253	493,236
			33,146	-	39,920	-	2,006,083	2,407,706

6.1 PSEDF Debt-1st Facility Note 6.1.1

Lender	National Bank of Pakistan
Repayable in currency	Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.
Repayment terms	Repayable in 20 equal semi-annual installments starting from October 25, 2004.
Rate of interest	As per PSEDF guidelines : From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3% or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%
Security	a) Same charge on securities as a senior loan but on a subordinated basis to senior loans. b) Pledge over 75 percent of the sponsors' shares for the term of the loan.

6.1.1 As mentioned in note 1.1, due to deficit cash flows, the Company has defaulted in repayment of National Bank of Pakistan (NBP) PSEDF loan facilities 1 and 2 which were due on October 25, 2006 and April 25, 2007. The Company has requested NBP for the rescheduling of these loans which has been approved in principle by NBP. The two overdue installments together with the installment due on October 25, 2007 will be converted into a separate loan on the same terms, interest rate and other conditions as PSEDF facilities 1 and 2. The first installment of the rescheduled loan will become due on April 25, 2008. However, the rescheduling will be effective upon signing of an amendment agreement to the original facility agreement between NBP and the Company.

The Company remains confident that the amendment agreement will be signed soon and the Company will be able to comply with the terms of the amendment agreement which among other things include raising of a working capital line of US$ 4 million and to implement recommendations of Independent Engineer to improve plant's performance.

6.2 PSEDF Debt - 2nd Facility Note 6.1.1

Lender	National Bank of Pakistan
Repayable in currency	Pak Rupee to be calculated based on rate of exchange prevailing on the date of repayment of the loan.
Repayment terms	Repayable in 20 equal semi-annual installments starting from October 25, 2004.
Rate of interest	From Project Completion date to earlier of April 25, 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3.0 % or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%
Security	As per Note 6.1

6.3 ANZ Bank, Paris, France - 1st Facility

Lender	Australia and New Zealand Banking Group Limited (ANZ), France.
Rate of interest	6.6 percent per annum.
Repayment terms	Repayable in 20 equal semi-annual installments ending on March 28, 2008.
Security	Repayment guarantee from National Bank of Pakistan which is counter guaranteed by a syndicate of underwriter banks. The counter guarantee issued by the syndicate is secured by first registered mortgage charge over the Company's assets ranking pari passu with other similar charge holders referred to in notes 11.1 and 12.1.1.

6.4 ANZ Bank, Paris, France - 2nd Facility

This represents the facility created by payment of five installments to ANZ Bank, France by COFACE. The liability of the Company stands towards the Government of Pakistan through its Economic Affairs Division (EAD). The Company has held discussions and exchanged correspondence with EAD to finalize the ter ms and conditions relating to the repayment of this facility. Until the repayment terms are finalized, interest is being accrued on this debt at LIBOR + 0.6% per annum as approved by PPIB, Government of Pakistan at the time of financial restructuring of the Company.

6.5 Sojitz Corporation Tokyo

Lender	Sojitz Corporation Tokyo (formerly Nissho Iwai Corporation)
Rate of interest	Japanese LTPR plus 4 %
Repayment terms	This loan was repayable in 13 equal semi-annual installments ending October 25, 2006. This loan was paid in full during the period.
Security	Senior security interest on the project assets ranking pari passu with the security interest of the other senior lenders.

7 DEFERRED LIABILITIES

	Note	2007 (Rupees '000)	2006 (Rupees '000)
Deferred income	7.1	201	268
Staff retirement benefit - gratuity	7.2	18,573	18,496
		18,774	18,764

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

7.2 Staff retirement benefit - gratuity

7.2.1 Reconciliation of payable to/ (receivable from) defined benefit plan:

	2007 (Rupees '000)	2006 (Rupees '000)
Present value of defined benefit obligation	22,636	19,180
Unrecognized actuarial losses	(4,063)	(684)
	18,573	18,496

	2007 (Rupees '000)	2006 (Rupees '000)
Movement in liability recognized		
Opening net liability	**18,496**	16,512
Expense for the year	**5,593**	5,015
Benefit paid	**(5,516)**	(3,031)
Closing net liability	**18,573**	18,496

7.2.2 Charge for the defined benefit plan

Current service cost	**4,059**	3,639
Interest cost	**1,534**	1,376
	5,593	5,015

7.2.3 Key actuarial assumptions

Valuation discount rate	**10.00%**	8.00%
Salary increase rate	**10.00%**	8.00%

7.2.4 Comparison of present values of defined benefit obligation for five years is as fallows:

	2007	2006	2005	2004	2003
	(Rupees '000)				
Present value of defined benefit obligation	22,636	19,180	17,197	15,812	*

* Figure for the year is not available.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007(Rupees '000)			2006 (Rupees '000)		
	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding
Not later than one year	**130,837**	**68,244**	**62,593**	100,850	69,949	30,901
Later than one year but not later than five years	**514,456**	**171,401**	**343,055**	625,902	222,552	403,350
Later than five years	**126,921**	**10,172**	**116,748**	123,941	9,376	114,565
	772,214	**249,817**	**522,396**	850,693	301,877	548,816

8.1 Rentals are payable in equal monthly installments. The Company has a right to exercise purchase option at the end of the lease term. Financing rate of 8.75% to 14.60% per annum (2006: 8.75% to 15.50% per annum) has been used as a discounting factor.

9. TRADE AND OTHER PAYABLES

	Note	2007 (Rupees '000)	2006 (Rupees '000)
Creditors		**100,964**	40,601
Advance from customer	9.1	**210,879**	89,913
Accrued liabilities		**10,700**	7,214
Tax deducted at source		**449**	68
Liquidated damages payable	9.2	**326,733**	123,532
Due to associated undertakings	9.3	**94,519**	55,229
Unclaimed dividend		**3,610**	3,612
Other payables		**4,568**	3,909
		752,422	324,078

9.1 This represents advance from WAPDA for purchase of fuel carrying markup @ 11.50% per annum (2006: 11%).

9.2 These liquidated damages have been levied by WAPDA under the Power Purchase Agreement. The Company is in the process of agreeing this amount with WAPDA. As per the past practice, the Company expects to agree an installment plan with WAPDA to pay these liquidated damages.

9.3 This represents payable to associated undertakings as disclosed in note 27 to the financial statements. The balance is unsecured and payable within a period of one year.

10. ACCRUED MARKUP	2007 (Rupees '000)	2006 (Rupees '000)
Markup on long term financing - secured	**318,930**	127,468
Markup on short term borrowings - secured	**33,964**	34,838
Markup on liabilities against assets subject to finance lease	**12,570**	12,506
Markup on advance from customer	**1,734**	3,148
	367,198	177,960

10.1 This includes overdue mark-up amounting to Rs. 144.842 million (2006: Rs. nil) equivalent to US$ 2.393 million (2006: US$ nil) .

11. SHORT TERM BORROWINGS - Secured

From banking companies and other financial institutions

	Sanctioned Limit		Outstanding Balance	
	2007 (Rupees '000)	2006 (Rupees '000)	2007 (Rupees '000)	2006 (Rupees '000)
Prime Commercial Bank Limited	**125,000**	250,000	**119,905**	245,736
Askari Commercial Bank Limited	**325,000**	200,000	**324,759**	199,693
National Bank of Pakistan	**250,000**	250,000	**232,893**	249,861
United Bank Limited	**145,000**	145,000	**144,797**	144,797
Saudi Pak Commercial Bank Limited	**145,000**	145,000	**144,601**	144,923
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	**125,000**	125,000	**125,000**	125,000
Faysal Bank Limited	**150,000**	150,000	**150,000**	150,000
	1,265,000	1,265,000	**1,241,955**	1,260,010

11.1 The above borrowings are secured by way of first charge of Rs. 1,630 million (2006: Rs. 1,437 million) on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in Notes 6.3 and 12.1.1. These carry interest rates ranging between 11.61% to 14.42% (2006: 10.71% to 14.05% p.a.).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Company is contingently liable for a letter of guarantee of US$ 2.46 million (2006: US$ 2.46 million) issued to Water and Power Development Authority (WAPDA) by Prime Commercial Bank Limited on behalf of the Company. The guarantee is secured by a first registered mortgage charge over the Company's assets ranking pari - passu with the lenders referred to in note 6.3 and 11.1.

12.1.2 The Company is contingently liable for liquidated damages of Rs. 13.080 million (2006: Rs. 26.718 million) claimed by WAPDA. The management is confident that the matter will be resolved in the Company's favour.

12.1.3 For tax matters, refer to note 12.4.

12.2 Significant contracts

12.2.1 The Company has entered into an Implementation Agreement (IA) dated 23 November 1994 with the Government of Pakistan (GOP), pursuant to which the GOP guaranteed 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.

12.2.2 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.

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

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

12.3 Commitments

12.3.1 The value of the Letters of Credit outstanding at the year end amounted to Rs. 13.412 million representing Euro 163,656 (2006: Rs. 1.61 million representing Euro 21,046).

12.4 TAXATION

12.4.1 Tax assessments of the Company up to and including the assessment year 2002-03 (year ended 30 June 2002) stand finalized under section 62 of the repealed Income Tax Ordinance 1979. Assessments for Tax Years 2003 to 2006 (years ended 30 June 2003 to 2006) were finalized under section 120 of the Income Tax Ordinance 2001 [the Ordinance]. However, assessments for Tax Years 2003 and 2004 were amended by taxation authorities under section 122 of the Ordinance as discussed in 12.4.4 below.

12.4.2 The principal issue in the assessments finalized by the taxation authorities were taxation of interest income, liquidated damages received from WAPDA, other income and issue of setoff of assessed business loss. While finalizing original assessments for the assessment years 1996-97 to 2002-03, the taxation officer raised tax demands aggregating to Rs. 127 million on account of taxation of interest income, exchange gain and liquidated damages received from WAPDA. Income Tax Appellate Tribunal (ITAT) deleted the tax demand on account of exchange gain and on other issues assessments were set aside for assessment years 1996-97 to 1998-99.

12.4.3 On re-assessment for assessment years 1996-97 to 1998-99, the taxation officer repeated the treatment given in the original assessments by charging tax on interest income and liquidated damages and raised a tax demand of Rs. 35 million for aforesaid years; on similar basis a tax demand of Rs. 19 million was raised for assessment years 1999-00 to 2001-02. On appeal, the Commissioner (Appeals) has confirmed taxation of interest income and liquidated damages and directed the assessing officer to compute business income/(loss) and in case the computation results in business loss then allow the set off of loss against assessed income as per law. Appeals filed by the Company for these assessment years are pending before ITAT on question of taxation of interest, other income and set off of business losses.

12.4.4 For the assessment year 2002-03, the taxation officer has also raised a tax demand of Rs. 6 million by following similar pattern of taxation as adopted in previous years. The Company's appeal is pending before Commissioner (Appeals) on question of taxation of interest, other income and set off of business losses.

12.4.5 Tax assessments for Tax Years 2003 and 2004 were also amended by the Additional Commissioner of Income Tax [ACIT] on question of taxation of interest income thereby raising aggregate tax demand of Rs. 4.4 million for the aforesaid years. However, the demand was deleted in entirety by the Commissioner (Appeals) on question of lack of jurisdiction by the ACIT. Tax department is in appeal before ITAT against this order.

12.4.6 In addition to the above, the taxation officer has raised a demand of Rs. 118 million for the assessment year 1996-97 by treating the Company as assessee in default for not withholding tax on payments made mainly to project contractors. Commissioner (Appeals) set aside the order of the taxation officer which is upheld by the ITAT on cross appeals filed by the Company and tax department.

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

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Office building on freehold land	Plant building on freehold land	Plant machinery and equipment	Rail siding equipment	Leasehold improvements	Electric equipments	Computers and Office equipment	Laboratory equipment	Furniture and fittings	Vehicles owned	Vehicles Leased	Capital work in progress - Owned (civil works)	Capital work in progress - Leased (Plant & machinery)	Total
	Rupees '000														
Cost															
Balance as at 01 July 2005	32,504	17,074	1,420,423	6,354,667	38,332	7,255	15,243	8,581	5,586	8,910	16,162	18,125	3,625	-	7,946,487
Additions during the year	-	-	4,719	64,275	-	-	397	285	820	-	1,120	2,418	51,644	583,580	709,258
Disposals	-	-	-	-	-	-	-	(117)	-	-	-	-	-	-	(117)
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2006	32,504	17,074	1,425,142	6,418,942	38,332	7,255	15,640	8,749	6,406	8,910	17,282	20,543	55,269	583,580	8,655,628
Balance as at 01 July 2006	32,504	17,074	1,425,142	6,418,942	38,332	7,255	15,640	8,749	6,406	8,910	17,282	20,543	55,269	583,580	8,655,628
Additions during the year	-	-	1,714	39,428	-	-	515	858	2,131	82	-	3,813	46,933	72,765	168,239
Disposals	-	-	-	-	-	-	(14)	-	-	-	(815)	-	-	-	(829)
Adjustments	-	-	-	-	-	-	-	-	-	-	10,560	(10,560)	(5,039)	-	(5,039)
Transfers	-	3,610	-	3,508	-	-	-	-	-	-	-	-	(7,118)	-	-
Balance as at 30 June 2007	32,504	20,684	1,426,856	6,461,878	38,332	7,255	16,141	9,607	8,537	8,992	27,027	13,796	90,045	656,345	8,817,999
Depreciation															
Balance as at 01 July 2005	-	5,507	250,112	1,111,220	7,620	6,518	13,496	7,028	5,288	6,365	10,894	7,849	-	-	1,431,897
Depreciation for the year	-	1,707	42,934	194,006	1,276	726	988	640	404	818	4,308	2,116	-		249,923
Disposals	-	-	-	-	-	-	-	(70)	-	-	-	-	-	-	(70)
Adjustments	-							-							-
Balance as at 30 June 2006	-	7,214	293,046	1,305,226	8,896	7,244	14,484	7,598	5,692	7,183	15,202	9,965	-	-	1,681,750
Balance as at 01 July 2006	-	7,214	293,046	1,305,226	8,896	7,244	14,484	7,598	5,692	7,183	15,202	9,965	-	-	1,681,750
Depreciation for the year		1,858	43,072	194,911	1,276	10	492	579	345	468	4,212	2,420	-	-	249,643
Disposals		-	-	-	-	-	(76)	-	-	-	(815)	-	-	-	(891)
Adjustments		-	-	-	-	-	-	-	-	-	6,455	(6,455)	-	-	-
Balance as at 30 June 2007	-	9,072	336,118	1,500,137	10,172	7,254	14,900	8,177	6,037	7,651	25,054	5,930	-	-	1,930,502
Carrying amounts - 2006	32,504	9,860	1,132,096	5,113,716	29,436	11	1,156	1,151	714	1,727	2,080	10,578	55,269	583,580	6,973,878
Carrying amounts - 2007	32,504	11,612	1,090,739	4,961,741	28,160	1	1,241	1,431	2,500	1,341	1,973	7,865	90,045	656,345	6,887,497
Rates of depreciation		10%	3.33%-4.53%	3.33%-4.53%	3.33%	10%	20%	20%	20%	10%	20%	20%			

13.1.1 Additions to plant building and machinery during the year include exchange differences on foreign loans aggregating to Rs. 9.389 million (2006: 19.933 million). The Company has opted for capitalization of exchange losses as these would be compensated by enhanced revenue due to indexation mechanism available under Power Purchase Agreement (PPA). Exchange loss included in the carrying amount of assets at the year end amounts to Rs. 713 million (2006: 731 million).

13.1.2 Capital work in progress represents the cost of sixth engine which has been commissioned subsequent to the year end after the annual dependable capacity test carried out on 20 September 2007. Included in capital work in progress as on 30th June 2007 is Rs. 72.55 million (2006: Rs. 12.506 million) on account of borrowing cost capitalized during the year @ 13.11% to 14.03% per annum (2006: 13.09% per annum).

13.1.3 Plant, machinery and equipment includes Rs. 5.296 million (2006: Rs. 11.965 million) on account of stores held for capitalization.

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

	Note	2007 Rupees '000	2006 Rupees '000
Operating costs	21	239,148	238,218
Administration and general expenses	22	10,495	11,705
		249,643	249,923

13.2 Detail of fixed assets disposed off during the year

Description	Cost	Acc. Depreciation	Book value	Sale Proceeds 2007 (Rupees'000)	Gain/(loss)	Sold To	Mode of Sale
Office Equipment & Electrical Appliances:							
3 washing machines	14	14	-	1	1	- Irfan Sadiq -Amanat Ali -Bakhtiar Ali	By Negotiation
Vehicles:							
Toyota Corolla Car	815	815	-	-	-	-Mr. Khalid Rashid	By company policy
	829	829	-	1	1		

14 STORES, SPARES AND LOOSE TOOLS

	2007 Rupees '000	2006 Rupees '000
Stores	108,506	109,858
Spares and loose tools	40,830	43,059
	149,336	152,917

15 STOCK IN TRADE

	2007 Rupees '000	2006 Rupees '000
Heavy furnace oil	63,346	41,924
High speed diesel	2,332	5,815
Lubricants	9,686	7,574
	75,364	55,313

16 TRADE DEBTS - Considered good

This represents receivable from WAPDA against capacity purchase price. This is secured by way of guarantee issued by the GOP in favour of the Company.

17 ADVANCES - Considered good

	Note	2007 Rupees '000	2006 Rupees '000
Against expenses		355	1,366
To staff	17.1	12,170	9,020
To suppliers		41,350	23,397
For purchase of fuel		263,882	197,788
		317,757	231,571

17.1 Included in advances to staff are amounts due from executives aggregating to Rs. 8.773 million (2006: Rs. 6.788 million).

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

	2007 Rupees '000	2006 Rupees '000
Margin against bank guarantees and security deposits	3,452	2,530
Prepayments	17,178	16,902
General sales tax adjustable	148,765	128,700
	169,395	148,132

19 CASH AND BANK BALANCES

	Note	2007 Rupees '000	2006 Rupees '000
Cash at banks:			
- Current accounts:			
Foreign currency	19.1	20,961	4,923
Local currency		69,279	4,339
		90,240	9,262
- Saving account:			
Local currency	19.2	7,802	11,977
		98,042	21,239
Cash in hand		1,265	603
		99,307	21,842

19.1 This includes compensation accounts aggregating US$ 6,316 equivalent Rs. 380,979 (2006: US$6,316 equivalent Rs. 379,653) and insurance proceeds account US$ 340,809 equivalent Rs. 20.558 million (2006: US$ 75,204 equivalent Rs. 4.521 million) with UFJ Bank Limited which is in escrow. These funds are utilized subject to the lenders approval.

19.2 These carry mark up at the rate of 3.5% per annum (2006: 3.78% per annum).

20 GROSS REVENUE

	2007 Rupees '000	2006 Rupees '000
Capacity billing	1,232,845	1,351,442
Energy billing	3,182,746	2,889,174
	4,415,591	4,240,616

21 COST OF SALES

	Note	2007 Rupees '000	2006 Rupees '000
Raw materials consumed	21.1	2,844,475	2,611,166
Stores and spares consumed		190,455	176,792
Fuel decanting charges		1,874	1,777
Operations and maintenance fees		53,430	40,519
Salaries, wages and other benefits	21.2	49,539	42,841
Traveling and conveyance		401	366
Vehicle running expenses		2,810	2,537
Communication charges		1,831	2,636
Electricity charges		4,076	5,081
Printing and stationery		654	704
Repairs and maintenance		15,036	11,449
Entertainment		4,097	3,924
Insurance		39,376	37,583
WAPDA liquidated damages		297,177	134,916
Depreciation	13.1.4	239,148	238,218
Others		3,705	3,806
		3,748,084	3,314,315

21.1 Raw materials consumed

	(Rupees'000)			2007	2006
	HFO	HSD	Lubricants	Total	Total
Opening balance	41,924	5,815	7,574	55,313	156,096
Add: Purchases	2,720,609	35,877	108,040	2,864,526	2,510,383
Available for consumption	2,762,533	41,692	115,614	2,919,839	2,666,479
Less: Closing balance	63,346	2,332	9,686	75,364	55,313
Consumption during the year 2007	**2,699,187**	**39,360**	**105,928**	**2,844,475**	-
Consumption during the year 2006	2,491,210	25,821	94,135	-	2,611,166

21.2 These include Rs. 3.132 million (2006: Rs. 3.37 million) charged in respect of staff retirement benefits.

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

22 ADMINISTRATION AND GENERAL EXPENSES

	Note	2007 Rupees '000	2006 Rupees '000
Salaries, wages and benefits	22.1	**27,341**	24,355
Traveling and conveyance		**8,000**	9,492
Vehicle running expenses		**5,985**	9,157
Communication costs		**2,186**	2,346
Utilities		**931**	1,411
Printing and stationery		**679**	769
Repairs and maintenance		**270**	460
Rent, rates and taxes		**8,158**	7,416
Legal consultancy fee and expenses		**560**	1,527
Entertainment		**2,210**	3,102
Insurance		**2,199**	1,974
Guest house expenses		**10,895**	9,471
Auditors' remuneration	22.2	**2,569**	1,607
Depreciation	13.1.4	**10,495**	11,705
Others		**4,692**	3,189
		87,170	87,981

22.1 These include Rs. 3.346 million (2006: Rs. 1.65 million) charged in respect of staff retirement benefits.

22.2 Auditors' remuneration

	2007 Rupees '000	2006 Rupees '000
Annual audit	**800**	750
Half yearly review	**300**	200
Tax services	**1,272**	478
Other certifications	**50**	100
Out of pocket expenses	**147**	79
	2,569	1,607

23 OTHER OPERATING INCOME

	2007	2006
From financial assets		
Interest income	**6,403**	395
Exchange gain/(loss)	**(3,945)**	1,424
From assets other than financial assets		
Gain/(loss) on sale of property, plant and equipment	**1**	(7)
Income on sale and leaseback transaction	**67**	67
Gain on sale of scrap	**2,701**	1,333
	5,227	3,212

24 FINANCE COST

	2007 Rupees '000	2006 Rupees '000
Markup on long term financing - secured	220,598	220,281
Markup on short term borrowings - secured	161,045	132,686
Markup on advance from customer	51,468	33,133
Commitment charges, management and agency fee	3,880	3,980
Fee and expenses of trustee	2,094	565
Markup on finance lease and others	983	764
Guarantee commissions	22,008	23,833
Letter of credit charges	3,070	9,262
Bank charges	401	2,660
	465,547	427,164

25 NUMBER OF EMPLOYEES

Number of permanent employees at 30 June 2007 was 204 (2006: 225)

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2007			2006		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Number of persons	1	1	9	1	1	7
	Rupees '000			Rupees '000		
Managerial remuneration and allowances	2,201	187	14,339	2,201	1,806	9,680
Staff retirement benefits	180	-	1,100	180	150	723
Others	139	13	917	139	114	618
	2,520	200	16,356	2,520	2,070	11,021

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

27 RELATED PARTY TRANSACTIONS

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

Associated undertaking by virtue of major shareholding	Note	2007 Rupees '000	2006 Rupees '000
Services purchased	27.1	44,090	39,837
Expenses incurred on behalf of an associated undertaking		582	309
Balance payable at the year end		94,519	55,229

27.1 This includes fees under O&M amounting to Rs. 39.445 million (2006: Rs. 34.268 million) booked in accordance with the agreements entered into with British Columbia Hydro International Power Development Corporation as mentioned in note 12.2.4.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Financial assets and liabilities

2007 (Rupees '000)

	Effective markup rate %age	Mark-up bearing: Maturity upto one year	Mark-up bearing: Maturity after one year and upto two years	Mark-up bearing: Maturity after two years and upto three years	Mark-up bearing: Maturity after three years and upto four years	Mark-up bearing: Maturity after four years and upto five years	Mark-up bearing: Maturity after five years	Mark-up bearing: Sub-total	Non-mark-up bearing: Maturity upto one year	Non-mark-up bearing: Maturity after one year	Non-mark-up bearing: Sub-total	2007 Total
Financial assets												
Trade debts	11.5%	90,428	-	-	-	-	-	90,428	-	-	-	90,428
Advances		-						-	12,170		12,170	12,170
Trade deposits and short term prepayments		-						-	3,452		3,452	3,452
Cash and bank balances	3.5%	7,802						7,802	91,505		91,505	99,307
		98,230	-	-	-	-	-	98,230	107,127	-	107,127	205,357
Financial liabilities												
Long term financing - secured	0.25%-10.77%	709,253	283,656	288,238	292,926	297,824	843,439	2,715,336	-	-	-	2,715,336
Liabilities against assets subject to finance lease	8.75%-14.6%	62,593	70,279	80,080	90,006	102,690	116,749	522,397	-		-	522,397
Short term borrowings	11.61%-14.42%	1,241,955	-	-	-	-	-	1,241,955	-		-	1,241,955
Accrued markup		-	-	-	-	-	-	-	367,198		367,198	367,198
Trade and other payables		-	-	-	-	-	-	-	214,811		214,811	214,811
		2,013,801	353,935	368,318	382,932	400,514	960,188	4,479,688	582,009	-	582,009	5,061,697
Excess of financial liabilities over financial assets		1,915,571	353,935	368,318	382,932	400,514	960,188	4,381,458	474,882	-	474,882	4,856,340

Financial assets and liabilities

2006 (Rupees '000)

	Effective markup rate %age	Mark-up bearing: Maturity upto one year	Mark-up bearing: Maturity after one year and upto two years	Mark-up bearing: Maturity after two years and upto three years	Mark-up bearing: Maturity after three years and upto four years	Mark-up bearing: Maturity after four years and upto five years	Mark-up bearing: Maturity after five years	Mark-up bearing: Sub-total	Non-mark-up bearing: Maturity upto one year	Non-mark-up bearing: Maturity after one year	Non-mark-up bearing: Sub-total	2006 Total
Financial assets												
Trade debts	11%	113,423	-	-	-	-	-	113,423	-	-	-	113,423
Advances		-						-	9,020		9,020	9,020
Trade deposits and short term prepayments		-						-	2,530		2,530	2,530
Cash and bank balances	3.78%	11,977						11,977	9,865		9,865	21,842
		125,400	-	-	-	-	-	125,400	21,415	-	21,415	146,815
Financial liabilities												
Long term financing - secured	0.25%-9.5%	493,236	408,584	280,467	284,929	289,547	1,144,179	2,900,942	-	-	-	2,900,942
Liabilities against assets subject to finance lease	8.75%-15.5%	30,902	63,237	70,574	79,731	88,891	215,481	548,816	-		-	548,816
Short term borrowings	10.71%-14.05%	1,260,010	-	-	-	-	-	1,260,010	-		-	1,260,010
Accrued markup		-	-	-	-	-	-	-	177,960		177,960	177,960
Trade and other payables	11%	145,142	-	-	-	-	-	145,142	178,868		178,868	324,010
		1,929,290	471,821	351,041	364,660	378,438	1,359,660	4,854,910	356,828	-	356,828	5,211,738
Excess of financial liabilities over financial assets		1,803,890	471,821	351,041	364,660	378,438	1,359,660	4,729,510	335,413	-	335,413	5,064,923

28.2 Credit risk

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

28.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly in receivables and payable due to transactions with foreign buyer and supplier. Financial assets and liabilities includes Rs. 20.96 million (2006: Rs. 4.92 million) and Rs. 3,216.88 million (2006: Rs. 3,114.2 million) respectively which are exposed to currency risk.

28.4 Liquidity risk

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

28.5 Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities is estimated to approximate their fair values as at 30 June 2007.

29 CASH AND CASH EQUIVALENTS

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

	Note	2007 (Rupees '000)	2006 (Rupees '000)
Cash in hand and balances with banks	19	99,307	21,842
Short term borrowings	11	(1,241,955)	(1,260,010)
		(1,142,648)	(1,238,168)

30 CAPACITY AND PRODUCTION

	2007 MWH	2006 MWH
Original installed capacity - MW	117	117
Annual Dependable Capacity - MW	103.796	110.165
Actual energy delivered - MWh	540,242	503,028

Actual output produced by the plant is determined on the load demand by WAPDA. During the year, the plant could not deliver the load as demanded by WAPDA due to breakdown of engines that resulted in liquidated damages. The management has sought services of the supplier for engine maintenance to avoid occurrence of such events in future. As explained in note 6.1.1 the Company has also agreed to implement the recommendation of Independent Engineer to the fullest for improvement of plant performance which would result in higher plant efficiency and minimize the engine maintenance issues in future.

As discussed in note 1.1 the Company has commissioned its sixth engine on September 20, 2007 that will enhance the net capacity of the plant by approximately 16 MW.

31 EARNINGS PER SHARE - BASIC AND DILUTED

		2007	2006
(Loss)/profit for the year	Rupees '000	(295,124)	37,519
Weighted average number of shares outstanding during the year	Numbers	136,675,752	136,675,752
(Loss)/earnings per share - basic and diluted	Rupees	(2.16)	0.27

32 GENERAL

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

32.2 Legal consultancy fee and expenses amounting to Rs. 1.527 million previously shown as finance cost, have been reclassified as administration and general expenses in the profit and loss account for better presentation

32.3 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on October 5, 2007.

Islamabad	**Chief Executive**	**Director**
October 5, 2007		

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2007

No. of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage %
299	1	100	20,918	0.02
492	101	500	173,988	0.13
821	501	1,000	642,302	0.47
1,485	1,001	5,000	4,207,698	3.08
566	5,001	10,000	4,374,715	3.20
252	10,001	15,000	3,130,498	2.29
139	15,001	20,000	2,558,314	1.87
120	20,001	25,000	2,766,412	2.02
58	25,001	30,000	1,615,638	1.18
36	30,001	35,000	1,173,813	0.86
40	35,001	40,000	1,533,616	1.12
23	40,001	45,000	989,413	0.72
39	45,001	50,000	1,916,864	1.40
22	50,001	55,000	1,181,070	0.86
12	55,001	60,000	697,882	0.51
10	60,001	65,000	634,862	0.46
14	65,001	70,000	955,414	0.70
8	70,001	75,000	593,448	0.43
10	75,001	80,000	785,150	0.57
5	80,001	85,000	415,632	0.30
9	85,001	90,000	795,496	0.58
3	90,001	95,000	277,600	0.20
18	95,001	100,000	1,794,798	1.31
4	100,001	105,000	411,350	0.30
11	105,001	110,000	1,197,890	0.88
4	110,001	115,000	446,365	0.33
8	115,001	120,000	935,570	0.68
4	120,001	125,000	493,466	0.36
1	125,001	130,000	129,000	0.09
4	130,001	135,000	531,216	0.39
2	135,001	140,000	275,800	0.20
1	140,001	145,000	145,000	0.11
7	145,001	150,000	1,039,983	0.76
5	150,001	155,000	757,715	0.55
1	155,001	160,000	160,000	0.12
2	160,001	165,000	325,300	0.24
4	165,001	170,000	670,682	0.49
2	170,001	175,000	348,200	0.25
2	175,001	180,000	352,065	0.26
3	180,001	185,000	552,000	0.40
1	185,001	190,000	187,500	0.14
3	190,001	195,000	577,750	0.42
5	195,001	200,000	996,795	0.73
3	200,001	205,000	608,899	0.45
1	210,001	215,000	211,300	0.15
2	215,001	220,000	435,400	0.32
2	220,001	225,000	445,250	0.33
1	225,001	230,000	228,000	0.17
1	230,001	235,000	234,600	0.17
2	235,001	240,000	473,500	0.35
1	240,001	245,000	241,500	0.18
1	250,001	255,000	252,682	0.18
2	260,001	265,000	523,500	0.38
1	265,001	270,000	267,732	0.20
2	270,001	275,000	547,000	0.40
1	275,001	280,000	278,000	0.20
1	285,001	290,000	290,000	0.21
3	295,001	300,000	896,200	0.66
1	325,001	330,000	327,700	0.24
1	335,001	340,000	336,232	0.25
3	345,001	350,000	1,049,500	0.77
2	355,001	360,000	718,000	0.53
1	360,001	365,000	365,000	0.27
1	365,001	370,000	367,200	0.27
1	375,001	380,000	380,000	0.28
1	395,001	400,000	400,000	0.29
1	405,001	410,000	410,000	0.30
1	420,001	425,000	420,098	0.31
1	450,001	455,000	452,500	0.33
1	495,001	500,000	500,000	0.37
1	500,001	505,000	504,231	0.37
1	545,001	550,000	550,000	0.40
1	550,001	555,000	550,182	0.40
1	570,001	575,000	572,000	0.42
1	650,001	655,000	653,000	0.48
1	795,001	800,000	800,000	0.59
1	800,001	805,000	801,900	0.59
1	810,001	815,000	815,000	0.60
2	815,001	820,000	1,635,950	1.20
1	890,001	895,000	891,101	0.65
1	895,001	900,000	900,000	0.66
1	910,001	915,000	912,600	0.67
1	995,001	1,000,000	1,000,000	0.73
1	1,365,001	1,370,000	1,368,650	1.00
1	1,900,001	1,905,000	1,905,000	1.39
1	2,305,001	2,310,000	2,310,000	1.69
1	2,390,001	2,395,000	2,391,010	1.75
1	2,395,001	2,400,000	2,397,000	1.75
1	2,680,001	2,685,000	2,682,483	1.96
1	3,940,001	3,945,000	3,945,000	2.89
1	4,835,001	4,840,000	4,837,052	3.54
1	6,265,001	6,270,000	6,270,000	4.59
1	42,550,001	42,555,000	42,554,612	31.14
4,618			**136,675,752**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2007

Particulars	No. of Shareholders	Share Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor Children			
Mrs. Sughra Ali Mahmood	1	**1,010,024**	0.74
Associated Companies, undertakings and related Parties			
BCHIL Southern Company Limited (Sponsor)		42,554,612	
Southern Electric Limited (Sponsor)		7,228,062	
	2	**49,782,674**	36.42
National Investment Trust and Investment Corporation of Pakistan		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Habib Bank AG Zurich, Deira Dubai		819,000	
Pakistan Kuwait Investment Co.(Pvt) Ltd.		816,950	
Bank Alfalah Limited		300,000	
Escorts Investment Bank Ltd.		147,500	
Habib Bank Limited-Treasury Division		70,000	
M/S Crescent Investment Bank Limited		50,272	
Industrial Development Bank Of Pakistan		11,171	
Standard Chartered Bank (Pakistan) Limited		11,080	
Saudi Pak Industrial And Agricultural Investment Co. (Pvt.) Limited		4,500	
Deutsche Bank AG		275	
	10	**2,230,748**	1.63
Insurance Companies			
The Crescent Star Insurance Co.Ltd.		815,000	
State Life Insurance Corp. Of Pakistan		504,231	
Askari General Insurance Co. Ltd.		25,000	
Century Insurance Company Ltd.		22,000	
New Jubilee Life Insurance Co.Ltd		22,000	
Pakistan Reinsurance Company Limited		13,963	
M/S Habib Insurance Company Limited		550	
	7	**1,402,744**	1.03
Modarabas and Mutual Funds			
Safeway Mutual Fund Limited		200,000	
First Alnoor Modaraba		74,866	
Asian Stock Fund Limited		50,000	
FDIBL Trustee - Namco Balanced Fund		50,000	
Prudential Stock Fund Ltd.		9,366	
Prudential Fund Managment		182	
	6	**384,414**	0.28
Leasing Companies			
Crescent Leasing Corporation Ltd.		1,368,650	
	1	**1,368,650**	1.00
Shareholder(s) holding ten percent or more voting interest			
BCHIL Southern Company Limited (See above as Sponsor)		-	
General Public			
a- Local	4,492	61,010,825	
b- Foreign	2	2,610,000	
		63,620,825	46.55

Particulars	No. of Shareholders	Share Held	Percentage %
Others (to be specified)		-	
Joint Stock Companies			
Dawood Hercules Chemicals Limited		6,270,000	
Molasses Export Co. (Pvt) Ltd.		2,397,000	
Dawood Lawrencepur Limited		801,900	
Javed Omer Vohra & Company Limited		800,000	
Aqeel Karim Dhedhi Securities (Pvt) Ltd.		653,000	
Al-Hoqani Securities & Investment Corporation (Pvt) Ltd.		350,000	
Pasha Securities (Pvt) Ltd.		241,500	
Hum Securities Limited		237,000	
Saz Capital Securities (Pvt) Ltd.		200,000	
Capital Vision Securities (Pvt) Ltd.		190,250	
Baba Equities (Pvt) Ltd.		164,800	
Afic Securities (Private) Limited		150,500	
M/S First Capital Securities Corporation Limited		108,390	
Progressive Securities (Private) Limited		100,000	
Ali Husain Rajabali Ltd.		90,000	
Multiline Securities (Pvt) Limited		82,500	
Ismail Iqbal Securities (Pvt) Ltd.		80,000	
Ismail Abdul Shakoor Securities (Private) Limited		79,150	
Baba Equities (Pvt) Limited		60,000	
Value Stock Securities Private Limited		57,500	
Micro Innovations and Technonlogies (Pvt) Ltd.		55,000	
Dr. Arslan Razaque Securities (SMC-Pvt) Ltd.		98,350	
Moosani Securities (Pvt) Ltd.		45,000	
Darson Securities (Private) Limited		39,182	
United Capital Securities (Pvt) Ltd.		38,750	
Y.S. Securities & Services (Pvt) Ltd.		35,450	
Pasha Securities (Pvt) Ltd.		30,000	
M.R. Securities (SMC-Pvt) Ltd.		23,170	
Millennium Securities & Investments (Pvt.)Ltd.		23,150	
Time Securities (Pvt.) Ltd.		22,400	
ACE Securities (Pvt.) Limited		21,000	
Millwala Sons (Private) Limited		20,000	
Darson Securities (Pvt) Limited		20,000	
Y.S. Securities & Services (Private) Limited		19,500	
SAT Securities (Pvt.) Ltd.		15,000	
AWJ Securities (SMC-Pvt) Limited.		14,600	
Millennium Brokerage (SMC-Pvt) Ltd.		14,000	
Stock Master Securities (Private) Ltd.		11,000	
Cliktrade Limited		11,000	
Azee Securities (Private) Limited		10,532	
RS Holdings (Private) Limited		10,000	
Cooper and Company (Pvt) Ltd.		10,000	
Rao Systems (Pvt) Ltd.		10,000	
Maha Securities (Pvt.) Limited		10,000	
S.H. Bukhari Securities (Pvt) Limited		9,900	
Associated Consultancy Centre (Pvt) Ltd.		9,350	
Mian Parvez Aslam Securities (Pvt) Ltd.		8,500	
Wasi Securities (SMC-Pvt) Ltd.		6,001	
Al-Haq Securities (Pvt) Ltd.		6,000	
N. H . Securities (Pvt) Ltd.		5,500	
Unex Securities (Pvt) Ltd.		5,000	
Apex Capital Securities (Pvt) Limited		5,000	
ASDA Securities (Private) Limited		5,000	

Particulars	No. of Shareholders	Share Held	Percentage %
Sardar Mohammad Ashraf D Baluch (Pvt) Ltd.		4,500	
ZHVSecurities (Pvt) Limited		4,500	
S.Z. Securities (Private) Limited		3,332	
Switch Securities (Pvt) Limited		3,300	
Mars Securities (Private) Limited		2,500	
General Invest. & Securities (Pvt) Ltd.		2,500	
Kai Securities (Pvt) Limited		1,650	
Pace Investment & Sec.(Pvt) Ltd.		1,500	
Excel Securities (Pvt) Ltd.		1,500	
Stock Vision (Pvt) Ltd.		1,500	
Zahid Mahmood Equities (Pvt.) Ltd.		1,000	
Fair Edge Securities (Pvt) Ltd.		1,000	
Zafar Securities (Pvt) Ltd.		733	
Guarantee Engineers (Pvt) Ltd.		732	
We Financial Services Limited		550	
AMZ Securities (Pvt) Limited		550	
Al-Mal Securities & Services Limited		550	
Sherwani Securities (Pvt) Ltd.		550	
HH Misbah Securities (Private) Limited		550	
Rahat Securities Limited		500	
VSL Securities (Pvt.) Limited		500	
H.S.Z. Securities (Private) Limited		500	
Rafeh (Pvt) Ltd.		300	
Muhammad Ahmed Nadeem Securities (SMC-Pvt) Limited		300	
Adeel & Nadeem Securities (Pvt) Ltd.		250	
Stock Vision (Pvt.) Ltd.		200	
DJM Securities (Private) Limited		200	
Maan Securities (Private) Limited		200	
Freedom Enterprises (Pvt) Ltd.		182	
Prudential Securities Limited		100	
MEGA Securities (Private) Limited		100	
Tajico Southern (Pvt) Ltd.		66	
Excel Securities (Pvt.) Ltd.		50	
Souhern Electric Limited (See as above Sponsor)		-	
	86	**13,817,270**	10.11
Foreign Companies			
SEP Holdings Corporation		2,682,483	
RO Limited		169,400	
Brown Brothers Harriman & Co.		116,750	
Asea Brown Boveri Kraftwerke A .G.		31,904	
Somers Nominees (Far East) Ltd.		5,550	
Citibank N.A. Hongkong		5,500	
Bankers Trust Co.		3,850	
HSBC International Trustee Ltd.		2,200	
The Northern Trust Company		1,100	
BCHIL Southern Company Limited (See as above Sponsor)		-	
	9	**3,018,737**	2.21
Cooperative Societies, Charitable Trusts			
The Okhai Memon Anjuman	1	**14,666**	0.01
Provident Fund Schemes			
Trustee Avari Hotel Lahore Staff Provident Fund	1	**25,000**	0.02
Total number of shareholders and paid up capital	**4,618**	**136,675,752**	**100.00**

4,142 shareholders hold **90,556,000** Shares in the name of Central Depository Company of Pakistan Limited

PROXY FORM

I/We ....

of (full address) ....

being a member(s) of **Southern Electric Power Company Limited** hold ....

Ordinary Shares hereby appoint Mr/Mrs/Miss ....

of (full address) ....
as my / our proxy to attend and vote for me/us and on my/our behalf at the 13th Annual General Meeting of the Company to be held on October 31, 2007 at 9:00 am and or any adjournment thereof.

Registered Folio No./CDC A/C No.

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

Signed this .... day of................ 2007

Signature on Five Rupee Revenue Stamp

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

WITNESS:

1.
Signature________________________
Name________________________
Address ________________________
____
NIC or ________________________
Passport No________________________

2.
Signature________________________
Name________________________
Address ________________________
____
NIC or ________________________
Passport No________________________

NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 6th floor, Razia Sharif Plaza, 90 West, Jinnah Avenue, Blue Area, Islamabad not later than 48 hours before the time of holding the meeting.

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

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

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

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