ANNUAL REPORT 2010

SOUTHERN ELECTRIC POWER COMPANY LIMITED

CONTENTS

Company Information

Board of Directors	Mr. Taj ud Deen Kurji Mr. Anthony Rustin Mr. Rashid Mirza Mr. S. M. Ghalib Ms. Carole Linda Idris Ms. Lynn Margaret Isobel Bell Mr. Florian Zenner Mr. Manuel Makki
Chief Executive	Mr. Amjad Awan
Chief Financial Officer	Mr. Shamsul Aziz
Company Secretary	Mr. Moeen Ayaz Qureshi
Audit Committee	Mr. S. M. Ghalib *Chairman* Mr. Manuel Makki Ms. Carole Linda Idris
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Leading Bankers	Askaribank Limited Faysal Bank Limited National Bank of Pakistan Royal Bank of Scotland (formerly Prime Commercial Bank Limited) United Bank Limited
Registered Office	No. 38, First Street, F-6/3, Islamabad - 44000, Pakistan. Tel: (92-51) 227 9230-1, 843 8550 Fax: (92 51) 282 5465 Website: www.sepcol.com
Share Registrar	Corplink (Pvt.) Ltd. Wings Arcade, 1-K, Commercial, Model Town, Lahore, Pakistan. Tel: (92-42) 583 9182 Fax: (92-42) 586 9037
Plant	Raiwind, District Lahore

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 16th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 29, 2010 at 11:00 a.m. at the Registered Office of the Company, No. 38, First Street, F-6/3 Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 29, 2009.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2010 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors of the Company and to fix their remuneration.
4. To elect seven (7) Directors of the Company in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from the date of holding of AGM i.e. October 29, 2010.

   As fixed by the Board of Directors in its September 2010 meeting, the number of directors to be elected will be seven (7).

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

   (1) Mr. Taj-ud-Deen Kurji (2) Mr. Anthony Rustin (3) Mr. S. M. Ghalib (4) Ms. Carole Linda Idris
   (5) Ms. Lynn Margaret Isobel Bell (6) Mr. Florian Zenner (7) Mr. Manuel Makki
5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Moeen Ayaz Qureshi
Company Secretary

Place: Islamabad
Dated: October 07, 2010

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 22, 2010 to October 29, 2010 (both days inclusive). Transfers received at Share 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 21, 2010 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. Every candidate for election as a Director, whether he/she is a retiring Director or otherwise shall file with the Company not later than fourteen (14) clear days before the date of the Annual General Meeting a notice of his/her intention to offer himself/herself for election as a Director along with the consent to serve as a Director in the prescribed Form-28 to his appointment as a Director of the Company.
3. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
4. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.
5. Members are requested to immediately notify the Share Registrar of the Company of any change in their addresses.
6. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

a. In case of individuals, the account holder or sub-account holder and / or the persons whose securities and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

b. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B- For Appointing Proxies

a. In case of individuals, the account holder or sub-account holder and / or the persons whose securities and their registration details are uploaded as per the Regulations, shall submit the Proxy Form as per the above requirement.

b. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

c. The proxy shall produce his original CNIC or original passport at the time of the meeting.

d. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

DIRECTORS' REPORT

Your Directors are pleased to present before you the 16th Annual Report of the Company, and the audited Annual Financial Statements for the year ended 30 June 2010.

Resumption of Plant Operations

As explained in Note 1.2 to the annexed audited financial statements, the plant remained substantially non-operational for almost two years due to lack of adequate working capital and cessation of fuel advance payments by Water and Power Development Authority / Pakistan Electric Power Company (Pvt.) Limited ("WAPDA / PEPCO"), an established practice that had been in place for over two years.

Subsequently, due to the continued efforts of the management to revive plant operations in the wake of the increasing gravity of power crisis in the country, the Company was able to reach an understanding with WAPDA / PEPCO in December 2009 whereby the fuel advance to the Company was restored and the plant started production on January 2, 2010. In addition to the fuel advance, an amount of Rs. 300 million was also obtained from WAPDA / PEPCO as capacity advance which, together with the earlier capacity advance of Rs. 200 million, was agreed to be deducted from the future capacity invoices of the Company starting from April 2010 at the rate of Rs. 50 million a month plus interest. The capacity advance amounts were applied towards meeting O&M costs of the Company while the major portion was used to repay the overdue instalments of the lenders mainly working capital providers, sixth engine lease syndicate and partly the penal interest on the World Bank loan. The plant has since been despatching electricity to the national grid in line with the fuel availability and technical limits.

PEPCO has been pressing the Company to conduct the Annual Dependable Capacity ("ADC") test of the complex for which the Company has proposed the date of January 7, 2011. It may be noted that due to the age of the engines and technical limitations because of prolonged closure, it may not be possible to achieve the level of dependable capacity as in the past.

All pending disputes between the Company and WAPDA / PEPCO including those pertaining to Liquidated Damages and withheld Capacity Purchase Price ("CPP") payments continue to be held in abeyance. Accordingly, the suit filed by the Company in the International Court of Arbitration against WAPDA / PEPCO claiming damages to the tune of Rs. 5 billion remains suspended for the time being.

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

Financial Results

The Company recorded a net profit of Rs. 52.68 million during the year under review as compared to net profit of Rs. 146.76 million during last year. As disclosed in previously published financial statements, the Company has not booked Liquidated Damages ("LDs") claimed by WAPDA / PEPCO for the period from 15 February 2008 to 31 December 2009, the period of closure of normal plant operations due to cessation of payments by WAPDA / PEPCO. As explained in detail in Notes 1.2 and 13.1(a) to the annexed audited financial statements, the Company has disputed these LDs on valid legal grounds supported by a legal opinion confirming validity of the dispute. Accordingly, these LDs have not been provided for in the financial statements. However, in the event that the dispute is settled against the Company, these LDs shall be charged to the profit and loss account of the period in which the dispute is so settled. In this connection, the Company has also submitted to WAPDA/PEPCO a draft Settlement Agreement under which, contingent upon the agreement of PEPCO to make a long term commitment of the fuel advance facility to the Company, a set-off between the overdue CPP and the outstanding LDs may be effected.

As a result of normal plant activity, the Company registered an increase of Rs. 3,514.34 million in Energy Purchase Price ("EPP") revenue, net of sales tax, from Rs. 464.70 million during the year ended 30 June 2009 to Rs. 3,979.04 million during the year under review. Similarly, cost of sales increased by Rs. 3,788.26 million from Rs. 903.71 million during the year ended 30 June 2009 to Rs. 4,691.97 million during the year under review. Energy dispatched during the year was 37.6% of Dependable Capacity as compared to 4.6% during the corresponding period last year.

As explained in Note 27.1 to the annexed audited financial statements, the Company arrived at an agreement with the Large Taxpayers' Unit of Department of Inland Revenue ("Department") to pay-off the long outstanding tax demand of Rs. 69 million in three equal monthly instalments after adjustment of the tax amount refundable from the Department and upon receipt of CPP revenue from WAPDA / PEPCO. The Department had earlier initiated recovery proceedings by serving recovery notices on some Company bankers as well as on WAPDA / PEPCO to recover the outstanding tax demand. Pursuant to the understanding between the Company and the Department, the recovery notices were withdrawn by the Department and the Company subsequently paid first of the three agreed instalments to the Department on 16 August 2010. Accordingly, the Company has provided for payment of Rs. 69 million to the tax Department in the financial statements for the year ended 30 June 2010.

Finance cost marked an increase of 28.80% from 766.96 million during the year ended 30 June 2009 to Rs. 987.88 million during the year under review. Major increase in finance cost was recorded under the head of long term financing that the Company failed to service in terms of both principal and mark up as explained in Note 5.4 to the annexed financial statements. Another major contributing factor was the increase in mark-up on advance from WAPDA / PEPCO that increased substantially from last year as a result of resumption of fuel advance payments.

Due to the payment defaults by WAPDA / PEPCO, 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 mentioned in Note 5.4 to the annexed audited financial statements.

Comments on the Auditors' Report

a) As explained under the heading 'Financial Results' above, the Company has not provided for the LDs levied by WAPDA / PEPCO for the period from 15 February 2008 to 31 December 2009, amounting to Rs. 2,597.8 million as these LDs are a direct consequence of cessation of payments by WAPDA / PEPCO to the Company that led to stoppage of plant operations. The Company's stance on this issue is supported by a legal opinion, on the basis of which these LDs have been formally disputed under the Power Purchase Agreement and have not been provided for in the financial statements.

b) Although the plant remained inoperational during some part of the year under review, because of the acute energy crisis being faced by the country and the management's strenuous efforts, the Complex restarted normal operations effective 2 January 2010 consequent to an understanding with WAPDA / PEPCO. Your Directors are pleased to report that despite all the odds facing the Company, the plant has been running without any major breakdown since its restart though a general derating of certain engines has been necessitated due to technical limits. As during the coming years the demand for electricity in the country is expected to increase considerably with a persistent shortfall in supply, the Company expects the fuel advance and capacity payments to continue and does not have any reason to believe that the carrying amount of property, plant and equipment would not be recoverable. As such, the management does not agree with the opinion of the auditors and has prepared the accounts on historical cost basis which, in its opinion, reflects the true and fair view of the state of the Company's affairs.

c) According to the terms of the loan agreements, a lender has the right to call for repayment of the entire amount of the outstanding loan in case of a default in repayment of any instalment. However, as mentioned in Note 5.5 to the financial statements, the lenders have not called upon the Company to pay off these loans in entirety but 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 as mentioned in Note 5.4 to the financial statements, is confident that in the wake of the restart of the plant and in the best interest of the project, the requested rescheduling will be agreed to by the lenders.

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

Going Concern

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

The earning per share worked out at Rs. 0.39 this year as compared to Rs. 1.07 last year.

Financial Statements and Internal Control

The Directors are pleased to state that:

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

(b) proper books of account have been maintained;

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

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

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

(f) there has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations;

(g) key operating data for the last seven years is available in this report.

Appropriations

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

Auditors

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

Changes in the Board of Directors

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

1. Mr. Klaus Triendl and Mr. Felix Turgeon resigned from the Board on July 3, 2009, Mr. Hugo Bouchard & Mr. Andre Dufour were appointed in their place.

2. Mr. Salman Rahim was appointed on September 16, 2009 in place of Mr. Taj ud Deen Kurji.

3. Mr. Stephane Mailhot resigned from the Board on October 9, 2009 and Ms. Lynn Margaret Isobel Bell was appointed in his place.

4. Mr. Taj ud Deen Kurji was reinstated to the Board on October 26, 2009.

5. Mr. Hugo Bouchard and Mr. Andre Dufour resigned from the Board on January 29, 2010, Mr. Florian Zenner & Mr. Manuel Makki were appointed in their place.

Board of Directors Meetings Held During the Year

Ten meetings of the Board of Directors were held during the year from July 1, 2009 to June 30, 2010. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mr. Taj ud Deen Kurji	7
Mr. Anthony Rustin	10
Mr. S.M. Ghalib	10
Ms. Carole Linda Idris	10
Ms. Lynn Margaret Isobel Bell	5
Mr. Florian Zenner	2
Mr. Manuel Makki	2
Mr. Rashid Mirza (Nominee of NBP)	10
Mr. Stephane Mailhot	4
Mr. Hugo Bouchard	8
Mr. Andre Dufour	8
Mr. Salman Rahim	1

Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2010 is attached.

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

For and on behalf of the Board

Amjad Awan
Chief Executive

Islamabad
September 24, 2010

KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2010	2009	2008	2007	2006	2005	2004
Dispatch Level (%age)	37.6	4.6	32	53	49	41	34
Dispatch (Mwh)	393,242	48,202	368,660	540,242	503,028	398,365	336,767
Total Revenue (Rs. '000)	5,541,957	1,911,237	3,627,586	4,000,450	3,863,767	2,591,542	2,261,335
Profit/(loss) for the Year (Rs. '000)	52,682	146,762	(297,762)	(295,124)	37,519	62,542	234,282
Shareholders' Equity (Rs. '000)	2,081,076	2,028,394	1,881,632	2,179,393	2,474,518	2,436,999	2,374,456
Book Value Per Share (Rupees)	15.23	14.84	13.77	15.95	18.11	17.83	19.11
Earnings/(loss) per share - basic (Rupees)	0.39	1.07	(2.18)	(2.16)	0.27	0.46	1.71
Rate of Dividend (%age)	-	-	-	-	-	-	10

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of the Company (excluding the Chief Executive) comprises of eight directors. At present there are seven non-executive directors and one independent non-executive director representing the lenders.

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

3. All the resident directors of the Company are registered as taxpayers and none of the directors 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. Five casual vacancies occurred in the Board during the financial year and were filled up.

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

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

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

8. The Meetings of the Board were presided over by the Chairman 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 a few emergent meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board instructed the resident directors on the Code of Corporate Governance during the year to apprise them of their duties and responsibilities.

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

11. The Directors' Report for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee comprising of three members including a chairman of the Committee, and all the members of the Audit Committee are non-executive directors.

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

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

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

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited.

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

Islamabad	**Amjad Awan**
September 24, 2010	**Chief Executive**

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

We have reviewed the Statement of Compliance with the best practices 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 personnel and review of various documents prepared by the Company to comply with the Code.

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

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

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Riaz Pesnani

Islamabad
September 24, 2010

AUDITORS' REPORT TO THE MEMBERS

KPMG TASEER HADI & CO.
Chartered Accountants

We have audited the annexed balance sheet of Southern Electric Power Company Limited ("the Company") as at 30 June 2010 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 includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) As disclosed in note 13.1 (a) to the financial statements, the Company has not provided for Liquidated Damages ("LDs") levied by Water and Power Development Authority ("WAPDA") to the Company aggregating Rs. 2,597.8 million under the Power Purchase Agreement entered into between the Company and WAPDA. Had these LDs been provided in the financial statements, the profit and the comprehensive income for the year would have been translated in a loss of Rs. 2,545.12 million and shareholders' equity of Rs. 2,081.076 million would have been converted into negative shareholders' equity of Rs. 516.724 million with a corresponding increase of Rs. 2,597.8 million in the current liabilities.

(b) In view of continued LDs due to irregular plant operation, the Company may not be able to recover the carrying amount of property, plant and equipment over the life of the project should the eventual outcome of disputed LDs is not settled in Company's favour and adequate working capital is not arranged by the Company to profitably operate the plant. No impairment loss on property, plant and equipment has been incorporated by the Company in these financial statements as the Company maintains that the LDs are disputed while an adequate fuel advance facility has been agreed with WAPDA on an ongoing basis in lieu of the additional working capital lines from the banks. In the absence of any workings, the impact of such impairment could not be quantified.

(c) As disclosed in notes 5.4, 5.6, 5.7, 5.8 and 7.2 to the financial statements, the Company has defaulted in repayments of instalments of long term loans and syndicated lease liability for the 6^{th} engine due to the lenders as mentioned in the respective notes. Further, National Bank of Pakistan ("NBP") has served notices of event of default to the Company. In view of these defaults, the entire outstanding loan amounts of Rs. 4,300.911 million and syndicated lease liability for the 6^{th} engine of Rs. 360.159 million became payable immediately pursuant to terms of agreements entered into with these lenders and hence these should have been classified as current liabilities in the financial statements.

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

(e) in our opinion-

i. Except for the matters referred in paragraphs (a) to (c) above, 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 except for the change as indicated in note 3.1 with which we concur;

ii. Except for the matters referred in paragraphs (a) to (c) above, the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and except for the matters referred in paragraphs (a) to (c) above, the expenditure incurred during the year were in accordance with the objects of the Company.

(f) Except for the effect on the financial statements of the matters referred to in paragraphs (a) to (c) above; in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Without further modifying our opinion, we draw attention to:

i. note 17.2 to the financial statements which states that trade debts includes overdue CPP and interest thereon receivable from WAPDA amounting to Rs. 2,260.221 million and Rs. 425.088 million respectively pertaining to the period from 01 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.

ii. note 1.2 to the financial statements which states that the Company's operation is dependant on continuance of fuel advance facility from WAPDA or arranging additional working capital finance. This condition along with adverse liquidity position of the Company cast significant doubt about the Company's ability to continue as a going concern. Should WAPDA discontinue the fuel advance facility or the Company fails to arrange adequate working capital facility, the Company may not be able to continue as a going concern.

However, on the basis of the resumption of plant operations during the year effective 02 January 2010 consequent to release of fuel advance and capacity payments by WAPDA as mentioned in note 1.2 to the financial statements, the Company has prepared these financial statements on the assumption that the Company would continue to be a going concern.

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Riaz Pesnani

Islamabad
September 24, 2010

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, 2010

	Note	2010 Rupees '000	2009 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	4	1,366,758	1,366,758
Un-appropriated profit		714,318	661,636
		2,081,076	2,028,394
NON - CURRENT LIABILITIES			
Long term financing - secured	5	2,084,814	2,678,054
Deferred liabilities	6	27,875	21,311
Liabilities against assets subject to finance lease	7	246,507	345,243
		2,359,196	3,044,608
CURRENT LIABILITIES			
Trade and other payables	8	857,232	711,093
Advance from customer - unsecured	9	1,391,596	-
Accrued markup	10	1,433,770	1,008,554
Short term borrowings - secured	11	938,439	939,727
Current portion of long term financing - secured	5	2,216,097	1,431,113
Current portion of liabilities against assets subject to finance lease	7	120,452	85,053
Provision for taxation - net	12	59,869	-
		7,017,455	4,175,540
		11,457,727	9,248,542

CONTINGENCIES AND COMMITMENTS 13

The annexed notes 1 to 38 form an integral part of these financial statements.

	Note	2010 Rupees '000	2009 Rupees '000
NON - CURRENT ASSETS			
Property, plant and equipment	14	7,206,036	7,327,682
CURRENT ASSETS			
Stores, spare parts and loose tools	15	223,151	168,078
Stock in trade	16	304,181	79,279
Trade debts, secured - considered good	17	3,465,551	1,617,302
Advances - considered good	18	134,592	25,359
Trade deposits, short - term prepayments and balance with statutory authority	19	84,392	17,310
Advance income tax - net	20	-	9,033
Cash and bank balances	21	39,824	4,499
		4,251,691	1,920,860
		11,457,727	9,248,542

Islamabad
September 24, 2010

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees '000	2009 Rupees '000
Turnover	22	5,541,957	1,911,237
Cost of sales	23	(4,691,971)	(903,706)
Gross profit		849,986	1,007,531
Administrative and general expenses	24	(56,018)	(240,771)
Other operating income	25	315,598	146,959
Finance cost	26	(987,884)	(766,957)
Net profit before taxation		121,682	146,762
Provision for taxation - prior year	27.1	(69,000)	-
Net profit after taxation		52,682	146,762
Earning per share - basic and diluted (Rupees)	36	0.39	1.07

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad **Chief Executive** **Director**
September 24, 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees '000	2009 Rupees '000
Net profit after taxation	52,682	146,762
Other comprehensive income	-	-
Total comprehensive income for the year	52,682	146,762

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad **Chief Executive** **Director**
September 24, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees '000	2009 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before taxation		121,682	146,762
Adjustments for non cash items:			
Depreciation		327,961	320,801
Provision for gratuity		9,151	8,071
Gain on disposal of property, plant and equipment		(3,988)	(6,931)
Amortization of deferred income on sale and lease back transaction		(67)	(67)
Provision for doubtful sale tax receivables		-	171,703
Finance cost		987,884	766,957
		1,442,623	1,407,296
Working capital changes:			
(Increase)/decrease in stores, spare parts and loose tools		(55,073)	1,802
Increase in stock in trade		(224,902)	(44,532)
Increase in trade debts		(1,848,249)	(1,212,519)
(Increase)/decrease in advances		(109,233)	70,963
Increase in trade deposits, short term prepayments and balance with statutory authority		(67,082)	(20,233)
Increase/(decrease) in advance from customer		1,391,596	(52,499)
Increase in trade and other payables		146,139	20,267
		(766,804)	(1,236,751)
Cash generated from operations		675,819	170,545
Gratuity paid		(2,520)	(11,443)
Income taxes paid		(98)	(175)
Net cash generated from operating activities		673,201	158,927
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,804)	(4,085)
Proceeds from disposal of property, plant and equipment		5,188	8,342
Net cash generated from investing activities		3,384	4,257
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(10,000)	-
Finance cost paid		(562,668)	(150,999)
Lease rentals paid		(67,304)	(33,905)
Net cash used in financing activities		(639,972)	(184,904)
Net increase/(decrease) in cash and cash equivalents		36,613	(21,721)
Cash and cash equivalents at beginning of the year		(935,228)	(1,208,288)
Conversion of short term borrowings into long term financing		-	294,781
Cash and cash equivalents at end of the year	34	(898,615)	(935,228)

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad **Chief Executive** **Director**
September 24, 2010

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital Rupees '000	Un-appropriated profit Rupees '000	Total Rupees '000
Balance as at 01 July 2008	**1,366,758**	**514,874**	**1,881,632**
Changes in equity for the year ended 30 June 2009			
Total comprehensive income for the year	-	146,762	146,762
Total recognised income and expense	-	146,762	146,762
Balance as at 30 June 2009	**1,366,758**	**661,636**	**2,028,394**
Balance as at 01 July 2009	**1,366,758**	**661,636**	**2,028,394**
Changes in equity for the year ended 30 June 2010			
Total comprehensive income for the year	-	52,682	52,682
Total recognised income and expense	-	52,682	52,682
Balance as at 30 June 2010	**1,366,758**	**714,318**	**2,081,076**

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad **Chief Executive** **Director**
September 24, 2010

1 STATUS AND NATURE OF OPERATIONS

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

1.2 Material uncertainty

As mentioned in the published financial statements of the Company for the six months ended 31 December 2009, the Plant remained substantially non-operational during first six months of the financial year ended 30 June 2010, except for a brief period from 24 August 2009 to 07 October 2009. This was caused by non-payment of fuel advance and capacity payments by Water and Power Development Authority ("WAPDA") to the Company. The management, however, continued to keep the Complex in a state of constant readiness during this period by running it for few hours every 15 - 18 days.

The Complex was brought back into normal operations once again effective 02 January 2010 consequent to release of fuel advance payments by WAPDA. The Plant is in normal operations since then and continues to supply electricity to the national grid. In addition to fuel advance, WAPDA also released Rs. 200 million to the Company during January 2010 as advance against future Capacity Purchase Price ("CPP") invoices to be raised by the Company (also refer note 9). As per the understanding reached between the Company's management and WAPDA, this CPP advance along with the previous outstanding CPP advance of Rs. 300 million is being adjusted by WAPDA in ten installments of Rs. 50 million each along with interest from monthly CPP invoices being raised by the Company starting from April 2010 invoice that became due in May 2010.

All existing disputes between the Company and WAPDA continue to be held in abeyance including those pertaining to Liquidated Damages ("LDs") and withheld CPP amounts and interest thereon for the period from June 2008 till December 2009. Also the suit filed by the Company in the International Court of Arbitration ("ICA") against WAPDA claiming damages to the tune of Rs. 5 billion remains in abeyance by the Company for the time being.

Due to the adverse operating conditions, the Company was unable to meet the repayment of loans and lease obligations to its lenders except for payment of Rs. 10 million to United Bank Limited and three installments to syndicate lease facility amounting to Rs. 116.841 million (refer to notes 5.7 and 7.2).

WAPDA continued to levy LDs on the Company in pursuance of the Power Purchase Agreement ("PPA"). As explained in note 13.1(a), the LDs levied by WAPDA pertaining to the period from 15 February 2008 to 31 December 2009 have not been provided for by the Company in these financial statements. This was the period during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility from WAPDA. The Company has disputed these LDs on valid legal grounds supported by a legal opinion confirming validity of the dispute.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Major differences between IFRS adopted in Pakistan and the basis of preparation

Major differences between IFRS adopted in Pakistan and the basis of preparation of these financial statements are as follows:

(a) Exchange differences related to foreign currency loans

Exchange differences related to foreign currency loans obtained for financing of the plant have been capitalized by the Company as allowed by Securities and Exchange Commission of Pakistan (SECP) through its circular number 11 dated 13 June 2008.

(b) Adoption and application of IFRIC 4

IFRIC 4 "determining whether an arrangement contains a lease" has not been adopted by the Company as its application has been exempted by Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 21 dated 22 June 2009. However, its impact on the results is disclosed in note 33 to these financial statements, as required by the said cricular.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2.5 Significant estimates and judgments

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

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

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

(a) Employee retirement plans

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

(b) Property, plant and equipment

The Company reviewed 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 effect on the depreciation charge and impairment.

(c) Impairment

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

(d) Liquidated Damages

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

(e) Taxation

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policy

The Company has applied revised IAS-1 "Presentation of Financial Statements" which became effective as of 01 July 2009. As a result, the Company has presented in the statement of changes in equity, all owner related changes in equity whereas all other changes in equity are presented in a separate statement of comprehensive income. The separate statement of comprehensive income has been applied in these financial Statements for the year ended 30 June 2010.

Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on profit and loss account.

3.2 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 reverse 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.

3.3 Staff retirement benefits

(a) Defined benefit plan

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

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

(b) Compensated absences

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

3.4 Property, plant and equipment

(a) Owned

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

Depreciation is charged on straight line method at the rates given in note 14, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Exchange differences on the loans utilized for acquisition of plant, building and machinery are being depreciated over the remaining useful life of the plant. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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

(b) Leased

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

3.5 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. Replacement cost is used as a measure of net realizable value. 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.

3.6 Stores, spare parts and loose tools

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

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

3.7 Revenue recognition

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

3.8 Trade debts and other receivables

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

3.9 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 cash flow statement as mentioned in note 34.

3.10 Mark-up bearing borrowings

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

3.11 Trade and other payables

Trade and other payables are stated at amortized cost.

3.12 Provisions

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

3.13 Dividend recognition

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

3.14 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.

3.15 Foreign currencies

As mentioned in note 2.4, PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date. Exchange differences are accounted for as follows:

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

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

3.16 Financial instruments

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

3.17 Finance income and finance cost

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

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

3.18 Offsetting of financial assets and financial liabilities

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

3.19 Impairment

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

Financial assets

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

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

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

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

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

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

- Amendments to IFRS 8 - Operating Segments - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- IFRS 9- Financial Instruments - Classification and Measurement. (effective 01 January 2010)
- Amendments to IAS 17 - Leases - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- IAS 24 - Related Party Disclosures - revised definition of related parties. (effective 01 January 2011)
- Amendments to IAS 32 - Financial Instruments: Presentation - classification of right issue. (effective 01 January 2010)
- Amendments to IAS 36 - Impairment of Assets - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments. (effective 01 July 2010)
- Amendments to IFRS 2 - Share-based Payment - group cash settled share-based Payment transactions. (effective 01 January 2010)
- Amendments to IAS 7- Statement of Cash Flows - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- Amendments to IAS 1 - Presentation of Financial Statements - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- Amendments to IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - April 2009 Annual Improvements to IFRSs. (effective 01 January 2010)
- Amendments to IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) - voluntary prepaid contributions. (effective 01 January 2011)

4 SHARE CAPITAL

4.1 Authorized share capital

This represents 150 million (2009: 150 million) ordinary shares of Rs. 10 each.

4.2 Issued, subscribed and paid up capital

2010	2009		2010	2009
Number of shares			(Rupees '000)	(Rupees '000)
124,250,684	124,250,684	Ordinary shares of Rs. 10 each issued for cash	1,242,507	1,242,507
12,425,068	12,425,068	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	124,251	124,251
136,675,752	136,675,752		1,366,758	1,366,758

4.3 BCHIL Southern Company Limited holds 40.178 million ordinary shares (2009: 40.178 million ordinary shares) of Rs. 10 each at the balance sheet date.

5 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amounts		Outstanding amounts			
				2010	2009	2010	2009
From banking companies		USD '000	Rupees '000	USD '000		Rupees '000	
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 1st Facility	5.1	35,002	-	22,751	22,751	1,947,488	1,849,659
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 2nd Facility	5.2	7,456	-	4,846	4,846	414,850	394,010
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 3rd Facility	5.3	10,614	-	10,614	10,614	908,565	862,925
ANZ Bank, Paris, France -2nd Facility	5.6	8,706	-	8,706	8,706	745,227	707,792
United Bank Limited	5.7	-	144,781	-	-	134,781	144,781
Faysal Bank Limited	5.8	-	150,000	-	-	150,000	150,000
				46,917	46,917	4,300,911	4,109,167
Less: Installments due over the next twelve months shown under current liabilities							
Overdue installments				(16,616)	(10,256)	(1,492,824)	(833,791)
Current maturity				(6,434)	(6,357)	(723,273)	(597,322)
				(23,050)	(16,613)	(2,216,097)	(1,431,113)
				23,867	30,304	2,084,814	2,678,054

5.1	**PSEDF Debt - 1st Facility**	**(Also refer note 5.4)**
	Lender	National Bank of Pakistan
	Outstanding amount :	USD 22,751,031
	Repayable currency	Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
	Repayment terms	Repayable in 13 equal semi-annual installments effective from 25 April 2008.
	Rate of interest per annum	As per PSEDF guidelines: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
	Security	(a) First registered mortgage charge on the Company's assets but on a subordinated basis to the Senior Loans. (b) Pledge over 36,012,702 sponsors' shares for the term of the loan.
5.2	**PSEDF Debt - 2nd Facility**	**(Also refer note 5.4)**
	Lender	National Bank of Pakistan
	Outstanding amount :	USD 4,846,374
	Repayable currency	Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
	Repayment terms	Repayable in 13 equal semi-annual installments effective from 25 April 2008.
	Rate of interest per annum	As per PSEDF guidelines: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
	Security	(a) Same charge on securities as mentioned in note 5.1(a) above. (b) Pledge over 36,012,702 sponsors' shares for the term of the loan.
5.3	**PSEDF Debt - 3rd Facility**	**(Also refer note 5.4)**
	Lender	National Bank of Pakistan
	Outstanding amount :	USD 10,614,078
	Repayable currency	Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.
	Repayment terms	Repayable in 13 equal semi-annual installments effective from 25 April 2008.
	Rate of interest per annum	As per PSEDF guidelines: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
	Security	(a) Same charge on securities as mentioned in note 5.1(a) above. (b) Pledge over 36,012,702 sponsors' shares for the term of the loan.

5.4 In the year ended 30 June 2007, National Bank of Pakistan ("NBP") restructured three installments each (25 October 2006, 25 April 2007 and 25 October 2007) of the 1st and 2nd PSEDF facilities along with interest outstanding on these installments into PSEDF 3rd facility. 1st installment of the restructured PSEDF 1st, 2nd and 3rd facilities was payable on 25 April 2008. However, as mentioned in note 1.2 to these financial statements, the Company remained unable to repay the 1st, 2nd, 3rd, 4th and 5th installments each of the restructured PSEDF 1st, 2nd and 3rd facilities that were due on 25 April 2008, 25 October 2008, 25 April 2009, 25 October 2009 and 25 April 2010 respectively and received formal notices from NBP of Event of Default of each installment. The Company intends to apply to NBP for a further rescheduling of the PSEDF facilities on the lines that the five installments in default plus further three six monthly installments be rescheduled into PSEDF - 4th facility. An extension in the tenor of the loan may also be required. The Company remains confident that the restructuring into PSEDF - 4th facility will be agreed to by NBP.

5.5 Though the Company has defaulted in repayments of the 1st, 2nd and 3rd PSEDF facilities and has received notices of Event of Default, NBP has not called upon the Company to pay-off the entire outstanding loan amounts immediately nor has it exercised its stepping-in rights under the Finance Documents but has kept its rights reserved.

5.6 ANZ Bank, Paris, France - 2nd Facility

This represents the facility created by payment of five installments to ANZ Bank, France by COFACE. The Company is obliged to repay the loan and interest thereon @ 6 months' LIBOR + 0.6% per annum as per repayment schedule approved by the Private Power Infrastructure Board ("PPIB"), Government of Pakistan ("GoP") at the time of financial restructuring of the Company. The liability of the Company stands towards the GoP through its Economic Affairs Division ("EAD"). The Company has held discussions and exchanged correspondence with EAD to revise the terms and conditions relating to the repayment of this facility. Until the repayment terms are finalized, the repayment of principal and interest amounts on this debt is not being made by the Company.

5.7 United Bank Limited

Lender	United Bank Limited ("UBL")
Outstanding amount:	Pak Rupees 134,780,615
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 during the year ended 30 June 2009. During the year ended 30 June 2010, the Company repaid first two installments of principal of Rs. 5 million each, and defaulted in repayment of the third installment of principal amounting to Rs.15 million that fell due on 17 May 2010. Subsequent to the balance sheet date, upon Company's request, UBL has further rescheduled the remaining amount of Rs. 134.781 million to be repaid in seven stepped-up quarterly installments starting 17 May 2011.
Rate of interest	1 month KIBOR plus 3% per annum (KIBOR rate to be re-set on 1st of each month)
Security	This borrowing is secured by way of first charge of Rs. 182 million on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

5.8 Faysal Bank Limited

Lender	Faysal Bank Limited ("FBL")
Outstanding amount:	Pak Rupees 150,000,000
Repayment terms	This facility was created by conversion of the existing short-term working capital facility of Rs. 150 million by FBL into a medium-term demand finance facility during the year ended 30 June 2009, with repayment in twelve equal monthly installments commencing from 01 April 2010. However, due to the cash flow constraints the Company has not been able to make any principal repayment to FBL under this facility. As per terms of the agreement, FBL has the discretion to demand payment of the entire outstanding balance of the loan in case the Company defaults in repayment of any installment within due time period; however, FBL has not exercised such discretion.
Rate of interest	3 months KIBOR plus 3.5 % per annum (KIBOR to be re-set on 1st of each quarter)
Security	This borrowing is secured by way of first charge of Rs. 215 million on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

Due to default in repayments of loans as stated above, the Company is also in breach of certain financial covenants of the loan agreements (including amendment agreement) thus permitting the lenders to demand accelerated repayments.

6 DEFERRED LIABILITIES

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Deferred income on sale and lease back transaction		-	67
Staff retirement benefit - gratuity	6.1	27,875	21,244
		27,875	21,311

6.1 Staff retirement benefit - gratuity

(a) Reconciliation of payable to defined benefit plan

	2010	2009
Present value of defined benefit obligation	32,941	26,551
Unrecognized actuarial losses	(5,066)	(5,307)
	27,875	21,244

(b) Movement in net liability recognized

	2010	2009
Opening net liability	21,244	24,616
Expense for the year	9,151	8,071
Benefit paid during the year	(2,520)	(11,443)
Closing net liability	27,875	21,244

(c) Charge for the defined benefit plan

	2010	2009
Current service cost	5,458	5,132
Interest cost	3,452	2,852
Actuarial losses recognized	241	87
	9,151	8,071

(d) Key actuarial assumptions

	2010	2009
Valuation discount rate	13.00%	13.00%
Salary increase rate	13.00%	13.00%

(e) Comparison of present values of defined benefit obligation for five years is as fallows:

	2010	2009	2008	2007	2006
	(Rupees '000)				
Present value of defined benefit obligation	32,941	26,551	28,515	22,636	19,180

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010 (Rupees '000)			2009 (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	195,298	74,846	120,452	157,054	72,001	85,053
Later than one year but not later than five years	309,540	63,033	246,507	454,312	109,069	345,243
	504,838	137,879	366,959	611,366	181,070	430,296

7.1 Rentals are payable in equal monthly installments (quarterly for the lease of sixth engine). The Company has a right to exercise purchase option at the end of the lease term. Implicit rate of 16.56% to 18.81% per annum (2009: 13.49% to 20.67% per annum) has been used as a discounting factor.

7.2 As at the balance sheet date, the Company has repaid first three installments of the rescheduled syndicate lease facility for the 6th engine that became due on 26 July 2009, 26 October 2009 and 26 January 2010 amounting to Rs. 116.841 million. Subsequent to the balance sheet date, fourth installment that became due on 26 April 2010 was repaid in parts by the Company amounting to Rs. 25 million on 18 August 2010 and balance Rs. 13.73 million on 16 September 2010. Total amount outstanding in respect of lease liability of 6th engine as on 30 June 2010 is Rs. 360.159 million.

Subsequent to the balance sheet date, the Company has applied to the syndicate for a further rescheduling of the lease in a manner that the fifth, sixth and seventh installments falling due on 26 July 2010, 26

October 2010 and 26 January 2011 be spread over the subsequent remaining nine quarterly installments without changing tenor of the lease.

8. TRADE AND OTHER PAYABLES

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Creditors		17,122	37,914
Accrued liabilities		17,151	18,876
Liquidated damages payable	8.1	805,309	641,109
Unclaimed dividend		3,574	3,575
Other payables		14,076	9,619
		857,232	711,093

8.1 These Liquidated Damages ("LDs") have been levied by WAPDA under the Power Purchase Agreement. As per the past practice, the Company expects to agree an installment plan with WAPDA to pay the undisputed portion of these liquidated damages. As disclosed in note 13.1(a), the Company has not provided for LDs pertaining to the period from 15 February 2008 to 31 December 2009 during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility from WAPDA.

9 ADVANCE FROM CUSTOMER - UNSECURED

	Advance Against Fuel purchase	Advance Against CPP	2010 (Rupees '000)	2009 (Rupees '000)
Opening balance as on 01 July	-	-	-	58,123
Receipt during the year	5,297,023	500,000	5,797,023	600,000
Adjustments against EPP / CPP invoices	(4,305,427)	(100,000)	(4,405,427)	(658,123)
Closing balance as at 30 June	991,596	400,000	1,391,596	-

9.1 Above unsecured advances from WAPDA carry markup ranging from 16.5% to 17% per annum (2009: 16% to 19% per annum).

10. ACCRUED MARKUP

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Markup on long term financing - secured	10.1	1,300,989	835,538
Markup on short term borrowings - secured		70,851	122,934
Markup on liabilities against assets subject to finance lease		54,927	50,082
Markup on advance from customer - unsecured		7,003	-
		1,433,770	1,008,554

10.1 This includes overdue mark-up amounting to Rs. 1,187.18 million (2009: Rs. 773.214 million) equivalent to USD 13.869 million (2009: USD 9.087 million).

11. SHORT TERM BORROWINGS - SECURED

From banking companies and other financial institutions	Expiry dates of facilities	Sanctioned Limit 2010	Sanctioned Limit 2009	Outstanding Balance 2010	Outstanding Balance 2009
		(Rupees '000)			
Royal Bank of Scotland	Expired	110,000	110,000	108,619	109,981
Askari Bank Limited	10 December 2010	325,000	325,000	324,857	324,857
National Bank of Pakistan	30 September 2010	250,000	250,000	249,966	249,892
Silkbank Limited	Expired	145,000	145,000	144,997	144,997
Saudi Pak Industrial and Agricultural Investment Company Limited	16 November 2010	110,000	110,000	110,000	110,000
		940,000	940,000	938,439	939,727

The above borrowings are secured by way of first charge of Rs. 1,198 million (2009: Rs. 1,198 million) on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in note 5. These carry mark-up ranging between 14.83% to 17.45% per annum (2009: 12.32% to 19.69% per annum).

12 PROVISION FOR TAXATION - NET

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Advance tax as on 01 July	20	(9,033)	-
Income tax paid during the year		(98)	-
Provision for taxation - prior year	27	69,000	-
Tax payable as at 30 June		59,869	-

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(a) WAPDA has levied Liquidated Damages ("LDs") on the Company to the tune of Rs. 2,597.8 million (2009: 1,838.7 million). These LDs pertain to the period from 15 February 2008 to 31 December 2009 during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility from WAPDA. The Company has disputed these LDs on valid legal grounds supported by a legal opinion confirming the validity of the dispute. Therefore, LDs for the period from 15 February 2008 (the date of stoppage of plant due to cessation of fuel advance payments by WAPDA to 31 December 2009 have not been provided for in these financial statements, which amount to Rs. 2,597.8 million (2009: Rs. 1,838.7 million) for which the Company remains contingently liable. In the event that the dispute is settled against the Company, these LDs shall be charged to the profit and loss account of the period in which the dispute is settled.

13.2 Commitments

Letters of credit other than capital expenditure of Euros 106,505.61 (2009: nil) equilavent to Rs. 11.138 million (2009: nil).

13.3 Significant contracts as at balance sheet date

(a) Implementation Agreement

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

(b) Power Purchase Agreement

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

(c) Fuel Supply Agreement

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

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Office building on freehold land	Plant building on freehold land	Plant, machinery and equipment	Rail sliding	Leasehold improvements	Electric equipments	Computers and Office equipments	Laboratory equipments	Furniture and fittings	Vehicles owned	Vehicles Leased	Total
	Rupees '000												
Cost													
Balance as at 01 July 2008	32,504	20,684	1,553,468	7,506,963	38,332	7,255	16,141	9,687	9,105	9,003	25,915	22,796	9,251,853
Additions during the year	-	-	-	-	-	-	430	148	-	-	-	3,507	4,085
Exchange loss	-	-	110,687	495,486	-	-	-	-	-	-	-	-	606,173
Disposals	-	-	-	-	-	-	-	(15)	-	(2)	(18,888)	(4,633)	(23,538)
Balance as at 30 June 2009	32,504	20,684	1,664,155	8,002,449	38,332	7,255	16,571	9,820	9,105	9,001	7,027	21,670	9,838,573
Balance as at 01 July 2009	32,504	20,684	1,664,155	8,002,449	38,332	7,255	16,571	9,820	9,105	9,001	7,027	21,670	9,838,573
Additions during the year	-	-	-	-	-	-	99	193	-	11	1,501	3,966	5,770
Exchange loss	-	-	36,839	164,906	-	-	-	-	-	-	-	-	201,745
Disposals	-	-	-	-	-	-	-	(330)	-	-	(2,699)	(9,000)	(12,029)
Balance as at 30 June 2010	32,504	20,684	1,700,994	8,167,355	38,332	7,255	16,670	9,683	9,105	9,012	5,829	16,636	10,034,059
Depreciation													
Balance as at 01 July 2008	-	11,017	381,534	1,722,699	11,448	7,255	15,366	8,721	6,741	8,079	24,820	14,539	2,212,219
Depreciation for the year	-	1,940	52,530	257,999	1,276	-	513	457	704	414	377	4,590	320,801
Disposals	-	-	-	-	-	-	-	(15)	-	(2)	(18,396)	(3,715)	(22,128)
Balance as at 30 June 2009	-	12,957	434,064	1,980,698	12,724	7,255	15,879	9,163	7,445	8,491	6,801	15,414	2,510,891
Balance as at 01 July 2009	-	12,957	434,064	1,980,698	12,724	7,255	15,879	9,163	7,445	8,491	6,801	15,414	2,510,891
Depreciation for the year	-	1,885	54,337	266,083	1,276	-	273	296	704	248	524	2,335	327,961
Disposals	-	-	-	-	-	-	-	(330)	-	-	(2,699)	(7,800)	(10,829)
Balance as at 30 June 2010	-	14,842	488,401	2,246,781	14,000	7,255	16,152	9,129	8,149	8,739	4,626	9,949	2,828,023
Carrying amounts - 2009	**32,504**	**7,727**	**1,230,091**	**6,021,751**	**25,608**	-	**692**	**657**	**1,660**	**510**	**226**	**6,256**	**7,327,682**
Carrying amounts - 2010	**32,504**	**5,842**	**1,212,593**	**5,920,574**	**24,332**	-	**518**	**554**	**956**	**273**	**1,203**	**6,687**	**7,206,036**
Rates of depreciation per annum		10%	3.33%-5.26%	3.33%-5.26%	3.33%	10%	20%	20%	20%	10%	20%	20%	

14.1 Exchange loss

Exchange loss included in the carrying amount of assets at the year end amounts to Rs. 1,742 million (2009: Rs. 1,617 million).

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

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Cost of sales	23	321,697	311,846
Administration and general expenses	24	6,264	8,955
		327,961	320,801

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

Assets description	Cost Rs. (000)	Book value Rs. (000)	Sale Proceeds Rs. (000)	Gain Rs. (000)	Sold To	Mode of Sale
Mercedes Benz-Vehicle	**9,000**	**1,200**	**4,000**	**2,800**	Anjum Durrani	By negotiation
Aggregate value of other items of property, plant and equipment with individual book value not exceeding Rs. 50,000	**3,029**	**-**	**1,188**	**1,188**		
30 June 2010	**12,029**	**1,200**	**5,188**	**3,988**	Also refer note 25	
30 June 2009	23,538	1,410	8,342	6,931	Also refer note 25	

15 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Stores		185,158	129,474
Spare parts and loose tools		37,993	38,604
		223,151	168,078

16 STOCK IN TRADE

Heavy furnace oil ("HFO")	282,543	69,888
High speed diesel ("HSD")	9,130	2,561
Lubricants	12,508	6,830
	304,181	79,279

17 TRADE DEBTS, SECURED - CONSIDERED GOOD

	Note	2010	2009
Capacity Purchase Price receivable		2,454,205	1,471,928
Interest on Capacity Purchase Price receivable	17.1	427,703	133,901
	17.2	2,881,908	1,605,829
Energy Purchase Price receivable		583,643	11,473
	17.3	3,465,551	1,617,302

17.1 This reperesents interest amount calculated at the rates ranging from 14.5% to 16% per annum (2009: 14% to 17% per annum) on the late payments of Capacity Purchase Price by WAPDA as admissible under article 9.7 (e) of the Power Purchase Agreement ("PPA").

17.2 This includes overdue Capacity Purchase Price (CPP) and interest thereon receivable from WAPDA amounting to Rs. 2,260.221 million and Rs. 425.088 million respectively pertaining to the period from 01 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.

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

18 ADVANCES - CONSIDERED GOOD

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Advances to employees against expenses		204	142
Advances to staff	18.1	10,448	8,804
Advance to supplier for the purchase of fuel		112,245	1,624
Advances to other suppliers		14,706	17,800
Less: Provision for doubtful advances		(3,011)	(3,011)
18.1		11,695	14,789
		134,592	25,359

18.1 Included in advances to staff are amounts due from executives aggregating to Rs. 7.38 million (2009: Rs. 6.62 million).

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

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Margin against bank guarantees and security deposits		20,018	2,937
Prepayments		20,836	14,373
Sales tax receivable		215,241	171,703
Less: Provision for doubtful sales tax receivable	24	(171,703)	(171,703)
		43,538	-
		84,392	17,310

20 ADVANCE INCOME TAX - net

	Note	2010	2009
Advance tax as on 01 July		-	8,858
Income tax paid during the year		-	175
Advance tax as at 30 June	12	-	9,033

21 CASH AND BANK BALANCES

	Note	2010	2009
Cash at banks in-			
- Current accounts:			
Foreign currency	21.1	248	261
Local currency		37,905	3,600
		38,153	3,861
- Saving accounts:			
Local currency	21.2	1,550	369
		39,703	4,230
Cash in hand		121	269
		39,824	4,499

21.1 This includes compensation accounts aggregating USD 1,264 equivalent Rs. 108,198 (2009: USD 1,264 equivalent Rs. 102,510) and insurance proceeds account USD 1,645 equivalent Rs. 140,812 (2009: USD 1,645 equivalent Rs. 133,738) with United National Bank London which are escrow accounts.

21.2 These carry mark-up at the rate of 4% to 4.5% per annum (2009: 4% to 4.5% per annum).

22 TURNOVER

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Capacity billing		1,562,915	1,446,533
Gross energy billing		4,615,689	539,057
Less: sales tax		(636,647)	(74,353)
		3,979,042	464,704
		5,541,957	1,911,237

23 COST OF SALES

	Note	2010	2009
Raw materials consumed	23.1	3,982,199	484,967
Salaries, wages and other benefits	23.2	43,858	27,752
Insurance		36,285	42,528
Electricity charges		10,209	18,282
Stores and spare parts consumed		104,082	8,254
Liquidated Damages		164,200	-
Depreciation	14.2	321,697	311,846
Vehicle running expenses		2,433	3,204
Communication charges		1,286	1,501
Repairs and maintenance		17,285	1,010
Staff welfare		2,921	1,454
Fuel decanting charges		-	23
Operations and maintenance		-	350
Traveling and conveyance		2,908	100
Printing and stationery		323	96
Others		2,285	2,339
		4,691,971	903,706

23.1 Raw materials consumed

(Rupees '000)

	HFO	HSD	Lubricants	2010 Total	2009 Total
Opening balance	69,888	2,561	6,830	79,279	34,747
Add: Purchases	4,088,424	35,383	83,294	4,207,101	529,499
Available for consumption	4,158,312	37,944	90,124	4,286,380	564,246
Less: Closing balance	282,543	9,130	12,508	304,181	79,279
Consumption during the year 2010	3,875,769	28,814	77,616	3,982,199	-
Consumption during the year 2009	468,380	9,245	7,342	-	484,967

23.2 These include Rs. 5.566 million (2009: Rs. 2.415 million) charged in respect of staff retirement benefits.

23.3 Provision for Workers Profit Participation Fund (WPPF) and Workers Welfare Fund (WWF) has not been made in these financial statements, since they are pass through items to WAPDA under the PPA. In case the liability arises, it is recovered from WAPDA. During the year the Company paid Workers Welfare Fund (WWF) to Federal Board of Revenue calculated on its profit for the year ended 30 June 2009; the same was subsequently recovered from WAPDA.

24 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Salaries, wages and benefits	24.1	30,799	35,582
Depreciation	14.2	6,264	8,955
Traveling and conveyance		1,129	3,047
Rent, rates and taxes		3,588	3,744
Vehicle running expenses		3,247	3,266
Guest house expenses		3,784	4,588
Insurance		678	1,356
Legal consultancy fee and related expenses		1,285	1,708
Provision for doubtful sales tax receivables	19	-	171,703
Communication costs		1,129	1,483
Auditors' remuneration	24.2	1,113	1,640
Utilities		549	609
Printing and stationery		640	608
Repairs and maintenance		248	971
Entertainment		410	651
Others		1,155	860
		56,018	240,771

24.1 These include Rs. 3.585 million (2009: Rs. 5.656 million) charged in respect of staff retirement benefits.

24.2 Auditors' remuneration

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Annual audit		600	800
Six monthly review		300	300
Tax services		120	495
Other certifications		25	-
Out of pocket expenses		68	45
		1,113	1,640

25 OTHER OPERATING INCOME

	Note	2010 (Rupees '000)	2009 (Rupees '000)
From financial assets			
Interest income		300,554	137,903
		300,554	137,903
From other than financial assets			
Gain on sale of property, plant and equipment	14.3	3,988	6,931
Income on sale and leaseback transaction		67	67
Gain on sale of scrap		10,953	2,020
Others		36	38
		15,044	9,056
		315,598	146,959

26 FINANCE COST

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Mark-up on long term financing - secured		539,507	429,731
Mark-up on short term borrowings - secured		147,990	158,719
Mark-up on advance from customer - unsecured		171,257	28,204
Exchange loss		55,946	70,493
Commitment charges, management and agency fee		5,744	6,754
Fee and expenses of trustee		4,657	-
Mark-up on finance lease		62,080	72,080
Guarantee commission		-	830
Letter of credit charges		391	28
Bank charges		312	118
		987,884	766,957

27 TAXATION

27.1 Provision for taxation - prior year

For the Assessment Year 1996-1997, the tax authorities raised tax demand of Rs. 69 million, inclusive of additional tax of Rs. 47 million, by treating the Company as assessee in default for not deducting tax on payments made to contractors. The Company's appeal is pending decision by the Commissioner Inland Revenue (Appeals) and a favourable outcome is anticipated. However, on account of recovery proceedings initiated by the tax department, subsequent to the balance sheet date the Company has agreed to make payment of the outstanding demand on the basis of an agreement reached between the Company and the tax department. However, on a prudent basis, the entire tax demand of Rs. 69 million has been provided for in these financial statements.

27.2 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 3.2 (a).

27.3 Tax matters and status

Tax assessments of the Company up to and including the assessment year 2002-2003 (year ended 30 June 2002) stand finalized under Section 62 of the repealed Income Tax Ordinance 1979. Assessments for Tax Years 2003 to 2009 (years ended 30 June 2003 to 2009) were finalized under section 120 of the Income Tax Ordinance 2001 ("the Ordinance"). However, tax returns for Tax Years 2005 to 2009 as filed by the Company can be amended by the tax authorities within five (05) years of the end of the financial year in which these were filed.

The main issue of set off of business losses against business income has been decided in the Company's favour at the level of Income Tax Appellate Tribunal ("ITAT") upto Tax Year 2004. The department's reference before the Honorable High Court for the Assessment Years 1996-1997 to 2000-2001 is pending disposal to date. The departmental reference for the Assessment Years 2001-2002 and 2002-2003 was rejected by the Honorable High Court being barred by time. Being aggrieved, the department has filed review application with the Honorable Supreme Court of Pakistan, which is pending disposal to date.

28 NUMBER OF EMPLOYEES

Number of permanent employees as at 30 June 2010 was 86 (2009: 109).

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010		2009	
	Rupees '000		Rupees '000	
Managerial remuneration and allowances	10,927	15,462	7,544	12,979
Staff retirement benefits	781	1,295	780	1,123
Others	-	1,055	275	877
	11,708	17,812	8,599	14,979
	Chief Executive	Executives	Chief Executive	Executives
Number of persons	1	8	1	7

- In addition, the Chief Executive and all executives were provided Company maintained cars for business purposes.
- Directors of the Company were not paid any remuneration during the year.

30 RELATED PARTY TRANSACTIONS

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

	2010 (Rupees '000)	2009 (Rupees '000)
Remuneration of key management personnel	22,055	20,354

31 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

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

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

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

(a) Credit risk

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

Exposure to credit risk

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

	2010 (Rupees '000)	2009 (Rupees '000)
Trade debts - Also refer note 17.2	3,465,551	1,617,302
Advances and other receivables	30,466	11,741
Bank balances	39,703	4,230
	3,535,720	1,633,273

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

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

	2010 (Rupees '000)	2009 (Rupees '000)
Domestic	3,535,472	1,633,012
United Kingdom	248	261
	3,535,720	1,633,273

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

(iii) Aging analysis and impairment losses

The aging of trade debts at the reporting date was.

	2010		2009	
	Gross Rs. (000)	Impairment Rs. (000)	Gross Rs. (000)	Impairment Rs. (000)
Not past due	**1,011,347**	-	266,019	-
Past due 0-30 days	**127,617**	-	139,625	-
Past due 31-120 days	**66,366**	-	390,052	-
Past due 121-365 days	**918,429**	-	821,606	-
Above 365 days	**1,341,792**	-	-	-
	3,465,551	-	1,617,302	-

Above amount of Rs. 3,465.551 million includes overdue Capacity Purchase Price (CPP) and interest thereon receivable from WAPDA due to ongoing dispute between the Company and WAPDA on account of LDs and CPP as mentioned in note 13.1 (a). The recoverability of amounts due over 121 or more is uncertain and is dependent on settlement of dispute between the parties (also refer note 17.2). Further, payments from WAPDA have been sluggish due to circular debt issue as well. Management is actively pursuing for the release of payments and it is confident that WAPDA will discharge its obligations under the PPA and accordingly no allowance for impairment is required.

(b) Liquidity

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

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

	2010 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	**4,300,911**	**5,117,684**	**2,470,949**	**904,747**	**1,741,988**
Finance lease liabilities	**366,959**	**504,838**	**195,298**	**155,233**	**154,307**
Short term borrowing	**938,439**	**1,018,245**	**1,018,245**	-	-
Accrued markup	**1,433,770**	**1,433,770**	**1,433,770**	-	-
Advance from customer - unsecured	**1,391,596**	**1,398,599**	**1,398,599**	-	-
Trade and other payables	**857,232**	**2,247,113**	**2,247,113**	-	-
	9,288,907	**11,720,249**	**8,763,974**	**1,059,980**	**1,896,295**

	2009 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	4,109,167	4,890,627	1,724,686	914,293	2,251,648
Finance lease liabilities	430,296	611,367	157,053	152,610	301,704
Short term borrowing	939,727	1,005,206	1,005,206	-	-
Accrued markup	1,008,554	1,008,554	1,008,554	-	-
Trade and other payables	711,093	711,093	711,093	-	-
	7,198,837	8,226,847	4,606,592	1,066,903	2,553,352

The Company closely monitors its liquidity and cash flow position. The liquidity risk is managed by a continuous follow-up for collecting receivables and restoring the fuel advance facility from WAPDA. Due to the adverse operating conditions, the Company was unable to meet the repayment of loans and lease obligations to its lenders except for payment of Rs. 10 million to United Bank Limited and three installments to syndicate lease facility amounting to Rs. 116.841 million (refer to notes 1.2, 5.7 and 7.2).

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

(c) Market risk

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

(i) Interest rate risk management

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

	Interest rate		Carrying amounts	
	2010 %	2009 %	2010 Rs. (000)	2009 Rs. (000)
– Fixed rate instruments				
Financial assets	-	-	-	-
– Variable rate instruments				
Financial assets				
Trade debts	14.5 - 16	14 - 17	3,465,551	1,617,302
Bank balances	4 - 4.5	4 - 4.5	1,550	369
			3,467,101	1,617,671
Financial liabilities				
Long term loans	10.93	10.57	4,300,911	4,109,167
Liability against assets subject to finance lease	16.56 - 18.81	13.49 - 20.67	366,959	430,296
Advance from customer - unsecured	16.5 - 17.00	16.5 - 19.00	1,391,596	-
Short term borrowing	14.83 - 17.45	12.32 - 19.69	938,439	939,727
			6,997,905	5,479,190
			10,465,006	7,096,861

(ii) Fair value sensitivity analysis for fixed rate instruments

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

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased unappropriated profit by Rs. 83.852 million (2009: Rs. 60.581 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

(iv) Currency risk management

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

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

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

The potential currency exposures are discussed below;

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

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

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

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

(vii) Exposure to foreign currency risk

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

	2010 (000's)		
	USD	GBP	Euro
Advances and bank balances	13	-	8
Secured bank loans	(46,917)	-	
Financial charges payable	(15,143)	-	-
Trade payables	-	(1)	(90)
Gross balance sheet exposure	(62,047)	(1)	(82)

	2009 (000's)		
	USD	GBP	Euro
Advances and bank balances	17	13	13
Secured bank loans	(46,917)	-	-
Financial charges payable	(9,964)	-	-
Trade payables	-	-	(121)
Gross balance sheet exposure	(56,864)	13	(108)

(viii) Following significant exchange rates were used:

	Balance sheet date rate		Average rate	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
United States Dollars ("USD")	85.60	81.30	84.35	79.69
Great Britain Pounds ("GBP")	128.96	135.38	131.12	126.30
Euros	104.58	114.82	115.10	111.20

(ix) 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	
	2010 (Rupees '000)	2009 (Rupees '000)
USD	(531,128)	(462,613)
GBP	-	(169)
Euros	860	1,239

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

(d) Fair values

Fair value versus carrying amounts

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

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	2010 (Rupees '000)			
Financial assets				
Trade debts	3,465,551	-	-	3,465,551
Advances and other receivables	30,466	-	-	30,466
Bank balances	39,703	-	-	39,703
Total financial assets	3,535,720	-	-	3,535,720
Non financial assets				7,922,007
TOTAL ASSETS				11,457,727
Financial liabilities				
Long term financing - secured	-	-	4,300,911	4,300,911
Finance lease liabilities	-	-	366,959	366,959
Short term borrowings	-	-	938,439	938,439
Accrued markup	-	-	1,433,770	1,433,770
Trade and other payables	-	-	857,232	857,232
Advance from customer - unsecured	-	-	1,391,596	1,391,596
Total financial liabilities	-	-	9,288,907	9,288,907
Non financial liabilities				87,744
TOTAL LIABILITIES				9,376,651

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	2009 (Rupees '000)			
Financial assets				
Trade debts	1,617,302	-	-	1,617,302
Advances and other receivables	11,741	-	-	11,741
Bank balances	4,230	-	-	4,230
Total financial assets	1,633,273	-	-	1,633,273
Non financial assets				7,615,269
TOTAL ASSETS				9,248,542
Financial liabilities				
Long term financing - secured	-	-	4,109,167	4,109,167
Finance lease liabilities	-	-	430,296	430,296
Short term borrowings	-	-	939,727	939,727
Accrued markup	-	-	1,008,554	1,008,554
Trade and other payables	-	-	711,093	711,093
Total financial liabilities	-	-	7,198,837	7,198,837
Non financial liabilities				21,311
TOTAL LIABILITIES				7,220,148

(e) **Determination of fair values**

The basis for determining fair values is as follows:

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

32 CAPITAL RISK MANAGEMENT

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

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

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

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

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

	2010 (Rupees '000)	2009 (Rupees '000)
Increase in unappropriated profit as at 01 July	**1,823,601**	1,847,903
Decrease in profit for the year ended	**(23,074)**	(24,302)
Increase in unappropriated profit as at 30 June	**1,800,527**	1,823,601

34 CASH AND CASH EQUIVALENTS

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

	Note	2010 (Rupees '000)	2009 (Rupees '000)
Cash in hand and balances with banks	21	**39,824**	4,499
Short term borrowings	11	**(938,439)**	(939,727)
		(898,615)	(935,228)

35 CAPACITY AND PRODUCTION

	2010	2009
Original installed capacity - MW	135.9	135.9
Annual Dependable Capacity - MW	119.458	119.458
Actual energy delivered - MWh	393,242	48,202

Actual output produced by the plant is determined on the load demand by WAPDA. During the year, the plant could not deliver the load as demanded by WAPDA as the plant remained non-operational for a substantial period of time during the first six months of the year due to cessation of payments by WAPDA to PSO for supply of furnace oil to the Company.

Last Annual Dependable Capacity ("ADC") Test of the Plant was conducted by WAPDA in September 2007. WAPDA has requested the Company to conduct the ADC test of the Complex for which the Company has proposed the date of 07 January 2011.

36 EARNING PER SHARE - BASIC AND DILUTED

	2010	2009
Net profit after taxation - Rupees 000's	52,682	146,762
Weighted average number of shares outstanding during the year - Numbers	136,675,752	136,675,752
Earning per share - basic and diluted - Rupees	0.39	1.07

37 GENERAL

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

38 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on 24 September 2010.

Islamabad **Chief Executive** **Director**
September 24, 2010

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010

No. of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage %
264	1	100	15,895	0.01
447	101	500	166,408	0.12
753	501	1,000	596,395	0.44
1,294	1,001	5,000	3,867,758	2.83
549	5,001	10,000	4,308,891	3.15
223	10,001	15,000	2,821,694	2.06
119	15,001	20,000	2,164,753	1.58
133	20,001	25,000	3,077,913	2.25
60	25,001	30,000	1,680,187	1.23
51	30,001	35,000	1,687,542	1.23
38	35,001	40,000	1,467,862	1.07
21	40,001	45,000	912,571	0.67
44	45,001	50,000	2,178,604	1.59
22	50,001	55,000	1,159,276	0.85
14	55,001	60,000	816,071	0.60
9	60,001	65,000	572,282	0.42
10	65,001	70,000	686,850	0.50
11	70,001	75,000	802,678	0.59
5	75,001	80,000	390,200	0.29
6	80,001	85,000	497,478	0.36
8	85,001	90,000	711,324	0.52
5	90,001	95,000	464,482	0.34
28	95,001	100,000	2,787,529	2.04
4	100,001	105,000	411,202	0.30
10	105,001	110,000	1,089,056	0.80
1	110,001	115,000	112,000	0.08
7	115,001	120,000	821,919	0.60
3	120,001	125,000	372,166	0.27
4	130,001	135,000	529,559	0.39
5	135,001	140,000	695,121	0.51
2	140,001	145,000	288,621	0.21
7	145,001	150,000	1,047,000	0.77
3	150,001	155,000	463,865	0.34
4	155,001	160,000	635,750	0.47
1	160,001	165,000	160,350	0.12
2	165,001	170,000	335,132	0.25
1	170,001	175,000	172,950	0.13
1	175,001	180,000	175,365	0.13
1	180,001	185,000	183,000	0.13
1	190,001	195,000	194,500	0.14
7	195,001	200,000	1,394,350	1.02
2	200,001	205,000	406,300	0.30
4	205,001	210,000	824,032	0.60
2	210,001	215,000	427,300	0.31
3	215,001	220,000	655,050	0.48
1	220,001	225,000	225,000	0.16
2	225,001	230,000	457,284	0.33
2	235,001	240,000	476,000	0.35
1	245,001	250,000	250,000	0.18
1	265,001	270,000	265,200	0.19
1	270,001	275,000	275,000	0.20
1	280,001	285,000	285,000	0.21
1	285,001	290,000	289,000	0.21
1	295,001	300,000	300,000	0.22
1	315,001	320,000	318,749	0.23
1	335,001	340,000	336,232	0.25
1	340,001	345,000	340,714	0.25
3	395,001	400,000	1,200,000	0.88
3	415,001	420,000	1,248,498	0.91
1	455,001	460,000	456,292	0.33
1	465,001	470,000	467,916	0.34
1	500,001	505,000	504,231	0.37
1	545,001	550,000	550,000	0.40
1	585,001	590,000	587,263	0.43
1	595,001	600,000	600,000	0.44
1	600,001	605,000	600,500	0.44
1	640,001	645,000	640,504	0.47
1	645,001	650,000	650,000	0.48
1	680,001	685,000	680,340	0.50
2	790,001	795,000	1,589,000	1.16
2	800,001	805,000	1,606,900	1.18
1	820,001	825,000	824,682	0.60
1	885,001	890,000	887,500	0.65
1	1,180,001	1,185,000	1,185,000	0.87
1	1,900,001	1,905,000	1,905,000	1.39
1	2,390,001	2,395,000	2,391,010	1.75
1	3,620,001	3,625,000	3,622,900	2.65
1	4,835,001	4,840,000	4,837,052	3.54
1	5,055,001	5,060,000	5,058,749	3.70
1	5,795,001	5,800,000	5,800,000	4.24
1	9,555,001	9,560,000	9,556,659	6.99
1	40,175,001	40,180,000	40,178,346	29.40
4,234			**136,675,752**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2010

Particulars	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Taj ud Deen Kurji (Director)		4,000	
Mr. Amjad Awan (CEO)		25,000	
	2	**29,000**	0.02
Associated Companies, undertakings and Related Parties			
BCHIL- Southern Company Limited (Sponsor)		40,178,346	
Southern Electric Limited (Sponsor)		7,228,062	
	2	**47,406,408**	34.69
National Investment Trust and Investment Corporation of Pakistan		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Bank Alfalah Limited		9,556,659	
Habib Bank AG Zurich, Deira Dubai		794,000	
Crescent Investment Bank Limited		47,772	
Escorts Investment Bank Limited		33,300	
Industrial Development Bank of Pakistan		11,171	
Saudi Pak Industrial and Agricultural Investment Company Limited		4,000	
Invest Capital Investment Bank Limited		1100	
	7	**10,448,002**	7.64
Insurance Companies			
The Crescent Star Insurance Company Limited		795,000	
State Life Insurance Corporation of Pakistan		504,231	
Century Insurance Company Limited		22,000	
Pakistan Reinsurance Company Limited		13,963	
Habib Insurance Company Limited		550	
	5	**1,335,744**	0.98
Modarabas and Mutual Funds			
First Alnoor Modaraba		74,866	
Prudential Stock Fund Ltd.		14,366	
First Fidelity Leasing Modaraba		4,100	
	3	**93,332**	0.07
Leasing Companies			
Al-Zamin Leasing Corporation Limited		680,340	
	1	**680,340**	0.50
Shareholder(s) Holding Ten Percent or More Voting Interest			
BCHIL- Southern Company Limited (see above as sponsor)		-	
General Public			
A- Local	4130	62,571,194	
B- Foreigner	1	587,263	
		63,158,457	46.21

Particulars	No. of Shareholders	Shares Held	Percentage %
Others (To Be Specified)			
Joint Stock Companies			
Dawood Hercules Chemicals Limited		3,622,900	
Saudi Pak Real Estate Limited		1,185,000	
Dawood Lawrencepur Limited		801,900	
Moosa Noor Mohammad Shahzada & Company (Pvt.) Limited		467,916	
Capital Vision Securities (Pvt.) Limited		240,990	
First National Equities Limited		204,300	
Dr. Arslan Razaque Securities (Smc-Pvt.) Limited		199,150	
Dada Enterprises (Pvt.) Limited		150,000	
CMA Securities (Pvt.) Limited		125,000	
First Capital Securities Corporation Limited		106,390	
FDM Capital Securities (Pvt.) Limited		80,000	
Y.S. Securities & Services (Pvt.) Limited		71,272	
Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Limited		70,000	
Ismail Abdul Shakoor Securities (Pvt.) Limited		64,850	
United Capital Securities (Pvt.) Limited		50,917	
Value Stock Securities (Pvt.) Limited		50,500	
ZHV Securities (Pvt.) Limited		50,300	
A.I. Securities (Pvt.) Limited		50,000	
Moosani Securities (Pvt.) Limited		46,000	
Fair Edge Securities (Pvt.) Limited		40,000	
Highlink Capital (Pvt.) Limited		33,500	
Elite Stock Service (Pvt.) Limited		30,500	
Darson Securities (Pvt.) Limited		28,835	
Time Securities (Pvt.) Limited		20,900	
Millwala Sons (Pvt.) Limited		20,000	
Multiple Investment Management Limited		20,000	
Pearl Capital Management (Pvt.) Limited		15,335	
B & B Securities (Pvt.) Limited		15,000	
Live Securities Limited		13,700	
Excel Securities (Pvt.) Limited		13,000	
Bulk Management Pakistan (Pvt.) Limited		12,500	
AMCAP Securities (Pvt.) Limited		10,000	
Fair Deal Securities (Pvt.) Limited		10,000	
S.H. Bukhari Securities (Pvt.) Limited		9,900	
Associated Consultancy Centre (Pvt.) Limited		9,350	
Al-Haq Securities (Pvt.) Limited		5,500	
NH Securities (Pvt.) Limited.		5,500	
Sardar Mohammad Ashraf D Baluch (Pvt.) Limited		4,500	
128 Securities (Pvt.) Limited		4,000	
AWI Securities (Smc-Pvt.) Limited.		3,950	
General Invest. & Securities (Pvt.) Limited		3,866	
Bandenawaz (Pvt.) Limited		3,000	
Imperial Investments (Pvt.) Limited		3,000	
Invest Forum (Smc-Pvt.) Limited		2,500	
M.R. Securities (Smc-Pvt.) Limited		2,150	
Durvesh Securities (Pvt.) Limited		2,007	
Pace Investment & Securities (Pvt.) Limited		2,000	
H.S.Z. Securities (Pvt.) Limited		1,500	
Muhammad Ahmed Nadeem Securities (Smc-Pvt.) Limited		1,400	
Fairtrade Capital Securities (Pvt.) Limited		1,050	

Particulars	No. of Shareholders	Shares Held	Percentage %
MAM Securities (Pvt.) Limited		1,000	
Money Line Securities (Pvt.) Limited		1,000	
Wasi Securities (Smc-Pvt.) Limited		1,000	
Msmaniar Financials (Pvt.) Limited		734	
Vohrah Engineering (Pvt.) Limited		732	
Kai Securities (Pvt.) Limited		650	
Al-Mal Securities & Services Limited		550	
We Financial Services Limited		550	
Prudential Securities Limited		482	
Oriental Securities (Pvt.) Limited		350	
Millennium Securities & Invest. (Pvt.) Limited		300	
Rafeh (Pvt.) Limited		300	
Adeel & Nadeem Securities (Pvt.) Limited		250	
Jamshaid & Hasan Securities (Pvt.) Limited		200	
Stock Vision (Pvt.) Limited		200	
Freedom Enterprises (Pvt.) Limited		182	
Stock Master Securities (Pvt.) Limited		100	
Tajico Southern (Pvt.) Limited		66	
Hum Securities Limited		50	
Progressive Securities (Pvt.) Limited		1	
Southern Electric Limited (See above as sponsor)		-	
	70	**7,994,525**	5.85
Foreign Companies			
SEP Holdings Corporation		5,058,749	
RO Limited		169,400	
Brown Brothers Harriman & Co		115,750	
ASEA Brown Boveri Kraftwerke A .G.		28,404	
Citibank N.A. Hong Kong		5,500	
Somers Nominees (Far East) Limited		5,050	
Bankers Trust Co.		3,850	
HSBC International Trustee Limited		2,200	
The Northern Trust Company		1,100	
State Street Bank and Trust Company		275	
BCHIL- Southern Company Limited (as above)		-	
	10	**5,390,278**	3.94
Cooperative Societies, Charitable Trusts			
Managing Committee of Ahmed Garib Foundation		100,000	
The Okhai Memon Anjuman		14,666	
	2	**114,666**	0.08
Provident Fund Schemes			
Trustee Avari Hotel Lahore Staff Provident Fund	1	**25,000**	0.02
Total Number of Shareholders and Paid up Capital	**4,234**	**136,675,752**	**100.00**

3,778 shareholders hold **93,047,726** 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 16th Annual General Meeting of the Company to be held on October 29, 2010 at11:00 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................ 2010

Signature on Five Rupee Revenue Stamp

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

WITNESS:

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

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

NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, No. 38, First Street, F-6/3, Islamabad not later than 48 hours before the time of holding the meeting.

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

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

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

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