ANNUAL REPORT 2014

SOUTHERN ELECTRIC POWER COMPANY LIMITED

Contents

COMPANY INFORMATION

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

NOTICE OF 20TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on 31 October 2014 at 11:00 a.m. at the Registered Office of the Company, No. 50, Street No. 60, F-11/4 Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 31 October 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended 30 June 2014 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Salman Rahim
Company Secretary

Place: Islamabad

Dated: 09 October 2014

NOTES

1. The Share Transfer Books of the Company shall remain closed from 24 October 2014 to 31 October 2014 (both days inclusive). Transfers received at Shares Registrar Office of the Company' " Corplink (Pvt.) Limited" at Wings Arcade, 1-K, Commercial, Model Town, Lahore up to the close of business on October 23, 2014 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Members are requested to immediately notify the Share Registrar of the Company of any change in their addresses.
5. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

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

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

B- For Appointing Proxies

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

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

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

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

Directors' report

Your Directors are pleased to present before you the 20th Annual Report of the Company, and the audited Annual Financial Statements for the year ended 30 June 2014.

Plant Operations

Default on meeting the agreed terms under the Project Agreements and Understandings by WAPDA has led to closure of the Plant operations.

Since September 2012, the Plant remains inoperational as of date as WAPDA has defaulted in timely settlement of the Company receivable balances and, after arbitrarily discontinuing fuel advance payments and adjusting overdue CPP balances against fuel advance payable, has disputed the Capacity Payments of the Company for the period September 2012 through June 2014. This reflects an attempt of WAPDA to benefit from its own defaults, an untenable position in law. However, the Company has disputed all these acts of WAPDA on valid legal grounds and is actively pursuing WAPDA for an amicable settlement of disputes and restart of plant operations. During the current year, meetings with WAPDA and Ministry of Water and Power Officials were arranged to find an amicable resolution of the existing disputes and restart of the Plant operations. In response, the Company has submitted two proposals including one to restart the Plant on a take and pay basis. Response to these proposals from WAPDA is awaited. An expert mediation on existing disputes for a balanced resolution is also likely.

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

Depending on the outcome of the settlement with WAPDA and the financing arrangement, the Company intends to move ahead with its earlier plan of retrofitting a steam turbine or restart the Plant on a take and pay basis to eliminate the fuel grammage losses and lead the project towards profitability and meet its operational and financial obligations in time.

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

Financial Results

The Company incurred a net loss of Rs. 1,595 million as compared to a net loss of Rs. 1,883 million during last year.

Owing to closure of the Plant, no electricity generation took place during the current year as compared to prior year where for some part of the year electricity was generated and supplied to WAPDA that effected a decline of Rs. 1,467 million in Energy Purchase Price ("EPP") revenue, net of sales tax, of the Company. Cost of sales on the other hand has shown a decline of Rs. 1,446 million, from Rs. 3,377 million during the year ended 30 June 2013 to Rs. 1,931 million during the current year, which resulted in a gross loss of Rs. 654 million as opposed to a gross loss of Rs. 706 million in the last year.

Gross loss incurred during the year is mainly attributable towards closure of Plant operations and provisioning of exorbitant liquidated damages. As detailed in note 1.2, 8.1 and 8.2 to the financial statements, the Company has disputed all LDs on legal, technical and other valid grounds that will ultimately be decided once a consensus is reached under an amicable settlement with WAPDA. In the event of a positive settlement with WAPDA, the management expects that all or substantial portion of the LDs may be reversed and may positively impact shareholders equity.

Administrative expenses and other income also decreased as a consequence of suspension of Plant operations. Finance costs decreased during the year mainly due to strengthening of PKR against USD and reduced balance of fuel advance amounts from WAPDA that effected a decline in interest costs on these amounts.

Loan Defaults

Due to suspension of Plant operations, pending CPP receipts from WAPDA, declining revenues of the Company and high O&M costs; the Company was unable to discharge its loan obligations towards various lenders and consequently received notices of Event of Default from National Bank of Pakistan. As explained in note 5, 6 and 10 to the financial statements, principal portion of overdue instalments towards various lenders and lease syndicate aggregates to Rs. 4,347 million with defaulted mark-up of Rs. 4,325 million. Moreover all short term borrowings of Rs. 1,053 million from the financial institutions have expired and became overdue as of the balance sheet date as detailed in note 11 to the financial statements.

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

Comments on the Auditors' Report

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

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

As reflected in the financial statements, the Company has provided for Liquidated Damages to the tune of Rs. 7.067 billion as a matter of prudence; that is a major contributor to negative equity of the financial statements. Moreover the Company has also a claim worth Rs. 5 billion in the International Court of Arbitration (ICC) that remains in abeyance for an out of court settlement with WAPDA.

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

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

Going Concern

The constantly increasing demand of electricity in the country has necessitated the demand to operate existing IPPs to their full capacity. The Project is an installed national asset with 15 years of remaining contractual life during this time of worst energy crisis in the Country where every installed unit is required to be utilized to cent percent.

Although WAPDA is presently not releasing the fuel/ CPP payments to the Company for the time being, however, considering the same past practice of WAPDA, the ongoing electricity crisis in the country and our plant taking a higher place in the despatch merit order of NTDC, it is sincerely hoped that the disputes between the Company and WAPDA, like in the past, will be settled to their mutual benefit thereby enabling the former to continue operating the project and ensure continued supply of electricity to the national grid in the foreseeable future. The financial statements for the year have, therefore, been prepared on a going concern basis. Preparation of the financial statements on realizable and settlement value basis is inappropriate at this point of time and will mislead users of the financial information that the Project is going to wind up in near future and will also weaken the legal position of the Company in litigation matters.

b) CPP payments are made in advance to the Company by WAPDA to keep its Complex available to despatch electricity to the national grid. In the event of default to keep the Complex available by the

Company, the recourse available to WAPDA to recover these advance payments through imposition of LDs. However, for the last many years WAPDA failed to effect these payments in advance and when the Complex ceased its operations in September 2012 WAPDA has only cleared these dues partially till June 2012.

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

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

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

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

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

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

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

f) The Company has neither introduced any new accounting policy nor has revised any existing policy. The disagreement between the auditors and the Company is on the matters referred in (a) to (d) above. The only difference arising this and last year is the matter of going concern adequately explained in (a) above on which an adverse opinion has been issued by the auditors. It is a matter of judgement only and has nothing to do with existing accounting policies of the Company.

For reason cited above, the annexed financial statements have been prepared on a going concern basis which is deemed to be appropriate by the management applying consistent accounting policies as were in the prior years and gives a true and fair view of the state of Company's affair as at 30 June 2014 and of the loss, its cash flows and changes in equity for the year then ended.

The loss per share worked out at Rs. 11.67 this year as compared to loss per share of Rs. 13.77 last year.

Financial Statements and Internal Control

The Directors are pleased to state that:

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

b) proper books of account have been maintained;

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

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

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

f) there has been no material departure from the best practices of the Code of Corporate Governance, as detailed in listing regulations except for placement of code of conduct on the Company's website, training programme of directors and development of a mechanism for annual evaluation of board's own performance.

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

Appropriations

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

Auditors

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

Changes in the Board of Directors

Mr. Sardar Mohammad Ghalib resigned from the Board on 11 February 2014 and Mr. Osama Salik was appointed in his place on 17 February 2014.

Board of Directors Meetings Held During the Year

Seven meetings of the Board of Directors were held during the year from 1 July 2013 to 30 June 2014. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mr. S.M. Ghalib	5
Mr. Yahia Awood Idris	7
Mr. Rashid Mirza (Nominee of NBP)	7
Ms. Lynn Margaret Isobel Bell	7
Mr. Manuel Makki	7
Mr. Salman Rahim	7
Ms. Louisa Grasso	7
Ms. Carolyne Khan	7
Mr. Osama Salik	2

Pattern of Shareholding

A statement showing the pattern of shareholding as of 30 June 2014 is attached.

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

For and on behalf of the
Board of Directors

Islamabad
26 September 2014

Shamsul Aziz
Chief Executive

KEY OPERATING AND FINANCIAL DATA

Year Ended on 30 June	2014	2013	2012	2011	2010	2009
Despatch Level (%age)	-	11	28	50	37.6	4.6
Despatch (Mwh)	-	97,178	244,691	465,562	393,242	48,202
Total Revenue (Rs. '000)	1,277,383	2,670,811	4,825,434	6,579,822	5,842,332	1,911,237
(Loss)/Profit for the Year (Rs. '000)	(1,594,721)	(1,882,694)	(1,831,882)	(3,922,132)	52,682	146,762
Shareholders' Equity (Rs. '000)	(7,150,353)	(5,555,632)	(3,672,938)	(1,841,056)	2,081,076	2,028,394
Book Value Per Share (Rupees)	(52.32)	(40.64)	(26.87)	(13.47)	15.23	14.84
(Loss)/Earning per share - basic (Rupees)	(11.67)	(13.77)	(13.40)	(28.70)	0.39	1.07
Rate of Dividend (%age)	-	-	-	-	-	-

Statement of Compliance with the Code of Corporate Governance for the Year Ended 30 June 2014

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

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

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

Category	Names
Independent /non-executives directors	• Mr. Yahia Awod Idris • Ms. Lynn Margaret Isobel Bell • Mr. Manuel Makki • Ms. Louisa Grasso • Mr. Osama Salik • Ms. Carolyne Khan • Mr. Rashid Mirza (NBP Nominee Director)
Executive directors	• Mr. Salman Rahim • Mr. Shamsul Aziz (CEO)

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

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

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

4. Reappointment of CEO and one casual vacancy occurred in the Board on 11 February 2014 and was filled up by the directors within seven days.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, the Company is in the process of placing it on its website.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The board is also in the process of developing a mechanism for an annual evaluation of it's own performance which shall be effective in forthcoming financial year.

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

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

9. The Company arranged briefings of Sections 194 and 196 for its directors which deal with the

Liabilities and Powers of Directors in order to refresh them as to their contents. However, due to busy schedule and unavailability of directors no formal training program was convened during the year.

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

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

12. The financial statements of the company were duly endorsed by CEO 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 CCG except wherever mentioned otherwise.

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

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

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

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

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

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with except wherever mentioned otherwise with reasons.

For and on behalf of the
Board of Directors

Islamabad
26 September 2014

Shamsul Aziz
Chief Executive

Review report to the members on statement of compliance with the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Southern Electric Power Company Limited ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

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

i. As disclosed in point 5 of the Statement, the Company has not placed the Code of Conduct along with its supporting policies and procedures at its website as required under clause V(a) of the Code;

ii. As disclosed in point 6 of the Statement, the Company's board is in the process of developing a mechanism for an annual evaluation of it's own performance which was required to be put into place as required under clause V(e) of the Code; and

iii. As disclosed in point 9 of the Statement, none of the Directors obtained certification under directors' training program as required under clause XI of the Code.

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

Islamabad
26 September 2014

Auditors' report to the members

KPMG

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 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that except for the matter referred to in paragraph (c) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) The Company has incurred a net loss of Rs. 1,594.721 million during the year and its equity is eroded as at 30 June 2014 which stands at Rs. 7,150.353 million negative. As of the Balance Sheet date, the Company's current liabilities exceeded its total assets by Rs. 6,839.991 million. As explained in note 1.2, the operation of the Company's plant is dependent upon the fuel advance facility from Water and Power Development Authority / National Transmission and Despatch Company Limited (WAPDA), who has discontinued the same since August 2012; and by virtue of which, the Company's power project is closed for operations. Consequently, WAPDA levied Liquidated Damages to the Company during the year amounting to Rs. 1,381.793 million for failure to dispatch electricity. Due to this reason, the Company has not been able to generate sufficient cash flows from plant operations resulting in default on repayments of its obligations to the lenders. Furthermore, the directors have not indicated any commitment to provide or arrange working capital facility. However these financial statements have been prepared under the going concern assumption. Because of the circumstances and events as mentioned in this paragraph and those mentioned in paragraphs in (b) to (d) below, along with other matters as set forth in Note 1.2 to the financial statements, we consider that the use of going concern assumption for the preparation of the financial statements is inappropriate and accordingly the financial statements should have been prepared on realizable and settlement values;

(b) As stated in notes 16.2 and 21.1 to the financial statements, WAPDA has disputed Capacity Purchase Price (CPP) from September 2012 through June 2014 amounting to Rs. 2,284.281 million which includes CPP for the period from 01 July 2013 to 30 June 2014 amounting to Rs. 1,277.383 million, on the grounds that the Company has shut down the plant and failed to comply with the despatch instructions of WAPDA. Since it is not probable that the economic benefits associated with the aforesaid CPP will flow to the entity, the Company should not have recognized revenue amounting to Rs. 1,277.383 million during the year. Further, as stated in note 16.1 to the financial statements, WAPDA has also disputed CPP of prior years' amounting to Rs. 2,260.221 million. Had the Company not recognized CPP revenue amounting to Rs. 1,277.383 million during the year and made provision for the doubtful debts amounting to Rs. 3,267.119 million, the Company's loss for the year would have been higher by Rs. 1,277.383 million and its equity would have been further eroded by Rs. 4,544.502 million with a corresponding reduction in current assets.

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

(d) As disclosed in notes 5.4, 5.5, 5.6, 6.2, 10.1, 10.2, 10.3 and 11.1 to the financial statements, the Company has defaulted in repayments of principal and mark-up of short and long term loans and syndicated lease liability. Further, the current state of operations suggests that the Company may not be able to meet its obligations to the lenders in the normal course of business. In view of these defaults and as disclosed in note 5.7, the Company no longer has an unconditional right to defer settlement of the long term financing and syndicated lease liability for at least twelve months after the balance sheet date. Consequently, the Company should have classified long term financing amounting to Rs. 310.362 million as current liability. Had the said liabilities been classified as current in the financial statements, total non-current liabilities would have been lower by Rs. 310.362 million with a corresponding increase in current liabilities.

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

(f) in our opinion –

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

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

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

(g) In our opinion, because of the significance of the matters discussed in paragraphs (a) to (d) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the loss, its cash flows and changes in equity for the year then ended; and

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

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

Islamabad
26 September 2014

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

BALANCE SHEET AS AT 30 JUNE 2014

	Note	2014 Rupees '000	2013 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	4	1,366,758	1,366,758
Accumulated loss		(8,517,111)	(6,922,390)
		(7,150,353)	(5,555,632)
NON - CURRENT LIABILITIES			
Long term financing - secured	5	310,362	450,952
Liabilities against assets subject to finance lease	6	-	120,970
		310,362	571,922
CURRENT LIABILITIES			
Trade and other payables	7	255,953	195,062
Liquidated damages payable	8	7,066,861	5,685,068
Advance from customer - unsecured	9	542,869	542,869
Accrued markup	10	4,580,468	3,688,557
Short term borrowings - secured	11	1,052,818	1,052,818
Current portion of long term financing - secured	5	4,354,738	4,251,683
Current portion of liabilities against assets subject to finance lease	6	250,970	130,000
		18,104,677	15,546,057
		11,264,686	10,562,347
CONTINGENCIES AND COMMITMENTS	12		

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

	Note	2014 Rupees '000	2013 Rupees '000
NON - CURRENT ASSETS			
Property, plant and equipment	13	6,318,845	6,743,771
CURRENT ASSETS			
Stores, spare parts and loose tools	14	298,026	342,863
Stock in trade	15	9,037	101,236
Trade debts - secured	16	4,544,502	3,270,981
Advances	17	689	2,618
Trade deposits, short term prepayments and balance with statutory authority	18	81,658	84,317
Advance income tax - net	19	8,618	8,428
Cash and bank balances	20	3,311	8,133
		4,945,841	3,818,576
		11,264,686	10,562,347

Islamabad
26 September 2014

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees '000	2013 Rupees '000
Turnover - net	21	1,277,383	2,670,811
Cost of sales	22	(1,931,126)	(3,377,157)
Gross loss		(653,743)	(706,346)
Administrative expenses	23	(49,683)	(61,411)
Finance cost	24	(903,842)	(1,137,343)
Other income	25	12,547	22,406
Net loss before taxation		(1,594,721)	(1,882,694)
Taxation	26	-	-
Net loss after taxation		(1,594,721)	(1,882,694)
Loss per share - basic and diluted (Rupees)	33	(11.67)	(13.77)

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

Islamabad
26 September 2014

Chief Executive

Director

Statement of Comprehensive Income for the Year Ended 30 June 2014

	2014 Rupees '000	2013 Rupees '000
Net loss after taxation	**(1,594,721)**	**(1,882,694)**
Other comprehensive loss	-	-
Total comprehensive loss for the year	**(1,594,721)**	**(1,882,694)**

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

Islamabad **26 September 2014**	**Chief Executive**	**Director**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees '000	2013 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before taxation		(1,594,721)	(1,882,694)
Adjustments for non cash items:			
Depreciation		385,686	373,003
Provision for gratuity		-	14,833
Provision for doubtful debts and advances to other suppliers		3,144	917
Advances to staff written-off		92	-
Gain on disposal of property, plant and equipment - net		(1,009)	(900)
Write-down of stock to net realizable value		23,713	-
Stock written-off		1,664	-
Finance cost		903,842	1,137,343
		(277,589)	(357,498)
Working capital changes:			
Decrease / (increase) in stores, spare parts and loose tools		44,837	(69,129)
Decrease in stock in trade		66,822	171,664
Increase in trade debts		(1,276,665)	(676,080)
Decrease in advances		1,837	386,473
Decrease in trade deposits, short term prepayments and balance with statutory authority		2,659	136,349
Decrease in advance from customer		-	(760,220)
Increase in liquidated damages payable		1,381,793	1,039,063
Increase in trade and other payables		52,967	117,646
		274,250	345,766
Cash used in operations		(3,339)	(11,732)
Decrease in long term advances		-	19,662
Gratuity paid		(3,964)	(24,578)
Income taxes (paid)/ refund - net		(190)	26,859
Net cash (used in) /generated from operating activities		(7,493)	10,211
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		-	(1,873)
Proceeds from disposal of property, plant and equipment		2,715	2,140
Net cash generated from investing activities		2,715	267
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		-	(10,400)
Change in short term borrowings		-	(5,152)
Finance cost paid		(44)	(199,234)
Lease rentals paid		-	(25,501)
Net cash used in financing activities		(44)	(240,287)
Net decrease in cash and cash equivalents		(4,822)	(229,809)
Cash and cash equivalents at beginning of the year		8,133	237,942
Cash and cash equivalents at end of the year	20	3,311	8,133

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

Islamabad **Chief Executive** **Director**

26 September 2014

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital	Accumulated loss	Total
	Rupees '000	Rupees '000	Rupees '000
Balance as at 01 July 2012	1,366,758	(5,039,696)	(3,672,938)
Total comprehensive loss for the year	-	(1,882,694)	(1,882,694)
Balance as at 30 June 2013	**1,366,758**	**(6,922,390)**	**(5,555,632)**
Balance as at 01 July 2013	1,366,758	(6,922,390)	(5,555,632)
Total comprehensive loss for the year	-	(1,594,721)	(1,594,721)
Balance as at 30 June 2014	**1,366,758**	**(8,517,111)**	**(7,150,353)**

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

Islamabad	**Chief Executive**	**Director**
26 September 2014		

1 STATUS AND NATURE OF OPERATIONS

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

1.2 Material uncertainty

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

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

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

Disputes between the Company and WAPDA pertaining to Liquidated Damages (LDs) for the period from 15 February 2008 to 30 June 2014 and withheld CPP amounts and interest thereon for the period from June 2008 till 31 December 2009 and June 2012 till 30 June 2014 continue to be held in abeyance. Also the suit filed by the Company in the International Court of Arbitration (ICC) against WAPDA claiming damages to the tune of Rs. 5 billion remains in abeyance for the time being.

As of the balance sheet date, the Company has recognized all Liquidated Damages (LD's) on a prudent basis as claimed by WAPDA. However, these LDs have been formally disputed on several legal and technical grounds and eventual outcome will be determined once a settlement is reached on all outstanding disputes between parties (refer note 8 to the financial statements).

The parties are also considering an expert mediation for a balanced resolution of the existing disputes as both parties have serious claims and counter claims against each other and realize the necessity of a judicious settlement to carry on the Project with a clean slate and in the best national interest.

The Company has incurred a net loss of Rs. 1,595 million during the year and its equity is eroded as at 30 June 2014 which stands at Rs. 7,150 million negative. As of the Balance Sheet date, the Company's current liabilities exceeded its total assets by Rs. 6,840 million. WAPDA has discontinued the fuel advance facility since August 2012, withheld Capacity Purchase Price (CPP) and interest thereon for the period from June 2008 till 31 December 2009 and September 2012 till 30 June 2014 and has levied Liquidated Damages for failure to dispatch electricity. Further, the Company has not been able to generate sufficient cash flows from plant operations resulting in default on repayments of its obligations to the lenders. Furthermore, as stated in notes 16.1 and 16.2 to the financial statements, WAPDA has disputed the payment of Company's dues amounting to Rs. 2,260.221 million and Rs. 2,284.281 million respectively. The recovery of these disputed amounts is associated with eventual outcome of settlement of the Company's dispute with WAPDA. The Company considers these amounts as fully recoverable for the reasons given in note 16 to the financial statements.

Though the Company has still managed to sustain itself despite excessively prolonged closure of its Plant and no payments coming from WAPDA, and is hopeful that matters with WAPDA will be settled in due course and the plant will be operational soon; however, should WAPDA continue to suspend the fuel advance facility for considerable period of time or does not release the outstanding CPP payments to the Company and the Company fails to arrange additional working capital from any other sources, the Company may not be able to continue its operations in the foreseeable future.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

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

2.4 Significant estimates and judgments

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

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

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

(a) Property, plant and equipment

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

(b) Impairment

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

(c) Provision for liquidated damages

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

(d) Taxation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Taxation

(a) Current

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

(b) Deferred

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

3.2 Staff compensated absences

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

3.3 Stock in trade

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

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

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

3.4 Stores, spare parts and loose tools

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

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

3.5 Property, plant and equipment

(a) Owned

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

Depreciation is charged on straight line method at the rates given in note 13, after taking into account their respective residual values if any, so as to write off the cost of assets over their estimated useful lives. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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

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

(b) Leased

Assets subject to finance lease are stated at lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses, if any. Related obligations under the agreement are accounted for as liabilities and financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of owned assets at the rates given in note 13.

3.6 Revenue recognition

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

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

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

3.9 Mark-up bearing borrowings

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

3.10 Trade and other payables

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

3.11 Provisions

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

3.12 Dividend recognition

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

3.13 Borrowing costs

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

3.14 Foreign currencies

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

Exchange differences are accounted for as follows:

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

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

3.15 Financial instruments

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

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

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

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

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

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

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

3.16 Finance income and finance cost

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

3.17 Provisions for Workers Profit Participation Fund and Workers Welfare Fund

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

3.18 Offsetting of financial assets and financial liabilities

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

3.19 Impairment

(a) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.

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

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

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

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For 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 CGUs.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on the Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on the Company's financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is not likely to have an impact on the Company's financial statements.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity

and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments have no impact on the Company's financial statements as the Company discontinued staff retirement benefits last year.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments have no impact on the Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The standard has no impact on the Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The standard has no impact on the Company's financial statements.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The standard has no impact on the Company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard has no impact on the Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment has no impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendment has no impact on the Company's financial statements.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition. The amendment has no impact on the Company's financial statements.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves. The amendments have no impact on the Company's financial statements.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendment has no impact on the Company's financial statements.

  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. The amendment has no impact on the Company's financial statements.

  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. The amendment has no impact on the Company's financial statements.

  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. The amendment has no impact on the Company's financial statements.

4 SHARE CAPITAL

4.1 Authorized share capital

This represents 150 million (2013: 150 million) ordinary shares of Rs. 10 each.

4.2 **Issued, subscribed and paid up capital**

2014	2013		2014	2013
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 (2013: 40.178 million ordinary shares) of Rs. 10 each at the balance sheet date.

4.4 Mr. Salman Rahim, an Executive Director, holds 550 ordinary shares (2013: 550 ordinary shares) of Rs. 10 each at the balance sheet date.

5 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amounts		Outstanding amounts			
				2014	2013	2014	2013
		USD '000	Rupees '000	USD '000		Rupees '000	
From banking companies							
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 1st Facility	5.1	35,002	-	22,751	22,751	2,211,400	2,229,601
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 2nd Facility	5.2	7,456	-	4,846	4,846	471,068	474,945
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF) - 3rd Facility	5.3	10,614	-	10,614	10,614	1,031,688	1,040,180
ANZBank, Paris, France - 2nd Facility	5.5	8,706	-	8,706	8,706	846,216	853,181
United Bank Limited	5.6	-	133,128	-	-	104,728	104,728
				46,917	46,917	4,665,100	4,702,635
Less: Installments due over the next twelve months shown under current liabilities							
Overdue / defaulted installments				(42,837)	(36,158)	(4,217,413)	(3,557,108)
Current maturity				(887)	(6,679)	(137,325)	(694,575)
				(43,724)	(42,837)	(4,354,738)	(4,251,683)
				3,193	4,080	310,362	450,952

5.1 **PSEDF Debt - 1st Facility**

Lender National Bank of Pakistan (NBP)

Outstanding amount: USD 22,751,031

Repayable currency Pak Rupee to be calculated based on exchange rate of USD prevailing on the date of repayment of the loan.

Repayment terms Repayable in 13 equal semi-annual installments effective from 25 April 2008.

Rate of interest per annum Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.

Security

(a) First registered mortgage charge on the Company's assets but on a subordinated basis to the Senior Loans.

(b) Pledge over 36,012,702 sponsors' shares for the term of the loan.

5.2 PSEDF Debt - 2nd Facility

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

5.3 PSEDF Debt - 3rd Facility

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

5.4 The Company has defaulted in repayment of one to thirteen installments each of the restructured PSEDF 1st, 2nd and 3rd facilities. Though NBP has served formal notices of Event of Default, it has not exercised their stepping-in rights under the Finance Documents. The Company intends to apply to NBP for a further rescheduling of the PSEDF facilities on the appropriate terms. An extension in the tenor of the loan shall also be required. Total amount outstanding and overdue in respect of these facilities as on 30 June 2014 is Rs. 3,714.156 million (30 June 2013: Rs. 3,744.726 million).

5.5 ANZ Bank, Paris, France - 2nd Facility

This represents the facility created by payment of five installments to ANZ Bank, France by COFACE. The liability of the Company stands towards the Government of Pakistan through Economic Affairs Division (EAD). Until the repayment terms are renegotiated and finalized, interest is being accrued on this debt at six months' LIBOR + 0.6% per annum as approved by Private Power and Infrastructure Board (PPIB), Government of Pakistan at the time of financial restructuring of the Company. No payment of principal loan amount and interest is being made by the Company. Total amount outstanding in respect of this loan as on 30 June 2014 is Rs. 846.216 million (30 June 2013: Rs. 853.181 million) out of which Rs. 535.854 million (30 June 2013: Rs. 453.357 million) is overdue / maturing within next twelve months.

5.6 United Bank Limited

Lender	United Bank Limited ("UBL")
Outstanding amount:	Pak Rupees 104,728,031
Repayment terms	This facility was created by conversion of short-term working capital facility of Rs. 144.781 million by UBL into a medium-term demand finance facility in 2009. Upon Company's request, UBL rescheduled Rs. 133.128 million in 2011 to be repaid in seventeen stepped-up quarterly installments commencing 17 May 2011. The Company has partially settled the principal portion of the eighth installment due on 17 February 2013

	and has defaulted on ninth, tenth, eleventh, twelfth and thirteenth installments that fell due on 17 May 2013, 17 August 2013, 17 November 2013, 17 February 2014 and 17 May 2014. Further, the Company has also defaulted on payment of markup on installments for the last eleven quarters from 17 November 2011 through 17 May 2014. Total amount outstanding in respect of this loan as on 30 June 2014 is Rs. 104.728 million (30 June 2013: Rs. 104.728 million) out of which Rs. 104.728 million (30 June 2013: Rs. 53.6 million) is maturing within next twelve months.
Rate of interest	1 month KIBOR minus 6% per annum (KIBOR rate to be re-set on 1st working day of each month).
Security	This borrowing is secured by way of first charge of Rs. 182 million on current and fixed assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders.

5.7 The Company is also in breach of certain financial covenants of the loan agreements (including amendment agreement). Due to default in repayments of loans and breach of certain financial covenants including syndicated lease liability (refer note 6), the lenders have the right to demand accelerated payments from the Company.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014 (Rupees '000)			2013 (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	**353,166**	**102,196**	**250,970**	203,924	73,924	130,000
Later than one year but not later than five years	-	-	-	148,544	27,574	120,970
	353,166	**102,196**	**250,970**	352,468	101,498	250,970

6.1 Rentals are payable in quarterly installments. The Company has a right to exercise purchase option at the end of the lease term. Implicit rate of 10.07% to 11.15% per annum (2013: 10.34% to 13% per annum) has been used as a discounting factor.

6.2 The Company has executed the third supplemental lease agreement with the syndicate on 27 September 2011. However, due to cash flow constraints, the Company has not been able to pay the seventh, eighth, ninth, tenth, eleventh, twelfth and thirteenth installments due on 26 October 2012, 26 January 2013, 26 April 2013, 26 July 2013, 26 October 2013, 26 January 2014 and 26 April 2014 respectively.

6.3 Total amount outstanding in respect of lease liability of 6th engine as on 30 June 2014 is Rs. 250.970 million (30 June 2013: Rs. 250.970 million) out of which Rs. 250.970 million (30 June 2013: Rs. 130 million) is overdue / maturing within next twelve months.

7. TRADE AND OTHER PAYABLES

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Creditors		**147,320**	146,760
Accrued liabilities		**18,551**	12,621
Gratuity payable		**21,476**	25,440
Provision for compensated absences		**8,797**	5,486
Unclaimed dividend		**3,557**	3,557
Other payables	7.1	**56,252**	1,198
		255,953	195,062

7.1 This mainly includes liability of Rs. 39.238 million (2013: Rs. Nil) and Rs. 8.636 million (2013: Rs. 1.222 million) recognized towards National Bank of Pakistan on account of insurance premium payment made on behalf of the Company and PSEDF inter-creditor fee respectively.

8 LIQUIDATED DAMAGES PAYABLE

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Pertaining to closure period	8.1	2,597,825	2,597,825
Others	8.2	4,469,036	3,087,243
		7,066,861	5,685,068

8.1 These Liquidated Damages (LDs) have been levied by WAPDA under the Power Purchase Agreement (PPA) and pertain to the period from 15 February 2008 to 31 December 2009 during which the plant remained substantially non-operational due to lack of working capital facility and suspension of fuel advance facility and CPP payments by WAPDA. The Company has disputed these LDs on valid legal and technical grounds, however, has recognized a liability on a prudent basis. Discharge of this liability is associated with eventual outcome of settlement of the Company's dispute with WAPDA including recovery of CPP payments for the period. Management expects an amicable resolution of all disputes with WAPDA (also refer notes 1.2 and 16.1).

8.2 These liquidated damages (LDs) have been levied by WAPDA under the Power Purchase Agreement and disputed by the Company on various legal and technical grounds, however, the Company has recognized this liability on a prudent basis. Major reason of dispute is non or staggered fuel advance payments and non-payments / delayed payments of CPP receivables by WAPDA forcing the Company to either close or operate the Plant at partial load that results in incurrence of exorbitant LDs. Discharge of this liability is associated with eventual outcome of settlement of the Company's dispute with WAPDA including recovery of CPP payments for the period. Management expects an amicable resolution of all disputes with WAPDA (also refer note 1.2).

9 ADVANCE FROM CUSTOMER - UNSECURED

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Advance against fuel purchase	9.1	542,869	542,869

9.1 This unsecured advance from WAPDA carries markup ranging from 13% to 14% per annum (2013: 13% to 16% per annum).

10 ACCRUED MARKUP

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Markup on long term financing - secured	10.1	4,067,737	3,376,938
Markup on short term borrowings - secured	10.2	315,677	197,915
Markup on liabilities against assets subject to finance lease	10.3	95,802	78,851
Markup on advance from customer - unsecured		101,252	34,853
		4,580,468	3,688,557

10.1 This includes overdue mark-up aggregating to Rs. 3,935.274 million (2013: Rs. 3,239.928 million) that comprises of overdue markup on foreign currency borrowings of Rs. 3,920.658 million (2013: Rs. 3,229.242 million) equivalent to USD 40.336 million (2013: USD 32.951 million) and on local currency borrowing of Rs. 14.616 million (2013: Rs. 10.686 million).

10.2 This includes overdue mark-up amounting to Rs. 315.677 million (2013: Rs. 171.138 million).

10.3 This includes Rs. 73.981 million (2013: Rs. 36.217 million) which represents overdue markup of lease syndicate finance facility. After execution of the third supplemental agreement, overdue markup of prior years had been spreaded over remaining lease installments under the agreement on equivalent basis commencing April 2012 till end of the lease term.

11. SHORT TERM BORROWINGS - SECURED

	Note	Expiry dates of facilities	Sanctioned Limit 2014	Sanctioned Limit 2013	Outstanding Balance 2014	Outstanding Balance 2013
			(Rupees '000)			
Running finance facilities from banking companies:						
Faysal Bank Limited		Expired	**247,933**	247,933	**247,933**	247,933
Askari Bank Limited		Expired	**299,900**	299,900	**299,900**	299,900
National Bank of Pakistan		Expired	**250,000**	250,000	**249,988**	249,988
Silkbank Limited		Expired	**145,000**	145,000	**144,997**	144,997
Term finance facility from financial institution:						
Saudi Pak Industrial and Agricultural Investment Company Limited		Expired	**110,000**	110,000	**110,000**	110,000
			1,052,833	1,052,833	**1,052,818**	1,052,818

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

11.2 The above borrowings are secured by way of first charge of Rs. 1,394 million (2013: Rs. 1,394 million), second charge of USD 2.5 million (2013: USD 2.5 million) on current and fixed assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in note 5. These carry mark-up ranging between 10.03% to 12.18% per annum (2013: 10.28% to 13.97% per annum).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

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

12.2 Commitments

There were no commitments at the balance sheet date.

12.3 Significant contracts as at balance sheet date

(a) Implementation Agreement

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

(b) Power Purchase Agreement

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

(c) Fuel Supply Agreement

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

13 PROPERTY, PLANT AND EQUIPMENT

	OWNED												LEASED	
	Freehold land	Office building on freehold land	Plant building on freehold land	Plant, machinery and equipment	Rail siding	Leasehold improvements	Electric equipment	Computers and Office equipment	Laboratory equipment	Furniture and fittings	Vehicles	Sub-Total	Plant, machinery and equipment-Sixth engine	Grand Total
	Rupees '000													
Cost														
Balance as at 01 July 2012	32,504	20,684	1,774,671	7,808,551	38,332	7,255	8,571	5,528	9,105	4,713	20,380	9,730,294	688,616	10,418,910
Additions during the year	-	-	-	389	-	-	759	68	3	-	654	1,873	-	1,873
Exchange loss	-	-	32,555	145,731	-	-	-	-	-	-	-	178,286	-	178,286
Disposals	-	-	-	-	-	-	(20)	(383)		-	(2,371)	(2,774)	-	(2,774)
Balance as at 30 June 2013	32,504	20,684	1,807,226	7,954,671	38,332	7,255	9,310	5,213	9,108	4,713	18,663	9,907,679	688,616	10,596,295
Balance as at 01 July 2013	32,504	20,684	1,807,226	7,954,671	38,332	7,255	9,310	5,213	9,108	4,713	18,663	9,907,679	688,616	10,596,295
Exchange gain	-	-	(6,854)	(30,680)	-	-	-	-	-	-	-	(37,534)	-	(37,534)
Disposals	-	-	-	-	-	-	-	-	-	-	(3,227)	(3,227)	-	(3,227)
Balance as at 30 June 2014	32,504	20,684	1,800,372	7,923,991	38,332	7,255	9,310	5,213	9,108	4,713	15,436	9,866,918	688,616	10,555,534
Depreciation														
Balance as at 01 July 2012	-	17,877	602,778	2,667,194	16,552	7,255	6,952	4,030	9,108	4,584	7,527	3,343,857	137,198	3,481,055
Depreciation for the year	-	1,514	66,295	271,473	1,276	-	526	340	-	23	3,170	344,617	28,386	373,003
Disposals	-	-	-	-	-	-	(20)	(84)	-	-	(1,430)	(1,534)	-	(1,534)
Balance as at 30 June 2013	-	19,391	669,073	2,938,667	17,828	7,255	7,458	4,286	9,108	4,607	9,267	3,686,940	165,584	3,852,524
Balance as at 01 July 2013	-	19,391	669,073	2,938,667	17,828	7,255	7,458	4,286	9,108	4,607	9,267	3,686,940	165,584	3,852,524
Depreciation for the year	-	361	68,752	283,382	1,276	-	509	292	-	19	2,709	357,300	28,386	385,686
Disposals	-	-	-	-	-	-	-	-	-	-	(1,521)	(1,521)	-	(1,521)
Balance as at 30 June 2014	-	19,752	737,825	3,222,049	19,104	7,255	7,967	4,578	9,108	4,626	10,455	4,042,719	193,970	4,236,689
Carrying amounts - 2013	**32,504**	**1,293**	**1,138,153**	**5,016,004**	**20,504**	-	**1,852**	**927**	-	**106**	**9,396**	**6,220,739**	**523,032**	**6,743,771**
Carrying amounts - 2014	**32,504**	**932**	**1,062,547**	**4,701,942**	**19,228**	-	**1,343**	**635**	-	**87**	**4,981**	**5,824,199**	**494,646**	**6,318,845**
Rates of depreciation per annum		10%	3.33%-6.7%	3.33%-6.7%	3.33%	10%	20%	20%	20%	10%	20%		4.58%-4.68%	

13.1 Exchange differences

Exchange differences included in the carrying amount of assets at the year end amounts to Rs. 1,846 million (2013: Rs. 2,020 million). Had these not been capitalized, the equity of the Company would have been lowered by the similar amount.

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

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Cost of sales	22	381,796	367,412
Administrative expenses	23	3,890	5,591
		385,686	373,003

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

Assets description	Cost Rs. (000)	Book value Rs. (000)	Sale Proceeds Rs. (000)	Gain Rs. (000)	Sold To	Mode of Sale
Honda Civic	2,200	953	1,750	797	Mr. Fahad Mubarik	By negotiation
Suzuki Cultus	1,027	753	965	212	Mr. Naveed ur Rehman	By negotiation
30 June 2014	3,227	1,706	2,715	1,009	Also refer note 25	
30 June 2013	2,774	1,240	2,140	900	Also refer note 25	

14 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Stores		260,033	304,870
Spare parts and loose tools		37,993	37,993
		298,026	342,863

15 STOCK IN TRADE

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Heavy furnace oil (HFO)		1,394	76,459
High speed diesel (HSD)		6,618	7,014
Lubricants		1,025	17,763
	22.1	9,037	101,236

16 TRADE DEBTS - SECURED

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Capacity Purchase Price receivable - considered good	16.1 & 16.2	4,544,502	3,267,837
Interest on Capacity Purchase Price receivable - considered good		-	3,144
Interest on Capacity Purchase Price receivable - considered doubtful	16.3	428,232	425,088
		4,972,734	3,696,069
Less: Provision for interest on Capacity Purchase Price receivable		(428,232)	(425,088)
	16.4	4,544,502	3,270,981

16.1 This includes overdue CPP receivable from WAPDA amounting to Rs. 2,260.221 million (30 June 2013: Rs. 2,260.221 million) pertaining to the period from June 2008 till 31 December 2009. The recoverability of this amount is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer notes 1.2 and 8.1).

16.2 This also includes overdue CPP receivable from WAPDA for the period September 2012 through June 2014 amounting to Rs. 2,284.281 million that has been unlawfully disputed by WAPDA against the provisions of PPA and IA on the grounds that the Company has shut down the plant and failed to comply with the dispatch instruction of WAPDA which has been formally challenged by the Company. A formal Notice of Event of Default has also been served on WAPDA for payment of these outstanding CPP receivables till January 2013. The recoverability of this amount is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer note 1.2). The Company contests the arbitrary adjustment of CPP receivable together with interest thereon aggregating Rs. 220.53 million however has netted off the said amount against fuel advance balance in the current and comparative period for appropriate presentation.

16.3 This mainly represents interest amount calculated at the rates ranging from 9.5% to 17% per annum on delayed Capacity Purchase Price (CPP) by WAPDA from 01 July 2008 to 30 June 2010 as admissible under article 9.7 (e) of the Power Purchase Agreement (PPA). The Company, however, has not recognized receivables on account of interest on withheld and disputed amounts of CPP except for the aforementioned, until a settlement is reached on these amounts.

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

17 ADVANCES

	2014 (Rupees '000)	2013 (Rupees '000)
Advances to employees against expenses	170	864
Advances to staff	-	153
Advances to other suppliers	519	1,601
Advances - considered good	689	2,618
Advances - considered doubtful	29	3,430
	718	6,048
Less: Provision for doubtful advances to other suppliers	(29)	(3,430)
	689	2,618

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

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Security deposits		1,153	1,153
Margin against letters of credit		2	91
Short term prepayments		436	639
Sales tax receivable		206,990	209,357
Less: Provision for doubtful sales tax receivable		(126,923)	(126,923)
		80,067	82,434
		81,658	84,317

19 ADVANCE INCOME TAX - net

Advance tax as on 01 July		8,428	35,287
Taxes paid during the year		190	4,746
Refunds received during the year		-	(31,605)
Advance tax as at 30 June		8,618	8,428

20 CASH AND BANK BALANCES

Cash at banks in-			
- Current accounts:			
Foreign currency	20.1	283	285
Local currency		2,873	7,661
- Saving accounts:		3,156	7,946
Local currency	20.2	68	78
		3,224	8,024
Cash in hand		87	109
		3,311	8,133

20.1 This comprises of compensation accounts aggregating USD 1,264 equivalent Rs. 122,861 (2013: USD 1,264 equivalent Rs. 123,872) and insurance proceeds account USD 1,645 equivalent Rs. 159,894 (2013: USD 1,645 equivalent Rs. 161,210) with United National Bank London which are escrow accounts.

20.2 These carry mark-up at the rate of 6.5%-7.12% per annum (2013: 6% per annum).

21 TURNOVER - NET

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Capacity billing	21.1	1,277,383	1,203,660
Gross energy billing		-	1,701,895
Less: sales tax		-	(234,744)
		-	1,467,151
		1,277,383	2,670,811

21.1 This represents capacity billing that has been unlawfully disputed by WAPDA against the provisions of PPA and IA which has been formally challenged by the Company. The Company has not recognized any interest on withheld and disputed amounts of overdue capacity billing.

22 COST OF SALES

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Raw materials consumed	22.1	17,134	1,600,674
Write-down of stock to net realizable value	22.1	23,713	-
Stock written-off	22.1	1,664	-
Salaries, wages and other benefits	22.2	33,805	65,255
Insurance		29,381	36,936
Electricity charges		6,865	9,106
Stores and spare parts consumed		46,037	216,070
Liquidated damages		1,381,793	1,039,063
Depreciation	13.2	381,796	367,412
Vehicle running expenses		3,688	6,241
Communication charges		1,066	1,816
Repairs and maintenance		1,389	28,199
Staff welfare		350	1,927
Fuel decanting charges		-	801
Traveling and conveyance		111	1,540
Printing and stationery		81	352
Others		2,253	1,765
		1,931,126	3,377,157

22.1 Raw materials consumed

(Rupees '000)

	HFO	HSD	Lubricants	2014 Total	2013 Total
Opening balance - also refer note 17	76,459	7,014	17,763	101,236	272,900
Add: Purchases	-	-	-	-	1,429,010
Available for consumption	76,459	7,014	17,763	101,236	1,701,910
Less: write-down of stock to net realizable value	(23,713)	-	-	(23,713)	-
Less: stock written-off due to loss	(1,664)	-	-	(1,664)	-
Less: sale of contaminated stock	(49,688)	-	-	(49,688)	-
Less: Closing balance - also refer note 17	(1,394)	(6,618)	(1,025)	(9,037)	(101,236)
Consumption during year 2014	-	396	16,738	17,134	-
Consumption during year 2013	1,554,976	6,409	39,289	-	1,600,674

22.2 These include Rs. Nil (2013: Rs. 9.054 million) charged in respect of staff retirement benefits.

23 ADMINISTRATIVE EXPENSES

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Salaries, wages and benefits	23.1	**27,562**	37,827
Depreciation	13.2	**3,890**	5,591
Traveling and conveyance	23.2	**295**	4,153
Rent, rates and taxes		**2,446**	2,241
Vehicle running expenses		**2,510**	2,711
Insurance		**542**	717
Legal consultancy fee and related expenses		**2,923**	736
Communication costs		**991**	1,393
Provision for doubtful debts and advances to other suppliers		**3,144**	917
Trade debts written off		**718**	-
Advances to staff written-off		**92**	-
Auditors' remuneration	23.3	**1,167**	1,464
Utilities		**744**	696
Printing and stationery		**759**	776
Repairs and maintenance		**111**	259
Entertainment		**538**	777
Others		**1,251**	1,153
		49,683	61,411

23.1 These include Rs. Nil (2013: Rs. 5.779 million) charged in respect of staff retirement benefits.

23.2 These include Chairman of the Board of Directors traveling expenses aggregating Rs. Nil (2013: Rs. 1.086 million) for business purposes.

23.3 Auditors' remuneration

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Annual audit		**400**	800
Six monthly review		**200**	400
Tax services		**542**	194
Out of pocket expenses		**25**	70
		1,167	1,464

24 FINANCE COST

	Note	2014 (Rupees '000)	2013 (Rupees '000)
Mark-up on long term financing - secured		**744,748**	724,304
Mark-up on short term borrowings - secured		**117,762**	121,004
Mark-up on advance from customer - unsecured		**66,398**	144,297
Exchange (gain)/loss		**(54,093)**	114,691
Commitment charges, management and agency fee		**8,108**	3,718
Fee and expenses of trustee		**3,924**	-
Mark-up on finance lease		**16,951**	27,861
Letter of credit charges		**-**	1,285
Bank charges		**44**	183
		903,842	1,137,343

25 OTHER INCOME

	Note	2014 (Rupees '000)	2013 (Rupees '000)
From financial assets		**4**	6,695
Interest income		**4**	6,695
From other than financial assets			
Gain on disposal of property, plant and equipment - net	13.3	**1,009**	900
Gain on sale of scrap		**11,154**	14,804
Others		**380**	7
		12,543	15,711
		12,547	22,406

26 TAXATION

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

26.2 Tax matters and status

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

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

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

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

(e) The assessments of the Company for the Tax Year 2011 to Tax Year 2013 have been finalized in terms of section 120 of the Ordinance. However, the tax authorities are empowered to amend the assessment of the Company within five years from the end of the financial year in which the same was filed. For the Tax Year 2012, the tax authorities concluded proceedings in relation to levy of minimum tax on capacity billing and raised a tax demand of Rs.11.50 million. The Company being aggrieved with the decision, filed appeal before the CIR (A) which was decided in favour of the Company.

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

(g) The Deputy Commissioner Inland Revenue, Large Taxpayer Unit, Islamabad has raised a demand of Rs. 552.132 million which was subsequently enhanced to Rs. 790 million by holding that the Company has failed to apportion and incorrectly claimed input tax in respect of CPP payments received from WAPDA against its sales tax liability for the period from July 2007 to June 2011. The Company appeals with Commissioner Inland Revenue (Appeals) [CIR(A)] and Appellate Tribunal Inland Revenue (ATIR) against the demand has been decided in favour of the department. Certain mistakes apparent from the record were observed in the appellate order and a miscellaneous application has been filed before ATIR pending adjudication till date. Against the decision of ATIR, the Company has also filed an appeal before the Islamabad high Court which is pending adjudication to date. Considering the provisions of Sales Tax Act, 1990, Sales Tax Rules, 2006, General Orders of the Federal Board of Revenue and judgments passed by superior courts, the management expects a favorable outcome and accordingly no provision has been provided for in the financial statements.

27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive	Director and Executives	Chief Executive	Director and Executives
	2014		2013	
	Rupees '000		Rupees '000	
Managerial remuneration and allowances	**9,600**	**21,377**	9,600	23,124
Staff retirement benefits	**-**	**-**	800	3,524
Others	**497**	**1,359**	1,930	3,303
	10,097	**22,736**	12,330	29,951
Number of persons	**1**	**10**	1	11

- In addition, the Chief Executive, an Executive Director and few Executives were provided with the Company maintained cars for business purposes and were entitled to compensated absence in accordance with the Company's policy.
- Directors of the Company were not paid any remuneration during the year except for an Executive Director who was remunerated with Rs. 6.164 million (2013: Rs. 6.565 million) and Rs. Nil (2013: Rs. 450 thousand) was accrued during the year as his retirement benefits for services as Company Secretary and Executive Director Legal.

28 RELATED PARTY TRANSACTIONS

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

	2014 (Rupees '000)	2013 (Rupees '000)
Remuneration of key management personnel	**24,059**	30,799

29 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

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

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

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

(a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The primary activity of the Company is power generation and sale of total output to WAPDA as mentioned in note 12.3 (b). 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:

	2014 (Rupees '000)	2013 (Rupees '000)
Trade debts - also refer notes 16.1 & 16.2	4,544,502	3,270,981
Bank balances	3,224	8,024
Others	1,155	1,397
	4,548,881	3,280,402

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

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

	2014 (Rupees '000)	2013 (Rupees '000)
Domestic	4,548,598	3,280,117
United Kingdom	283	285
	4,548,881	3,280,402

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.

	2014		2013	
	Gross Rs. (000)	Impairment Rs. (000)	Gross Rs. (000)	Impairment Rs. (000)
Not past due	106,964	-	100,681	-
Past due 0-30 days	106,964	-	100,681	-
Past due 31-120 days	327,568	-	306,981	-
Past due 121-365 days	836,569	-	499,270	-
Above 365 days	3,594,669	428,232	2,688,456	425,088
	4,972,734	428,232	3,696,069	425,088

The recoverability of these amounts is associated with eventual outcome of settlement of the Company's dispute with WAPDA (also refer notes 16.1 and 16.2).

(b) **Liquidity risk**

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

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

	2014 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	8,732,837	9,553,426	9,237,879	97,305	218,242
Finance lease liabilities	346,772	353,166	353,166	-	-
Short term borrowing	1,368,495	1,488,972	1,488,972	-	-
Advance from customer - unsecured	644,121	738,205	738,205	-	-
Liquidated damages payable	7,066,861	7,066,861	7,066,861	-	-
Trade and other payables	255,953	255,953	255,953	-	-
	18,415,039	19,456,583	19,141,036	97,305	218,242

	2013 Rs. (000)				
	Carrying amount	Contractual cashflows	Maturity upto one year	Maturity from one to two years	Maturity more than two years
Long term financing - secured	8,079,573	8,152,450	7,597,085	138,432	416,933
Finance lease liabilities	329,821	352,468	203,924	148,544	-
Short term borrowing	1,250,733	1,364,301	1,364,301	-	-
Advance from customer - unsecured	577,722	824,195	824,195	-	-
Liquidated damages payable	5,685,068	5,685,068	5,685,068	-	-
Trade and other payables	195,062	195,062	195,062	-	-
	16,117,979	16,573,544	15,869,635	286,976	416,933

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. The above contractual cash flows have been worked out on the interest rates and foreign currency exchange rates prevalent at the balance sheet date. Further this analysis has been prepared on the basis that all financial obligations currently due, shall be settled within next year and those falling due shall be settled within their respective timelines.

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

(c) Market risk

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

(i) Interest rate risk management

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

	Interest rate		Carrying amounts	
	2014 %	2013 %	2014 Rs. (000)	2013 Rs. (000)
- **Fixed rate instruments**				
Financial assets	-	-	-	-
- **Variable rate instruments**				
Financial assets				
Trade debts	11 - 12	11 - 14	4,544,502	3,267,837
Bank balances	6.5 - 7.12	6	68	78
			4,544,570	3,267,915
Financial liabilities				
Long term loans	0.92 - 13.79	1.0143 - 14.60	4,665,100	4,702,635
Liability against assets subject to finance lease	10.07 - 11.15	10.34 - 13.00	250,970	250,970
Advance from customer - unsecured	13 - 14	13 - 16	542,869	542,869
Short term borrowing	10.03 - 12.18	10.28 - 13.97	1,052,818	1,052,818
			6,511,757	6,549,292

(ii) Fair value sensitivity analysis for fixed rate instruments

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

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased unappropriated loss by Rs. 82.283 million (2013: Rs. 86.60 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company shall charge interest on overdue balances from WAPDA at variable rates in accordance with the PPA, however, the Company has not recognized receivables on account of interest on withheld and disputed amounts of CPP after 01 July 2010 till 30 June 2014 until a settlement is reached on these amounts (refer note 16). Accordingly the impact for cash flow sensitivity arising on trade debts has not been accounted for. Further interest rates disclosed against trade debts in this note are those applicable during the year. However, since interest has not been accounted for since 1st July 2010, these rates are different from other mentioned in note 16.3 which represent rates used to account for interest on withheld and disputed CPP till 30 June 2010.

(iv) Currency risk management

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

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

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

The potential currency exposures are discussed below:

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

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

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

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

(v) Exposure to foreign currency risk

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

	2014 Amounts in (000)		
	USD	**GBP**	**Euro**
Advances and bank balances	3	-	-
Secured bank loans	(46,917)	-	-
Financial charges payable	(41,693)	-	-
Trade and other payables	(89)	(59)	(18)
Gross balance sheet exposure	(88,696)	(59)	(18)

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

(vi) Following significant exchange rates were used:

	Balance sheet date rate		Average rate	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees
United States Dollars (USD)	97.20	98.00	100.90	96.24
Great Britain Pounds (GBP)	165.49	149.67	167.17	151.28
Euros	132.62	128.07	137.95	125.23

(vii) **Sensitivity analysis**

A 10 percent weakening of the PKR against the foreign currencies at 30 June would have decreased 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	
	2014 (Rupees '000)	2013 (Rupees '000)
USD	(434,596)	(363,598)
GBP	(976)	(525)
Euros	(239)	(248)

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

(d) **Fair values**

Fair value versus carrying amounts

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

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	2014 (Rupees '000)			
Financial assets				
Trade debts	4,544,502	-	-	4,544,502
Bank balances	3,224	-	-	3,224
Others	1,155	-	-	1,155
Total financial assets	4,548,881	-	-	4,548,881
Non financial assets				6,715,805
TOTAL ASSETS				11,264,686
Financial liabilities				
Long term financing - secured	-	-	8,732,837	8,732,837
Finance lease liabilities	-	-	346,772	346,772
Short term borrowings	-	-	1,368,495	1,368,495
Liquidated damages payable	-	-	7,066,861	7,066,861
Trade and other payables	-	-	255,953	255,953
Advance from customer - unsecured	-	-	644,121	644,121
Total financial liabilities	-	-	18,415,039	18,415,039
Non financial liabilities				-
TOTAL LIABILITIES				18,415,039

	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	2013 (Rupees '000)			
Financial assets				
Trade debts	3,270,981	-	-	3,270,981
Bank balances	8,024	-	-	8,024
Others	1,397	-	-	1,397
Total financial assets	3,280,402	-	-	3,280,402
Non financial assets				7,281,945
TOTAL ASSETS				10,562,347
Financial liabilities				
Long term financing - secured	-	-	8,079,573	8,079,573
Finance lease liabilities	-	-	329,821	329,821
Short term borrowings	-	-	1,250,733	1,250,733
Liquidated damages payable	-	-	5,685,068	5,685,068
Trade and other payables	-	-	195,062	195,062
Advance from customer - unsecured	-	-	577,722	577,722
Total financial liabilities	-	-	16,117,979	16,117,979
Non financial liabilities				-
TOTAL LIABILITIES				16,117,979

(e) **Determination of fair values**

The basis for determining fair values is as follows:

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

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

30 CAPITAL RISK MANAGEMENT

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

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

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

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

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

	2014 (Rupees '000)	2013 (Rupees '000)
Increase in accumulated loss as at 01 July	723,408	741,010
Decrease loss for the year	(294,299)	(17,602)
Increase in accumulated loss as at 30 June	429,109	723,408

32 CAPACITY AND PRODUCTION

	2014	2013
Original installed capacity - MW	135.9	135.9
Annual Dependable Capacity - MW	110.47	110.47
Actual energy delivered - MWh	Nil	97,178

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

33 LOSS PER SHARE - BASIC AND DILUTED

	2014	2013
Net loss after taxation - Rupees (000)	(1,594,721)	(1,882,694)
Weighted average number of shares outstanding during the year - Numbers	136,675,752	136,675,752
Loss per share - basic and diluted - Rupees	(11.67)	(13.77)

34 GENERAL

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

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

	2014	2013
Regular employees on year end (Number)	83	91
Average regular employees during the year (Number)	87	95

35 APPROVAL OF FINANCIAL STATEMENTS

35.1 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on 26 September 2014.

Islamabad **Chief Executive** **Director**
26 September 2014

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2014

No. of Shareholders	Shareholding From	Shareholding To	Number of Shares Held	Percentage %
272	1	100	13,460	0.01
399	101	500	152,242	0.11
719	501	1000	575,863	0.42
1319	1001	5000	4,070,494	2.98
638	5001	10000	5,225,674	3.82
267	10001	15000	3,438,848	2.52
176	15001	20000	3,280,758	2.40
144	20001	25000	3,404,462	2.49
89	25001	30000	2,539,864	1.86
53	30001	35000	1,769,263	1.29
50	35001	40000	1,929,491	1.41
25	40001	45000	1,081,390	0.79
73	45001	50000	3,613,521	2.64
25	50001	55000	1,334,334	0.98
24	55001	60000	1,408,400	1.03
15	60001	65000	949,726	0.69
11	65001	70000	745,150	0.55
22	70001	75000	1,638,000	1.20
11	75001	80000	865,300	0.63
8	80001	85000	666,048	0.49
14	85001	90000	1,241,912	0.91
10	90001	95000	940,549	0.69
46	95001	100000	4,584,596	3.00
12	100001	105000	1,220,530	0.89
11	105001	110000	1,204,390	0.88
5	110001	115000	569,500	0.42
10	115001	120000	1,185,183	0.87
7	120001	125000	875,000	0.64
11	125001	130000	1,414,000	1.03
2	130001	135000	265,500	0.19
3	135001	140000	419,500	0.31
2	140001	145000	286,000	0.21
6	145001	150000	900,000	0.66
2	150001	155000	307,500	0.22
4	155001	160000	636,098	0.47
2	160001	165000	326,000	0.24
3	165001	170000	505,295	0.37
1	170001	175000	175,000	0.13
2	175001	180000	351,865	0.26
2	185001	190000	379,500	0.28
16	195001	200000	3,197,000	2.34
5	200001	205000	1,015,865	0.74
2	205001	210000	411,482	0.30
2	210001	215000	424,097	0.31
1	215001	220000	217,050	0.16
2	220001	225000	450,000	0.33
2	225001	230000	457,284	0.33
1	230001	235000	235,000	0.17
1	235001	240000	239,500	0.18
1	240001	245000	243,150	0.18
4	245001	250000	1,000,000	0.73
1	255001	260000	257,000	0.19
1	260001	265000	263,000	0.19
1	265001	270000	270,000	0.20
1	270001	275000	275,000	0.20
1	285001	290000	285,500	0.21
3	290001	295000	877,555	0.64
2	295001	300000	600,000	0.44
2	300001	305000	602,000	0.44
1	305001	310000	310,000	0.23
1	315001	320000	317,500	0.23
1	325001	330000	326,500	0.24
2	335001	340000	673,824	0.49
1	350001	355000	353,000	0.26
3	395001	400000	1,200,000	0.88
3	430001	435000	1,303,000	0.95
1	435001	440000	440,000	0.32
1	445001	450000	449,000	0.33
1	470001	475000	475,000	0.35
1	500001	505000	504,231	0.37
1	555001	560000	559,200	0.41
2	595001	600000	1,200,000	0.88
1	625001	630000	629,480	0.46
2	695001	700000	1,400,000	1.02
1	745001	750000	746,000	0.55
1	765001	770000	765,500	0.56
1	770001	775000	770,850	0.56
1	790001	795000	794,000	0.58
1	935001	940000	936,884	0.69
1	1020001	1025000	1,022,499	0.75
1	1065001	1070000	1,070,000	0.78
1	1580001	1585000	1,581,500	1.16
1	5055001	5060000	5,058,749	3.70
1	5795001	5800000	5,800,000	4.24
1	40175001	40180000	40,178,346	29.40
4,577			**136,675,752**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2014

Particulars	No. of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Salman Rahim (Director)		550	
	1	**550**	0.00
Associated Companies, undertakings and Related Parties			
BCHIL- Southern Company Limited (Sponsor)		40,178,346	
	1	**40,178,346**	29.40
National Investment Trust and Investment Corporation of Pakistan		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Habib Bank AG Zurich, Deira Dubai		794,000	
Crescent Investment Bank Limited		47,772	
Escorts Investment Bank Limited		1,300	
	3	**843,072**	0.62
Insurance Companies			
State Life Insurance Corporation of Pakistan		504,231	
Pakistan Reinsurance Company Limited		13,963	
The Crescent Star Insurance Company Limited		2,000	
Progressive Insurance Company Limited		1000	
Habib Insurance Company Limited		550	
	5	**521,744**	0.38
Modarabas and Mutual Funds			
Prudential Stocks Fund Limited		14,366	
First Fidellity Leasing Modarba		4,100	
	2	**18,466**	0.01
Shareholder(s) Holding Five Percent or More Voting Interest			
BCHIL- Southern Company Limited (see above as sponsor)		-	
General Public			
A- Local	4513	87,742,264	
B- Foreigners	3	201,500	
		87,943,764	64.34

Particulars	No. of Shareholders	Shares Held	Percentage %
Others (To Be Specified)			
Joint Stock Companies			
Capital Vision Securities (Pvt) Limited		383,750	
Bulk Management Pakistan (Pvt.) Limited		317,500	
SAAO Capital (Pvt) Limited		301,500	
Dr. Arslan Razaque Securities (Smc-Pvt) Limited		243,150	
CMA Securities (Pvt) Limited		125,000	
First Capital Securities Corporation Limited		106,390	
Adeel & Nadeem Securities (Pvt) Limited		100,250	
NCC - Pre Settlement Delivery Account		89,000	
Rao Systems (Pvt.) Limited		75,000	
Ismail Abdul Shakoor Securities (Private) Limited		64,850	
Darson Securities (Pvt) Limited		36,002	
Shajar Capital Pakistan (Pvt) Limited		20,000	
Multiple Investment Management Limited		10,000	
Continental Capital Management (Pvt) Limited		10,000	
H.M. Idrees H. Adam (Smc-Pvt.) Limited		10,000	
S.H. Bukhari Securities (Pvt) Limited		9,900	
NH Securities (Pvt) Limited		5,500	
Al-Haq Securities (Pvt) Limited		5,500	
Saudi Pak Ind and Agriculture Investment.		4,000	
Mam Securities (Pvt) Limited		3,000	
Fair Deal Securities (Pvt) Limited		3,000	
Time Securities (Pvt.) Limited		2,000	
Imperial Investment (Pvt) Limited		1,900	
H.S.Z. Securities (Private) Limited		1,500	
AWJ Securities (Smc-Private) Limited		950	
Msmaniar Financials (Pvt) Limited		734	
Vohrah Engineering (Pvt.) Limited		732	
Stock Master Securities (Private) Limited		594	
Al-Mal Securities & Services Limited		550	
Fikree's (Smc-Pvt) Limited		500	
Prudential Securities Limited		482	
Rafeh (Pvt) Limited		300	
Millennium Securities & Invest.(Pvt) Limited		300	
Karachi Stock Exchange Limited		300	
Jamshaid & Hasan Securities (Pvt) Limited		200	
Freedom Enterprises (Pvt) Limited		182	
M.R. Securities (Smc-Pvt) Limited		150	
S.Z. Securities (Pvt) Limited		100	
	38	**1,934,766**	1.42

Particulars	No. of Shareholders	Shares Held	Percentage %
Foreign Companies			
SEP Holding Corporation		**5,058,749**	
ASEA Brown Boveri Kraftwerke A .G.		27,904	
Brown Brothers Harriman & Co		15,750	
Citibank N.A. Hong Kong		5,500	
Somers Nominees (Far East) Limited		5,050	
Bankers Trust Co.		3,850	
HSBC International Trustee Limited		2,200	
The Northern Trust Company		1,100	
State Street Bank and Trust Company		275	
BCHIL- Southern Company Limited (As above)		-	
	9	**5,120,378**	3.75
Cooperative Societies, Charitable Trusts			
Managing Committee of Ahmed Garib Foundation		100,000	
The Okhai Memon Anjuman		14,666	
	2	**114,666**	0.08
Provident Fund Schemes		-	
		-	0.00
Total Number of Shareholders and Paid up Capital	**4,577**	**136,675,752**	**100.00**

4,133 shareholders hold 95,559,024 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 20th Annual General Meeting of the Company to be held on 31 October 2014 at 11:00 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................ 2014

Signature on Five Rupee Revenue Stamp

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

WITNESS:

1.
Signature ____________________
Name ____________________
Address ____________________
____
CNIC or ____________________
Passport No ____________________

2.
Signature ____________________
Name ____________________
Address ____________________
____
CNIC or ____________________
Passport No ____________________

NOTE:

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

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

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

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

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