



SOUTHERN

June 24, 2010

Mr. Haroon Askari
 GM Operations
 The Karachi Stock Exchange (G) Limited
 Stock Exchange Building
 Stock Exchange Road
 Karachi – 74000

Dear Sir,

Re: Show Cause Notice under KSE Listing Regulation No. 30(2)

Please refer to your letter No. KSE/ Gen-4414 dated 22 June 2010.

Southern Electric Power Company Limited ("the Company") declared 15% cash dividend each for the years ended 30 June 2002 and 30 June 2003. For the year ended 30 June 2004, the Company declared 10% dividend in the form of bonus shares. The profit / (loss) generated by the Company subsequent to the said financial year remained as under:

Year ended 30 June	Profit / (loss) (Rs. In millions)
2005	62.5
2006	37.5
2007	(295.1)
2008	(297.7)
2009	146.7

As can be seen, the Company has incurred major losses in two of the last five financial years; net loss for above mentioned five years comes to Rs. 346.1 million. It may be noted that the profit earned during the year ended 30 June 2009 is based on accrued income and the net cash flow during the year was in fact Rs. 21 million in negative. Cash position at the end of the financial year 2009 was Rs. 935 million in negative which mainly represents overdraft borrowings from various banks.

Apart from the accounting loss, and as a result of certain adverse developments affecting the business of the Company, the Company faced working capital shortages during the financial year 2003 – 2004 that worsened with the passage of time. The net negative cash and cash equivalents doubled during the financial year ended 30 June 2005. This situation persisted and the Company's management struggled to meet the working capital requirement, which continued to escalate resulting from increase in the prices of furnace oil and spare parts.

The financial position of the Company deteriorated to such an extent that during the year 2005-2006 the Company had to request WAPDA, the Company's sole customer, to make advance