THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

KSE/N-3348 ***NOTICE*** ***June 16, 2011***

*Reproduced hereunder letter received from **SOUTHERN ELECTRIC POWER COMPANY LTD**, for information of members of the Exchange.*
(Copy of the same is also available on our Website www.kse.com.pk).

SOUTHERN

June 14th 2011

GM Operations,
The Karachi Stock Exchange (G) Ltd,
Stock Exchange Building,
Stock Exchange Road,
Karachi- 7400.

Dear Sir,

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

This has reference to your Show Cause Notice No KSE/ Gen-4414 dated June 22, 2010, our reply dated June 24, 2010 and your answer No KSE/ Gen-4693, copies enclosed for ready reference, and your latest letter no. KSE/Gen-3584 dated June 7th 2011.

The grave financial difficulties and the reasons thereof as detailed in our enclosed reply are reiterated here.
It will be appreciated that such major setbacks cannot be overcome in a short period but requires time and substantial effort.

The very survival of the project depends upon the regular supply of fuel to operate our engines. While WAPDA has resumed advances to PSO for this purpose, it has done so in an irregular and erratic manner which not only affects production but puts undue stress and strain on the engines, causing increased maintenance and spare part costs.

The forced closure of the plant for two years led directly to defaults in the payment to our lenders and this in turn implied drying up of working capital and a sever cash flow problem.
Piecemeal and delayed Capacity Invoices payments by WAPDA further aggravated this problem.

Since the resumption of plant operations, the company has been attempting to tackle these twin and other problems which involve;

1. Reaching a Third Settlement Agreement with WAPDA which would, in the main, regularize Fuel payments, satisfactorily settle claimed Liquidated Damages and allow the installation of a Steam Turbine which would generate extra income.

2. Reach restructuring with all our lenders to ease mark-ups and repay principal as well as reduced interest.

3. Increase the efficiency of the plant by ensuring availability of spare parts and proper maintenance of the engines.

Negotiations with WAPDA and the lenders are in progress and the company has grounds for hope that they will prove fruitful.

SOUTHERN ELECTRIC POWER COMPANY LIMITED: NO. 38, FIRST STREET, F-6/3, ISLAMABAD - 44000, PAKISTAN.
TEL: (92-51) 227 9230 - 227 9231 FAX: (92-51) 282 5465 - 227 5165