

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Operating fixed assets	5	65,765,689,319	60,389,574,700
Capital work-in-progress	6	9,234,254,360	8,404,310,116
		74,999,943,679	68,793,884,816
Long term loans to employees	7	57,330,484	50,888,465
Long term deposits		49,185	49,185
<b>Current assets</b>			
Stores and spares	8	3,923,122,738	4,229,377,135
Trade debts	9	16,272,978,691	14,652,075,146
Loans, advances, deposits, prepayments and other receivables	10	50,183,863,099	71,171,002,533
Cash and bank balances	11	4,190,231,883	6,526,848,518
		74,570,196,411	96,579,303,332
<b>Total assets</b>		<b>149,627,519,759</b>	<b>165,424,125,798</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	12	10,823,636,048	10,823,636,048
Share deposit money	12.2	32,508,450,451	32,508,450,451
Accumulated losses		(13,741,845,983)	(22,379,065,226)
		29,590,240,516	20,953,021,273
<b>Non-current liabilities</b>			
Deferred credit	13	41,355,052,642	38,396,212,300
Long term loans	14	7,021,792,455	6,240,375,614
Employees' retirement benefits	15	29,880,745,468	24,100,439,931
Consumers' security deposits	16	5,930,141,749	5,262,149,439
Receipts against deposit works	17	13,923,152,518	13,340,101,817
Deferred markup		46,162,771	-
		98,157,047,603	87,339,279,101
<b>Current liabilities</b>			
Trade and other payables	18	15,897,522,731	53,098,371,454
Accrued markup	19	3,981,593,509	2,704,134,456
Current portion of long term loans	20	2,001,115,400	1,329,319,514
		21,880,231,640	57,131,825,424
<b>Contingencies and commitments</b>	21		
<b>Total equity and liabilities</b>		<b>149,627,519,759</b>	<b>165,424,125,798</b>

The annexed notes from 1 to 34 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
Electricity sales - net	22	156,759,045,732	169,133,703,022
Cost of electricity	23	<u>130,803,662,305</u>	<u>146,298,369,988</u>
Gross profit		25,955,383,427	22,835,333,034
Amortization of deferred credit	13	<u>1,879,798,099</u>	<u>1,735,338,424</u>
		27,835,181,526	24,570,671,458
<b><i>Operating cost</i></b>			
Operating expenses excluding depreciation	24	<u>16,232,185,022</u>	<u>14,228,448,838</u>
Depreciation on operating fixed assets	5.2	<u>3,123,811,938</u>	<u>2,834,567,805</u>
		19,355,996,960	17,063,016,643
		8,479,184,566	7,507,654,815
Other income	25	<u>2,108,995,106</u>	<u>3,072,798,235</u>
		10,588,179,672	10,580,453,050
Financial charges	26	<u>790,879,191</u>	<u>643,337,125</u>
Profit before taxation		9,797,300,481	9,937,115,925
Taxation	27	<u>-</u>	<u>-</u>
Profit for the year		<u><u>9,797,300,481</u></u>	<u><u>9,937,115,925</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
Profit for the year		9,797,300,481	9,937,115,925
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
-Remeasurement of post retirement benefits obligation	15	(1,160,081,238)	(1,734,732,291)
<b>Total comprehensive income for the year</b>		<u>8,637,219,243</u>	<u>8,202,383,634</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,797,300,481	9,937,115,925
Adjustment for non-cash charges and other items		
Depreciation on operating fixed assets - owned	3,123,811,938	2,834,567,805
Amortization of deferred credit	(1,879,798,099)	(1,735,338,424)
Provision for employee's retirement benefits	6,204,763,744	3,092,526,567
Provision for doubtful debts - written off	-	(4,506,868)
Provision for doubtful debts	-	1,773,286,235
Provision for obsolete items	17,918,480	-
Financial charges	790,879,191	643,337,125
Cash generated from operating activities before working capital changes	<u>18,054,875,735</u>	<u>16,540,988,365</u>
<b>Changes in working capital</b>		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	288,335,917	143,365,494
Trade debts	(1,620,903,545)	(329,583,829)
Loans, advances, deposits and other receivable	(5,884,439,228)	(12,037,579,599)
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	(10,326,755,466)	1,017,107,912
	<u>(17,543,762,322)</u>	<u>(11,206,690,022)</u>
Cash generated from operations	511,113,413	5,334,298,343
Financial charges paid	(8,514,774)	(480,156,402)
Employees' retirement benefits paid/adjusted	(1,584,539,445)	(1,009,058,825)
<b>Net cash used in / generated from operating activities</b>	<u>(1,081,940,806)</u>	<u>3,845,083,116</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(8,788,613,394)	(6,968,632,619)
Contribution made to employees' benefits	-	(100,000,000)
Long term loans to employees	(8,956,614)	(12,740,770)
<b>Net cash used in investing activities</b>	<u>(8,797,570,008)</u>	<u>(7,081,373,389)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans received	1,453,212,727	822,817,481
Consumers' security deposits received	667,992,310	684,462,361
Receipts against deposit works	5,421,689,142	3,736,341,267
<b>Net cash generated from financing activities</b>	<u>7,542,894,179</u>	<u>5,243,621,109</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(2,336,616,635)	2,007,330,836
Cash and cash equivalents at beginning of the year	6,526,848,518	4,519,517,682
Cash and cash equivalents at end of the year	<u><u>4,190,231,883</u></u>	<u><u>6,526,848,518</u></u>
<b>Non cash transactions</b>		
Adjustment of "payable to Federal Government" and "Tariff subsidy receivable from Federal Government"	26,874,093,257	-

The annexed notes from 1 to 34 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Share capital</i>	<i>Share deposit money</i>	<i>Accumulated loss</i>	<i>Total</i>
<i>Note</i>	----- Rupees -----			
Balance as at June 30, 2013 - restated	10,823,636,048	-	(30,581,448,860)	(19,757,812,812)
Profit for the year	-	-	9,937,115,925	9,937,115,925
Other comprehensive income	-	-	(1,734,732,291)	(1,734,732,291)
Total comprehensive income	-	-	8,202,383,634	8,202,383,634
Share deposit money	-	32,508,450,451	-	32,508,450,451
	10,823,636,048	32,508,450,451	(22,379,065,226)	20,953,021,273
Balance as at June 30, 2014	10,823,636,048	32,508,450,451	(22,379,065,226)	20,953,021,273
Profit for the year	-	-	9,797,300,481	9,797,300,481
Other comprehensive income	-	-	(1,160,081,238)	(1,160,081,238)
Total comprehensive income	-	-	8,637,219,243	8,637,219,243
Balance as at June 30, 2015	10,823,636,048	32,508,450,451	(13,741,845,983)	29,590,240,516

The annexed notes from 1 to 34 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. THE COMPANY AND ITS OPERATIONS**

**1.1** Multan Electric Power Company Limited is a public limited company incorporated in Pakistan under Companies Ordinance, 1984. The Company was established to takeover all the properties, rights, assets, obligations and liabilities of Multan Area Electricity Board ("MAEB") owned by Pakistan Water and Power Development Authority ("WAPDA") and such other assets and liabilities as agreed. The Company was incorporated on 14 May 1998 and commenced operation on 01 July 1998. Its registered office is situated at Shahr-e-Quaid-e-Azam, WAPDA House, Lahore. However principal place of business of the Company is located at Khanewal Road Multan. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

**1.2** These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

**2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES**

**2.1 Statement of compliance**

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

**2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015**

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<i>Effective date (annual periods beginning on or after)</i>
Amendments to IAS 19 Employee Benefits – Employee contributions	July 01, 2014
Amendments to IAS 32 Financial Instruments : Presentation – Offsetting financial assets and financial liabilities	January 01, 2014
Amendments to IAS 36 Impairment of Assets – Recoverable amount disclosures for non-financial assets	January 01, 2014
Amendments to IAS 39 Financial Instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting	January 01, 2014
IFRIC 21 - Levies Offsetting financial assets and financial liabilities	January 01, 2014

### 2.3 *New accounting standards / amendments and IFRS interpretations that are not yet effective*

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<i>Effective date (annual periods beginning on or after)</i>
Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 – Bearer plants	January 01, 2016
IAS 27 (Revised 2011) – Separate Financial Statements This revised standard will concurrently apply with IFRS 10	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

### 3. ***BASIS OF MEASUREMENT***

**3.1** These financial statements have been prepared on the basis of historical cost convention, except for the foreign currency transactions as stated in note 4.1 and employees retirement benefits recognized on the basis of actuarial valuation as referred to in note 4.2.

#### **3.2 *Use of estimates and judgments***

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follow:

- i) Employees' retirement benefits;
- ii) Taxation;
- iii) Useful life of operating fixed assets;
- iv) Provision for doubtful debts; and
- v) Provision for slow moving items.
- vi) Accrual for un-billed revenue and associated adjustments

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Foreign currency transactions**

The financial statements are presented in Pak Rupees, which is the Company's functional currency and presentation currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency using rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined.

##### **4.2 Employees' retirement benefits**

The Company has adopted the pension scheme of WAPDA and operates a funded pension scheme, an unfunded electricity scheme and an unfunded free medical facility scheme for all its employees. Provision is made in the financial statements on the basis of actuarial valuation using Projected Unit Credit Method. Actuarial gains and losses are recognized immediately through other comprehensive income. Past service cost is recognized immediately in profit or loss.

The Company's employees are also entitled for accumulated compensated absences, which are encashed at the time of retirement up to a maximum limit of 365 days. Actuarial gains and losses regarding compensated absences are recognized in the year of occurrence.

For General Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA.

##### **4.3 Taxation**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is included in equity.

###### ***Current***

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessment framed during the year for such years.

###### ***Deferred***

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of the assets and liabilities in the



financial statements and corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits or taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity which case it is included in equity.

#### ***4.4 Operating fixed assets***

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the items will flow to the Company and the cost of the item can be measured reliably. Major renewals and improvements are capitalized. Minor replacement, repairs and maintenance are charged to income.

Depreciation on operating fixed assets is charged on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in Note 5. Residual values and the useful life of operating fixed assets are reviewed at least at each financial year-end. Depreciation charge commences from the month in which the asset is available for use and continues until the month of deletion. Depreciation on operating fixed assets is charged to profit or loss account except for the depreciation provided on construction equipments and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of the operating fixed assets.

An item of operating fixed asset is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities. Depreciation of leased assets is charged to profit and loss account.

#### ***4.5 Capital work in progress***

All costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

#### ***4.6 Related party transactions***

Transactions with related parties for purchase of electricity are based on tariff determined by NEPRA. Prices for other transactions with related parties are charged on the basis of directives issued by WAPDA and PEPCO.

#### **4.7 Trade debts**

Trade debts are carried at original billed value less an estimate of provision for doubtful debts.

Provision for doubtful debts is made as follows:

- a) No provision on Government arrears and Agency balances;
- b) Full provision on permanently disconnected consumers; and
- c) Provision on arrears from private consumers and deferred arrears at the rates approved.

#### **4.8 Stores and spares**

Stores and spares except for the items in transit are stated at lower of cost and net realizable value. Cost for useable stores and spares is principally determined on moving average basis. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

#### **4.9 Deferred credit**

Amounts received from consumers and Government as contributions towards the cost of extension of distribution network and of providing service connections are deferred for amortization over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network. However the said expectation shall not apply on the Government grants.

#### **4.10 Borrowing costs**

Borrowing costs are recognized in profit and loss account in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized, during the period of time that is required to complete and prepare the asset for its intended use.

#### **4.11 Provisions**

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

#### **4.12 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. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

#### **4.13 Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. The specific accounting policies are:

Revenue from electricity sales is recognized on supply of electricity.

Meter rental is recognized on time proportionate basis.

Interest on bank deposits is recognized on accrual basis.

Revenue from sales of scrap is recognized on dispatch of goods.

Deferred credit against consumers' contribution is released to profit and loss account over the expected useful life of the asset underlying the contribution.

#### **4.14 Financial instruments**

A financial asset or financial liability is recognized at the time when the Company becomes a party to the contractual provisions of the instrument. A financial asset or part thereof is de-recognized when the Company loses control of the contractual right that comprises the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is recognized in profit and loss account.

##### ***Initial recognition***

The financial assets and financial liabilities are initially recognized at fair value and in case of a financial asset or financial liability not at fair value through profit or loss, initial recognition is made at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability.

##### ***Subsequent measurement***

The financial assets other than loans and advances are stated at fair value. Loans and advances are stated at amortized cost. Financial liabilities are subsequently measured at amortized cost.

#### **4.15 Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

#### **4.16 Trade and other payables**

Liabilities for trade and other amounts payable are recognized and carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

#### **4.17 Cash and cash equivalents**

Cash and cash equivalents of the Company consist of cash in hand, balances with banks and term deposit receipts with original maturity less than three months from the date of acquisition.

5. OPERATING FIXED ASSETS

Particulars	Cost			Accumulated depreciation			Book value	Rate
	At July 01, 2014	Addition	At June 30, 2015	At July 01, 2014	For the year	At June 30, 2015	At June 30, 2015	
----- Rupees -----								
<b>Owned</b>								
Land - freehold	181,232,255	32,688,500	213,920,755	-	-	-	213,920,755	-
Land - leasehold	2,277,338	-	2,277,338	790,164	-	790,164	1,487,174	-
Building on freehold land	2,444,470,581	368,433,814	2,812,904,395	735,076,309	50,756,208	785,832,517	2,027,071,878	2%
Office equipment	194,286,139	2,589,813	196,875,952	104,219,566	11,607,158	115,826,724	81,049,228	10%
Distribution equipment	83,282,416,823	7,999,564,065	91,281,980,888	25,221,831,952	3,008,452,811	28,230,284,763	63,051,696,125	3.5%
Other plant and equipment	295,284,469	48,040,601	343,325,070	228,900,875	16,783,584	245,684,459	97,640,611	10%
Vehicles	881,663,808	52,044,449	933,708,257	601,237,847	39,646,862	640,884,709	292,823,548	10%
	87,281,631,413	8,503,361,242	95,784,992,655	26,892,056,713	3,127,246,623	30,019,303,336	65,765,689,319	

For comparative period

Particulars	Cost			Accumulated depreciation			Book value	Rate
	At July 01, 2013	Addition	At June 30, 2014	At July 01, 2013	For the year	At June 30, 2014	At June 30, 2014	
----- Rupees -----								
<b>Owned</b>								
Land - freehold	181,232,255	-	181,232,255	-	-	-	181,232,255	-
Land - leasehold	2,277,338	-	2,277,338	790,164	-	790,164	1,487,174	-
Building on freehold land	2,330,835,725	113,634,856	2,444,470,581	688,115,154	46,961,155	735,076,309	1,709,394,272	2%
Office equipment	110,335,773	60,666,303	171,002,076	77,696,928	6,947,301	84,644,229	86,357,847	
- Reclassification	23,284,063	-	23,284,063	19,575,337	-	19,575,337	3,708,726	
	133,619,836	60,666,303	194,286,139	97,272,265	6,947,301	104,219,566	90,066,573	10%
Distribution equipment	75,384,173,243	7,898,243,580	83,282,416,823	22,486,996,766	2,734,835,186	25,221,831,952	58,060,584,871	3.5%
Other plant and equipment	297,789,738	20,835,600	318,625,338	232,474,534	16,058,484	248,533,018	70,092,320	
- Reclassification	(23,340,869)	-	(23,340,869)	(19,632,143)	-	(19,632,143)	(3,708,726)	
	274,448,869	20,835,600	295,284,469	212,842,391	16,058,484	228,900,875	66,383,594	10%
Vehicles	712,588,038	169,018,964	881,607,002	567,003,695	34,177,346	601,181,041	280,425,961	
- Reclassification	56,806	-	56,806	56,806	-	56,806	-	
	712,644,844	169,018,964	881,663,808	567,060,501	34,177,346	601,237,847	280,425,961	10%
	79,019,232,110	8,262,399,303	87,281,631,413	24,053,077,241	2,838,979,472	26,892,056,713	60,389,574,700	

5.1 The property and rights in the above assets were transferred to the Company on July 01, 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement executed between WAPDA and the Company.

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
5.2 Depreciation charge for the year has been allocated as follows;			
Operating cost		3,123,811,938	2,834,567,805
Capital work in progress		3,434,685	4,411,667
		<u>3,127,246,623</u>	<u>2,838,979,472</u>

## 6. CAPITAL WORK-IN-PROGRESS

Civil works		174,782,056	283,643,328
Project directorate constructions		4,997,151,932	5,089,645,215
Grid station constructions	6.2	4,062,320,372	3,031,021,573
		<u>9,234,254,360</u>	<u>8,404,310,116</u>

### 6.1 Movement in capital work in progress

Balance at beginning of the year		8,404,310,116	9,155,023,038
Additions during the year		6,226,956,033	4,547,395,317
Transferred to operating fixed assets		(5,397,011,789)	(5,298,108,239)
Balance at end of the year		<u>9,234,254,360</u>	<u>8,404,310,116</u>

6.2 This includes borrowing cost amounting to Rs. 541.27 million (2014: Rs. 533 million) on loans obtained from Government of Pakistan and re-lent loans of International Bank for Reconstruction and Development (IBRD) and Asian Development Bank (ADB) for improvement and enhancement of electric supply infrastructure.

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
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## 7. LONG TERM LOANS TO EMPLOYEES

House building / purchase of plots	7.1	55,778,865	49,454,206
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Vehicles	15,090,403	12,458,448
	<u>70,869,268</u>	<u>61,912,654</u>
Less: Amount due within one year presented under current assets	(13,538,784)	(11,024,189)
	<u>57,330,484</u>	<u>50,888,465</u>

7.1 It includes Rs. 43.31 million (2014: Rs. 14.86 million) outstanding for period exceeding three years.

7.2 Loans for house building and purchase of plot are repayable in ten years, car and motor cycle loans in five years and bicycle loans in four years. Interest is charged on these loans at the same rate as that payable on employee balances in General Provident Fund. These loans are secured by mortgage of immovable property and hypothecation of vehicles.

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>8. STORES AND SPARES</b>			
Stores		3,926,749,043	4,205,090,287
Spare parts		74,959,793	84,954,466
		4,001,708,836	4,290,044,753
Less: provision for obsolete items and stock losses	8.1	(78,586,098)	(60,667,618)
		<u>3,923,122,738</u>	<u>4,229,377,135</u>

**8.1. Movement in provision against slow moving item**

Opening balance	60,667,618	60,667,618
Provision made during the year	17,918,480	-
Closing balance	<u>78,586,098</u>	<u>60,667,618</u>

**9. TRADE DEBTS**

Considered good		16,272,978,691	14,652,075,146
Considered doubtful		6,848,373,825	6,873,819,978
		23,121,352,516	21,525,895,124
Less: provision against debts considered doubtful	9.1	(6,848,373,825)	(6,873,819,978)
		<u>16,272,978,691</u>	<u>14,652,075,146</u>

**9.1 Movement in provision against debts considered doubtful**

Balance at beginning of the year	6,873,819,978	5,105,040,611
Add: provision made during the year	-	1,773,286,235
Less: provision reversed during the year	-	(4,506,868)
Less: bad debts written off during the year	(25,446,153)	-
Balance at end of the year	<u>6,848,373,825</u>	<u>6,873,819,978</u>

**9.2** Trade debts are secured to the extent of corresponding consumers' security deposits.

**9.3** The trade debts as at the balance sheet date are classified into Domestic, Commercial, Agriculture, Public lights, Residential colonies and others.

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
The aging of trade receivables at the reporting date is:		
Not past due date	7,520,787,223	3,012,860,481
Due up to 2 months	2,235,146,578	2,101,035,264
Due 2 to 3 months	300,811,799	2,011,747,688
Due 3 to 6 months	5,685,522,405	582,705,365
Due 6 months to 1 year	415,428,959	802,323,559
Due 1 year to 3 years	1,084,406,394	7,287,493,905
Due above 3 years	2,352,375,220	2,380,556,342
Agency balances	3,526,873,938	3,347,172,520
	<u>23,121,352,516</u>	<u>21,525,895,124</u>
Less: Provision for doubtful debts	<u>(6,848,373,825)</u>	<u>(6,873,819,978)</u>
	<u>16,272,978,691</u>	<u>14,652,075,146</u>

	<i>Note</i>	<i>2015 Rupees</i>	<i>2014 Rupees</i>
<b>10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Duties/charges and tax receivables	10.1	-	-
Tariff subsidy receivable from Federal Government		21,633,093,795	37,249,257,901
General sales tax receivable from Federal Board of Revenue		15,278,556,754	16,563,469,996
Agriculture subsidy receivable from Punjab Government		5,124,024,327	5,580,323,400
General sales tax receivable from consumers		4,532,692,841	8,271,156,258
Due from associated undertakings	10.2	2,588,873,368	2,489,068,994
Advances to suppliers - considered good		339,046,260	176,087,779
Advances to employees		60,724,934	61,067,871
Receivable against damaged items during warranty period		40,162,068	48,132,827
Profit receivable on bank deposits		12,192,621	21,551,609
Current portion of long term advances	7	13,538,784	11,024,189
Others		560,957,347	699,861,709
		<u>50,183,863,099</u>	<u>71,171,002,533</u>

**10.1 Duties/charges and taxes receivables**

	<i>Note</i>	<i>Receivables not yet realized Rupees</i>	<i>Payables not yet realized Rupees</i>	<i>Total Rupees</i>
Electricity duty		246,680,058	(246,680,058)	-
Income tax		131,510,675	(131,510,675)	-
Other taxes		41,618,637	(41,618,637)	-
Neelum jhelum surcharge		108,304,544	(108,304,544)	-
Debit service surcharge		122,170,358	(122,170,358)	-
Universal obligation surcharge		177,145,095	(177,145,095)	-
T.V. license fee		104,195,920	(104,195,920)	-
Equalization surcharge		50,770,927	(50,770,927)	-
<b>June 30, 2015</b>	<b>10.1.1</b>	<u>982,396,214</u>	<u>(982,396,214)</u>	<u>-</u>



Electricity duty	237,660,638	(237,660,638)	-
Income tax	113,654,012	(113,654,012)	-
Other taxes	39,594,421	(39,594,421)	-
Neelum jhelum surcharge	203,652,782	(203,652,782)	-
T.V. license fee	95,283,341	(95,283,341)	-
Equalization surcharge	58,959,164	(58,959,164)	-
<b>June 30, 2014</b>	<b>748,804,358</b>	<b>(748,804,358)</b>	<b>-</b>

**10.1.1** These represent the amounts billed to the customers on behalf of the respective authorities and are receivable as at June 30, 2015 which have been netted off against respective payables.

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>10.2 Due from associated undertakings</b>			
Jamshoro Power Generation Company Limited (GENCO-1)		858,614	564,680
Central Power Generation Company Limited (GENCO-2)		77,665,281	57,367,577
Northern Power Generation Company Limited (GENCO-3)		546,613,680	488,693,484
Lakhra Power Generation Company Limited		256,989	218,233
Lahore Electric Supply Company Limited		437,162,443	440,550,047
Faisalabad Electric Supply Company Limited		39,354,238	82,980,491
Quetta Electric Supply Company Limited		25,406,563	20,860,418
Islamabad Electric Supply Company Limited		72,232,451	71,375,649
Peshawar Electric Supply Company Limited		458,196,326	462,811,210
Hyderabad Electric Supply Company Limited		2,180,079	-
WAPDA Current Account		711,515,202	670,479,261
WAPDA Welfare Fund		217,431,502	193,167,944
		<u>2,588,873,368</u>	<u>2,489,068,994</u>

## **11. CASH AND BANK BALANCES**

Cash in hand		1,219	2,820
Cash with banks on:			
Deposit accounts	11.1	668,834,056	388,699,829
Current accounts		557,576,799	262,727,220
		1,226,410,855	651,427,049
Term deposit receipts	11.1	2,963,819,809	5,875,418,649
		<u>4,190,231,883</u>	<u>6,526,848,518</u>

**11.1** Balance in deposit accounts and term deposit receipts carry markup ranging from 3.50 % to 9.80% per annum (2014: 7.00% to 10.00% per annum).

## **12. SHARE CAPITAL**

### **Authorised capital**

5,000,000,000 (2014: 5,000,000,000) ordinary shares of Rs. 10/- each	<u>50,000,000,000</u>	<u>50,000,000,000</u>
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***Issued, subscribed and paid-up capital***

1,000 (2014: 1,000) ordinary shares of Rs. 10/- each fully paid in cash to Government of Pakistan and its nominee directors	10,000	10,000
1,082,362,604 (2014: 1,082,362,604) ordinary shares of Rs.10/- each issued as fully paid up for consideration other than in cash to Water and Power Development Authority	<u>10,823,626,048</u>	<u>10,823,626,048</u>
12.1	<u>10,823,636,048</u>	<u>10,823,636,048</u>

**12.1** On August 14, 2009, the Government of Pakistan (GoP) launched “Benazir Employee Stock Option Scheme” (the Scheme) for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises (Non-SOEs) where GoP holds significant investments. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The scheme provides for cash payments to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investments in such SOEs and Non SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service. On retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust

Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP. The Scheme developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises needs to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2; Share Based Payments. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption through S.R.O. 587(I)/2011 dated June 07, 2011 to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the salaries, wages & other benefits cost and accumulated losses of the Company would have not been significantly impacted as the carrying value of the net assets of the Company has been negative in prior years.

**12.2** This represents credit received by the Company in financial year 2014 from Central Power Purchase Authority (CPPA) in pursuance of letter No. F.1(5) CF-1/2012-13/1017 dated July 02, 2013 from Ministry of Finance as GoP investment against circular debt of Rs. 341 billion. Hence this has been treated as GoP equity investment in the Company.

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>13. DEFERRED CREDIT</b>		
<i>Cost</i>		
Balance at beginning of the year	51,767,405,336	47,693,222,286
Addition during the year	4,838,638,441	4,074,183,050
Balance at end of the year	56,606,043,777	51,767,405,336
<i>Amortization</i>		
Balance at beginning of the year	(13,371,193,036)	(11,635,854,612)
For the year	(1,879,798,099)	(1,735,338,424)
Balance at end of the year	41,355,052,642	(13,371,193,036)

**13.1** This represents the capital contributions received from consumers and the Government against which assets are constructed by the Company.

	<i>Note</i>	<i>2015 Rupees</i>	<i>2014 Rupees</i>
<b>14. LONG TERM LOANS</b>			
International Bank for Reconstruction and Development	14.1	3,849,036,226	3,849,137,744
Asian Development Bank			
<i>Tranche - I</i>	14.2	1,354,866,393	1,354,866,393
<i>Tranche - II</i>	14.3	2,047,979,201	1,418,640,991
<i>Tranche - III</i>	14.4	822,976,035	-
		4,225,821,629	2,773,507,384
Loan from Government	14.5	797,050,000	797,050,000
Interest free loans	14.6, 14.7 & 14.8	151,000,000	150,000,000
		948,050,000	947,050,000
		9,022,907,855	7,569,695,128
Less: Amount due within one year		(2,001,115,400)	(1,329,319,514)
		7,021,792,455	6,240,375,614

**14.1** This represents re-lent portion of loan obtained by the Government of Pakistan (GoP) from International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission improvement project which is secured against the guarantee by GoP, pursuant to the re-lent agreement dated 1st October 2008 between GoP and the Company. No disbursement during the year has been made (2014: Rs. 608.796 million) against a sanctioned amount of Rs. 4,952.14 million. This facility carries interest at the rate of 17% per annum which comprises of re-lending interest of 11% per annum and exchange risk cover of 6% per annum payable on half yearly basis. Principal amount is to be repaid on half yearly basis with final installment due on 15th September 2023. The overdue amount of principal and markup aggregate to Rs. 963.68 million (2014: Rs. 613.15 million) and Rs. 1,902.63 million (2014: Rs. 1,153.12 million) respectively.

**14.2** This represents re-lent portion of loan obtained by Government of Pakistan (GoP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk

cover fee of 6% per annum which shall be charged both on principal amount and interest amount separately. Repayment should be made within maximum period of 15 years. The overdue amount of principal and markup aggregate to Rs. 264.27 million (2014: Rs. 128.26 million) and Rs. 443.46 million (2014: Rs. 223.49 million) respectively.

**14.3** This represents re-lent portion of loan obtained by Government of Pakistan (GoP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rs. 629.33 million ( 2014: Rs. 304 million ) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment is to be made within maximum period of 17 years. The overdue amount of principal and markup aggregate to Rs. 148.58 million (2014: Rs. 40.36 million) and Rs. 544.65 million (2014: Rs. 245.42 million) respectively.

**14.4** This represents re-lent portion of loan obtained by Government of Pakistan (GoP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rs. 882.97 million (2014: Rs. nil) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment is to be made within maximum period of 25 years including a grace period of 5 years.

**14.5** This represents a loan obtained from the Government of Pakistan (GoP) under "Prime Minister's Southern Punjab Development Package" for construction of new grid stations and laying transmission lines. The limit of the loan facility is Rs. 1,228 million. As per letters of the Finance Division of GoP for loan disbursements, the interest will be chargeable at a prevailing rate for respective year, which has been assessed at 17% per annum by the Company. The principal is repayable in 20 years. The overdue amount of principal and markup aggregate to Rs. 53.14 million (2014: Rs. nil) and Rs. 555.60 million (2014: Rs. 420.46 million) respectively.

**14.6** The Company received Rs. 100 million interest free loan from Rahim Yar Khan Mills Limited

(RYKML) under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation (Bagasse-Biomass) 2013. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which was September 30, 2014.

**14.7** This includes Rs. 31 million (2014: Rs. 50 million) interest free loan from JDW Sugar Mills Limited (JDWSML) under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation (Bagasse-Biomass) 2013. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which was January 11, 2014.

**14.8** The Company received Rs. 20 million interest free loan from Hamza Sugar Mills R.Y. Khan under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation (Bagasse-Biomass) 2014. The loan is repayable in 36 equal monthly installments commencing after 36 months of commercial operation date of the project which is expected to be December 2015.

## 15.8 Risks associated with defined benefit plans

### **Investment risks:**

The risk arises when actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

### **Longevity risks:**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### **Salary increase risk:**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

### **Withdrawal risk:**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 15.9 Sensitivity analysis

	<b>Impact on employees' retirement benefits obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	% age	Amount in rupees	
<b>Pension scheme</b>			
Discount rate	1	(1,621,698,581)	810,849,290
Salary growth rate	1	1,362,127,924	(1,260,771,763)
<b>Free electricity benefits scheme</b>			
Discount rate	1	(169,519,547)	198,503,766
Electricity Inflation Rate	1	201,554,737	(173,905,317)
<b>Free medical benefits scheme</b>			
Discount rate	1	(115,241,499)	44,062,926
Medical Inflation Rate	1	85,866,215	(85,866,215)
<b>Compensated absences scheme</b>			



Discount rate	1	(96,176,808)	109,393,439
Salary Increase Rate	1	118,184,049	(105,364,373)

**16. CONSUMERS' SECURITY DEPOSITS**

This represents security deposits received from consumers on account of electricity connections. These are refundable / adjustable on disconnection of electricity supply.

<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
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**17. RECEIPTS AGAINST DEPOSIT WORKS**

Consumers demand notices awaiting connections	17.1	860,511,461	1,058,279,300
Funds received against deposit works	17.2	13,062,641,057	12,281,822,517
		13,923,152,518	13,340,101,817

**17.1** This represents the amount received from consumers through demand notices against which the related works/jobs have not so far been completed.

**17.2** This represents the amount received directly by the Company for electrification of villages, colonies and other deposit works, mainly provided through Government fundings against which the related works/jobs have not so far been completed.

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>18. TRADE AND OTHER PAYABLES</b>			
Creditors		1,772,747,749	697,092,458
Due to associated undertakings	18.1	5,845,665,145	18,202,603,489
Equalization surcharge payable		2,196,107,957	2,187,897,957
Workers' profit participation fund payable		1,692,118,856	1,176,471,462
Accrued liabilities		571,803,078	666,525,119
Retention money payable		265,389,855	154,669,797
Electricity duty payable		196,198,254	1,569,248,805
Neelum Jehlum surcharge payable		280,149,609	97,538,718
T.V. license fees payable		95,510,659	81,044,890
Financing cost surcharge		751,802,093	-
Tariff rationalization surcharge		737,739,010	-
Withholding income tax payable		-	7,081,329
Payable to Federal Government	18.2	-	26,874,093,257
Compact Fluorescent Lamps cost payable	18.3	807,373,696	807,373,696
Other liabilities		684,916,770	576,730,477
		<u>15,897,522,731</u>	<u>53,098,371,454</u>

**18.1 Due to associated undertakings**

Central Power Purchasing Agency	5,814,361,432	18,110,012,342
Hyderabad Electric Supply Company Limited	-	697,504
Gujranwala Electric Power Company Limited	8,414,168	987,598
Sukkur Electric Power Company Limited	5,858,106	3,811,120
National Transmission and Despatch Company Limited	17,031,439	87,094,925
	<u>5,845,665,145</u>	<u>18,202,603,489</u>

**18.2** This represents a credit received by the Company from Central Power Purchase Authority (CPPA) in pursuance of notification from Ministry of Finance to settle power sector circular debt. During the current year, the Company has received instruction from PEPCO through letter no. GMF/PEPCO /1587-90 dated December 08, 2014 for the non-cash adjustment of this amount to be treated as adjusted against Tariff Differential Subsidy (TDS). Accordingly, the management has adjusted the said amount against TDS.

**18.3** During financial year 2013-14 the Company had received Compact Fluorescent Lamps (CFLs) from the Pakistan Electric Power Company (PEPCO) under the Clean Development Mechanism Program (CDM) of activities - ‘‘National CFL Project- Pakistan’’. CFLs cost will have to be borne by the Company from its distribution margin hence recorded as payable.

		<b>2015</b>	<b>2014</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>19. ACCRUED MARKUP</b>			
Re-lent foreign loans		3,846,095,009	2,283,676,904
Loans from Government		135,498,500	420,457,552
		<u>3,981,593,509</u>	<u>2,704,134,456</u>
<b>20. CURRENT PORTION OF LONG TERM LOANS</b>			
Current portion of long term loans	14	2,001,115,400	1,329,319,514
		<u>2,001,115,400</u>	<u>1,329,319,514</u>
<b>21. CONTINGENCIES AND COMMITMENTS</b>			

**21.1 Contingencies**

**21.1.1** Claims against the Company not acknowledged as debt amount to Rs. 162 million (2014: Rs. 41 million).

**21.1.2** During financial year 2012, 2013 and 2014 the Central Power Purchasing Agency (CPPA) entered into a Multi-Partite Agreement for financing of Rs. 270 billion under an agreement executed between Power Holding (Pvt.) Limited “PHPL” and syndicate banks for the purpose of funding the repayment of liabilities of DISCOs against cost of electricity purchased.

During the year, further financing has been arranged for the amounts of Rs. 25 billion and 40 billion executed between commercial banks and Government of Pakistan for circular debt payment during the year. This amount was ultimately transferred to DISCOs on the energy drawl basis against outstanding payables towards CPPA.

The syndicate financing was arranged by PHPL and GOP in order to reduce a portion of “Circular Debt” on mark-up basis. Accordingly the Company has received credit notes aggregating to Rs. 51,711 million from the CPPA to recognize this amount as a loan from the payable balance to CPPA.

This matter is still under consideration by the Company and other stakeholders for settlement of terms and condition in respect of such financing arrangements and various options are being deliberated; hence, the Company has not yet recognized the impact of said credit note/arrangements in its books of accounts.

The Company has also received debit advices from CPPA in respect of the mark-up and arrangement fee on these loans in current and prior years aggregating to Rs. 9,747 million (2014: Rs. 6,095 million) which has not been recognized by the Company.

**21.1.3** The Company has received following debit notes aggregating to Rs. 11,451 million on account of supplementary charges being reallocation of mark-up charged as delayed payments to Central Power Purchasing Agency (CPPA) by power producers:

- Invoice dated April 5, 2011 pertaining to the period from October 2009 to June 2010 amounting to Rs. 968.236 million.

- Invoice dated January 19, 2012 pertaining to the years 2010-2011 amounting to Rs. 3,565.100 million.

- Invoice dated September 17, 2012 pertaining to the years 2011-2012 amounting to Rs. 2,843.698 million.

- Invoice dated January 31, 2014 pertaining to the years 2012-2013 amounting to Rs. 2,222.969 million.

- Invoice dated October 10, 2014 pertaining to the years 2013-2014 amounting to Rs. 1,850.710 million.

No provision for the above invoices has been made in these financial statements as the management is of the view that the said supplement charges have not yet been allowed by NEPRA as expense in the tariff determination.

**21.1.4.** The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the workers within nine months of the close of relevant financial year. Due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, no provision for interest according to the said Act amounting to Rs. 367.49 million (2014: Rs. 119.69 million) on delayed payment has been made in these financial statements expected to be charge to the Company.

#### **21.1.5. Taxation**

- Additional Commissioner Inland Revenue (ACIR) has amended the income tax assessment of the company for tax year 2010 and 2013 under section 122 (5A) of the Income Tax Ordinance, 2001 and charged minimum tax of Rs 5.63 million and Rs. 109.82 million, respectively under section 113 despite the fact the Company incurred gross (loss) during these tax years. The company filed an appeal before the Commissioner Inland Revenue (Appeals) against the order. The appeal is pending adjudication and the company is confident for a favorable outcome.
- Inland Revenue Audit Officer (IRAO) issued an order on April 28, 2014 under section 161/205 of the Income Tax Ordinance creating a demand aggregating to Rs 307 million for tax year 2013 on grounds that the company has made a tax deduction under section 235 of the Income Tax Ordinance 2001, on sales of electricity without including sales tax. The company filed an appeal on May 05, 2014 before Commissioner Inland Revenue (Appeals) against the order. The company also filed petition with Honorable Lahore High Court Multan bench who through its order dated May 29, 2014 directed the department not to adopt any coercive mode till date of the next hearing. The appeal and the suit is pending adjudications and based upon opinion of legal council the Company is confident for a favorable outcome.
- Inland Revenue Audit Officer (IRAO) passed an Order dated June 24, 2015 under section 124/162 (1) of Income Tax Ordinance, 2001 creating a demand of Rs. 52.91 million for Tax Year 2010, 2011 &

2012 on grounds that the Company has treated the service fee on PTV license fee collection as commission. The Company has filed an appeal before the Learned CIR (A). The appeal is pending adjudication and the Company is confident for a favorable outcome.

- Inland Revenue Audit Officer (IRAO) issued the order No. 42/50 on May 09, 2015 under section 205 of the Income Tax Ordinance, 2001 creating a demand of Rs 80.8 million for tax year 2012 to 2014 on the grounds that the company has made the default to deposit tax collected under section 235 within the time prescribed by law. The company filed an appeal before Commissioner Inland Revenue (Appeals) against the order. The suit is pending adjudication and the company is confident for a favorable outcome.
  
- The Deputy Commissioner Inland Revenue (DCIR) passed an Order under sections 3 (1A) and 3 (5) of the Sales Tax Act, 1990 (the Act) creating a demand amounting to Rs. 36.82 million and Rs. 23.52 million in respect of "further tax" and "extra tax" respectively on grounds that the Company has made short payments as required by law. The Company has filed an appeal before the CIR (A) against the order of DCIR who in his order declared the appeal filed as time barred. The matter is pending for adjudication before Appellate Tribunal Inland Revenue (ATIR). Based upon the opinion of legal council, the Company is confident for a favorable outcome.
  
- Deputy Commissioner Inland Revenue (DCIR) through its order dated November 19, 2012 required the Company to deposit Rs. 4,363.05 million being levy of Sales Tax on subsidy. Decision of DCIR was upheld at Commissioner Income Tax (Appeals). The Company filed appeal in Appellate Tribunal Inland Revenue (ATIR) against the order of DCIR. The company also filed an appeal against the said order at Lahore High Court who through its order directed the department not to adopt any coercive mode of recovery till the bench decide the case. Based upon the opinion of legal council, the Company is confident for a favorable outcome.

## **21.2 Commitments in respect of:**

- Letters of credit for capital expenditure and other than capital expenditure amount to Rs. 3,904.83 million (2014: Rs. 1,605.73 million)

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>22. ELECTRICITY SALES - NET</b>			
Sale of electricity		128,776,984,816	132,234,345,426
Less: Sales tax		<u>(17,311,761,764)</u>	<u>(16,699,423,070)</u>
		111,465,223,052	115,534,922,356
Tariff subsidy	22.1	<u>45,293,822,680</u>	<u>53,598,780,666</u>
		<u><u>156,759,045,732</u></u>	<u><u>169,133,703,022</u></u>

**22.1** This represents the tariff subsidy claimed from the Government of Pakistan as the difference between the National Electric Power Regulatory Authority (NEPRA) tariff determinations and notifications from time to time and the rates charged to the consumers in accordance with the tariff notified by the Government of Pakistan.

### **23. COST OF ELECTRICITY**

Electricity purchases during the year have been incorporated according to invoices issued by National Transmission and Despatch Company (NTDC) and adjusted in accordance with monthly fuel price adjustment determined and notified by National Electric Power Regulatory Authority (NEPRA).

	<i>Note</i>	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>24. OPERATING EXPENSES EXCLUDING DEPRECIATION</b>			
Salaries, wages and other benefits		12,245,492,754	8,667,750,544
Directors' meeting fees		3,120,000	3,078,860
Repair and maintenance		1,824,782,758	985,964,868
Workers' profit participation fund		515,647,394	552,061,996
Travelling and conveyance		649,233,281	616,791,716
Electricity bills collection charges		239,158,899	311,057,984
Transportation		335,745,391	346,405,893
Advertising and publicity		36,165,103	12,613,805
Office supplies and other expenses		149,022,149	107,152,648
Professional fees	24.1	35,629,613	29,330,156
Power, light and water		64,943,818	54,346,159
Computer and out side services		82,290,654	45,967,351
Telephone and postage		35,668,076	35,518,949
Management fees		30,572,655	25,214,205
Rent, rates and taxes		17,638,102	15,980,843
Insurance		26,199,053	16,975,266
Provision against debts considered doubtful		-	1,773,286,235
Provision for obsolete items		17,918,480	-
Compact Fluorescent Lamps consumed	24.2	27,705,359	798,311,133
Other charges		241,364,429	242,948,145
		16,578,297,968	14,640,756,756
Charged to capital work in progress		(346,112,946)	(412,307,918)
		<u>16,232,185,022</u>	<u>14,228,448,838</u>

**24.1 Professional fees include the following in respect of auditors' remuneration:**

Statutory audit	825,000	750,000
Out of pocket expenses	250,000	250,000
	<u>1,075,000</u>	<u>1,000,000</u>

**24.2** It represents cost of Compact Fluorescent Lamps (CFL) distributed to consumers for conservation of



energy.

	<i>Note</i>	<i>2015 Rupees</i>	<i>2014 Rupees</i>
<b>25. OTHER INCOME</b>			
Income from financial assets	25.1	286,904,441	330,058,697
Income from non-financial assets	25.2	1,822,090,665	2,742,739,538
		<u>2,108,995,106</u>	<u>3,072,798,235</u>
<b>25.1 Income from financial assets</b>			
Profit on bank deposits		286,904,441	325,551,829
Provision for doubtful debts reversed during the year		-	4,506,868
		<u>286,904,441</u>	<u>330,058,697</u>

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>25.2 Income from non-financial assets</b>		
Surcharge on late payments	1,335,169,460	2,295,689,905
T.V. license fee services	132,215,150	150,150,790
Meter/service rent	52,330,300	56,937,469
Miscellaneous service charges	55,570,363	45,644,595
Reconnection fees	28,415,035	37,088,455
Sale of scrap	5,581,131	7,491,329
Income from lease of other physical properties	-	52,904
Miscellaneous	212,809,226	149,684,091
	<u>1,822,090,665</u>	<u>2,742,739,538</u>

**26. FINANCIAL CHARGES**

Mark up on long term loans	782,364,417	636,181,857
Bank charges	8,514,774	7,155,268
	<u>790,879,191</u>	<u>643,337,125</u>

**27. TAXATION**

**27.1 Current taxation**

In view of the available tax losses and provisions of section 113, clause 102 (A) of second schedule of the Income Tax Ordinance, 2001, no provision for taxation has been made during the year.

**27.2 Deferred taxation**

***Deferred tax credits:***

Accelerated tax depreciation	13,836,775,201	14,200,113,465
	<u>13,836,775,201</u>	<u>14,200,113,465</u>

***Deferred tax assets:***

Provision for doubtful debtors	2,259,963,362	2,268,360,593
Provision for slow moving stores and spares	25,933,412	20,020,314

Employees' retirement benefits	9,860,646,004	7,953,145,177
Unused tax losses	1,690,232,423	3,958,587,381
	<u>13,836,775,201</u>	<u>14,200,113,465</u>
	<u>-</u>	<u>-</u>

In accordance with the accounting policy of the Company (note 4.3), deferred tax asset of Rs. 72,845 million (2014: Rs. 63,917 million) has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits.

## 28. **RELATED PARTY TRANSACTIONS**

The related parties comprise associated undertakings. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables respectively. Significant transactions with related parties are as follows:

<i>Transactions with associated undertakings</i>	<b>2015</b> <b>Rupees</b>	<b>2014</b> <b>Rupees</b>
Purchase of electricity	130,803,662,305	146,298,369,988
Purchase of assets	-	101,012,511
Free electricity provided to employees of associated undertakings	129,186,993	186,567,112
Free electricity received by employees of the Company	368,924,884	349,402,030
Electricity bills of the Company received by associated undertakings	730,238	358,776
Electricity bills of associated undertakings received by the Company	1,243,977	25,487,689
Medical facilities provided to employees of associated undertakings	-	35,276
Medical facilities received by employees of the Company	-	35,276
Pension paid to employees of associated undertakings	638,866,843	490,523,020
Pension received by employees of the Company	91,343,235	87,438,828

## 29. **CHIEF EXECUTIVE REMUNERATION**

The aggregate amount charged in the financial statements for the year in respect of remuneration including certain benefits to the Chief Executive of the Company is as follows:

	<b>2015</b> <b>Rupees</b>	<b>2014</b> <b>Rupees</b>
Managerial remuneration	2,865,950	1,975,539

In addition, the Company has also provided free residential telephone, electricity up to 1,100 units per month, free hospitalization, free use of the Company's maintained vehicle as per WAPDA / PEPCO rules.

The aggregate amount charged in financial statements for the year against meeting fees of Board meeting was Rs. 3.12 million (2014: Rs. 3.08 million).

### **30. NUMBER OF EMPLOYEES**

The total average number of employees during year ended June 30, 2015 and 2014 are as follows:

	Number of Employees	
Average number of employees	16,653	17,171
Total number of employees	16,480	16,939

### **31. FINANCIAL RISK MANAGEMENT**

**31.1** The Company's principal financial liabilities comprise long term financing, liabilities against assets subject to finance lease, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and short term deposits that arise directly from its operations.

The Company's activities expose to variety of financial risks: market risk, credit risk and liquidity risk.

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

	<i>Note</i>	<i>2015 Rupees</i>	<i>2014 Rupees</i>
<b>15. EMPLOYEES' RETIREMENT BENEFITS</b>			
Reconciliation of payable / receivable to Defined Benefit Plan			
Present value of defined benefit obligation		29,993,452,685	24,205,056,044
Fair value of defined benefit plan asset		(112,707,217)	(104,616,113)
Net defined benefit liability		<u>29,880,745,468</u>	<u>24,100,439,931</u>
<b>Movement in net liability</b>			
<i>Pension</i>			
Opening balance		19,811,698,219	16,520,343,221
Charge for the year	15.1	3,073,907,702	2,320,960,432
Charge for the year in respect of Ex-WAPDA employees	15.5	2,023,646,884	-
Re-measurement changes charged to Other Comprehensive Income		1,148,182,436	1,971,882,592
Contributions made		-	(100,000,000)
Payments made during the year		(1,449,127,508)	(901,488,026)
		24,608,307,733	19,811,698,219
<i>Free electricity benefits</i>			
Opening balance		1,606,475,611	1,654,290,364
Charge for the year	15.2	267,166,845	274,749,016
Charge for the year in respect of Ex-WAPDA employees	15.5	179,706,704	-
Re-measurement changes charged to other comprehensive income		(85,664,673)	(281,334,056)
Payments made during the year		(60,827,942)	(41,229,713)
		1,906,856,545	1,606,475,611
<i>Free medical benefits</i>			
Opening balance		1,410,759,220	1,193,381,670
Charge for the year	15.3	234,806,958	182,681,469
Charge for the year in respect of Ex-WAPDA employees	15.5	186,953,713	-
Re-measurement changes charged to other comprehensive income		58,179,514	44,183,755
Payments made during the year		(7,668,381)	(9,487,674)
		1,883,031,024	1,410,759,220
<i>Compensated absences</i>			
Opening balance		1,271,506,881	1,014,224,643
Charge for the year	15.4	238,574,938	314,135,650
Re-measurement changes charged to other comprehensive income		39,383,961	-
Payments made during the year		(66,915,614)	(56,853,412)
		1,482,550,166	1,271,506,881
		<u>29,880,745,468</u>	<u>24,100,439,931</u>
<b>Movement in fair value of defined benefit plan asset</b>			
<i>Pension</i>			
Fair value of defined benefit plan asset at the beginning of the year		104,616,113	-
Contribution made during the year		-	100,000,000
Expected return on defined benefit plan asset		14,123,175	9,495,362
Re-measurement changes charged to other comprehensive income		(6,032,071)	(4,879,249)
Fair value of defined benefit plan asset at the end of the year		<u>112,707,217</u>	<u>104,616,113</u>

	<i>2015</i> <i>Rupees</i>	<i>2014</i> <i>Rupees</i>
<b>15.1 Pension - Provision for the year</b>		
Current service cost	399,328,442	430,616,324
Net interest cost	2,674,579,260	1,890,344,108
	<u>3,073,907,702</u>	<u>2,320,960,432</u>
<b>15.2 Free electricity benefits - Provision for the year</b>		
Current service cost	50,292,637	84,505,624
Net interest cost	216,874,208	190,243,392
	<u>267,166,845</u>	<u>274,749,016</u>
<b>15.3 Free medical benefits - Provision for the year</b>		
Current service cost	44,354,463	45,442,577
Net interest cost	190,452,495	137,238,892
	<u>234,806,958</u>	<u>182,681,469</u>
<b>15.4 Compensated absences - Provision for the year</b>		
Current service cost	71,438,313	69,204,673
Net interest cost	167,136,625	116,635,834
Actuarial loss recognized	-	128,295,143
	<u>238,574,938</u>	<u>314,135,650</u>

**15.5** The Company has recorded the liability against pension, free electricity benefits and free medical benefits for the WAPDA employees who retired before 1998 (ex-WAPDA employees) as mentioned in tariff determination by NEPRA for financial year 2014-15 communicated through letter no. NEPRA/TRF-283/MEPCO-2014/4264-4266 dated March 27, 2015. It has been decided in the above mentioned tariff that all cost of the ex-WAPDA employees up to 30th June, 2014, would be borne by WAPDA. However, employees' benefits cost after 30th June, 2014 would be borne by the distribution companies.

15.6 Reconciliation of gross obligation and recognized liability is given below:

	<i>Pension</i>	<i>Free electricity benefits</i>	<i>Free medical benefits</i>	<i>Compensated absences</i>
	----- Rupees -----			
<b>June 30, 2015</b>				
Present value of defined benefit obligation	24,721,014,950	1,906,856,545	1,883,031,024	1,482,550,166
Fair value of defined benefit plan assets	(112,707,217)	-	-	-
Net defined benefit liability	<u>24,608,307,733</u>	<u>1,906,856,545</u>	<u>1,883,031,024</u>	<u>1,482,550,166</u>
<b>June 30, 2014</b>				
Present value of defined benefit obligation	19,916,314,332	1,606,475,611	1,410,759,220	1,271,506,881
Fair value of defined benefit plan assets	(104,616,113)	-	-	-
Net defined benefit liability	<u>19,811,698,219</u>	<u>1,606,475,611</u>	<u>1,410,759,220</u>	<u>1,271,506,881</u>

15.7 The Company has adopted the funded employee pension scheme, post retirement unfunded free electricity benefits scheme and post retirement unfunded medical benefits scheme. Projected Unit Credit Method is adopted for the valuation of these schemes on the basis of actuarial valuation carried out as on June 30, 2015. Following significant assumptions were used by the actuary:

	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>
Discount rate	10.50	13.50
Expected future increase in salary	8.00	11.00
<b>Expected future increase in benefits:</b>		
- Pension	3.00	6.00
- Free electricity	8.00	11.00
- Medical	10.50	9.00
<b>Expected remaining service of current employees:</b>		
	<b>Years</b>	<b>Years</b>
- Pension	6	6
- Free electricity	6	6
- Medical	6	6

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 system are reviewed regularly to react to changes in market conditions and the Company's activities.

### **31.2 Credit risk and concentration of credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to / due from related parties out of the total financial assets of Rs. 70,365 million (2014: Rs. 92,401 million), financial assets which are subject to credit risk amount to Rs. 33,412 million (2014: Rs. 30,640 million).

Concentration of credit risk arises when a number of counter parties are engaged in a similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term loans to employees	57,330,484	50,888,465
Long term deposits	49,185	49,185
Trade debts	16,272,978,691	20,232,398,546
Loans, advances, deposits, prepayments and other receivables	12,891,547,653	3,829,756,220
Bank balances	4,190,230,664	6,526,845,698
	<u>33,412,136,677</u>	<u>30,639,938,114</u>

#### **31.2.1 Credit risk related to receivables**

There is no considerable concentration of credit risk as the consumers of the Company are of diversified nature, which include domestic, commercial, agriculture, industrial and bulk rate consumers. The Company believes that it is not exposed to significant credit risks except to the extent of receivables from its defaulted consumers. The Company controls its credit risk by continuous monitoring of its receivables and disconnecting defaulting consumers.

#### **31.2.2 Credit risk related to financial instruments and cash deposits**

Credit risk on balances with banks is managed by management in accordance with the Company's policy. Excess funds are placed in deposits with reputable banks and financial institutions.

### **31.3 Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose financial support is available to the Company from Federal Government. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.



### 31.4 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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. The Company believes that it is not exposed to any significant market risk.

#### 31.4.1 Interest rate risk management

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The Company believes that it is not exposed to any significant interest rate risk. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

#### 31.4.2 Interest rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for previous year.

<u>Variable rate financial liability</u>	<u>Profit and loss 100 bps</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>Rupees</u>	
As at June 30, 2015	90,229,079	(90,229,079)
As at June 30, 2014	75,696,951	(75,696,951)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

#### 31.4.3 The analysis of interest rate / mark up rate risk is as under:

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Effective rate</u>		<u>Carrying amount</u>	
	<u>(in Percentages)</u>		<u>Rupees</u>	
<b>Financial Assets</b>				
<u>Variable rate instruments:</u>				
Deposit accounts	3.5 to 9.8	7 to 10	3,632,653,865	6,264,118,478
<b>Financial Liabilities</b>				
<u>Fixed rate instruments:</u>				
Long term loans	15 to 17	15 to 17	(9,022,907,855)	(7,569,695,128)

#### Cash flow sensitivity analysis for the 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.

#### **31.4.4 Fair value of financial instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **31.4.5 Financial Instruments by Category**

<i>Assets as per balance sheet</i>	<b>2015</b> <b>Rupees</b>	<b>2014</b> <b>Rupees</b>
<b><i>Loans and receivables</i></b>		
Deposits	49,185	49,185
Loans to employees	57,330,484	50,888,465
Trade debts	16,272,978,691	20,232,398,546
Loans, advances, deposits, prepayments and other receivables	49,844,816,839	71,171,002,533
Cash and bank balances	4,190,231,883	6,526,848,518
<b><i>Liabilities as per balance sheet</i></b>		
<b><i>Financial liabilities measured at amortized cost</i></b>		
Long term loans	9,022,907,855	7,569,695,128
Consumers' security deposits	5,930,141,749	5,262,149,439
Trade and other payables	15,897,522,731	53,098,371,454
Accrued markup	3,981,593,509	2,704,134,456

#### **31.4.6 Fair Value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial assets measured at above mentioned levels.

#### **31.4.7 Currency risk**

Foreign currency risk is the risk that the value of a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly when payables exist due to transactions entered into foreign currencies.

#### **31.4.8 Exposure to currency risk**

The Company is not exposed to any currency risk at the reporting date.

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern. The Company is not exposed to any external capital requirement. As public interest entity financial support is available to the company from Federal Government and WAPDA in the form of

financial support is available to the company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

### **32. RECLASSIFICATION**

**32.1** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

<i>Re-classified from</i>	<i>Re-classified to</i>	<i>Rupees</i>
<i>Trade and other payables</i> - Other liabilities	<i>Receipts against deposit works</i> - Funds received against deposit works	84,317,520
<i>Trade debts</i> - Considered good	<i>Loans, advances, deposits, prepayments and other receivables</i> - Agriculture subsidy receive- able from Punjab Government	5,580,323,400

### **33. AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements were approved and authorized by the Board of Directors for issue on \_\_\_\_\_.

### **34. FIGURES**

Figures have been rounded off to the nearest Rupee.

*Chief Executive Officer*

*Director*









The following are the remaining contractual maturities of financial liabilities:

<b>2015</b>						
<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Maturities</i>				
		<i>Less than six months</i>	<i>Up to one year</i>	<i>One to three years</i>	<i>After three years</i>	
----- <i>Rupees</i> -----						
<b><i>Financial Liabilities</i></b>						
Long term loans	9,022,907,855	22,332,264,514	1,662,257,820	285,720,913	1,142,883,653	19,241,402,128
Consumers' security deposits	5,930,141,749	5,930,141,749	-	-	-	5,930,141,749
Trade and other payables	15,897,522,731	15,897,522,731	15,897,522,731	-	-	-
Accrued markup	3,981,593,509	3,981,593,509	3,981,593,509	-	-	-
<b><i>June 30, 2015</i></b>	<b>34,832,165,844</b>	<b>48,141,522,503</b>	<b>21,541,374,060</b>	<b>285,720,913</b>	<b>1,142,883,653</b>	<b>25,171,543,877</b>
<b>2014</b>						
<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Maturities</i>				
		<i>Less than six months</i>	<i>Up to one year</i>	<i>One to three years</i>	<i>After three years</i>	
----- <i>Rupees</i> -----						
<b><i>Financial Liabilities</i></b>						
Long term loans	7,569,695,128	17,450,218,427	1,018,539,550	265,067,281	1,125,574,682	15,041,036,914
Consumers' security deposits	5,262,149,439	5,262,149,439	-	-	-	5,262,149,439
Trade and other payables	53,098,371,454	53,098,371,454	53,098,371,454	-	-	-
Accrued markup	2,704,134,456	2,704,134,456	2,704,134,456	-	-	-
<b><i>June 30, 2014</i></b>	<b>68,634,350,477</b>	<b>78,514,873,776</b>	<b>56,821,045,460</b>	<b>265,067,281</b>	<b>1,125,574,682</b>	<b>20,303,186,353</b>



5111	CASH IN HAND	1,219	1,219	-	150101 WAPDA	18,892,484,448	18,892,484,448	-	
5112	CASH WITH BANKS - DEPOSITS ACCOUNTS	668,834,056	668,834,056	-	150102 GENCO -1(Jamshoro, Kotri, Lakhra)	1,026,420	1,026,420	-	858,614
5113	CASH WITH BANKS - CURRENT ACCOUNTS	557,576,799	557,576,799	-	150103 GENCO-2 (Guddu, Sukkar, Quetta)	28,482,257	28,482,257	-	77,665,281
5814	TERM DEPOSIT RECEIPTS	2,963,819,809	2,963,819,809	-	150104 GENCO -3 (M.Garh, F.Abad, MTN, S.Dara, MESCO)	546,655,413	546,655,413	-	546,613,680
5211	DUTIES / CHARGES AND TAXES RECEIVABLES	-	-	-	150105 National Trans. and Despatch Co. (NTDC)	690,451,748	690,451,748	-	256,989
5212	GENERAL SALES TAX NOT YET REALIZED	-	-	-	150106 LESCO	575,984,931	575,984,931	-	437,162,443
5212.A	GST RECEIVABLE FROM CONSUMERS	4,532,692,841	4,532,692,841	-	150107 FESCO	209,394,669	209,394,669	-	39,354,238
5212.B	Agriculture subsidy receivable from Punjab Government	5,124,024,327	5,124,024,327	-	150109 QESCO	21,778,510	21,778,510	-	25,406,563
5213	PROFIT RECIEVABLE ON BANK DEPOSITS	12,192,621	12,192,621	-	150111 IESCO	88,080,784	88,080,784	-	72,232,451
5214	ADVANCES TO EMPLOYEES	60,724,934	60,724,934	-	150112 PESCO	5,969,360,225	5,969,360,225	-	458,196,326
5215	CURRENT PORTION OF LONG TERM ADVANCES	13,538,784	13,538,784	-	150114 Free Supply	-	-	-	217,431,502
5216	ADVANCES TO SUPPLIERS - CONSIDERED GOOD	339,046,260	339,046,260	-	150115 Free Supply - HOP (150114A)	78,293,241	78,293,241	-	711,515,202
5217	DUE FROM ASSOCIATED UNDERTAKINGS	2,569,661,850	2,569,661,850	-	150116 Free Supply- HOC (150114B)	31,669,491	31,669,491	-	-
5218	RECEIVABLE FROM FEDERAL GOVERNMENT	15,278,556,754	15,278,556,754	-	150117 Free Supply- HOW (150114C)	28,160,593	28,160,593	-	(17,031,439)
5219	OTHERS	170,958,329	170,958,329	-	150118 WWF Widow (150115)	217,431,502	217,431,502	-	-
5812	Tariff subsidy Receivable from Government	21,633,093,795	21,633,093,795	-	150120 Other HOP (150116A)	50,198,391,237	50,198,391,237	-	-
	RECEIVABLE COST OF DAMAGED ITEMS DURINNG								
5813	GUARENTEE/WARRANTY PERIOD	40,162,068	40,162,068	-	150121 Other HOC (150116B)	46,610,383	46,610,383	-	-
5250	SHORT TERM INVESTMENT	-	-	-	150122 Other HOW (150116C)	1,404,590,517	1,404,590,517	-	560,957,347
5311	TRADE DEBTS - CONSIDERED GOOD	23,121,352,516	23,121,352,516	-	150123 Adjuster (150117)	-	-	-	-
5312	TRADE DEBTS - CONSIDERED DOUBTFUL	-	-	-	150126 GENCO-4 Lakhra	441,999	441,999	-	-
5313	PROVISION AGAINST DOUBTFUL DEBTS	(6,848,373,825)	(6,848,373,825)	-	150127 Pension Receivable from HOP	830,531,834	830,531,834	-	-
5411	STORES	3,926,749,043	3,926,749,043	-	150128 Pension Receivable from HOC	9,315,941	9,315,941	-	-
5412	SPARE PARTS	74,959,793	74,959,793	-	150129 Pension Receivable from HOW	33,053,767	33,053,767	-	-
5413	PROVISION FOR OBSOLETE ITEMS AND STOCK LOSSES	(78,586,098)	(78,586,098)	-	150130 Pension Reveivable from LESCO	7,939,743	7,939,743	-	-
5511	LAND - FREEHOLD	213,920,755	213,920,755	-	150131 Pension Receivable from FESCO	4,102,716	4,102,716	-	-
5512	LAND - LEASEHOLD	2,277,338	2,277,338	-	150132 Pension Receivable from QESCO	5,471,339	5,471,339	-	-
5513	BUILDING ON - FREEHOLD LAND	2,812,904,395	2,812,904,395	-	150134 Pension Receivable from IESCO	2,311,944	2,311,944	-	-
5514	OFFICE EQUIPMENT	196,875,952	196,875,952	-	150135 Pension Receivable from PESCO	1,198,895	1,198,895	-	-
5515	DISTRIBTION EQUIPMENT	91,281,980,888	91,281,980,888	-	150137 Pension Receivable from GENCO-1	846,001	846,001	-	-
5516	OTHER PLANT AND EQUIPMENT	343,325,070	343,325,070	-	150138 Pension Receivable from GENCO-2	53,606,599	53,606,599	-	-
5517	VEHICLES-OWN	933,708,257	933,708,257	-	150139 Pension Receivable from GENCO-3	61,103,582	61,103,582	-	-
5518	VEHICLES - LEASED	-	-	-	150140 Pension Receivable from GENCO-4	85,547	85,547	-	-
5519	ACCUMULATED DEPRECIATION-OWN	(30,019,303,336)	(30,019,303,336)	-	150141 Pension Receivable from NTDC	146,994,310	146,994,310	-	-
5520	ACCUMULATED DEPRECIATION-LEASED	-	-	-	150901 Rec. from WAPDA -GST (Protected) (150900A)	19,153,057,559	19,153,057,559	-	-
5611	CIVIL WORKS	174,782,056	174,782,056	-	150902 Rec. from WAPDA -GST (Purchases) (150900B)	2,226,905,744	2,226,905,744	-	-
5612	PROJECT DIRECTORATE CONSTRUCTIONS	4,997,151,932	4,997,151,932	-	270401 WAPDA Bonds	-	-	-	-
5613	GRID STATION CONSTRUCTIONS	4,062,320,372	4,062,320,372	-	290101 Payable to WAPDA	-	-	-	-
5711	LONG TERM ADVANCES-HBFC/PLOTS	55,778,865	55,778,865	-	290102 Payable to WAPDA - HOP (290101A)	(60,874,166,070)	(60,874,166,070)	-	-
5712	LONG TERM ADVANCES-VEHICLES	15,090,403	15,090,403	-	290103 Payable to WAPDA - HOC (290101B)	(154,664,002)	(154,664,002)	-	-
6120	CURRENT PORTION OF LONG TERM ADVANCES	(13,538,784)	(13,538,784)	-	290104 Payable to WAPDA - HOW (290101C)	(1,404,890,345)	(1,404,890,345)	-	-
5811	LONG TERM DEPOSITS	49,185	49,185	-	290105 GENCO -1 (290102)	(1,013,807)	(1,013,807)	-	-
6111	CREDITORS	(1,772,747,749)	(1,772,747,749)	-	290106 GENCO -2 (290103)	(4,423,575)	(4,423,575)	-	-
6112	DUE TO ASSOCIATED UNDERTAKINGS	(5,826,453,627)	(5,826,453,627)	-	290107 GENCO - 3(290104)	(61,145,315)	(61,145,315)	-	-
6113	ELECTRICITY DUTY PAYABLE	(196,198,254)	(196,198,254)	-	290108 NTDC (290105)	(854,477,497)	(854,477,497)	-	-
6114	WITHHOLDING INCOME TAX PAYABLE	389,999,018	389,999,018	-	290109 LESCO (290106)	(119,241,082)	(119,241,082)	-	-
6115	TV LICENSE FEE PAYABLE	(95,510,659)	(95,510,659)	-	290110 FESCO (290107)	(107,471,889)	(107,471,889)	-	-
6116	EQUILIZATION SURCHARGE PAYABLE	(2,196,107,957)	(2,196,107,957)	-	290112 QESCO (290109)	(1,843,286)	(1,843,286)	-	-
6117	NEELUM JEHLUM SURCHARGE PAYABLE	(280,149,609)	(280,149,609)	-	290114 IESCO (290111)	(12,799,403)	(12,799,403)	-	-
6118	ACCRUED LIABILITIES	(571,803,078)	(571,803,078)	-	290115 PESCO (290112)	(5,504,846,554)	(5,504,846,554)	-	-
6119	RETENTION MONEY - CONTRACTORS	(265,389,855)	(265,389,855)	-	290119 Payable to WAPDA GST ((290117)	(29,787,016,875)	(29,787,016,875)	-	-
6121	PAYABLE TO FEDERAL GOVERNMENT	-	-	-					
6122	OTHER LIABILITIES	(684,916,770)	(684,916,770)	-					
6122.3	Grant from USAID	-	-	-	290120 Payable to Lakhra	(270,557)	(270,557)	-	-

6122.4	Security deposits	-	-	-	290127 Pension Payable to HOP	(812,261)	(812,261)	-	
6122.1	COMPACT FLOURESENT LAMPS COST PAYABLE	(807,373,696)	(807,373,696)	-	290130 Pension Payable to LESCO	(27,521,149)	(27,521,149)	-	
6122.2	WORKER'S PROFIT PARTICIPATION FUND PAYABLE	(1,692,118,856)	(1,692,118,856)	-	290131 Pension Payable to FESCO	(66,671,258)	(66,671,258)	-	
6111.1	Debt Service Surcharge	(751,802,093)	(751,802,093)	-	290134 Pension Payable to IESCO	(5,360,874)	(5,360,874)	-	
6111.2	Universal Obligation Surcharge	(737,739,010)	(737,739,010)	-	290135 Pension Payable to PESCO	(7,516,240)	(7,516,240)	-	
6211	ACCRUED MARKUP - RE-LENT FOREIGN LOANS	(3,846,095,009)	(3,846,095,009)	-	150113. HESCO - Receivable	-	-	-	
6212	ACCRUED MARKUP - LOAN FROM GOVERNMENT	(135,498,500)	(135,498,500)	-	290113. GEPCO - Receivable	-	-	-	
6213	DEFERRED MARK-UP ON ADB TR III	(46,162,771)	(46,162,771)	-	150105. National Trans. and Despatch Co. (NTDC)	-	-	-	
6310	CURRENT PORTION OF LONG TERM LOANS	(2,001,115,400)	(2,001,115,400)	-			2,569,661,850	-	3,130,619,197 2,569,661,850
6411	RE-LENT LOANS	(8,074,857,855)	(8,074,857,855)	-					
6411.01	INTEREST FREE LOANS	(151,000,000)	(151,000,000)	-					
6411.1	ASIAN DEVELOPMENT BANK	-	-	-	<u>DUTIES / CHARGES AND TAXES RECEIVABLES</u>				
6412	CURRENT PORTION OF LONG TERM LOAN	2,001,115,400	2,001,115,400	-	311701 Excise Duty Not Yet Realized	(246,680,058)	(246,680,058)	-	
6413	LOAN FROM GOVERNMENT	(797,050,000)	(797,050,000)	-	311801 Income Tax Not Yet Realized	(110,563,473)	(110,563,473)	-	
6511	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	-	-	-	312701 TV License Fees not yet realized	(104,195,920)	(104,195,920)	-	
6611	EMPLOYEES' RETIREMENT BENEFITS	(29,880,745,468)	(29,880,745,468)	-	312801 Neelum Jehlum Surcharge not yet realized	(108,304,544)	(108,304,544)	-	
6711	CONSUMERS' SECURITY DEPOSITS	(5,930,141,749)	(5,930,141,749)	-	312901 Equalization Surcharge not yet realized	(50,770,927)	(50,770,927)	-	
6811	CONSUMERS DEMAND NOTICES AWAITING FOR CONNECTION	(860,511,461)	(860,511,461)	-	311802 Advance Income Domestic (Tax 235A) Not Yet Realized	(2,319,574)			
6811.1	FUNDS RECEIVED AGAINST DEPOSIT WORKS	(13,062,641,057)	(13,062,641,057)	-	311803 Income Tax on Steel Melters (Tax 235B) Not Yet Realize	(8,935,466)			
6414	COST	(56,606,043,777)	(56,606,043,777)	-	311804 Sales Tax on Retailers (STax2014) Not Yet Realized	(16,613,176)			4,210,805,846
6414.1	AMORTIZATION	15,250,991,135	15,250,991,135	-	311805 Debit Service Surcharge Not Yet Realized	(122,170,358)			
7111	SHARE CAPITAL	(10,823,636,040)	(10,823,636,040)	-	311806 Universal Obligation Surcharge Not Yet Realized	(177,145,095)			
7211	ACCUMULATED LOSSES, BEGINNING OF YEAR	(8,969,303,987)	(8,969,303,987)	-	312502 Extra Tax on GST not yet realized	(25,005,461)			
8111	SALE OF ELECTRICITY	(111,465,223,052)	(111,465,223,052)	-	312503 Further Tax not yet realized	(9,692,162)			
					312501 GST Not Yet Realized	(4,169,187,209)			
							(620,514,922)		
8112	TARIFF SUBSIDY	(45,293,822,680)	(45,293,822,680)	-	<u>DUE TO ASSOCIATED UNDERTAKINGS</u>				
8211	COST OF ELECTRICITY	130,803,662,305	130,803,662,305	-	150105/ National Trans. and Despatch Co. (NTDC)	-	-	-	-
8311	AMORTIZATION OF DEFERRED CREDIT	(1,879,798,099)	(1,879,798,099)	-	150108 SEPCO	3,473,644	3,473,644	-	(5,814,361,432)
8411	SALARIES, WAGES AND OTHER BENEFITS	12,245,492,754	12,245,492,754	-	150108E SEPCO	-	-	-	2,180,079
8412	DIRECTORS' MEETING FEE	3,120,000	3,120,000	-	150110 GAPCO	19,291,782	19,291,782	-	(8,414,168)
8413	REPAIR AND MAINTENANCE	1,824,782,758	1,824,782,758	-	150125 ED Scarp Tubewells	-	-	-	(5,858,106)
8414	RENT, RATES AND TAXES	17,638,102	17,638,102	-	150133 Pension Receivable from GEPCO	2,417,415	2,417,415	-	
8415	TELEPHONE AND POSTAGE	35,668,076	35,668,076	-	150141/ Pension Receivable from NTDC	-	-	-	
8416	POWER, LIGHT AND WATER	64,943,818	64,943,818	-	150142 Rec from CPPA	892,256,457,911	892,256,457,911	-	
8417	OTHER SUPPLIES AND OTHER EXPNESES	149,022,149	149,022,149	-	290108/ NTDC (290105)	-	-	-	
8418	TRAVELLING AND CONVEYANCE	649,233,281	649,233,281	-	290113 GEPCO (290110)	(15,884,070)	(15,884,070)	-	
8419	INSURANCE	26,199,053	26,199,053	-	290117 Payable to CPPA	(898,070,819,343)	(898,070,819,343)	-	
8420	PROFESSIONAL FEES	35,629,613	35,629,613	-	290118 Payable to PEPCO	-	-	-	
8421	COMPUTER AND OUTSIDE SERVICES	82,290,654	82,290,654	-	290121 Payable to SEPCO	(9,331,750)	(9,331,750)	-	
8422	TRANSPORTATION	335,745,391	335,745,391	-	290121/ Payable to SEPCO	-	-	-	
8423	PROVISION AGAINST DEBTS CONSIDERED DOUBTFUL	3,000	3,000	-	290133 Pension Payable to GEPCO	(14,239,295)	(14,239,295)	-	
8423.1	PROVISION FOR SLOW MOVING STOCKS	17,918,480	17,918,480	-	150113 HESCO	16,346,265	16,346,265	-	
8424	ELECTRICITY BILLS COLLECTION CHARGES	239,158,899	239,158,899	-	290116 HESCO (290113)	(22,536,185)	(22,536,185)	-	
8425	MANAGEMENT FEES	30,572,655	30,572,655	-	290136 Pension Payable to HESCO	(13,332,843)	(13,332,843)	-	
8426	WORKER'S PROFIT PARTICIPATION FUND PAYABLE	515,647,394	515,647,394	-	150136 Pension Receivable from HESCO	21,702,842	21,702,842	-	
8427	OTHER CHARGES	241,361,429	241,361,429	-	150113. HESCO - Payable	-	-	-	
8427.1	COMPACT FLOURESENT LAMPS COST PAYABLE	-	-	-	290113. GEPCO - Payable	-	-	-	
8427.2	CHARGED TO CAPITAL WORK IN PROGRESS	(346,112,946)	(346,112,946)	-					
8427.3	ADVERTISING & PUBLICITY	36,165,103	36,165,103	-			(5,826,453,627)	-	(5,826,453,627) (5,826,453,627)
8427.4	CLEAN ENERGY DEVELOPMENT PROGRAMME	27,705,359	27,705,359	-	<u>Wheeling Charges</u>				
8720	Research and development	-	-	-	420702 Wheeling Charges	0	0	-	
8511	DEPRECIATION OF OPERATING FIXED ASSETS	3,123,811,938	3,123,811,938	-					
8611	DEPRECIATION OF ASSETS SUBJECT TO FINANCE LEASE	-	-	-					

8711	SURCHARGE ON LATE PAYMENT	(1,335,169,460)	(1,335,169,460)	-
8712	PROFIT ON BANK DEPOSITS	(286,904,441)	(286,904,441)	-
8713	METER / SERVICE RENT	(52,330,300)	(52,330,300)	-
8714	MISCELLANEOUS SERVICE CHARGES	(55,570,363)	(55,570,363)	-
8715	CONNECTION FEES	(28,415,035)	(28,415,035)	-
8716	SALE OF SCRAP	(5,581,131)	(5,581,131)	-
8717	INCOME FROM LEASE OF OTHER PHYSICAL PROPERTIES	-	-	-
8718	PROVISION FOR BOUBTFUL DEBTS WRITTEN BACK	-	-	-
8719	MISCELLANEOUS	(212,809,226)	(212,809,226)	-
8719.1	T.V.LICENSE SERVICE	(132,215,150)	(132,215,150)	-
8811	INTEREST ON RE-LENT FOREIGN LOANS	-	-	-
8812	INTEREST ON LOAN FORM GOVERNMENT	782,364,229	782,364,229	-
8813	INTEREST ALLOCATED BY CPPA	188	188	-
8814	FINANCE CHARGE ON LEASE LIABILITY	-	-	-
8815	BANK CHARGES	8,514,766	8,514,766	-
8816	EXCHANGE LOSSES	-	-	-
8911	TAXATION	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>



560,957,347

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