Hyderabad Electric Supply Company Limited

Financial Statements

For the year ended June 30, 2014

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Hyderabad Electric Supply Company Limited** (the Company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that except as stated in paragraphs (a) to (d) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) Fixed assets include distribution equipment having net book value of Rs.17,540 million as of June 30, 2014. An exercise to physically verify the distribution equipment has not been performed since the formation of HESCO in 1998. Comprehensive physical verification is required in order to agree and reconcile the items and their cost with the records of the Company. It is also critical since these assets are located at wide spread physical locations in the Company's geographical area of operations and in the past years old distribution equipment has been replaced without recording the asset as addition to fixed assets. In the absence of such verification and its reconciliation with the Company's fixed assets records, we are unable to determine the amount of adjustment that may be required in these financial statements.

b) Capital Work in progress amounting to Rs.1,367 million was transferred to Sukkur Electric Power Company Limited (SEPCO) in December 2012 in compliance with the Supplementary Business Transfer Agreement between the company and SEPCO dated December 26, 2012. Out of total stated amount, projects valuing Rs.1,220 million have not yet been acknowledged by SEPCO. The recoverability from SEPCO in this regard is considered as doubtful due to the pending acknowledgement. As further mentioned in note 1.3 to the financial statement further adjustments for the transfer between these two companies were to be incorporated up to June 30, 2013; however no such adjustments have been made in the current year and we are not able to determine the amount of possible adjustment that may be required in these financial statements

c) As of June 30, 2014 capital work in progress include projects costing Rs.1,452 million which are completed in the current and prior years. However these have not yet been capitalized and accordingly no depreciation is charged against these projects. This treatment is not in line with the requirements of IAS 16 which requires capitalization of the assets when assets are available for use for their intended purpose. This has resulted in the understatement of fixed assets by the said amount and understatement of depreciation charge for the year and prior years by Rs.132 million. Consequently credit received against these projects amounting to Rs.1,452 million has also not been transferred from "Receipts Against Deposit Work" account to "Deferred Credit" account and no amortization of this grant has been recorded in these financial statements.

d) As of June 30, 2014, trade debts amounting to Rs 38,373 million (note 8) and related duties and taxes billed to consumer amounting to Rs 10,322 million (note 10.1) include an aggregate amount of Rs.39,968 million overdue for more than one year. This includes Rs.26,215 million recoverable from government and administrative authorities, Rs. 11,449 million from the private consumers (includes residential and commercial) and Rs.2,304 million from customers whose connections were disconnected. The Company has made a provision for doubtful debts amounting to Rs.11,587 million against these customers overdue for more than one year. In the absence of any verifiable basis, we are unable to determine the appropriate amount of provision against these debts in these financial statements.

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

f) Except for the effects of the matters referred in paragraph (a) to (d) above, in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes stated in note 3 with which we concur;

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

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

g) Except for the effects of the matters referred to in paragraphs (a) to (d) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, comprehensive income, its cash flows and changes in equity for the year then ended; and,

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

We also draw attention to the following matters:

i. Note 1.2 to the financial statements states that the company incurred a loss after taxation amounting to Rs.12,729 million during the year and accumulated loss as at June 30, 2014 is Rs.83,102 million resulting in net capital deficiency Rs.83,102 million. As of that date the company's current liabilities exceed current assets by Rs.4,212 million. These conditions indicate existence of material uncertainties as to Company's ability to continue as a going concern, however in view of the mitigating factors described in said note, the financial statements are prepared on a going concern basis

ii. As stated in note 9.1 to the financial statements, the Company considers aggregate amount of Rs.7,089 million due from associated undertakings as good debts for the reasons explained in the aforementioned note. The ultimate outcome of the matter with regard to timing of recovery of these debts cannot presently be determined.

iii. The ultimate outcome of the contingencies disclosed in note 23 to the financial statements cannot presently be determined, and, hence pending the resolution thereof, no provisions for the same have been made in the financial statements.

iv. Note 1.1 of the financial statements explains the closing process of Business Transfer Agreement dated June 29, 1998 and Supplementary Business Transfer Agreement dated June 30, 2004. According to these agreements the company will issue ordinary shares to Water and Power Development Authority in consideration of net worth of assets transferred to the company in the year 1998 and on subsequent dates. The said closing process has not yet been completed

Our opinion is not qualified in respect of the above said matters.

Other Matter

As disclosed in note 25.1 to the financial statements, transmission and distribution losses of 26.51 percent have been sustained during the year 2014 and company is following a rehabilitation program to reduce such losses.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Dated: December 30, 2014
Karachi

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
ASSETS				
Non-current assets				
Property and equipment	4	**18,691,559,774**	17,377,503,107	15,216,523,634
Capital work-in-progress	5	**11,250,871,829**	9,279,978,770	7,847,491,593
		29,942,431,603	26,657,481,877	23,064,015,227
Long term loans	6	**29,641,930**	29,983,565	526,446
Current assets				
Stores and spares	7	**975,087,529**	1,201,173,015	1,152,855,412
Trade Debts	8	**26,724,568,580**	22,515,937,404	30,931,542,308
Due from associated undertakings	9	**22,192,408,611**	24,006,069,350	20,899,986,545
Advances and other receivables	10	**19,037,855,393**	15,723,484,409	12,745,919,887
Taxation-net	11	**500,683,180**	477,705,407	430,377,312
Cash and bank balances	12	**2,569,401,464**	2,038,924,051	2,270,022,481
		72,000,004,757	65,963,293,636	68,430,703,945
Total assets		**101,972,078,290**	92,650,759,078	91,495,245,618
EQUITY AND LIABILITIES				
Share capital and reserve				
Share capital	13	**10,000**	10,000	10,000
Accumulated loss		**(83,102,931,638)**	(68,278,667,945)	(50,741,062,354)
		(83,102,921,638)	(68,278,657,945)	(50,741,052,354)
Deposit for issuance of shares	14	**71,521,159,086**	25,049,890,382	25,049,890,382
Deferred credit	15	**10,327,016,892**	9,114,512,764	7,127,636,469
Non-current liabilities				
Long term finance	16	**3,568,840,388**	3,315,622,945	2,820,216,602
Consumers' security deposits	17	**1,173,038,664**	995,140,896	876,020,233
Receipt against deposit works and connections	18	**5,394,835,089**	5,606,724,018	5,695,917,253
Employees' retirement benefits	19	**16,878,284,753**	13,290,834,762	10,582,173,692
		27,014,998,894	23,208,322,621	19,974,327,780
Current liabilities				
Creditors, accrued and other liabilities	20	**2,769,282,641**	2,403,552,547	1,909,509,452
Due to associated undertakings	21	**70,260,635,929**	99,079,745,729	87,351,442,793
Current portion of long term finance	16	**1,135,286,926**	793,779,588	170,556,349
Accrued mark-up	22	**2,046,619,560**	1,279,613,392	652,934,747
		76,211,825,056	103,556,691,256	90,084,443,341
Contingencies and commitments	23			
Total equity and liabilities		**101,972,078,290**	92,650,759,078	91,495,245,618

The annexed notes 1 to 36. form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	*2014* *Rupees*	*2013* *Rupees* Restated
Electricity sales	24	**50,838,827,407**	48,476,241,764
Cost of electricity	25	**(54,970,967,184)**	(49,323,084,822)
Gross loss		**(4,132,139,777)**	(846,843,058)
Amortization of deferred credit	15	**449,444,448**	330,578,183
		(3,682,695,329)	(516,264,875)
Operating expenses excluding depreciation	26	**(7,348,643,258)**	(7,353,866,152)
Depreciation		**(1,088,638,768)**	(1,030,238,861)
Provision for doubtful debts		**(2,153,989,150)**	(8,919,763,259)
Provision for slow moving items		**-**	(61,474,993)
Other income	27	**1,551,022,620**	1,413,598,509
		(9,040,248,556)	(15,951,744,756)
Operating loss		**(12,722,943,885)**	(16,468,009,631)
Finance cost		**(6,836,808)**	(6,142,960)
Loss before taxation		**(12,729,780,693)**	(16,474,152,591)
Taxation	28	**-**	-
Loss after taxation		**(12,729,780,693)**	(16,474,152,591)
Loss per share -Basic and diluted	29	**(12,729,781)**	(16,474,153)

The annexed notes 1 to 36. form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	*2014* *Rupees*	*2013* *Rupees* *Restated*
Cash flows from operating activities			
Loss before taxation		**(12,729,780,693)**	(16,474,152,591)
Adjustments for			
Depreciation on operating fixed assets		**1,088,638,768**	1,030,238,861
Amortization of deferred credit		**(449,444,448)**	(330,578,183)
Provision for employees' retirement benefits		**2,101,148,778**	2,113,306,617
Provision against doubtful debts		**2,153,989,150**	8,919,763,259
Non-utility operations		**(143,192,741)**	-
Provision against slow moving stores and spares		-	61,474,993
Finance cost		-	6,142,960
Operating loss before working capital changes		**(7,978,641,186)**	(4,673,804,084)
(Increase) / decrease in current assets			
Stores and spares		**226,085,486**	(109,792,596)
Debtors		**(6,362,620,326)**	(404,514,755)
Advances and other receivables		**(3,314,302,619)**	(3,125,863,629)
Due from associated undertaking		**1,813,660,739**	(3,106,082,805)
Increase in current liabilities			
Creditors, accrued and other liabilities		**365,730,094**	542,697,534
Due to a ssociated undertakings		**17,652,158,904**	11,728,302,936
Cash generated from operations		**2,402,071,092**	850,942,601
Finance cost paid		-	(6,142,960)
Employees' retirement benefits paid / adjusted		**(608,181,787)**	(468,097,480)
Income tax paid		**(22,977,773)**	(47,328,094)
Net cash generated from/(used in) operating activities		**1,770,911,532**	329,374,067
Cash flows from investing activities			
Addition in property and equipment		**(808,260,095)**	(25,282,717)
Additions in capital work in progress		**(2,798,322,231)**	(3,971,744,152)
Long term loans to employees		**273,269**	(29,457,119)
Net cash used in investing activities		**(3,606,309,057)**	(4,026,483,988)
Cash flows from financing activities			
Long term finance acquired-net		**594,724,781**	1,118,629,583
Receipt against deposit works and connections		**1,593,252,389**	2,228,261,245
Consumers' security deposits		**177,897,768**	119,120,663
Net cash generated from financing activities		**2,365,874,938**	3,466,011,491
Net Increase/(decrease) in cash and cash equivalents		**530,477,413**	(231,098,430)
Cash and cash equivalents at beginning of the year		**2,038,924,051**	2,270,022,481
Cash and cash equivalents at end of the year		**2,569,401,464**	2,038,924,051

The annexed notes 1 to 36. form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER *DIRECTOR*

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees Restated
Loss after taxation as per profit and loss account	**(12,729,780,693)**	(16,474,152,591)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post retirement benefits obligation	**(2,094,483,000)**	(1,063,453,000)
Total comprehensive loss for the year	**(14,824,263,693)**	(17,537,605,591)

The annexed notes 1 to 36. form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	*Accumulated loss*	Total
	....	*Rupees*	....
Balance at June 30, 2012 previously reported	10,000	(78,555,891,571)	**(78,555,881,571)**
Effect of retrospective application of change in accounting policy (Note 3)	-	(5,015,191,063)	**(5,015,191,063)**
Adjustment of receipt of subsidy from 2003 to 2007 (Note 21.1)	-	32,830,020,280	**32,830,020,280**
Balance at June 30, 2012-restated	10,000	(50,741,062,354)	**(50,741,052,354)**
Loss for the year ended June 30, 2013	-	(16,474,152,591)	**(16,474,152,591)**
Other comprehensive income	-	(1,063,453,000)	**(1,063,453,000)**
Total comprehensive loss for the year ended June 30, 2013	-	(17,537,605,591)	**(17,537,605,591)**
Balance at June 30, 2013- restated	10,000	(68,278,667,945)	**(68,278,657,945)**
Loss for the year ended June 30, 2014	-	(12,729,780,693)	**(12,729,780,693)**
Other comprehensive income	-	(2,094,483,000)	**(2,094,483,000)**
Total comprehensive loss for the year ended June 30, 2014	-	(14,824,263,693)	**(14,824,263,693)**
Balance at June 30, 2014	**10,000**	**(83,102,931,638)**	**(83,102,921,638)**

The annexed notes 1 to 36. form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. THE COMPANY AND ITS OPERATIONS

1.1 Hyderabad Electric Supply Company Limited ("the Company") was incorporated in Pakistan as a public limited company on April 23, 1998 under the Companies Ordinance, 1984 and commenced commercial operations on July 01, 1998. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Hyderabad Area Electricity Board ("HAEB") owned by Pakistan Water and Power Development Authority ("WAPDA") and such other assets and liabilities as agreed in the Business transfer Agreement "BTA" dated June 29, 1998 and further amended by Supplementary Business Transfer Agreement "SBTA" dated June 30, 2004. The SBTA will be closed on issuance of ordinary shares to Water and Power Development Authority in consideration of net worth of assets transfered to the Company . The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA).

The registered office of the Company is situated at WAPDA House, Shahra-e-Quaid-e-Azam, Lahore in the province of Punjab. However principal place of business of the Company is located at WAPDA office complex, Hussainabad, Hyderabad in the province of Sindh.

The Company is principally engaged in the, transmission and distribution of electric energy to industrial and other consumers to its licensed areas under the Electricity Act, 1910 and National Electric Power Regulatory Authority Act, 1997, as amended.

1.2 The Company during the year ended June 30, 2014 incurred loss after taxation of Rs. 12,720 (2013: Rs. 16,474) million, its accumulated loss as of this date is Rs. 83,102 (2013: Rs. 68,279) million resulting in net capital deficiency amounting to Rs. 83,102 (2013: Rs. 68,279) million as of June 30, 2014. As of that date the Company's current liabilities exceeds current assets by Rs.4,212 (2013: Rs. 37,593) million.

National Electric Power Regulatory Authority (NEPRA) has allowed total line losses as per tariff determined from July, 2013 to June 30, 2014 of 15 percent. However, the line losses exceed by 11.5% of the approved limit as the aggregate annual line losses sustained have been 26.5%. These continuously sustained line losses are one of the prime factor of incurrence of losses over the years. Among others, the reasons of line losses include transmission losses, technical faults and damages to distribution network at various places, aluminium conductor network and metering equipment inefficiencies. The theft of electricity is also one of the prime factor resulting in line losses, which are difficult to be identified and billed. Even where theft is identified, the Company, as per rules, can raise detection billing only for last six months by spreading the total detection units evenly over six months period, due to which the billing falls in lower tariff slabs, therefore, the detection billing also does not contribute considerably to the gross revenue. The continuous line losses have directly affected the profitability of the Company since incorporation.

The GoP continues to provide necessary support through various packages as explained in the ensuing paragraphs. Brief summary of support that the Company has been receiving from GoP is depicted below:

The President of Pakistan, being the 100% shareholder of the Company, through Ministry of Water and Power extends support to maintain the Company's going concern status.

Funds are continued to be received to the company under the tri-partite agreement that has been made between International Bank of Reconstruction and Development (IBRD) or Asian Development Bank(ADB) , Government of Pakistan (Economics Affairs Division) and Pakistan Electric Power Company Limited (PEPCO) for the rehabilitation programme designed with the objective of converting the Company into a profitable entity by overcoming different technical inefficiencies. The company has commenced working on a comprehensive plan in the form of following programs,

- Power Distribution Enhancement Investment Program Project-1 (PDEIP-1) of ADB
- Power Distribution Enhancement Investment Program Project-2 (PDEIP-2) of ADB
- Electricity Distribution and Transmission Improvement Project (EDTIP) of IBRD

Abovementioned programs are focusing towards the transmission and distribution network to improve efficiency and reliability and to reduce the technical and distribution losses.

The government established an energy committee on June 11, 2013 chaired by Prime Minister with participation of relevant federal ministries, provincial representatives and key stake holders, which will meet regularly and take all key decisions on a timely basis to implement the economic program designed in relation to the energy sector.

- Three-year plan beginning from August 1, 2013 has been developed for phasing out the Tariff Differential Subsidies (TDS) and bringing tariffs to cost recovery level, along with cost-cutting and efficiency measures to reach full cost recovery of the Company. The aforementioned three year plan will focus on the (i) tariff determination (ii) phasing out immediately the subsidy on industrial consumers and moving to minimum determined tariff (iii) income support programs to cushion the impact of future tariff increases on the most vulnerable segments of the population.

- The new policy implements a plan to resolve the difficult legacy of circular debt arrears. Such arrear reduction will alleviate cash constrained of power producers and allow them to bring additional electricity supply to the system resulting the cost of electricity to be reduced to the extent of approximately 40%.As an progress in this respect in the current fiscal year a cash injection of Rs 342 billion to PEPCO for payment to IPPs & other companies and in the second phase a non-cash adjustment of Rs 138 billion were effected by government of Pakistan. In relation to that CPPA issued credit advice to the company to reduce the liability by Rs 46.471 billion.

- Agreement on performance contracts with all power sector companies to tackle losses, raise payment compliance, and improve energy efficiency and service delivery.

- Pakistan Energy Efficiency and Conservation Act and equipment performance standards will be expected to be approved in the year 2015 which will help significantly in improvement of resource allocation and energy efficiency.

The current mechanism of determining tariff is on the basis of minimum cost of generation. As the government determined tariff is always lower than the tariff determined by the National Electric Power Regulatory Authority (NEPRA), the difference between the actual cost of energy and the domestic charge ends up as a direct subsidy to the consumers by the government. The continuous support through tariff differential subsidy to the consumers, comforts the Company in reducing doubtful recoveries and to recover the cost of transmission and distribution. During the year ended 2014 tariff differential subsidy allowed, amounted to Rs.20,131 (2013: Rs. 26,586.18) million.

The Ministry of Water & Power, through bifurcation of the Hyderabad Electric Supply Company Limited to "HESCO modified" and "SEPCO" planned to control and reduce the transmission losses to the allowed limit of line losses as per NEPRA. A period wise analysis of line losses is given hereunder:

Period	HESCO combined (6 circles)	HESCO modified (3 circles)
2010-2011	33.81%	
2011-2012 (July to Dec)	31.94%	27.17%
2011-2012 (Jan to June)		28.36%
2012-2013	-	27.32%
2013-2014	-	26.51%

Total allowed line losses as per tariff determined by National Electric Power Regulatory Authority (NEPRA) for the fiscal year 2013-2014 is 15%. Above mentioned period wise analysis shows that the rehabilitation and other plans directing towards the reduction of plans, are working efficiently and in the coming years the variance between the allowed and actual losses will reduce to its minimum. The Company further has following plan to upgrade the installed feeders and grid stations with the help of IBRD and ADB, which helps to provide greater geographical coverage of power supply, elimination of load management at grid stations and greater access to affordable electricity.

Management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these financial statements on a going concern basis.

1.3 Bifurcation of the Company and transfer of assets and liabilities along with business operation to Sukkur Electric Power Company Limited (SEPCO)

Pakistan Electric Power Company Limited (PEPCO) issued Notification No. MDP/GM(HR)Dir(O&M)P(PEPCO)/1632-99 on July 26, 2010 regarding bifurcation/split off of the Company into two companies i.e. Hyderabad Electric Supply Company Limited (termed as HESCO Modified) and Sukkur Electric Power Company Limited (termed as SEPCO). As per notification, the 'HESCO Modified' will comprise of 03 circles namely, Hyderabad 1, Hyderabad 2 and Nawabshah Circles, whereas SEPCO will also comprise of 03 circles namely Sukkur, Dadu and Larkana Circles. Overall objective of this bifurcation is to improve the management of electricity utility, increase operational efficiency, reduction in line losses and improvement in customer services through enhanced monitoring in both companies.

WAPDA through its notification No. GMF(P)/MF(HQ)/Accounts/1495-99 dated January 27, 2011 also required the Company to surrender respective assets and liabilities in favour of SEPCO on the basis of balances transferred to the Company as at July 01, 1998. However, no accounting modalities were defined by WAPDA or PEPCO to affect the transfer of assets and liabilities in the accounting records of the Company. Due to a number of factors e.g. lapse of many years, incurrence of further expenditures, payment of previous liabilities, inter-transfers, retiring and revamping of assets etc., ascertaining the balances of assets and liabilities as at July 01, 1998 was difficult. Therefore, the management of both companies mutually decided the cut-off date of December 31, 2011 for determination of values of assets and liabilities to be transferred through business transfer agreement signed on December 26, 2012 between Hyderabad Electric Supply Company Limited and Sukkur Electric Supply Company Limited.

As per the agreement dated December 26, 2012, the balances of assets and liabilities transferred are subject to verification by SEPCO until June 30, 2013. No such adjustments has been identified by the management of SEPCO in this regard as at balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for the following:

- foreign currency transactions as stated in note 2.22.
- defined benefits obligations are stated at present value in accordance with the requirements of IAS – 19 "Employee Benefits", as referred to in notes 2.18.

2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is also the Company's functional currency.

2.4 Critical accounting estimates and adjustments

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

a) Property and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values used in calculation of depreciation on an annual basis. The residual values are assessed to be insignificant and have not been taken into account for charging the depreciation. Useful life is determined by considering expected usage, physical wear and tear and technical obsolescence. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

b) Employees' retirement benefits

The Present value of these obligations depends on a number of factors that are determined on acurial basis using a number of asumptionss.Any changes in these assumptions will impact the carrying amount of these obligation. The present values of these obligation and the underlyning assumptions are disclosed in note 16.

Provisions are made in the financial statements to cover obligations under the scheme. The provisions require assumptions to be made of future outcome which mainly include increase in remuneration, expected return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income.

Due to recent amendments in IAS-19 'Employee Benefits', corresponding figures are restated in Profit and Loss Account, Other Comprehensive Income and Statement of Changes in Equity.

Details of the scheme, significant assumptions and the effect of restatements have been disclosed in note 19.

c) Provision for doubtful items and stores and spares losses

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and / or physical form of related stores, spares and loose tools. Impairment is also made for slow moving items.

d) Provision for impairment of debts and other receivables

The Company assess the recoverability of its debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

e) Income taxes

In making the estimates for income tax payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Further, the Company uses financial projections which are prepared using assumptions for key economic and business drivers, to assess realisability of deferred tax assets.

2.5 Adoption of new standards and interpretations

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. 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.

	Effective from accounting period beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

2.6 The amendments to IAS 19 - Employee Benefits is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursing paragraph. These changes are considered as change in policy.

2.6.1 IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

The impact of amendments to IAS 19 Employee Benefits on the financial statements has been disclosed in note 19.

2.7 Standards, Amendments and Interpretations to existing Standards that are not yet effective and have not been early adopted by the Company

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.

	Effective from accounting period beginning on or after
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015

N4A-58

	Effective from accounting period beginning on or after
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015
IFRIC 21 - Levies	Effective from accounting period beginning on or after January 01, 2014

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

2.8 PROPERTY AND EQUIPMENT

2.8.1 Initial recognition

The cost of an item of property and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of operating fixed assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management, except for replacement of distribution equipment that are charged to repair and maintenance as and when incurred.

2.8.2 Measurement

Except leasehold land and freehold land, all others items of property, plant and equipment (refer note 3) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress are stated at cost less impairment losses; if any.

Cost in relation to items of property and equipment stated at cost represent historical costs. Cost comprises acquisitions and other directly attributable cost. Stores and spares, which form part of the contract under which the project was undertaken, are also capitalized with plant and machinery.

Expenditure incurred to replace a component of an item of operating assets , the cost of day to day servicing are charged to profit and loss account.

2.8.3 Derecognition

Except for distribution equipment, an item of operating assets 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 derecognized.

2.8.4 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

2.8.5 Depreciation

Depreciation is charged to profit and loss account, applying the straight line method whereby costs of assets, less their residual values, is written off over their estimated useful lives at rates disclosed in note 4.

Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal. In case of extension and addition in existing units, depreciation is provided from the date of actual commissioning and in respect of material replacements and modernization, from the date of capitalization. Cost of subsequent acquisition of stores and spares under specific agreement for specific project are depreciated over the remaining economic useful life of such asset.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.10 Loans and advances

These are initially recognized at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

2.11 Stores and spares

These are stated at fortnightly weighted average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and/or obsolete , adequate provision is made against those items. These are valued at lower of

Provision is made for obsolete and slow moving items where necessary and is recognized in the profit and loss account.

2.12 Financial instrument

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 there-of. 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.

2.12.1 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 asset or financial liability, as the case may be.

2.12.2 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.

a) Creditors, accrued and other liabilities

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

M/A54.

b) **Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate for provision of doubtful debts . Debts considered irrecoverable are written off . No provision is made in respect of active consumers considered good.

c) **Off setting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.13 Impairment

2.13.1 Financial assets

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

2.13.2 Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.14 Cash and cash equivalent

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.15 Share based payments

a) **Benazir Employees' Stock Option Scheme**

On August 14, 2009 the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ('the Scheme') for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the 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 a cash payment 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 investment 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 allocated units by each Trust Fund in proportion to their respective length of service, and 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 need to be accounted by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from application of IFRS 2 to the Scheme.

b) Establishment of Trust

In accordance with the directive of GoP, the Company was required to implement the Benazir Employees Stock Option Scheme. However, the Company has only 1000 ordinary shares in issue till the reporting date and issuance of ordinary shares to WAPDA against purchase consideration is still pending. No dividends have been paid by the Company from the date of its incorporation, therefore, management strongly believes that there is almost no impact of the scheme on the Company till the reporting date. However, the Company is in the process of implementation of the Scheme as soon as the ordinary shares are issued.

2.16 Interest / mark-up bearing loan and borrowings

All loan and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loan and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.17 Deferred credit

2.17.1 Consumer contribution towards cost of supplying and laying service connection

Deferred credit represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, over the useful lives of the related assets except for separately identifiable services in which case the revenue is recognized upfront upon establishing a connection network.

2.17.2 Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognized in profit or loss in the period in which they become receivable.

2.18 Employees retirement and other service benefits

2.18.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed at least once annually, by a qualified actuary using the projected unit credit method. The Company operates a Defined Benefit 'Gratuity' Plan, for its regular permanent employees who have completed qualifying period of service. An unfunded gratuity scheme is in place for the Management and employees of the Company.

Provisions are made to cover the obligations under defined benefit pension scheme, post retirement medical benefits, electricity rebate and compensated absences on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2014 using the "Projected Unit Credit Method".

Due to recent amendment in IAS-19' Employee Benefits', corresponding figures are restated in profit and loss account,other comprehensive income and statement in changes in equity.

Details of the scheme and effect of restatements have been disclosed in note 3.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.18.2 Defined benefit pension scheme

The Company operates an approved unfunded defined benefit pension scheme for all its eligible employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of 25 years of service. Pension is based on employees' last drawn salary i-e (basic salary plus qualifying allowance).

The commutation of pension equals to the 35% of the total amount is provided to the employee retiring from the Company and remaining 65% is converted in to the monthly pension payments over the life of the employee and afterwards to his family. In case of expiry of employee during his service 25% of commutation will be provided and remaining 75% will be disbursed to his family through monthly pension payments.

2.18.3 Post retirement medical benefits

The Corporation operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalization benefits to all its retired employees and their spouses in accordance with their service regulations.

2.18.4 Electricity rebate

The Company provides a rebate on electricity bills to its eligible retired employees.

2.18.5 Earned leave

The Company's employees are also entitled for accumulated compensated absences, which are en-cashed at the time of retirement up to a maximum limit of 365 days and allows Leave Preparatory to Retirement (LPR) to officers to the extent of 365 days before actual retirement date.

2.18.6 Other staff welfare funds

For General Provident Fund and WAPDA Welfare Fund, the Company makes deduction according to different slab rates as approved by WAPDA from salaries of the employees and remits those amounts to funds established by WAPDA.

2.19 Taxation

2.19.1 Current tax

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001 and decision taken by the tax authorities. Instances where the Company's view differ from the income tax department at assessment stage and where the Company considers that it's view on items of material nature is in accordance with the law, the amounts are shown as contingent liability. It also includes any adjustment to tax payable in respect of prior years.

The minimum tax is provided in case when the Company is having taxable loss for the year except in case of having gross loss before depreciation and other inadmissible expenses.

2.19.2 Deferred tax

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company recognizes a deferred tax liability for all taxable temporary difference and deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future 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 reporting 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.

2.20 Provisions

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

2.21 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:

a) Revenue from electricity sales is recognized on the basis of electricity supplied to consumers at rates determined by NEPRA and notified by GOP which may be less than as determined by NEPRA.

b) Tariff differential subsidy is recognized in the relevant period on the basis of rates notified by NEPRA, on accrual basis up to the date of approval of financial statements by the Board of Directors of the Company.

c) Tariff adjustment in respect of variation in fuel prices is recognized on accrual basis when the Company entitled to receive it.

d) Surcharge on delayed payments is recognized on the basis of energy charges and Neelum Jhelum surcharge (NJS) due from consumers.

e) Fuel price adjustment is recognized on the basis of rates notified by NEPRA on accrual basis.

f) Gain or loss on installation of new connection/ deposit works is recognized up to 10% variation between receipts against deposit works and actual expenditures incurred on the project.

g) Commission on collection of PTV fee and electricity duty is recognized on the basis of actual billing collections from consumers.

h) Interest on bank deposits is recognized on time proportionate basis.

i) Profit on investments is recognized on the basis of effective yield.

j) Revenue from sale of scrap is recognized on dispatch of goods.

k) Deferred credit against consumers' contributions is released to profit and loss account over the expected useful life of the asset underlying the contribution except for separately indefinable services in which case revenue is recognized upfront upon establishing a connection network. (See note 2.17.1 also).

l) All other miscellaneous incomes are recognized on actual receipt basis.

2.22 Foreign currencies

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.

2.23 Related party transactions

Transactions with related parties for purchase and sale 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.

2.24 Appropriations to reserves

Appropriations to reserves are recognized in the financial statements in the period in which these are approved.

3. Effects of change in accounting policy

Employees' retirement benefits

In the current year, the company has adopted IAS 19 Employees Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension,free electricity and free medical facility liability or assets recognised in the balance sheet to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. These changes have had an impact on the amounts recognised in the profit and loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The company has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Effect of retrospective application of change in accounting policy is as follows:

	As previously reported on June 30, 2013	Effect of change in accounting policy	Restated amount as on June 30, 2013
Effect on balance sheet			
Deferred liability - staff gratuity	7,822,855,698	5,467,979,064	13,290,834,762
Effect on statement of changes in Equity			
(Increase)/decrease of accumulated losses upto June 30,2012		(5,015,191,063)	
For the year ended June 2013		610,665,000	
Effect on other comprehensive income			
Remeasurement on defined benefit obligation	-	(1,063,453,000)	(1,063,453,000)

	As previously reported on June 30, 2013	Effect of change in accounting policy	Restated amount as on June 30, 2013
Effect on profit and loss account			
Administrative expenses	7,964,531,152	(610,665,000)	7,353,866,152

Effect on balance sheet	As previously reported on June 30, 2012	Effect of change in accounting policy	Restated amount as on June 30, 2012
Increase in Deferred liabilities	5,566,982,629	5,015,191,063	10,582,173,692

MASE

4. PROPERTY AND EQUIPMENT

Particulars	Cost at July 1, 2013	Additions	Cost at June 30, 2014	Accumulated depreciation at July 1, 2013	Depreciation/ for the year	Accumulated depreciation at June 30, 2014	Carrying value at June 30, 2014	Dep rate
	---Rupees---							
Land-leasehold	95,476,280	-	95,476,280	-	-	-	95,476,280	-
Buildings on lease hold land (note 4.1)	1,268,148,729	85,186,864	1,353,335,593	412,847,653	27,066,712	439,914,365	913,421,228	2
Distribution equipment	26,895,679,159	2,176,027,895	29,071,707,054	10,514,688,850	1,017,509,747	11,532,198,597	17,539,508,457	3.5
Construction equipment	252,119,482	2,608,359	254,727,841	219,617,449	25,472,784	245,090,233	9,637,608	10
Transportation equipment	383,076,392	137,040,875	520,117,267	370,034,308	18,204,104	388,238,412	131,878,855	10
Computers and office equipment	31,663,121	1,831,442	33,494,563	31,471,796	385,421	31,857,217	1,637,346	25
	28,926,163,163	**2,402,695,435**	**31,328,858,598**	**11,548,660,056**	**1,088,638,768**	**12,637,298,824**	**18,691,559,774**	

4.1 It includes book values of residential building amounting to Rs. 101.366 (2013: Rs 89.79) million, Hospitals and dispensaries of Rs. 20.486 (2013: 18.438) million, mosque of Rs. 7.306 (2013: 6.576) million and school/colleges of Rs. 1.427 (2013: 15.862) million. The useful life of these assets have been reassessed and revised from 10 years to 15 years, the related impact of depreciation is immaterial.

MYS

For comparative:

Particulars	Cost at July 1, 2012	Additions	Cost at June 30, 2013	Accumulated depreciation at July 1, 2012	Depreciation/ for the year	Accumulated depreciation at June 30, 2013	Carrying value at June 30, 2013	Dep rate %
	---Rupees---							
Land-leasehold	91,936,280	3,540,000	95,476,280	-	-	-	95,476,280	-
Buildings on lease hold land	1,172,422,351	95,726,378	1,268,148,729	387,484,678	25,362,975	412,847,653	855,301,076	2
Distribution equipment	23,856,422,965	3,039,256,194	26,895,679,159	9,573,340,079	941,348,771	10,514,688,850	16,380,990,309	3.5
Construction equipment	248,474,879	3,644,603	252,119,482	194,405,501	25,211,948	219,617,449	32,502,033	10
Transportation equipment	334,055,341	49,021,051	383,076,392	331,726,668	38,307,640	370,034,308	13,042,084	10
Computers and office equipment	31,633,013	30,108	31,663,121	31,464,269	7,527	31,471,796	191,325	25
	25,734,944,829	**3,191,218,334**	**28,926,163,163**	**10,518,421,195**	**1,030,238,861**	**11,548,660,056**	**17,377,503,107**	

4.2 WAPDA transferred plots of land amounting to Rs. 168.309 million to the Company through Business Transfer Agreement (BTA) dated June 29, 1998 and Supplementary Business Transfer Agreement (SBTA) dated June 30, 2004 and on certain subsequent dates. The Company has transferred land amounting to Rs. 82.121 million to the SEPCO in 2012. However, the titles of the aforesaid remaining land have not so far been transferred in the name of the Company. Out of total land, the land valuing Rs. 26.907 million has also not been transferred in the name of WAPDA.

4.3 The management also re-assessed the useful lives of the operating fixed assets and found no significant differences from previous year's estimates. Moreover, the Company re-assessed the residual values which have been considered insignificant in ascertainment of depreciable amounts, therefore these have not been adjusted for the purpose of depreciation.

		Note	2014 Rupees	2013 Rupees
5.	**CAPITAL WORK-IN-PROGRESS**			
	Transmission equipment	5.1, 5.2	**2,341,094,425**	2,570,960,000
	Distribution equipment	5.2	**3,760,583,119**	3,264,218,120
	Transmission enhancement and distribution improvement programs	5.3	**5,093,719,991**	3,369,608,190
	Civil works		**55,474,294**	75,192,460
			11,250,871,829	9,279,978,770

5.1 It includes capitalization of borrowing cost amounting to Rs.767,006,168 (2013: Rs. 629,212,131) at the capitalisation rate defined in note 15.1.1 & 15.2.1.

5.2 The balance includes material, labour and overhead expenditure incurred on extension of distribution network.

5.3 The balance includes material, labour and overhead expenditure incurred on projects under Power Distribution Enhancement Investment Program (tranche 1 and 2) of Asian Development bank and Electricity Distribution and Transmission Improvement Project of International Bank for Reconstruction and Development.

		Note	2014 Rupees	2013 Rupees
5.4	**Movement in capital work in progress**			
	Balance at beginning of the year		**9,279,978,770**	7,847,491,593
	Additions during the year		**3,565,328,399**	4,598,422,794
	Transferred to operating fixed assets		**(1,594,435,340)**	(3,165,935,617)
	Balance at end of the year		**11,250,871,829**	9,279,978,770

		Note	2014 Rupees	2013 Rupees
6.	**LONG TERM LOANS**			
	Long term loan to employees - Considered good			
	- for house building	6.1 & 6.2	**31,644,974**	31,913,836
	- for vehicle purchase	6.1 & 6.2	**228,069**	232,477
			31,873,043	32,146,313
	Less: Amount due within one year shown under current assets	10.	**(2,231,113)**	(2,162,748)
			29,641,930	29,983,565

6.1 The house building loans are recoverable in ten years, car and motorcycle loans in five years and bicycle loans in four years. Interest is charged on these loans at the same rate as that payable on employees' balances in General Employee Provident Fund maintained by WAPDA.

6.2 Long-term loans have not been discounted to their presenet value as the financial impact thereof is not considered material.

		Note	2014 Rupees	2013 Rupees
7.	**STORES AND SPARES**			
	Stores		**1,040,648,090**	1,301,869,410
	Spares		**101,983,535**	66,847,701
			1,142,631,625	1,368,717,111
	Less: Provision for slow moving and obsolete stock	7.1	**(167,544,096)**	(167,544,096)
			975,087,529	**1,201,173,015**

	Note	2014 Rupees	2013 Rupees

7.1 Movement in provision for slow moving stock and obsolete items

	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		167,544,096	106,069,103
Provision for the year		-	61,474,993
Balance at end of the year		167,544,096	167,544,096

8. TRADE DEBTS

	Note	2014 Rupees	2013 Rupees
Considered good		26,724,568,580	22,515,937,404
Considered doubtful		11,648,477,111	9,470,264,662
	8.2 & 8.3	38,373,045,691	31,986,202,066
Less: Provision against debts considered doubtful	8.1	(11,648,477,111)	(9,470,264,662)
		26,724,568,580	22,515,937,404

8.1 Movement in provision against debts considered doubtful

	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		9,470,264,662	8,446,738,599
Provision made during the year		2,178,212,449	8,820,119,658
Provision written off during the year		-	(7,796,593,595)
Balance at end of the year		11,648,477,111	9,470,264,662

8.2 Debtors are secured to the extent of corresponding consumers' security deposit. Debtors include an amount of Rs. 1,767.85 million (2013: Rs. 1,989.44 million), which is disputed and is under litigation with different consumers.

8.3 It includes Rs 28,598.040 million (including electricity duty, income tax, neelum jhelum surcharge, tv license fee, equalization surcharge, extra tax, further tax and sales tax) outstanding from government authorities against which provision for doubtful debts of Rs 4,977,788 million has been maintained.

8.4 The Company do not have outstanding balances that are not past due but impared.

9. DUE FROM ASSOCIATED UNDERTAKINGS

	Note	2014 Rupees	2013 Rupees
Other power distribution companies			
-Others	9.2	5,646,616,695	5,267,623,742
-supply of material	9.3	216,460,480	160,433,194
-disbursement of pension	9.4	832,116,780	662,475,337
WAPDA			
-current account		121,661,417	91,351,103
-welfare trust		145,240,531	119,442,361
Receivable from Government Adjuster through WAPDA		127,188,152	112,982,123
	9.1	7,089,284,055	6,414,307,860
Ministry of Water and Power			
-Subsidy of tariff differential against power purchase		-	2,532,722,015
-Subsidy of tariff differential against sale of electricity	9.5	15,103,124,556	15,059,039,475
		15,103,124,556	17,591,761,490
		22,192,408,611	24,006,069,350

9.1 These amounts represent balance due from either DISCOs and WAPDA in current accounts balances with these undertakings. Although certain balances are outstanding for considerable period of time (refer note 9.3), however the management considers these as good debts as these are due from Government owned entities and will ultimately recovered in the normal course of business.

	2014 Rupees	2013 Rupees
9.2 Due from associated undertakings		
Central Power Generation Company Limited (GENCO-2)	**1,483,037,711**	1,482,252,167
Sukkur Electric Power Company Limited	**2,145,160,522**	2,122,004,541
Jamshoro Power Generation Company Limited (GENCO-1)	**876,661,796**	725,040,132
National Transmission and Despatch Company Limited	**646,377,458**	554,870,364
Lakhra Power Generation Company Limited	**424,066,034**	327,989,582
Northern Power Generation Company Limited (GENCO-3)	**33,335,211**	20,272,510
Quetta Electric Supply Company Limited	**29,560,592**	27,293,168
Multan Electric Power Company Limited	**5,944,854**	5,594,025
Islamabad Electric Supply Company Limited	**2,351,343**	2,218,396
Lahore Electric Supply Company Limited	**121,174**	88,857
	5,646,616,695	5,267,623,742

Aging of outstanding balances from associated undertakings

June 30, 2014	**1 year or less**	**More than 1 year**	**More than 2 years**	**Total**
National Transmission and Despatch Company Limited	91,507,095	76,939,023	477,931,340	**646,377,458**
Jamshoro Power Generation Company Limited (GENCO-1)	151,621,664	138,964,755	586,075,377	**876,661,796**
Central Power Generation Company Limited (GENCO-2)	785,544	2,145,445	1,480,106,722	**1,483,037,711**
Northern Power Generation Company Limited (GENCO-3)	13,062,701	5,660,623	14,611,887	**33,335,211**
Sukkur Electric Power Company Limited	1,526,839,595	0	618,320,927	**2,145,160,522**
Lakhra Power Generation Company Limited	96,076,452	74,200,187	253,789,395	**424,066,034**
Quetta Electric Supply Company Limited	2,267,423	2,472,991	24,820,178	**29,560,592**
Multan Electric Power Company limted	350,828	541,856	5,052,170	**5,944,854**
Islamabad Electric Supply Company Limited	132,947	235,472	1,982,924	**2,351,343**
Lahore Electric Supply Company Limited	121,174	0	0	121,174
Total	1,882,765,423	**301,160,352**	**3,462,690,920**	**5,646,616,695**

MyASA

June 30, 2013	1 year or less	More than 1 year	More than 2 years	Total
National Transmission and Despatch Company Limited	76,939,024	38,783,078	439,148,262	**554,870,364**
Jamshoro Power Generation Company Limited (GENCO-1)	138,964,755	186,565,822	399,509,555	**725,040,132**
Central Power Generation Company Limited (GENCO-2)	2,145,445	216,448,556	1,263,658,166	**1,482,252,167**
Northern Power Generation Company Limited (GENCO-3)	5,660,623	5,642,938	8,968,949	**20,272,510**
Sukkur Electric Power Company Limited	1,503,683,614	618,320,927	-	**2,122,004,541**
Lakhra Power Generation Company Limited	74,200,187	61,133,785	192,655,610	**327,989,582**
Quetta Electric Supply Company Limited	2,472,991	3,520,395	21,299,783	**27,293,169**
Multan Electric Power Company Limited	541,856	5,052,170	-	**5,594,026**
Islamabad Electric Supply Company Limited	235,472	402,952	1,579,972	**2,218,396**
Lahore Electric Supply Company Limited	88,855	-	-	**88,855**
Total	**1,804,932,822**	**1,135,870,623**	**2,326,820,297**	**5,267,623,742**

9.3 Receivable on account of supply of material

Lahore Electric Supply Company Limited	**48,379,797**	48,379,797
Faisalabad Electric Supply Company Limited	**23,263,984**	23,263,984
Multan Electric Power Company Limited	**1,201,961**	1,324,041
Quetta Electric Supply Company Limited	**19,282,613**	770,769
National Transmission and Despatch Company Limited (NTDC) Warehouse	**293,232**	293,232
Central Power Generation Company Limited	**323,247**	323,247
Chief Engineer STG WAPDA	**86,078,124**	86,078,124
Sukkur Electric Power Company Limited	**20,466,345**	-
Peshawar Electric Supply Company Limited	**1,771,177**	-
Gujranwala Electric Supply Company Limited	**15,400,000**	-
	216,460,480	160,433,194

9.4 Receivable on account of disbursement of pension

Water and Power Development Authority	**652,054,321**	494,319,290
National Transmission and Despatch Company Limited (NTDC)	**83,259,010**	86,537,751
Jamshoro Power Generation Company Limited (GENCO-I)	**38,400,882**	23,490,621
Central Power Generation Company Limited (GENCO-II)	**4,961,462**	3,463,730
Central Power Generation Company Limited (GENCO-III)	**561,912**	1,021,656
Lakhra Power Generation Company Limited	**4,047,821**	5,430,890
Multan Electric Power Company Limited	**10,409,602**	7,324,068
Quetta Electric Supply Company Limited	**2,799,790**	6,276,985
Lahore Electric Supply Company Limited	**1,191,546**	910,614
Islamabad Electric Supply Company Limited	**3,457,953**	2,860,186
Gujranwala Electric Power Company Limited	**778,184**	1,734,628
Peshawar Electric Supply Company Limited	**1,813,683**	1,474,201
Pakistan Electric Power Company Limited	**7,519,300**	3,931,517
Sukkur Electric Power Company Limited	**20,861,314**	23,699,200
	832,116,780	662,475,337

9.5 Subsidy of tariff differential against sale of electricity	Note	2014 Rupees	2013 Rupees
Opening balance		17,591,761,490	14,989,342,924
Subsidy receivable accrued during the year		20,131,414,207	26,586,188,252
		37,723,175,697	41,575,531,176
Less: Amount received/adjusted against Term Finance Certificates	9.5.1	(22,620,051,141)	(23,983,769,686)
Closing balance		15,103,124,556	17,591,761,490

9.5.1 It includes adjustment in respect of credit advice from Central Power Purchase Authority (CPPA) in respect of non cash adjustment of Rs. 138.15 billion circular debt from which share of Company is 6.742 million.

10. ADVANCES AND OTHER RECEIVABLES

	Note	2014 Rupees	2013 Rupees
Considered good			
General sales tax receivable		10,809,785,662	8,795,241,159
Duties/charges and tax receivables	10.1	8,026,818,113	6,478,756,334
Profit receivable on bank deposits		31,425,400	10,770,820
Current portion of long term loan to employees	6.	2,231,113	2,162,748
Advance to suppliers		103,548,587	348,033,789
Receivable from divisions		119,437,365	37,340,386
Other advances to employees		31,896,322	51,202,173
		19,125,142,562	15,723,507,409
Considered doubtful			
Sales tax receivable from WAPDA	10.2	1,230,832,894	1,230,832,894
Receivables from suppliers		336,123,523	423,387,692
		1,566,956,417	1,654,220,586
Less: provision against amounts considered doubtful		(1,654,243,586)	(1,654,243,586)
		19,037,855,393	15,723,484,409

10.1 Duties/charges and tax receivables

	Note	Receivables not yet realized Rupees	Payables not yet realized Rupees	Total Rupees
Electricity duty		494,505,442	(494,505,442)	-
Income tax		323,114,505	(323,114,505)	-
Neelum Jhelum surcharge		506,881,179	(506,881,179)	-
T.V. license fee		378,364,243	(378,364,243)	-
Equalization surcharge		252,532,894	(252,532,894)	-
Extra tax	10.1.2	111,871,603	(111,871,603)	-
Further tax	10.1.3	35,602,673	(35,602,673)	-
Sales tax		8,219,299,956	(192,481,843)	8,026,818,113
June 30, 2014	10.1.1	10,322,172,495	(2,295,354,382)	8,026,818,113
Electricity duty		404,895,812	(404,895,812)	-
Income tax		279,240,811	(279,240,811)	-
Neelum Jhelum surcharge		438,040,635	(438,040,635)	-
T.V. license fee		314,983,632	(314,983,632)	-
Equalization surcharge		246,453,576	(246,453,576)	-
Sales tax		6,684,199,058	(205,442,724)	6,478,756,334
June 30, 2013	10.1.1	8,367,813,524	(1,889,057,190)	6,478,756,334

MYASA

10.1.1 These receivables include the amount billed to the customers on behalf of respective authorities against which no recoveries have been made as at June 30, 2014 these amounts have been netted off against respective payables.

10.1.2 This represents extra tax levied by Federal Government through SRO 509(I)/2013 dated June 12,2013 at the rate of 5 percent of the total billed amount on supplies of electric power and natural gas to persons having industrial and commercial connections who have not obtained registration number.

10.1.3 This represents further tax levied by Federal Government through SRO 510(I)/2013 dated June 12,2013 levied at the rate of 1 percent of total billed amount on supplies of electric power and natural gas to persons having industrial and commercial

10.2 The gross amount represents General Sales Tax, recoverable from the Government of Pakistan, through WAPDA, on account of protected category of consumers. Provision has been made since no recovery could be effected since long.

11. TAXATION-NET

	Note	2014 Rupees	2013 Rupees
Advance tax refundable	11.1	530,332,150	507,354,377
Provision for taxation		(29,648,970)	(29,648,970)
		500,683,180	477,705,407

11.1 FBR has raised demands of Rs. 48.17 million and Rs. 185.94 million for tax years 2007 and 2008, on the ground that the Company has calculated minimum tax on distribution margin instead of total sales whereas tax authorities disagreed with the treatment. The Company had filed an appeal before Commissioner (Appeals) which was rejected and against which the Company has filed an appeal before Appellate Tribunal, the hearing of which is pending. The said amounts had been paid by the Company to FBR.

12. CASH AND BANK BALANCES

	Note	2014 Rupees	2013 Rupees
Cash at banks			
-current accounts	12.1	**892,971,492**	1,021,288,507
-saving accounts	12.2	**974,220,972**	515,426,544
-term deposits maturing within 12 months	12.3	**702,209,000**	502,209,000
		2,569,401,464	2,038,924,051

12.1 This include an amount of Rs. 534.994 million(2013: Rs. 459.127 million) received as security deposit from consumers and contractors. It also includes Rs. 12.9 million (2013: Rs.17.240 million) provided to pension drawing and disbursement account officers of HESCO and Rs. 93.27 million (2013: Rs. 33.99 million) relates to the imprest balance of the cashbook maintained at pension division. Rs. 17.981 million (2013: Rs. 12.839 million) is also included in it which represents advance transferred to bank accounts of the divisions against expenses.

12.2 This includes an amount of Rs. 176.569 million (2013: Rs. 81 million) deposited against bank guarantees for the purchase of electricity.

12.3 As at June 30, 2013 the rate of mark-up on term deposit receipts ranges from 8% to 10% (2013: 5% to 11.10%) per annum. This also includes term deposits of Rs. 352.139 (2012: Rs. 161) million against bank guarantee for the purchase of electricity.

13. SHARE CAPITAL

13.1 Authorized capital

2014 Number of Shares	2013 Number of Shares		2014 Rupees	2013 Rupees
1,000	1,000	Ordinary shares of Rs.10/- each	10,000	10,000

MHASC

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

2014 Number of Shares	2013		2014 Rupees	2013 Rupees
1,000	1,000	Ordinary shares of Rs.10/- each fully paid in cash	10,000	10,000

13.3 These shares are held by President of Pakistan.

14. **DEPOSIT FOR ISSUANCE OF SHARES**	Note	2014 Rupees	2013 Rupees
Incorporation expenses incurred by WAPDA		**5,042,375**	5,042,375
Allocation from net worth	14.1	**25,044,848,007**	30,214,312,018
Investment of GOP	14.2	**46,471,268,704**	-
		71,521,159,086	30,219,354,393
Less: Transferred to SEPCO		-	5,169,464,011
		71,521,159,086	25,049,890,382

14.1 It represents net worth of assets and liabilities transferred to company from Water and Power Development Authority as per the Business Transfer Agreement and Supplementary Business Transfer Agreement as mentioned in note 1.1.These are unsecured and carry no interest. Adjustments are incorporated on intimation from Water and Power Development Authority (WAPDA). Number of shares to be issued against this deposit amount will be determined on finalization of closing process as defined in Business Transfer Agreement (BTA) and Supplementary Business Transfer Agreement (SBTA).

14.2 It represents credit advice received from Central Power Purchase Authority (CPPA) in respect of settlement of power sector circular debt on intimation of Ministry of finance to PEPCO through letter dated July 02, 2013. CPPA issued credit note dated February 12, 2014 to the company with narration that ' Credit afforded on account of GoP Investment against Circular Debt.

15. **DEFERRED CREDIT**	Note	2014 Rupees	2013 Rupees
Balance at July 01		**11,179,321,367**	8,861,866,889
Transfer from receipt against deposit work		**1,661,948,576**	2,317,454,478
		12,841,269,943	11,179,321,367
Less: Amortization			
Balance at July 01		**2,064,808,603**	1,734,230,420
Amortized during the year		**449,444,448**	330,578,183
		2,514,253,051	2,064,808,603
Amortized balance at June 30		**10,327,016,892**	9,114,512,764

15.1 It represents grant received from nomination authorities in respect of projects capitalised over the years and recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

16. **LONG TERM FINANCE**	Note	2014 Rupees	2013 Rupees
Relent- loans from Government of Pakistan-Unsecured			
Asian Development Bank			
PDEIP-1	16.1	**1,887,314,578**	1,887,314,578
PDEIP-2	16.2	**484,288,156**	92,859,743
International Bank for Reconstruction and Development	16.3	**2,332,524,580**	2,129,228,212
		4,704,127,314	4,109,402,533
Less: Current portion			
Asian Development Bank			
PDEIP-1		**(565,038,544)**	(417,285,824)
PDEIP-2		**(16,173,324)**	-
International Bank for Reconstruction and Development		**(554,075,058)**	(376,493,764)
		(1,135,286,926)	(793,779,588)
		3,568,840,388	3,315,622,945

		Note	2014 Rupees	2013 Rupees
16.1	**Movement in long term finance from Asian Development Bank (PDEIP-1)**			
	Balance at beginning of the year		1,887,314,578	1,663,215,083
	Received during the year		-	236,664,770
	Refunded during the year		-	(12,565,275)
	Balance at end of the year	16.1.1	1,887,314,578	1,887,314,578

16.1.1 The Government of Pakistan obtained financing facility from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program - Project 1 (PDEIP-1) under loan agreement no 2438-PAK dated November 29, 2008. This represents amount utilized from portion of facility re-lent to the Company amounting to US$ 26.23 from such facility, unutilized facility as at expiry of facility is US$ 4.84 million. The financing facility having an availability period upto October 31, 2012, repayable in Pak rupees to GOP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GOP. This facility is payable in 26 equal half yearly installments after the expiry of 2 years grace period first installment is due on August 15, 2010 and final installment is due on August 15, 2023. It carries markup @ 17 % per annum inclusive of relenting interest of 11% + exchange risk cover fee of 6%.

		Note	2014 Rupees	2013 Rupees
16.2	**Movement in long term finance from Asian Development Bank (PDEIP-2)**			
	Balance at beginning of the year		92,859,743	-
	Received during the year		391,428,413	92,859,743
	Refunded during the year		-	-
	Balance at end of the year	16.2.1	484,288,156	92,859,743

16.2.1 The Government of Pakistan obtained financing facility from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program - Project 2 (PDEIP-2) under loan agreement no 2727-PAK dated January 28, 2011. This represents portion of facility re-lent to the Company amounting to US$ 34.09, unutilized facility as at year end is US$ 29.30 (2013: 33.12) million. The financing facility having an availability period upto September 30, 2015, repayable in Pak rupees to GOP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GOP. This facility is payable in 34 equal half yearly installments after the expiry of 3 years grace period first installment is due on December 01, 2014 and final installment is due on December 01, 2030. It carries markup @ 15 % per annum inclusive of relenting interest of 8.20% + exchange risk cover fee of 6.80%.

		Note	2014 Rupees	2013 Rupees
16.3	**Movement in long term finance from International Bank for Reconstruction and Development**			
	Balance at beginning of the year		2,129,228,212	1,327,557,867
	Disbursed during the year		203,296,368	801,670,345
	Repaid during the year		-	-
	Balance at end of the year	16.3.1	2,332,524,580	2,129,228,212

16.3.1 The Government of Pakistan obtained financing facility from International Bank for Reconstruction and Development (IBRD) for Electricity Distribution and Transmission Improvement Project (ETDIP) under loan agreement no 7565-PAK dated July 14, 2008. This represents portion of facility re-lent to the Company amounting to SDR 25,670,000 obtained by Government of Pakistan (GOP) The financing facility having an availability period upto June 30, 2014, repayable in Pak rupees to GOP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GOP. This facility is payable in Pak rupees to GOP based on the repayment schedule provided by Economic Affairs Division GOP. This facility is payable in 26 equal half yearly installments after the expiry of 2 years grace period first installment is due on March 15, 2011 and final installment is due on March 15, 2024. It carries markup @ 17 % per annum inclusive of relenting interest of 11% + exchange risk cover fee of 6%.

17. CONSUMERS' SECURITY DEPOSITS

These represents security deposits received from consumers at the time of electricity connection and are refundable/adjustable on disconnection of electricity supply. Funds received against supply deposits upto June 30, 2008 were transferred to WAPDA. The security deposits received after that period are kept in a separate bank account.

	Note	2014 Rupees	2013 Rupees
18. RECEIPT AGAINST DEPOSIT WORKS AND CONNECTIONS			
Balance at July 01		**5,606,724,018**	5,695,917,253
Contribution received		**1,593,252,388**	2,228,261,243
Transferred to deferred credit against completed projects		**(1,661,948,576)**	(2,317,454,478)
Transferred to Labour and Overhead Recovery		**(143,192,741)**	-
Balance at June 30		**5,394,835,089**	5,606,724,018
The balance at June 30 consist of:			
Capital Contribution from consumers against awaiting service connections	18.1	**117,211,209**	87,786,849
Receipt against deposit works	18.2	**5,277,623,880**	5,518,937,169
Total		**5,394,835,089**	5,606,724,018

18.1 The capital contributions is received in accordance with the government notification SRO 4051(1)/2011 dated January 03, 2011 for approved rates of capital contribution on every new connection.

18.2 The Company receives the contributions against the capital work in progress in advance from the nominating authorities of the related project.

	Note	2014 Rupees	2013 Rupees
19. EMPLOYEES' RETIREMENT BENEFITS			
Pension	19.1 - 19.2	**13,786,658,253**	10,776,853,092
Free electricity	19.1 - 19.2	**818,547,777**	708,159,970
Free medical	19.1 - 19.2	**1,320,198,868**	1,179,182,844
Compensated absences		**952,879,855**	626,638,856
		16,878,284,753	13,290,834,762

19.1 The Company adopted the WAPDA's employee pension scheme, post retirement free electricity scheme and post retirement medical benefits scheme. All these schemes are unfunded.

19.2 Actuarial valuation of the above schemes was carried out at June 30, 2014 using Projected Unit Credit Method. Following significant assumptions were used by the actuary:

	2014 % per annum	2013 % per annum
Discount rate	13.25	11.5
Rate of increase in salary	11.25	9.5
Indexation in pension	7	7
Medical inflation rate	9.75	9
Exposure inflation rate	3	3
Electricity inflation rate	9.75	8

19.3 Liability

	Note	June 30, 2014				June 30, 2013- Restated			
		Pension	Electricity	Medical	Leave Encashment	Pension	Electricity	Medical	Leave Encashment
		Rupees				Rupees			
Opening balance		10,776,853,092	708,159,970	1,179,182,844	626,638,855	8,926,093,000	473,104,000	1,030,344,692	152,632,000
Charge for the year in profit & loss	19.4	1,499,538,700	96,128,000	169,356,000	336,126,078	1,391,701,640	76,523,970	165,518,152	479,562,855
Other comprehensive Income		2,084,390,000	20,542,000	(10,449,000)	-	901,870,000	162,797,000	(1,214,000)	-
		14,360,781,792	824,829,970	1,338,089,844	962,764,933	11,219,664,640	712,424,970	1,194,648,844	632,194,855
Payments made during the year		(574,124,000)	(6,282,000)	(17,891,000)	(9,885,078)	(442,811,548)	(4,265,000)	(15,466,000)	(5,556,000)
		13,786,657,792	818,547,970	1,320,198,844	952,879,855	10,776,853,092	708,159,970	1,179,182,844	626,638,855

19.4 Charge for the year in profit & loss

	Pension 2014	Electricity 2014	Medical 2014	Leave Encashment 2014	Pension 2013	Electricity 2013	Medical 2013	Leave Encashment 2013
Current service cost	293,212,700	15,051,000	34,779,000	28,059,000	303,615,640	17,652,970	37,692,152	415,219,855
Interest cost	1,206,326,000	81,077,000	134,577,000	109,581,000	1,088,086,000	58,871,000	127,826,000	67,363,000
Net actuarial (gain) / loss recognized	-	-	-	188,601,000	-	-	-	(3,020,000)
	1,499,538,700	96,128,000	169,356,000	326,241,000	1,391,701,640	76,523,970	165,518,152	482,582,855

19.5 Reconciliation of present value of obligation with balance sheet liability

	Pension 2014	Electricity 2014	Medical 2014	Leave Encashment 2014	Pension 2013	Electricity 2013	Medical 2013	Leave Encashment 2013
Obligation	13,786,657,792	818,547,970	1,320,198,844	952,879,855	10,776,853,092	708,159,970	1,179,182,844	626,638,855
Fair value of plan assets	-	-	-	-	-	-	-	-
Liability	13,786,657,792	818,547,970	1,320,198,844	952,879,855	10,776,853,092	708,159,970	1,179,182,844	626,638,855

19.6 Reconciliation of present value of obligation

	Pension 2014	Electricity 2014	Medical 2014	Leave Encashment 2014	Pension 2013	Electricity 2013	Medical 2013	Leave Encashment 2013
Present value of obligation as at 01 July	10,776,853,092	708,159,970	1,179,182,844	626,638,855	8,926,093,000	473,104,000	1,030,344,692	152,632,000
Current service cost	293,212,700	15,051,000	34,779,000	28,059,000	303,615,640	17,652,970	37,692,152	415,219,855
Interest cost	1,206,326,000	81,077,000	134,577,000	109,581,000	1,088,086,000	58,871,000	127,826,000	67,363,000
Benefits paid	(574,124,000)	(6,282,000)	(17,891,000)	(9,885,078)	(442,811,548)	(4,265,000)	(15,466,000)	(5,556,000)
Past service cost - Vested	-	-	-	-	-	-	-	-
Past service cost - Non-Vested	-	-	-	-	-	-	-	-
Actuarial (gain) or Loss on obligation	2,084,390,000	20,542,000	(10,449,000)	188,601,000	901,870,000	162,797,000	(1,214,000)	(3,020,000)
Present value of obligation at 30 June	13,786,657,792	818,547,970	1,320,198,844	942,994,777	10,776,853,092	708,159,970	1,179,182,844	626,638,855

19.7 Sensitivity analysis

	Pension		Electricity		Medical		Leave Encashment	
	Present Value of Defined Benefit Obligation	Percentage Change	Present Value of Defined Benefit Obligation	Percentage Change	Present Value of Defined Benefit Obligation	Percentage Change	Present Value of Defined Benefit Obligation	Percentage Change
	(Amount in PKR millions)							
	13,787		819		1,320		953	
+1% Discount rate	12,085	-12.34%	703.08	-14.11%	1,132.17	-14.24%	863.00	-9.45%
-1% Discount rate	15,504	12.45%	965.01	17.89%	1,529.98	15.89%	1,058.00	10.98%
+1% Salary Increase/Medical/Electricity Inflation rate	14,736	6.89%	968.73	18.35%	1,561.83	18.30%	1,059.00	11.09%
-1% Salary Increase/Medical/Electricity Inflation rate	12,941	-6.13%	698.88	-14.62%	1,127.43	-14.60%	861.00	-9.69%
+10% Withdrawal rates	13,856	0.50%	819.29	0.09%	1,320.99	0.06%	-	-
-10% Withdrawal rates	13,731	-0.40%	818.05	-0.06%	1,319.28	-0.07%	-	-
1 year Mortality age set back	13,657	-1.00%	810.77	-0.95%	1,319.14	-0.08%	-	-
1 year Mortality age set forward	13,911	1%	824.68	0.75%	1,321.39	0.09%	-	-

19.8 Historical data of the plan

	2014	2013	2012	2011	2010
	Rupees				
Present value of defined benefit obligations					
- Pension	13,786,657,792	10,776,853,092	8,296,093,000	8,806,712,000	6,360,101,000
- Electricity	818,547,970	708,159,970	473,104,000	565,514,000	475,015,000
- Medical	1,320,198,844	1,179,182,844	1,030,344,692	1,254,973,000	1,074,019,000
	15,925,404,606	12,664,195,906	9,799,541,692	10,627,199,000	7,909,135,000
Experience adjustments					
- Actuarial (loss) / gain on obligation					
- Pension	(2,084,390,000)	(901,869,548)	(4,778,342,746)	(1,183,585,000)	(536,045,000)
- Electricity	(20,542,000)	(162,797,000)	(110,073,502)	(13,819,500)	(9,255,000)
- Medical	10,449,000	(1,214,000)	(188,404,883)	(11,807,000)	(33,966,000)

20. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	2014 Rupees	2013 Rupees Restated
Creditors		549,079,106	639,936,356
Accrued liabilities		333,531,947	265,192,261
Other liabilities			
Employees' share in funds contribution payable		1,740,330	2,434,665
Withholding income tax payable		41,947,463	56,545,637
Professional tax payable		115,329	9,750
Duties and taxes payable		10,995,334	27,310,252
Electricity duty payable		808,826,376	496,206,088
TV license fee payable		14,465,022	12,176,759
Nelum Jehlum surcharge payable		21,798,678	81,503,496
Equalization surcharge payable		618,698,092	476,762,522
Security deposits		58,542,223	58,237,936
Workers' profit participation fund	20.1	113,649,226	113,649,226
Security payable against bank guarantee		10,000,000	-
Others		185,893,515	173,587,599
		1,886,671,588	1,498,423,930
		2,769,282,641	2,403,552,547

20.1 The matter of payment of Workers' Profit Participation Fund by WAPDA's corporatized entities is pending for decision with the Economics Coordination Committee upon a recommendation submitted by WAPDA to exempt such entities from the requirement of Companies Profit (Workers' Participation) Act, 1968.

21. DUE TO ASSOCIATED UNDERTAKINGS

	Note	2014 Rupees	2013 Rupees
Central Power Purchasing Agency	21.1	69,761,838,480	98,581,589,148
WAPDA - Power Wing		330,772,310	330,772,310
WAPDA - Water wing		98,706,539	98,706,539
WAPDA - Coordination		34,966,600	34,966,600
Faisalabad Electric Supply Company Limited		1,946,929	1,510,034
Peshawar Electric Supply Company Limited		2,061,017	1,777,457
Gujranwala Electric Supply Company Limited		814,581	807,010
Payable to Pakistan Electric Power Company (Private) Limited (PEPCO)		29,529,473	29,616,631
		70,260,635,929	99,079,745,729

21.1 Government of Pakistan, Ministry of Water and Power vide its letter No. F.No.10(12)/09 dated June 08, 2009 addressed to Managing Director, PEPCO and clarified that GoP was to settle the bank borrowings of Rs. 216 billion along with markup. Through PEPCO letter No GMF/PEPCO/PA-40/04-16 dated July 02, 2009 the Distribution Companies (DISCOs) were directed not to repay their loans amounting to Rs 203 Billion which were assumed by Power Holding (Pvt.) Limited.

During the year a credit note was received by the Company from Central Power Purchasing Agency (CPPA) on account of transfer credit of Rs. 32 billion out of Rs 203 billion, which is treated as subsidy by GOP to meet revenue shortfall of DISCOs for the years 2003-2007.

Ministry of Water and Power started an exercise to identify the revenue shortfalls and related subsidy for these years in 2009, later in 2011 this exercise was performed based on audited information provided by all distribution companies. The amount of allocation of such subsidy was not estimated and recorded in the prior years based on an updated information as a result of above mentioned exercise.In 2014, the said amount of subsidy is recognised in accordance with IAS-8 "Accounting policies, Changes in Accounting Estimate and Errors" as a correction of an error through retrospective change and restating the figures of the earliest period presented. The following adjustments have been made as a prior period adjustment. The effect of this restatement on the financial statements is as follows:

The effect of this restatement on the financial statements is as follows:

Effect on balance sheet:	2012 Rupees
Decrease in accumulated loss	32,830,020,280
Decrease in payable to CPPA	32,830,020,280

MMAS

22. ACCRUED MARK-UP	2014 Rupees	2013 Rupees
Asian Development Bank	938,772,772	695,177,036
International Bank for Reconstruction and Development (IBRD)	1,107,846,788	584,436,356
	2,046,619,560	1,279,613,392

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

Sales tax

i) Demands had been raised amounting to Rs. 149.30 million, Rs. 14.02 million & Rs. 11.71 million for tax periods July 2008 to June 2010, July 2010 to June 2011 & July 2011 to June 2013 respectively against the sales tax on supply of energy to steel melters, which is to be paid to FBR as per SRO No. 480(I)/2007 dated 09/06/2007. The Company is in appeal before Appellate Tribunal in respect of demands 149.30 million and Rs 14.02 million which is pending. The Company paid these mentioned demands aggregating to Rs. 163.32 million. The management in consultation with their tax advisor is confident of favourable outcome on this matter.

ii) FBR has issued show cause notices in respect of failure to charge and pay output tax on account of tariff subsidy received from Government during tax years 2008-09, 2009-10 & 2010-11 amounting to Rs. 3,538.14 million, Rs. 4,089.44 million & Rs. 3,378.34 million respectively. The Company had filed an appeal before Commissioner (Appelas) and the order has been passed in favour of the Company in respect of tax year 2008-09.The matters relating to tax years 2009-10 & 2010-11 are still pending before Commissioner (Appeals). In consultation with their tax advisor, the Company is confident of favourable outcome on this matter.

iii) FBR has raised a demand of Rs. 14.677 million for nonpayment / short payment of sales tax on the net unit consumed by Steel Sector & Re-Rolling Mills relating to tax periods 2011-12 & 2012-13. The Company had filed an appeal before Comissioner (Appeals) and final decision is pending. The Company is of the view that the judgement will be passed in favour of the Company. In consultation with their tax advisor, the Company is confident of favourable outcome on this matter.

iv) The Company could not claim the input sales tax of Rs. 527.415 million for the month of August 2010 and September 2010 in its monthly sales tax returns and the claim period has expired. However, the management has applied for time condonation to FBR. Based on the opinion tax advisor, the Company is confident that the adjustment will be allowed.

v) FBR raised demands amounting to Rs 57.632 million relating to tax period 2010-11 in respect of unlawful input tax adjustment during the said period on the grounds that suppliers to which that input tax claim relates, have not reported sales in the same period. The Company filed the case to deputy commissioner for rectification on the basis of returns received by the company from the suppliers. The Deputy Commissioner decided the case against the company on which company filed an appeal before Appelatte Tribunal. In consultation with their tax advisor, the Company is confident of favourable outcome on this matter.

vi) During the year 2009, refund claims amounting to Rs, 993.161 million were rejected by the sales tax department on the ground that company purchased electricity from NTDC while payment was made to WAPDA, and not to NTDC (invoice issuing agency) which is violation of Section 7 & 73 Sales Tax Act 1990. However, the Company has filed an appeal before the Commissioner Appeals and in consultation with its tax advisor is confident of the favourable outcome.

Income tax

vii) FBR has issued orders u/s 122(5A) of income tax ordinance, 2001 demanding to Rs 47.33 million, Rs. 28.85 million and Rs. 30.25 million relating to tax years 2009, 2010 & 2011 on the grounds that the Company did not pay turnover tax in respect of said tax years due to gross loss occurred during these years. The tax authorities calculated turnover tax on the basis of proration of expenses to actual sales and tariff subsidy recieved from Government. The Company filed an appeal before Comissioner (Appeals) B1292and it is expected that the hearing will be fixed in near future. The tax consultant is of the opinion that the judgment will be decided in favour of the Company.

viii) FBR has raised a demand of Rs. 256.777 million on account of failure to deduct withholding tax on payment of purchase of electricity. The Commissioner had passed the order during 2013 which was rectified subsequently thereby reducing the amount to Rs. 167.498 million on filing of rectification application. The Company had also submitted all relevant documents to authorities and filed an appeal before Commissioner (Appeals). In consultation with their tax advisor, the Company is confident of favourable outcome on this matter

ix) FBR has issued show cause notice u/s 161/205 for amount of Rs. 1,700 million on the basis that the Company has not duly deeducted tax at source at the time of making payments to suppliers. The Company is of the view that it has correctly deducted tax at source except in the cases where tax department has granted exemptions and in case of payments against supply of electricity.However, the income tax department has charged withholding tax on the value of purchases claimed in the sales tax returns instead on payments made to suppliers and also did not consider the exemptions certificates and payments made to electricity suppliers. The Company has filed an application in this respect for which revised show cause notice has been issued by Deputy Commissioner reducing demand to Rs. 58.23 million. The Company has filed an appeal before Commissioner (Appeals) and is confident of favaourable outcome.

x) FBR had raised demands of Rs. 164.770 million, Rs. 125.15 million and Rs. 0.537 million relating to tax period 2013 and March 2009 & 2010 respectively for non-payment of advance tax on the gross billing to consumers. As per income tax law, the Company is required to charge income tax @10% on each commercial and industrial consumer on the basis of consumption charges, whereas FBR is of the view that the income tax @ 10% may be charged on each commercial and industrial consumer on the basis of total gross bill which includes Excise Duty, Income Tax, GST, NJ Surcharge and Bill adjustment. The Company filed an appeal before Commissioner (Appeals) in respect of all said litigations and succeeded in respect of Rs 125.15 million and Rs 0.537 millon against which tax department filed an appeal before Appellate Tribunal and High Court where decision has also been made in Company's favour. FBR filed an appeal before Supreme Court of Pakistan against the decision of High Court, the hearing of which is pending. In respect of litigation of Rs 164.77 million the hearing before commissioner appeal is not yet fixed. The Company is confident of the favourable outcome on this matter.

Other matters

xi) The Central Power Purchasing Agency (CPPA) entered into a Multi-Partite Agreement for financing of Rs. 239 billion (2013: Rs. 136 billion) under an agreement executed between Power Holding (Pvt.) Limited "PHPL" and syndicate Banks for the purpose of funding repayment of liabilities of DISCOs against cost of electricity purchased. Further, the CPPA entered into another multi-partite agreement for financing of Rs. 25.7 billion (2013: Rs. nil) as Syndicated Term Finance executed between GoP and syndicate Banks for the purpose of funding repayment of liabilities of DISCOs against cost of electricity purchased. The syndicate financing has been 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. 25,704 million from the CPPA to recognize this amount as a loan from the payable balance to CPPA. The re-lending agreement between the Company and PHPL is not finalized as of the reporting date and the management of the Company believes that the Company's obligation under the arrangement will arise once the relending agreement between the Company and PHPL is finalized. Accordingly, the loan related liabilities have not been recorded in these financial statements.

Furthermore the Company received advices from CPPA in respect of the mark-up on above mentioned loans up to June 30, 2014 aggregating to Rs. 14,845 million which has also not been recognized by the Company so far.

xii) The Company received supplementary charges invoices from Central Power Purchasing Agency as follows:

- Invoice dated April 05, 2011 pertaining to the period from October 2009 to June 2010 amounting to Rs. 658.188 million.
- Invoice dated January 19, 2012 pertaining to the years 2010-2011 amounting to Rs. 2,491.408 million.
- Invoice dated September 17, 2012 pertaining to the years 2011-2012 amounting to Rs. 1,938.366 million.
- Invoice dated January 31, 2014 pertaining to the years 2012-2013 amounting to Rs. 3,383.401 million.

No provision for the above invoices has been made in the accounts as the Management is of the view that the said supplement charges have not yet been notified by the Government of Pakistan.

MUAS4

23.2 Commitments	Note	2014 Rupees	2013 Rupees
Purchase orders outstanding		457,726,048	-
Commitments for project expenditure	23.2.1	1,045,596,316	1,485,624,331

23.2.1 It includes Rs 562,499,929 oustanding in relation to the contract No HESCO-WB-ELR-05 for supply and installation of Aerial Bundled Cable awarded in November 2011 to M/S TYCO (GMBH) to be financed through IBRD facility no 7565-PAK (Credit No 4464-PAK). However the said facility has been closed on June 30,2014 on notification of IBRD, therefore company has decided to meet the said commitments from its own sources.

24. ELECTRICITY SALES

	Note	2014 Rupees	2013 Rupees
Residential		9,564,445,340	6,170,651,482
Commercial		3,806,812,784	876,628,706
Industrial		10,521,239,079	8,533,878,706
Agricultural		4,959,206,169	4,597,014,944
Others	24.1	1,855,709,828	1,711,879,674
Tariff subsidy	24.2	20,131,414,207	26,586,188,252
		50,838,827,407	48,476,241,764

24.1 This includes supply of electricity in respect of street lights, bulk connections and residential colonies.

24.2 Detail of subsidy

This represents the tariff subsidy receivable 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.

24.3 Sale of electricity include tariff adjustment on account of power purchase prices including fuel price adjustment charged to customers amounting to Rs. 3,375,172,761.

24.4 During the year, the Company sold 3,524,185,296 (2012: 4,835,415,321) (kwh) electricity units to the consumers in different tariff categories. Out of these units, 806,132,307 (2012: 959,793,000) (kwh) represent the electricity units billed to consumers under detection billing, the majority (approximately 91.8 %) (2012: 73%) of which have been billed to residential connections.

24.5 The above sales is net of sales tax billed to consumer of Rs. 5,870,599,856 (2013: Rs. 4,913,719,715).

25. COST OF ELECTRICITY

	Note	2014 Rupees	2013 Rupees
Purchase of electricity	25.1 & 25.2	54,970,967,184	49,323,084,822

25.1 Power Purchase Price (PPP)

	2014	2013
PPP-Variable charges	40,599,656,391	37,234,096,148
PPP-Fixed charges	13,145,297,953	11,074,909,783
Use of system charges	1,226,012,840	1,014,078,891
	54,970,967,184	49,323,084,822

Quantitative data

	2014	2013
Units purchased (kwh)	5,013,587,726	4,848,824,020
Units Sold (kwh)	3,684,490,805	3,524,185,296
Transmission & Distribution losses %	26.51	27.32

25.2 This represents cost of electricity purchased from Central Power Purchase Agency (CPPA), a related party. Electricity purchases during the year have been incorporated according to invoices issued by NTDC/CPPA and adjusted in accordance with monthly Fuel Price Adjustment determined and notified by NEPRA. The average rate for the year was Rs. 10.96 (2013: Rs. 10.17) per Kilo Watt Hour (KWH).

	Note	2014 Rupees	2013 Rupees Restated
26. OPERATING EXPENSES EXCLUDING DEPRECIATION			
Salaries, wages and other benefits	26.1	5,620,383,356	5,485,423,155
Repairs and maintenance		845,579,702	1,051,225,768
Travelling		321,233,813	311,254,051
Transportation		262,741,863	213,970,987
Rents, rates and taxes		59,601,795	7,364,124
Office supplies and other expenses		59,748,098	45,080,826
Legal and professional charges		34,163,425	53,367,531
Power, light and water		34,747,633	44,567,328
Advertisement expenses		11,556,651	18,084,076
Collection charges		32,122,058	48,912,546
Supervisory charges to WAPDA		2,513,321	19,579,744
Postage and telephone		16,213,932	13,912,478
Annual Generation License Fee (NEPRA)		8,032,000	7,020,000
Software license fee to WAPDA		6,822,292	3,984,000
Directors' meeting fee		160,000	2,255,000
Auditors' remuneration	26.2	1,180,000	1,180,000
Insurance charges to WAPDA		3,013,607	3,013,607
Others		28,829,712	23,670,931
		7,348,643,258	7,353,866,152

26.1 The aggregate amount charged in respect of employees' post retirement benefits amounts to Rs. 2091.263 million (2013: Rs.2,113.306 million).

	Note	2014 Rupees	2013 Rupees Restated
26.2 Auditors' remuneration			
Statutory audit fee		800,000	800,000
Other certifications		200,000	200,000
Out of pocket expenses		180,000	180,000
		1,180,000	1,180,000

	Note	2014 Rupees	2013 Rupees Restated
27. OTHER INCOME			
Income from financial assets			
Return on bank deposits		71,043,019	50,634,149
Income from non-financial assets			
Rental and service income	27.1	982,140,022	795,827,582
Reconnection fee		889,683	1,025,819
Sale of scrap		1,281	8,377,639
Non-utility operations	27.2	152,861,701	114,379,557
Stores handling and others	27.3	344,086,914	443,353,763
		1,479,979,601	1,362,964,360
		1,551,022,620	1,413,598,509

MyAst

	Note	2014 Rupees	2013 Rupees Restated
27.1 Rental and service income			
Meter and service rentals		31,996,013	20,525,763
Late payment surcharge		948,935,099	774,076,524
Public lighting		1,208,910	1,225,295
		982,140,022	795,827,582

27.2 It represents recovery on labour and overhead charges at the time of application for new connections. It is recognized at the time of installation of connection.

27.3 It represents amount recieved from customers in respect of material handling charges, commission on collection of ptv fee and receipts of liquidated damages during the year.

	2014 Rupees	2013 Rupees
28. TAXATION		
Current tax	-	-

28.1 In view of the available tax losses and provisions of section 113, clause 102 (A) of Second Schedule to the Income Tax Ordinance, 2001 read with SRO 171 (1/2008), no provision for taxation has been made during the year.

28.2 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under: (a) turnover tax provided under section 113 (b), read with clause 5 of the part III of the Second Schedule and income that is separately taxed under respective sections of Income Tax Ordinance 2001.

28.3 Deferred tax

Deferred tax asset has been worked out amounting to Rs. 60,507.954 million (2013: Rs. 53,617.877 million) which has not been accounted for in these financial statements due to uncertainties regarding the future taxable profits against which such asset would be utilized.

29. LOSS PER SHARE *-Basic and diluted*		2014	2013
Earnings used in the calculation of earning per share	Rs.	(12,729,780,693)	(16,474,152,591)
Weighted average number of ordinary shares outstanding during the year for the purpose of earning per share		1,000	1,000
Loss per share	Rs.	(12,729,781)	(16,474,153)

		2014	2013
Shares to be issued to WAPDA against consideration as per BTA and SBTA	14.	7,152,115,909	2,504,989,038

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Government of Pakistan, Pakistan Electric Power Company Limited , National Transmission Dispatch Company, eight distribution companies , four power generation companies, Central Power Purchasing Agency (CPPA) and WAPDA. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables.

MYASR

Remuneration of chief executive is disclosed in note 31. and director's meeting fee is disclosed in note26. Other significant transactions with related parties are as follows:

Relationship with Related party	Nature of Transactions	2014 Rupees	2013 Rupees
a) Associated Undertaking			
	Purchase of electricity from CPPA	54,970,967,184	49,323,084,822
	Software license fee to WAPDA	8,032,000	7,020,000
	Supply of material	101,569,932	-
	Purchase of material	39,909,576	-
	Sale of electricity	173,536,077	158,847,690
	Payment of pension	289,060,480	239,772,062
	Insurance charges to WAPDA	3,013,607	3,013,607
	Annual Generation License Fee (NEPRA)	6,822,292	3,984,000
b) Economic Affairs Division (GoP)	Accrued mark-up on relent loans	724,352,829	629,212,131

A number of governmental departments are the electricity consumers of the Company to whom the electricity is sold on the notified tariff rates, the detail of which cannot be produced due to impracticability.

31. CHIEF EXECUTIVE OFFICERS'S REMUNERATION

The aggregate amount charged in the financial statements for the year ended 30 June 2014 for remuneration including certain benefits to the Chief Executive is Rs. 2.495 (2013: Rs. 2.048) million. The Company also provides free accommodation, transportation, residential telephone and medical facilities.

32. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise creditors, accrued and other liabilities. The Company's financial assets comprise of trade debts and bank balance . The Company also holds loans, advances, and other receivables.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, currency risk, equity price risk and fair value interest rate risk).

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The Board has established a Board Finance Comittee, which is responsible for developing and monitoring the Company's risk management policies. Further the finance committee assists the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing Company's financial risk exposures.

MYAS.

32.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk from its operating activities primarily for trade debts, deposits with banks and other financial instruments. The carrying amount of financial assets as at June 30, 2014 represents the maximum credit exposure, which is as follows:

	June 30, 2014		June 30, 2013	
	Financial Asset	Maximum Exposure	Financial Asset	Maximum Exposure
	Rs in million			
Trade Debts	48,695,218,186	20,097,218,186	40,354,015,590	17,639,015,590
Long term loans	29,641,930	29,641,930	29,983,565	29,983,565
Advances and Other Receivables	201,251,618	201,251,618	449,486,916	449,486,916
Due from associated undertakings	22,192,408,611	22,192,408,611	24,006,069,350	24,006,069,350
Cash and bank balances	2,569,401,464	2,569,401,464	2,038,924,051	2,038,924,051
	73,687,921,809	45,089,921,809	66,878,479,472	44,163,479,472

Out of total financial asset of Rs.73,781 million (2013: Rs. 66,927 million), the financial asset which are subject to credit risk amounted to Rs.45,183 million (2013: Rs. 44,212 million). Difference in the balances as per balance sheet and maximum exposure were due to the fact that trade debt includes due from Government and autonomous bodies amounting to Rs.28,598 million (2013: Rs.22,715 million).

32.1.1 Credit risk related to Trade Debts

Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. The Company's electricity is sold to domestic, commercial, agriculture, industrial and bulk rate consumers including government organizations. Due to large number and diversity of its customer base, concentration of credit risk with respect to trade debts is limited. Further the Company manages its credit risk by obtaining security deposit from the customers. The Company believes that it is not exposed to significant credit risks except to the extent of receivables from its defaulted consumers including government administrative offices. The Company controls its credit risk by continuous monitoring of its receivables and disconnecting defaulting consumers. In addition, outstanding customer receivables are regularly monitored and appropriate actions are taken to minimize risk of bad debts.

32.1.2 Collateral against Trade Debts

The Company receives security deposit from each customer at the time of allotment of new connection which is adjustable against the amount due from him in case of his default. At present the Company holds security deposit amounting to Rs. 1,173 (June 30, 2013: Rs. 995.507) million.

32.1.3 Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Chief Executive Officer and Finance Director in accordance with the Company's policy.

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of banks as at June 30, 2014 where the Company maintains its major bank balances are as follows:

MYAS4

Name of bank	*Credit rating*	
	Short-term	*Long-term*
National Bank of Pakistan	A-1+	AAA
Habib Bank Limited	A-1+	AAA
United Bank Limited	A-1+	AA+
Allied Bank Limited	A1+	AA+
Muslim Commercial Bank Limited	A1+	AAA
First Women Bank Limited	A2	BBB+
Bank Alfalah Limited	A1+	AA
Askari Commercial Bank Limited	A-1+	AA
Meezan Bank Limited	A-1+	AA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA
Sindh Bank Limited	A-1+	AA-
Al- Baraka bank Limited	A1	A

There is no significant credit risk against other receivables as majority of the receivables is from other Distribution Companies which are financially backed by the Ministry of Water and Power Development Authority and the Government of Pakistan.

32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities 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, without incurring substantial losses or risk damage to the Company's reputation.

The following table shows the Company's remaining contractual maturities of financial liabilities, including interest payments:

	Less than 1 year	1-5 years	More than 5 years	Total
June 30, 2014				
Long term finance	**1,135,286,926**	**3,568,840,388**	-	**4,704,127,314**
Accrued mark-up	**2,046,619,560**	-	-	**2,046,619,560**
Creditors, accrued and other liabilities	**2,655,633,415**			**2,655,633,415**
Due to associated undertakings	**70,260,635,929**			**70,260,635,929**
	76,098,175,830	**3,568,840,388**	-	**79,667,016,218**
June 30, 2013				
Long term finance	2,311,244,000	1,798,158,533	-	4,109,402,533
Accrued mark-up	1,279,613,392	-	-	1,279,613,392
Creditors, accrued and other liabilities	2,289,903,321	-	-	2,289,903,321
Due to associated undertakings	99,079,745,729	-	-	99,079,745,729
	104,960,506,442	1,798,158,533	-	106,758,664,975

32.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as fuel price and equity price risk. Financial instruments affected by market risk include loans and borrowings, bank deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

32.5 **Financial instruments by category**

The accounting policies for financial instruments have been applied for line items below:

Assets as per balance sheet - June 30, 2014	Loans & advances	Available for sale	Fair value through profit or loss	Total
	-----	Rupees	-----	
Cash and bank balances	2,569,401,464	-	-	2,569,401,464
Long term loans	29,641,930	-	-	29,641,930
Trade Debts	48,695,218,186	-	-	48,695,218,186
Advances and other receivables	201,251,618	-	-	201,251,618
Due from associated undertakings	22,192,408,611	-	-	22,192,408,611
	73,687,921,809	-	-	73,687,921,809

Liabilities as per balance sheet - June 30, 2014	At amortized cost Rupees	Total Rupees
Creditors, accrued and other liabilities	2,655,633,415	2,655,633,415
Due to associated undertakings	70,260,635,929	70,260,635,929
Long term finance	4,704,127,314	4,704,127,314
Accrued mark-up	2,046,619,560	2,046,619,560
	79,667,016,218	79,667,016,218

Assets as per balance sheet - June 30, 2013	Loans & advances	Available for sale	Fair value through profit or loss	Total
	-----	Rupees	-----	
Cash and bank balances	2,038,924,051	-	-	2,038,924,051
Long term loans	29,983,565	-	-	29,983,565
Trade Debts	40,354,015,590	-	-	40,354,015,590
Advances and other receivables	449,486,916	-	-	449,486,916
Due from associated undertakings	24,006,069,350			24,006,069,350
	66,878,479,472	-	-	66,878,479,472

Liabilities as per balance sheet - June 30, 2013	At amortized cost Rupees	Total Rupees
Creditors, accrued and other liabilities	2,289,903,321	2,289,903,321
Due to associated undertakings	99,079,745,729	99,079,745,729
Long term finance	4,109,402,533	4,109,402,533
Accrued mark-up	1,279,613,392	1,279,613,392
	106,758,664,975	106,758,664,975

32.3.1 **Interest rate risk management**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to the risk of changes in market interest rates relates primarily to the following:

	Note	2014	2013
		Rs in million	
Fixed rate instruments at carrying amount			
Long term finance	16.	4,704	4,109
Bank Deposits	12.2	797	515
Term Deposits certificate (maturing within 12 months)	12.3	702	502

Fair value sensitivity analysis for fixed rate instruments:

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

32.3.2 **Foreign exchange risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities which mainly include payables to foreign suppliers of goods in foreign currency. The Company deals in local supply of electricity and does not have any foreign currency foreign debtors.

The Company exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees in	US Dollars in	Rupees in	US Dollars
Bank Balance	-	-	143,232,474	1,439,522

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2014	2013	2014	2013
US Dollars	-	95.05	-	99.5

Sensitivity analysis

The strengthening and weakening of the functional currency against US dollars at June 30, 2014 would have no effect on profit and loss of the Company for the year ended June 2014 as the bank balance maintained in foreign currency relates to the expenditure to be incurred on the capital projects funded through external assistance.

32.3.3 **Equity price risk management**

The Company do not have any investments in listed and unlisted equity securities which are susceptible to market price risk arising from uncertainties about future values of the investment securities.

32.4 **Determination of fair values**

32.4.1 **Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e. its shareholders' equity is to safeguard its ability to continue as a going concern to maintain a strong capital base to support the sustained development of its business. The Company is not exposed to any external capital requirement. As mentioned in note 14 , Company will issue shares amounting to Rs 71,521,159,086 @ 10/share on the closing of supplementary business transfer agreement which will strengthen the capital management of the Company. As public interest entity 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.

34. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	2014	2013
	----------Number	---------
Number of employees as at June 30	9,471	9,513

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 DEC 2014 by the Board of Directors of the Company.

36. GENERAL

Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR