GUJRANWALA ELECTRIC POWER COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

GUJRANWALA ELECTRIC POWER COMPANY LIMITED (GEPCO)

Directors' Report to the members

The Directors of your Company take pleasure in presenting the 16th Annual Report along with the audited financial statements of the company for the year ended June 30, 2014.

Economic Overview

Financial Performance

Abstract of Financial Statements

Abstract of financial results for the year ended June 30, 2014 compared with the previous year is appended below:

'Rupees in million'

Description	FY 2013-14	FY 2012-13
Profit(Loss) before depreciation, financial charges and tax provision	(29.952)	8,358.424
Depreciation	(1,302.851)	(1,122.322)
Financial charges	(229.436)	(152.118)
Taxation	(10.219)	(9.843)
Profit/ (Loss) for the year	**(1,572.458)**	**7,074.141**
Accumulated losses b/f (Restated due to Employees Retirement Benefits by Rs.1,314.670 M	(4,073.859)	(9,833.330)
Accumulated losses c/f	**(5,646.317)**	**(2,759.189)**

The Company has incurred a loss after tax of Rs. (1,572.458) million during the financial year ended June 30, 2014 as compared to profit after tax of Rs. 7,074.141 million in previous year.

During the year, the Company has received final invoice on account of cost of electricity delivered to GEPCO for the year 2013-14. The differential cost of electricity has been treated as per IAS 8. Consequently, payable to Central Power Purchase Agency (CPPA) as at June 30, 2014 has been decreased by RS. 501 million with a corresponding decrease in cost of electricity of Rs. 522 and increase in general sales tax receivable of Rs. 21 million.

The main reason of Loss for the FY 2013-14 is NEPRA determined notification of tariff w.e.f July 01, 2013.

Variance Analysis Determined vs. Actual

Rs. in million

Description	Actual 2013-14	NEPRA 2013-14	Variance
Sales (reduced by FPA Rs. 4,598.912 M of FY 2012-13)	90,829	92,478	(1,649)
Cost of Electricity	84,147	79,521	(4,626)
Gross Profit	**6,682**	**12,957**	**(6,275)**
Salaries & other Benefits	6,882	4,448	(2,434)
Repair & Maintenance	823	544	(279)
Traveling Exp	220	191	(29)
Vehicle running expenses	252	220	(32)
Depreciation	1303	1,269	(34)
Others (includes 480m energy saver expense)	800	429	(371)
Total O & M Exp.	**10,280**	**7,101**	**(3,179)**
Operating Income	**(3,598)**	**5,856**	**(9,454)**
Other Income	2,264	1,987	277
Income before tax & F. charges	**(1,334)**	**7,843**	**(9,177)**

Description for Major Variances

1. Gross Profit Analysis

   The main reason of reduced gross profit is that the Tariff of FY- 2013-14 has not been notified, therefore the rise in cost has not been kept with the rise in sale price. Further the FPA of FY2012-13 has been refunded to consumers due to which sales has been reduced by Rs. 4,598m. The demand of this amount has been given through Tariff Petition of FY 2014-15.

2. Salaries & Other Benefits

   Provision amounting to Rs. 2,170 million has been made in accordance with the latest actuarial valuation report as on June 30, 2014. Method of Actuarial valuation has been changed and Financial Statements has been restated. Current portion of restatement is Rs. (1315) million. Previously NEPRA did not add the provision in the tariff determination. The Company has submitted the details to NEPRA along with the latest actuarial report as part of the tariff petition FY 2014-15. As GEPCO is in the process of opening the Post Retirements Benefits Fund, NEPRA may allow provision for Employees Benefits in tariff for FY 2014-15.

3. Repair & Maintenance and Vehicle Running Expenses

   The increase in Repair & Maintenance is due to repair and replacement of old and burnt transformers and energy meters.

   The increase in the vehicle running expenses is due to the maintenance of old vehicles and the increase in the prices of petroleum products.

Filing of Tariff Petitions

The company has filed tariff petition FY 2014-15 on September 18, 2014 and NEPRA conducted public hearing on October 20, 2014 at Avari Hotel Lahore.

Other Financial Analysis

The position of various components of total revenue is mentioned below:

Revenue Components	FY 2013-14		FY 2012-13	
	Rs. in Mln	Ps./kwh	Rs. in Mln	Ps./kwh
Sale of power	66,850.77	979.13	51,806.64	875.16
Tariff differential subsidy	23,978.50	351.20	31,447.17	531.23
Tariff revenue	**90,829.28**	**1,330.33**	**83,253.81**	**1,406.39**
Rental & service income	36.18	0.53	36.45	0.62
Amortized deferred credits	599.83	8.79	540.89	9.14
Other income	1,627.93	23.84	1,409.15	23.80
Non-Tariff revenue	**2,263.94**	**33.16**	**1,986.49**	**33.56**
Total Revenue	**93,093.21**	**1,363.49**	**85,240.29**	**1,439.94**

The tariff differential subsidy worth Rs. 23,978.50 million (2013: Rs. 31,447.17 million) mentioned above is the difference between the tariff determined by NEPRA and the tariff notified by GOP.

The account of revenues, the comparison of cost components is given as under:-

Cost Components	FY 2013-14		FY 2012-13	
	Rs. in Mln	Ps./kwh	Rs. in Mln	Ps./kwh
Purchase of power	84,146.48	1,232.45	69,722.92	1,177.81
Salaries & wages (Restated 2012-13)	6,882.42	100.80	5735.70	96.89
Repair & Maintenance	822.93	12.05	641.98	10.84
Vehicle running expense	252.41	3.70	221.87	3.75
Travelling allowance	220.11	3.22	209.54	3.54
Electricity bill collection charges	198.15	2.90	204.81	3.46
Advertisement	3.53	0.05	4.12	0.07
Insurance grid station	11.36	0.17	11.45	0.19
Other admin expenses	585.77	8.58	129.49	2.19
Depreciation	1,302.85	19.08	1,122.32	18.96
Financial charges	229.44	3.36	152.12	2.57
Taxation	10.22	0.15	9.84	0.17
Total Cost	**94,665.67**	**1,386.52**	**78,166.15**	**1,329.07**

Thus the resultant profit/ (loss) for respective year has emerged as under:

	FY 2013-14		FY 2012-1312	
	Rs. in Mln	Ps./kwh	Rs. in Mln	Ps./kwh
Total revenue	93,093.21	1,363.49	85,240.29	1,439.94
Total cost	94,665.67	1,386.54	78,166.15	1,320.44
Profit (Loss)	**(1,572.46)**	**(23.05)**	**7,074.14**	**119.50**

Fixed Assets

The net fixed asset base of GEPCO has increased from Rs. 31,382.459 million as on June 30, 2013 to Rs. 35,778.690 million as on June 30, 2014, an increase of 14.01% during the year under review.

Operating Results

During the year ended June 30, 2014 your Company sold 6,827.56 Mkwh (2013: 5,919.70 Mkwh) having a increase of 15.34%. The comparison of category wise units sold during the year under review compared with that of last year has been appended below:

(In Mkwh)

Consumer Category	FY 2013-14	FY 2012-13	Percentage change
Domestic	3,859.78	3,280.70	17.65%
Commercial	398.77	360.77	10.53%
Industrial	1,965.59	1,704.11	15.34%
Bulk	131.53	121.52	8.24%
Agricultural tube wells	304.13	300.82	1.10%
Public lighting	5.96	5.74	3.89%
Residential colonies	0.98	0.95	2.67%
AJK	160.82	145.1	10.83%
Total Consumption	**6,827.56**	**5,919.71**	**15.34%**

Purchase of power during the year under review was 7671.403 Mkwh (2013: 6632.883 Mkwh) i.e. an increase of 15.66%. During the year under review, energy losses were 11.00% (2013: 10.75%). i.e. percentage increase by 0.25%

Consumption Behavior

It has been observed that, during the year under review, there has been no major shift in the share of consumption by each category of consumers in the overall sales as compared to the previous year. The table appended below shows the category wise pattern of consumption during the year ended June 30, 2014 as compared to the previous year.

Consumer Category	FY 2013-14	FY 2012-13
Domestic	56.53 %	55.42 %
Commercial	5.84 %	6.09 %
Industrial	28.79 %	28.79 %
Bulk	1.93 %	2.05 %
Agricultural tube wells	4.45 %	5.08 %
Public lighting	0.09 %	0.10 %
Residential colonies	0.01 %	0.02 %
AJK	2.36 %	2.45 %
Total	**100 %**	**100 %**

Comparison of category wise number of consumers and billing excluding subsidies during the year 2013-14 and 2012-13 is mentioned below:

Consumer Category	FY 2013-14		FY 2012-13	
	Consumers (In Thousand)	Billing (Rs. Million)	Consumers (In Thousand)	Billing (Rs. Million)
Domestic	2,419.35	29,409.41	2341.7	21,986.35
Commercial	304.50	6,148.05	294.73	5,278.15
Industrial	57.97	25,053.77	56.84	18,662.84
Bulk	0.13	3,224.70	0.13	2,406.87
Agricultural tube wells	41.58	2,498.28	40.65	2,922.19
Others	0.53	516.56	0.52	550.24
Total	**2824.05**	**66,850.77**	**2734.6**	**51,806.64**

New Grid Stations Under Loans

Seven (7) new grid stations under loan from Exim Bank of Korea has been completed at the end of FY 2013-14. Four (4) new grid stations and conversion of 2 grid stations from 66 KV to 132 KV under ADB loan trench II are under progress. The completion & commissioning of all these grid stations shall be made in FY 2014-15. The total amount of loan from Exim Bank of Korea & ADB trench II is Rs. 6,138.388 million.

Earning/Loss Per Share

The earnings/loss per share (EPS) of the company for the year ended June 30, 2014 has been Rs. (1,572,458.06) (2013: Rs. 7,074,140.93)

Future Outlook

The Federal Government has taken steps to enhance the electricity generation by settling the circular debt. The various steps are also under progress to eliminate the causes of circular debt. Also various cheap sources of electricity generation have planned in order to make the electricity tariff competitive. The various steps have been taken to improve the governance in the electricity distribution, as given below:-

1. Approval of energy policy by Council of Common Interest.
2. Reconstitution of independent BODs.
3. Campaign to reduce theft of electricity.

The construction of new Grids has been completed. With on track implementation of STG program, GEPCO will be able to remove local system bottlenecks. With this, GEPCO will be able to extend more connections to the consumers besides increasing sales which will help in economic uplift of the area under jurisdiction.

Acknowledgement

The Directors wish to praise all the employees of the company for the contribution and dedication for the smooth and successful running of the Company.

Compliance with Best Business Practices/Corporate Governance

The Federal Government has approved the Public Sectors Companies (Corporate Governance) Rules 2013 and the compliance report of these rules shall be submitted in the annual report FY 2013-14. The Company is already in compliance of the best business practices of the corporate governance and auditor report was submitted to the shareholders in the annual report FY 2011-12 on the basis of approval and adoption of the Code of Corporate Governance in the meeting held on June 13, 2011.

Material Changes

There have been no material changes since June 30, 2013 and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended June 30, 2014.

Meetings of Board of Directors

The Directors held Nine (10) meeting for the period July 1, 2013 to June 30, 2014 and the attendance by each Director is given below:-

Sr. No.	NAME	Designated	MEETING ATTENDED
1.	Mr. Baber Iqbal	Chairman	10
2.	Mr. Muhammad Zargham Eshaq Khan Director	Director	05
3.	Mr. Aftab Ahmed Nadeem	Director	07
4.	Prof: Dr. Muhammad Nizamuddin Director	Director	04
5.	Khawaja Muhammad Tanveer	Director	06
6.	Mr. Afzaal Bhatti	Director	07
7.	Lt. Col. (R Shahjahan Khan	Director	08
8.	Mr. Fawad Butt	Director	07
9.	Khawaja Amer Hassan	Director	08
10.	Mr. Afzal Ahmed Gondal	Director	06
11.	Ch. Muhammad Ishaq Aulakh	Director	08

Corporate and Financial Reporting Framework

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These financial statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.

- Proper books of account have been maintained by the Company.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.

- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance as detailed in code of corporate governance.

Pattern of Shareholding

Out of 1,000 ordinary shares of Rs. 10/- each, 993 shares are held in the name of President of Islamic Republic of Pakistan.

For and on behalf of
The Board of Directors

MUNIR AHMAD MIAN
CHIEF EXECTUTIVE OFFICER

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
134-A Abu Bakar Block
New Garden Town
Lahore
Pakistan

Phone: +92 (0) 42 35913595-7
+92 (0) 42 35440520
Fax: +92 (0) 42 35440521
Web: www.deloitte.com/pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Gujranwala Electric Power 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, for the year then ended and we state that except as described in paragraph (a) 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 as described in paragraph (a) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. 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 opinion and, after due verification, we report that;

(a) as stated in note 16.2 of the accompanying financial statements, trade debts include an balance of Rs. 4,515 million receivable from the Government of Azad Jammu and Kashmir (AJK) against supply of electricity. There is a dispute between the Company and Government of AJK over tariff rates as explained fully in the above referred note and hence the Government of AJK has not acknowledged the amount payable to the Company. Management is of the view that the matter is under consideration of Ministry of Water and Power. Resultantly we are unable to determine the amount that is likely to be recovered and the period over which such recovery will be made;

(b) in our opinion, except for the possible effects of the matter described in paragraph (a) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) in our opinion:

(i) except for the possible effects of the matter described in paragraph (a) above, 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 account and are further in accordance with accounting policies consistently applied except for the change as stated in note 4 with which we concur;

M

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

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

(d) in our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in paragraph (a) above, if any, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give 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, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to note 12.2 of the accompanying financial statements, the ultimate outcome of the contingencies disclosed in the above referred note cannot be presently determined, and, hence pending the resolution thereof, no provision for the same in the accompanying financial statements have been made. Our opinion is not qualified in respect of this matter.

The financial statements of the Company for the year ended June 30, 2013 were audited by another firm of Chartered Accountants who vide their audit report dated November 07, 2013 issued a qualified opinion in respect of unbilled receivables against fuel price adjustment related to consumers having electricity consumption up to the extent of 350 units and disputed receivables against supply of electricity to the Government of AJK.

M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Talat Javed

Dated: November 7, 2014
Lahore

Gujranwala Electric Power Company Limited
Balance Sheet
As at 30 June 2014

	Note	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
Equity and liabilities				
Share capital and reserves				
Authorized share capital				
5,000,000,000 (2013: 5,000,000,000) ordinary shares of Rs. 10 each		**50,000,000,000**	50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	*5*	**10,000**	10,000	10,000
Accumulated loss		**(5,646,317,004)**	(2,759,188,990)	(7,143,775,961)
Deposit for issuance of shares	*6*	**20,058,408,675**	3,018,636,801	3,018,636,801
		14,412,101,671	259,457,811	(4,125,129,160)
Non-current liabilities				
Deferred credit	*7*	**13,197,097,623**	12,252,729,891	10,840,736,739
Long term financing - secured	*8*	**6,231,268,151**	4,509,215,632	1,737,391,247
Deferred liabilities	*9*	**17,849,873,689**	15,265,014,250	11,522,614,973
Security deposits	*10*	**3,140,330,313**	2,749,039,352	2,418,022,838
		40,418,569,776	34,775,999,125	26,518,765,797
Current liabilities				
Trade and other payables	*11*	**25,769,109,631**	38,221,582,126	34,159,005,936
Interest accrued on long term financing		**723,690,148**	572,438,959	242,011,873
Current portion of long term financing	*8*	**306,720,142**	323,392,802	189,289,825
		26,799,519,921	39,117,413,887	34,590,307,634
Contingencies and commitments	*12*			
		81,630,191,368	74,152,870,823	56,983,944,271

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

Chief Executive Officer

Director

Gujranwala Electric Power Company Limited
Balance Sheet
As at 30 June 2014

	Note	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
Non-current assets				
Property, plant and equipment	*13*	**35,778,690,170**	31,382,459,446	24,802,615,161
Long term loans - considered good	*14*	**324,958,985**	179,171,705	127,388,634
		36,103,649,155	31,561,631,151	24,930,003,795
Current assets				
Stores and spares	*15*	**694,409,908**	724,678,196	833,197,765
Trade debts	*16*	**12,483,608,246**	14,967,095,085	13,715,522,922
Short term loans and advances	*17*	**63,120,588**	49,935,762	50,344,374
Interest receivable - accrued		**108,950,288**	90,364,944	59,477,647
Other receivables	*18*	**28,432,693,081**	23,723,988,213	14,479,827,974
Short term investments	*19*	**2,771,000,000**	2,200,000,000	1,700,000,000
Cash and bank balances	*20*	**972,760,102**	835,177,472	1,215,569,794
		45,526,542,213	42,591,239,672	32,053,940,476
		81,630,191,368	74,152,870,823	56,983,944,271

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

Chief Executive Officer

Director

Gujranwala Electric Power Company Limited
Profit and Loss Account
For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees Restated
Sale of electricity - net	21	**66,850,773,145**	51,806,636,291
Subsidy from Government of Pakistan on sale of electricity	22	**23,978,503,672**	31,447,168,647
		90,829,276,817	83,253,804,938
Cost of electricity	23	**(84,146,479,929)**	(69,722,923,101)
Gross profit		**6,682,796,888**	13,530,881,837
Amortization of deferred credit	7	**599,827,964**	540,884,764
		7,282,624,852	14,071,766,601
Operating expenses:			
Distribution expenses	24	**(7,988,187,094)**	(6,450,963,233)
Administrative expenses	25	**(2,291,347,561)**	(1,830,302,975)
		(10,279,534,655)	(8,281,266,208)
Operating (loss)/profit		**(2,996,909,803)**	5,790,500,393
Other income	26	**1,664,106,657**	1,445,601,786
		(1,332,803,146)	7,236,102,179
Finance cost	27	**(229,435,948)**	(152,118,134)
(Loss)/Profit before taxation		**(1,562,239,094)**	7,083,984,045
Taxation	29	**(10,218,965)**	(9,843,117)
(Loss)/Profit after taxation		**(1,572,458,059)**	7,074,140,928

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

Chief Executive Officer

Director

Gujranwala Electric Power Company Limited
Cash Flow Statement
For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
Cash flows from operating activities			
Cash generated from operations	30	**4,826,613,566**	4,419,283,398
Security deposits received - net		**391,290,961**	331,016,514
Increase in receipts against deposit works		**232,922,950**	668,605,714
Post employment benefits paid		**(863,675,369)**	(728,030,479)
Finance cost paid		**(637,965,530)**	(65,225,825)
Taxes paid		**(60,237,378)**	(213,518,674)
Net cash generated from operating activities		**3,888,949,200**	4,412,130,648
Cash flows from investing activities			
Fixed capital expenditure		**(5,004,872,152)**	(7,351,469,101)
Proceeds from sale of property, plant and equipment		**-**	835,471
Long term advances given to employees - net		**(145,787,280)**	(60,377,702)
Short term investments		**(571,000,000)**	(500,000,000)
Interest income received		**264,913,002**	212,561,000
Net cash used in investing activities		**(5,456,746,430)**	(7,698,450,332)
Cash flows from financing activities			
Proceeds from long term financing - net		**1,705,379,860**	2,905,927,362
Net cash generated from financing activities		**1,705,379,860**	2,905,927,362
Net increase/ (decrease) in cash and cash equivalents		**137,582,630**	(380,392,322)
Cash and cash equivalents at the beginning of the year		**835,177,472**	1,215,569,794
Cash and cash equivalents at the end of the year	20	**972,760,102**	835,177,472

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

Chief Executive Officer

Director

Gujranwala Electric Power Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2014

	2014 Rupees	2013 Rupees Restated
(Loss)/Profit after tax for the year	**(1,572,458,059)**	7,074,140,928
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post retirement benefits obligation	**(1,314,669,955)**	(2,689,553,957)
Total comprehensive (loss)/income for the year	**(2,887,128,014)**	4,384,586,971

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

Chief Executive Officer

Director

Gujranwala Electric Power Company Limited
Statement of Changes in Equity
For the year ended 30 June 2014

	Note	Share capital	Accumulated loss	Deposit for issuance of shares	Total
		-----Rupees-----			
Balance as at 30 June 2012 - previously reported		10,000	(13,358,987,994)	3,018,636,801	(10,340,341,193)
Effect of retrospective application of change in accounting policy	4	-	(4,913,238,018)	-	**(4,913,238,018)**
Adjustment of loans regarding circular debt	18.2	-	11,128,450,051	-	**11,128,450,051**
Balance as at 30 June 2012 - restated		10,000	(7,143,775,961)	3,018,636,801	**(4,125,129,160)**
Profit for the year		-	7,074,140,928	-	**7,074,140,928**
Other comprehensive income-restated		-	(2,689,553,957)	-	**(2,689,553,957)**
Total comprehensive income for the year		-	4,384,586,971	-	**4,384,586,971**
Balance as at 30 June 2013		10,000	(2,759,188,990)	3,018,636,801	**259,457,811**
Loss for the year		-	(1,572,458,059)	-	**(1,572,458,059)**
Other comprehensive income-restated		-	(1,314,669,955)	-	**(1,314,669,955)**
Govt of Pakistan equity/investment	6.4	-	-	17,039,771,874	**17,039,771,874**
Total comprehensive income for the year		-	(2,887,128,014)	17,039,771,874	**14,152,643,860**
Balance as at 30 June 2014		**10,000**	**(5,646,317,004)**	**20,058,408,675**	**14,412,101,671**

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

Chief Executive Officer

Director

1 The Company and its operations

1.1 Gujranwala Electric Power Company Limited (the Company) is a public limited company incorporated in Pakistan. The Company was established to take over all properties, rights, assets, obligations and liabilities of Gujranwala Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on April 02, 1998 and commenced commercial operation on July 01, 1998. The principal activity of the Company is the distribution of electricity within defined geographical territory.

1.2 The Company took over certain properties, assets, rights, obligations and liabilities relating to distribution of electricity from Pakistan Water and Power Development Authority (WAPDA) under Business Transfer Agreement (BTA) dated June 29, 1998. The details of assets, liabilities and related matters as provided under clause 1.1 of the BTA have been finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).

1.3 Council of Common Interest (CCI) in its meeting held on September 12, 1993 approved the privatization of thermal power generation units (GENCOs) and power distribution companies (DISCOs) in a phased program. Cabinet Committee on Privatization (CCOP) in its meeting held on February 17, 2009 approved privatization of certain GENCOs and DISCOs, this decision was ratified by Federal Cabinet in its meeting, held on January 06, 2010. President and Prime Minister of Pakistan also approved privatization of GENCOs and DISCOs including Company during a presentation given to them by Ministry of Privatization on November 22, 2010. Decision of President and Prime Minister has also been subsequently ratified by the Council of Common Interest (CCI) during its meeting held on April 28, 2011.

2 Basis of preparation

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 (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 differ, the provision or directives of the Companies Ordinance, 1984 shall prevail.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

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.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	**Effective from accounting period beginning on or after January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	**Effective from accounting period beginning on or after January 01, 2013**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine — **Effective from accounting period beginning on or after January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

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.

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 recognized immediately through other comprehensive income in order for the net pension asset or liability recognized 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 recognized 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 4.

New accounting standards and IFRS interpretations that are not yet effective

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

Amendments to IAS 19 Employee Benefits: Employee contributions | **Effective from accounting period beginning on or after July 01, 2014**

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

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.**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures | **Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities | **Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets | **Effective from accounting period beginning on or after January 01, 2014**

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting — **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is notated to a clearing counterparty and certain conditioned are met.

IFRS 10 – Consolidated Financial Statements — **Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

IFRS 11 – Joint Arrangements — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities | **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps to evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement | **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

IFRIC 21 - Levies | **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

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

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

3 Summary of significant accounting policies

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except to the extent of recognition of certain employee benefits at present value and financial instruments carried at fair value.

3.2 Functional and presentation currency

The financial statements have been prepared using functional and presentation currency of Pakistan i.e. Pak Rupees. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee unless otherwise stated.

3.3 Use of judgments and estimates

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

	Note
- Employee retirement benefits	*3.5*
- Depreciation method, residual values and useful lives of depreciable assets	*3.6*
- Provisions and contingencies	*3.10*
- Taxation	*3.13*

3.4 Deferred credit

As the Company has applied IFRIC 18, as a result of which amounts received from consumers and the Government as contributions towards the cost of extension of distribution network and of providing service connections are deferred for amortization over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network.

3.5 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

Defined benefit plans

The Company operates unfunded pension, post retirement free electricity and medical benefits schemes for all its permanent employees. Provisions are made in accordance with the actuarial recommendations. The latest valuation was carried out as at 30 June 2014. The future contribution rates of these plans include allowances for deficit and surplus. Projected Unit Credit Method with the following significant assumptions is used for valuation of these schemes:

	2014		
	Free electricity benefits	**Free medical benefits**	**Pension and leave encashment benefits**
Expected rate for discounting liabilities	**13.50%**	**13.50%**	**13.50%**
Expected rate for increase in electricity cost	**12.50%**	**-**	**-**
Expected rate for increase in medical cost	**-**	**9.50%**	**-**
Expected increase in pensionable pay	**-**	**-**	**10.00%**
Pension index rate	**-**	**-**	**5.00%**
Exposure inflation rate	**-**	**3.00%**	**-**

	2013		
	Free electricity benefits	Free medical benefits	Pension and leave encashment benefits
Expected rate for discounting liabilities	11.50%	11.50%	11.50%
Expected rate for increase in electricity cost	9.00%	-	-
Expected rate for increase in medical cost	-	7.00%	-
Expected increase in pensionable pay	-	-	9.00%
Pension index rate	-	-	4.00%
Exposure inflation rate	-	2.00%	-

Accumulating compensated absences

The employees of the Company are entitled to accumulating compensated absences, which are encashable at the time of retirement up to a maximum limit of 365 days. Provisions are made in accordance with the actuarial recommendations. The latest valuation was carried out as at June 30, 2014.

Other benefits

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

The Company has adopted IAS 19 (as revised in 2011) during the year and all the changes have been fully explained in note 4

3.6 Property, plant and equipment

a) Cost

Operating fixed assets except freehold land are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of such assets when that cost is incurred if the recognition criteria are met. Freehold land is stated at cost. Capital work-in-progress is stated at cost plus applicable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the year in which they are incurred.

b) Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account on straight line method so as to write off the carrying amount of an asset over its estimated remaining useful life at the rates given in note 13.1. Depreciation charge commences from the month in which asset is available for use and no depreciation in the month of disposal.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

c) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

d) Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss account.

3.7 Stores and spares

These are valued at lower of fortnightly weighted average cost and net realizable value. Provision is made for obsolete items, except items in transit, which are stated at cost. Furthermore 100% provision is created for the items of stores and spares which are slow moving and older than 12 months.

3.8 Trade debts

Trade debts are carried at original billed value less an estimate for provision for doubtful debts. 100% provision for doubtful debts, for private consumers, is made which are more than one year old, where as no provision is made for amount due from federal and provincial government consumers.

3.9 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

3.10 Provisions and contingencies

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

3.11 Investments - Held to maturity

Investments with fixed maturity that the management has intent and ability to hold to maturity are classified as held to maturity and are initially measured at fair value and at subsequent reporting dates measured at amortized cost using the effective interest method.

3.12 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. All other borrowing costs are charged to profit and loss account whenever incurred.

3.13 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income if any. The charge for current tax is calculated using prevailing current tax rates or tax rates after taking into account rebates and tax credits, if any, expected to apply to the profit for the year, if enacted or minimum tax at the rate of 1 percent of the turnover excluding the purchase price of electricity, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax asset is also recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax is charged to/credited in the profit and loss account except in case of items credited or charged to equity in which case it is included in equity.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

3.14 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) Meter and service rentals are recognized on time proportionate basis.

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 3.4 also).

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

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.16 Financial instruments

Financial instruments comprise long term loans, trade debts, loans and receivables, cash and bank balances, long term financings and trade and other payables.

Financial assets and liabilities are recognized at fair value at the time the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

3.17 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional 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 rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

3.18 Off-setting of financial assets and financial liabilities

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

4 Changes in accounting policy

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 recognized immediately through other comprehensive income in order for the net pension and gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, 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 recognized 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:

Effect on balance sheet

	......................30 June 2012......................		
	Balance as reported earlier	*Effect of change in accounting policy*	*Restated balance*
Deferred liabilities (employee benefits)	6,609,376,955	4,913,238,018	11,522,614,973
Accumulated losses	13,358,987,994	(6,215,212,033)	7,143,775,961

	......................30 June 2013......................		
	Balance as reported earlier	*Effect of change in accounting policy*	*Restated balance*
Deferred liabilities (employee benefits)	8,205,407,320	7,059,606,930	15,265,014,250
Accumulated losses	6,795,769,178	(4,036,580,188)	2,759,188,990
Property Plant and equipment	31,414,722,379	(32,262,933)	31,382,459,446

Effect on other comprehensive income

	......................30 June 2013......................		
	Balance as reported earlier	*Effect of change in accounting policy*	*Restated balance*
Remeasurement on defined benefit obligation	-	2,689,553,957	2,689,553,957

Effect on profit and loss account

	......................30 June 2013......................		
	Balance as reported earlier	*Effect of change in accounting policy*	*Restated balance*
Distribution expenses	6,859,700,922	(408,737,689)	6,450,963,233
Administrative expenses	1,932,487,398	(102,184,423)	1,830,302,975

	Note	2014 Rupees	2013 Rupees

5 Issued, subscribed and paid up share capital

	Note	2014 Rupees	2013 Rupees
1,000 (2013: 1,000) ordinary shares of Rs. 10 each fully paid in	*5.1*	**10,000**	10,000

5.1 Shares are held by the President of Pakistan and his nominees.

6 Deposit for issuance of shares

	Note	2014 Rupees	2013 Rupees
Incorporation expenses incurred by WAPDA		**5,042,775**	5,042,775
Allocation of net worth	*6.1*	**138,102,633**	138,102,633
Allocation of debt services liability	*6.2*	**1,541,250,111**	1,541,250,111
Against transfer of assets	*6.3*	**1,334,241,282**	1,334,241,282
Govt of Pakistan equity/investment	*6.4*	**17,039,771,874**	-
		20,058,408,675	3,018,636,801

6.1 This represents net worth of the Company against which the Company will issue shares to WAPDA pursuant to the Supplementary Business Transfer Agreement (SBTA).

6.2 This represents the debt services provided by WAPDA on foreign re-lent and cash development loans against which the Company will issue shares to WAPDA.

6.3 This represents the reallocation of loans against assets constructed by National Transmission and Dispatch Company Limited and transferred to the Company during July 01, 2002 to June 30, 2006 through

6.4 This amount also includes Rs. 17.04 billion on account of credit notes issued by CPPA against the clearance of circular debt by the Government of Pakistan (GOP). The finance division of GOP vide its letter No F.1(5) CF-1/2012-13/1017 dated July 02, 2013 had transferred Rs. 341.96 billion in PEPCO's account through State Bank of Pakistan on June 27, 2013 for settlement of power sector circular debt. PEPCO on the basis of above letter allocated Rs. 17.04 billion to the Company against which CPPA has issued a credit advice to the company being the adjustment on account of Govt. of Pakistan equity/investment against settlement of power sector circular debt.

7 Deferred credit

	2014 Rupees	2013 Rupees
Contribution		
Opening balance	**16,425,523,310**	14,472,645,394
Additions during the year	**1,544,195,696**	1,952,877,916
	17,969,719,006	16,425,523,310
Amortization		
Opening balance	**4,172,793,419**	3,631,908,655
Amortized during the year	**599,827,964**	540,884,764
	4,772,621,383	4,172,793,419
	13,197,097,623	12,252,729,891

7.1 This represents the capital contribution received from the consumers and Government against which assets are to be constructed by the Company.

		Note	2014 Rupees	2013 Rupees
8	**Long term financing - secured**			
	From banking companies and other financial institutions			
	The Bank of Punjab - Demand Finance	*8.1*	**399,600,000**	499,500,000
	Asian Development Bank - Re-lent by GOP	*8.2*	**2,983,152,597**	1,823,208,930
	Export Import Bank of Korea - Re-lent by GOP	*8.3*	**3,155,235,696**	2,509,899,504
			6,537,988,293	4,832,608,434
	Less: Current maturity		**306,720,142**	323,392,802
			6,231,268,151	4,509,215,632

8.1 This represents the demand finance facility sanctioned by The Bank of Punjab (BOP) for rehabilitation, upgradation and expansion of existing network against a sanctioned limit of Rs. 999 million. The facility is repayable in twenty half yearly installments with a grace period of two years and is secured by way of hypothecation of project assets up to Rs. 1,332 million, exclusive charge over book debts/receivables of the project, letter of right of set-off and demand promissory note of Rs. 2,315 million in favor of BOP. This carries interest on average 6 months KIBOR plus 145 BPS (2013: 6 months KIBOR plus 145 BPS) to be paid on half yearly basis.

		Note	2014 Rupees	2013 Rupees
8.2	Asian Development Bank - Re-lent by GOP			
	- Project - 1	*8.2.1*	**582,729,667**	775,404,696
	- Project - 2	*8.2.2*	**2,400,422,930**	1,047,804,234
			2,983,152,597	1,823,208,930

8.2.1 This represents re-lent portion of term finance facility – Project 1 obtained by GOP from Asian Development Bank (ADB) for power distribution and enhancement project which is secured against the guarantee by GOP. Pursuant to the letter referenced 6(9)ADB-4086 dated March 30, 2009 of Ministry of Economic Affairs and Statistics, out of the total facility obtained by the GOP, US$ 11.37 million were allocated to the Company. Company has drawn down US$ Nil (PKR Nil) [2013: (US$ 8.96 million) (PKR 775.40 million)]. The facility carries interest at the rate of 17% per annum including the interest at the rate of 11% and exchange risk cover at the rate of 6% per annum payable on half yearly basis. The repayment is to be made within maximum period of 15 years including a grace period of 2 years, whereas the first installment of the loan was due on February 15, 2011. Loan is repayable to GOP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan. This project has been closed by ADB with effect from December 31, 2012 due to inability of the Company to utilize full amount of loan within given time.

8.2.2 This represents re-lent portion of term finance facility – Project 2 obtained by the GOP from Asian Development Bank (ADB) for power distribution and enhancement project which is secured against the guarantee by GOP. Pursuant to the letter number 1(3)ADB-II/06-A dated March 31, 2011 of Ministry of Economic Affairs and Statistics, out of the total facility obtained by the GOP, US$ 48.55 million were allocated to the Company. The Company has drawn down US$ 24.46 million (PKR 2,400.42 million) [2013: (US$ 10.83 million) (PKR 1,047.80 million)]. The facility carries interest at the rate of 15% per annum including interest at the rate of 8.2% and exchange risk cover at the rate of 6.8% per annum payable on half yearly basis. The loan is repayable to the GOP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan, within a period of 17 years excluding the grace period of 3 years. Repayment schedule in this respect has yet not been finalized.

8.3 This represents a re-lent portion of term finance facility obtained by GOP from Export Import Bank of Korea for GEPCO substations for rural distribution construction, which is secured against the guarantee by GOP. Pursuant to the re-lent agreement between GOP and the Company, out of total facility of US$ 45 million. US$ 32.21 million (PKR 3,155.24 million) [2013: (US$ 25.73 million) (PKR 2,509.90 million)] has been drawn down by the Company. This facility carries interest rate of 15% inclusive of relending interest of 8.2% plus exchange risk cover fee of 6.8% which shall be charged both on principal amount and interest amount separately. Repayments are to be made within maximum period of 30 years including a grace period of 10 years. Repayment schedule in this respect has yet not been finalized.

8.4 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. 8,512 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.

	Note	2014 Rupees	2013 Rupees
9 Deferred liabilities			
Deferred taxation	*9.1*	-	-
Employment benefits	*9.2*	**17,849,873,689**	15,265,014,250
		17,849,873,689	15,265,014,250

9.1 Based on prudence and considering the trend of Company's future taxable profits, deferred tax asset has not been recognized in these financial statements. Tax losses available for carry forward and other deductible timing differences approximates to Rs. 101,847 million (2013: Rs. 104,915 million) including tax depreciation amounting to Rs. 21,975 million (2013: Rs. 18,365 million).

	Note	2014 Rupees	2013 Rupees
9.2 Employment benefits			
Post employment benefits	*9.2.1*	**17,149,546,963**	14,791,742,332
Accumulating compensated absences	*9.2.1*	**700,326,726**	473,271,918
		17,849,873,689	15,265,014,250

9.2.1

	2014				
	Post employment benefits			Total	Accumulating compensated absences
	Medical	Free electricity facility	Pension		
	Rupees				
These are composed of:					
Present value of defined benefit obligation	1,286,004,259	2,150,877,254	13,712,665,450	17,149,546,963	700,326,726
Fair value of defined benefit plans	-	-	-	-	-
Liability recognized in the balance sheet	1,286,004,259	2,150,877,254	13,712,665,450	17,149,546,963	700,326,726
Movement in net liability					
Liability at the beginning of the year	1,085,875,415	1,898,193,110	11,807,673,807	14,791,742,332	473,271,918
Charge for the year	142,509,499	291,491,138	1,595,549,397	2,029,550,034	272,446,960
Benefits paid during the year	(52,901,588)	(48,884,228)	(716,497,401)	(818,283,217)	(45,392,152)
Other Comprehensive Income	110,520,933	10,077,234	1,194,071,788	1,314,669,955	-
Pension paid to employees by other DISCOs			(168,132,141)	(168,132,141)	
Liability at the end of the year	1,286,004,259	2,150,877,254	13,712,665,450	17,149,546,963	700,326,726
Charge for the year					
Current service cost	20,675,668	76,009,773	278,865,510	375,550,951	20,539,081
Interest cost	121,833,831	215,481,365	1,316,683,887	1,653,999,083	51,816,222
Actuarial losses recognized	-	-	-	-	200,091,658
	142,509,499	291,491,138	1,595,549,397	2,029,550,034	272,446,961
Less: Allocation to capital work-in-progress	(8,165,759)	(16,702,370)	(91,424,586)	(116,292,715)	(15,611,143)
	134,343,740	274,788,768	1,504,124,811	1,913,257,319	256,835,818

in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The

	2013				
	Post employment benefits			Total	Accumulating compensated absences
	Medical	Free electricity facility	Pension		
	Rupees				
These are composed of:					
Present value of defined benefit obligation	1,085,875,415	1,898,193,110	11,807,673,807	14,791,742,332	473,271,918
Fair Value of defined benefit plan	-	-	-	-	-
Liability recognized in the balance sheet	1,085,875,415	1,898,193,110	11,807,673,807	14,791,742,332	473,271,918
Movement in net liability					
Liability at the beginning of the year	973,662,100	1,604,176,000	8,531,588,873	11,109,426,973	413,188,000
Charge for the year	130,684,374	273,486,681	1,281,816,994	1,685,988,049	94,887,750
Benefits paid during the year	(34,795,055)	(42,371,296)	(616,060,296)	(693,226,647)	(34,803,832)
Other Comprehensive Income	16,323,996	62,901,725	2,610,328,236	2,689,553,957	
Liability at the end of the year	1,085,875,415	1,898,193,110	11,807,673,807	14,791,742,332	473,271,918
Charge for the year					
Current service cost	11,624,817	75,612,887	253,872,153	341,109,857	19,196,991
Interest cost	119,059,557	197,873,794	1,027,944,841	1,344,878,192	49,473,261
Actuarial losses recognized	-	-	-	-	26,217,498
	130,684,374	273,486,681	1,281,816,994	1,685,988,049	94,887,750
Less: Allocation to capital work-in-progress	(8,959,077)	(18,023,578)	(105,420,963)	(132,403,618)	(5,635,938)
	121,725,297	255,463,103	1,176,396,031	1,553,584,431	89,251,812

9.2.2 The charge for the year has been allocated as follows:

	2014	2013
	Rupees	Rupees Restated
Distribution cost	**1,736,074,509**	1,340,079,341
Administrative expenses	**434,018,627**	335,019,836
Allocation to capital work-in-progress	**131,903,858**	105,776,622
	2,301,996,994	1,780,875,799

9.2.3 Sensitivity analysis

Medical

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 117.84 million (increase by Rs. 103.51 million)

Free electricity

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 197.09 million (increase by Rs. 173.12 million)

Pension

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 1,271.95 million (increase by Rs. 1,117.21 million)

9.2.4 Risks associated with defined benefit plans

Longevity risks:

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

Salary increase risk:

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

Withdrawal risk:

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

9.3 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 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 allotted 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 Control 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 pre-purchase commitment would be met by GOP.

10 Security deposits

These represent security deposits against energy debtors. These are refundable on disconnection of electricity supply.

11 Trade and other payables

	Note	2014 Rupees	2013 Rupees Restated
Creditors	*11.1*	5,515,503,362	32,712,721,404
Due to associated undertakings - unsecured	*11.2*	701,659,757	703,131,636
EQ surcharge payable		1,207,139,322	1,035,687,487
Electricity duty payable		1,201,837,382	492,586,706
PTV license fee payable		53,376,552	53,265,518
Income tax payable collected on electricity bills		231,522,357	131,664,934
Neelam Jehlum surcharge payable		62,556,639	45,762,362
Accrued liabilities		408,434,649	109,867,233
Retention money - contractors		24,536,304	20,991,844
General sales tax not yet realized		172,927,447	172,919,565
Capital contribution awaiting connections		1,029,346,363	783,742,992
Receipt against deposit works		1,589,390,636	1,652,490,905
Workers' profit participation fund payable	*11.3*	270,351,281	270,351,281
Payable to Government of Pakistan	*11.4*	12,773,040,865	-
Compact Flourescent Lamps cost payable	*11.5*	504,213,965	-
Others		23,272,750	36,398,259
		25,769,109,631	38,221,582,126

11.1 This includes amount of Rs. 4,577 million (2013: Rs. 31,991 million) payable to NTDC, an associated undertaking.

	2014 Rupees	2013 Rupees Restated
Opening balance	**31,991,311,315**	27,414,568,793
Cost of electricity	**94,314,539,377**	77,578,477,549
	126,305,850,692	104,993,046,342
Less: Amount paid / adjusted	**121,728,410,706**	73,001,735,027
Closing balance	**4,577,439,986**	31,991,311,315

My

	2014 **Rupees**	2013 Rupees
11.2 Due to associated undertakings - unsecured		
Lahore Electric Supply Company Limited (LESCO)	**550,377,953**	546,920,334
Water and Power Distribution Authority (WAPDA)	**124,381,842**	135,678,833
Faisalabad Electric Supply Company Limited (FESCO)	**18,185,305**	13,108,085
Pakistan Electric Power Company Limited (PEPCO)	**5,575,826**	5,340,549
Peshawar Electric Supply Company Limited (PESCO)	**598,777**	398,579
Multan Electric Power Company Limited (MEPCO)	**2,326,648**	1,535,221
Sukkher Electric Power Company Limited (SEPCO)	**213,406**	150,035
	701,659,757	703,131,636

11.3 The Company has held payment of its contribution towards Workers' Profit Participation Fund (WPPF) relating to profit for the year ended June 30, 2005. The matter is pending for decision with the Economic Coordination Committee upon a recommendation submitted by WAPDA to exempt the corporatized entities under its umbrella from the requirements of the Companies Profit (Workers' Participation) Act, 1968. However, during the previous years, the income tax authorities raised a demand of the said amount and accordingly, an amount of Rs. 23.440 million was deposited in government treasury. As far as remaining amount is concerned, it has been held by the Company till the matter is decided.

The Company has not paid its contribution towards WPPF for the year ended June 30, 2005 amounting to Rs. 23.44 million upon directions from WAPDA. In connection therewith, no provision for interest on delayed payment has been made in these financial statements.

11.4 During the year, Pakistan Electric Power Company (Private) Limited (PEPCO) vide its letter No. CFO/PEPCO/3958-73 dated August 22, 2014 has instructed CPPA for non-cash adjustment of Rs. 138.15 billion as Federal Government's equity / investment in distribution companies to settle the issue of Circular Debt. However, the Company has been advised by PEPCO that notification may be issued to adjust this credit against tariff differential subsidy receivable. Therefore, the Company has recognized this credit as payable to GoP. This amount includes Rs. 12.773 billion on account of this adjustment.

11.5 During the year Company has received Compact Flourescent Lamps (CFLs) from Pakistan Electric Power Company (PEPCO) under Clean Development Mechanism Program (CDM) of activities -''National CFL Project- Pakistan''. CFLs cost will have to be borne by the Company from its distribution margin hence recorded as payable as of June 30, 2014.

12 Contingencies and commitments

12.1 *Commitments*

12.1.1 Commitments against inland letters of credit and purchase orders for capital store items aggregate to Rs. 1,162 million (2013: Rs. 1,038 million).

12.1.2 The Company has issued a bank guarantee in the favor of Pakistan State Oil Company Limited amounting to Rs. 26 million (2013: Rs. 21 million) from National Bank of Pakistan.

12.2 *Contingencies*

12.2.1 Claims against the Company not acknowledged as debt amount to Rs. 326.6 million (2013: 438 million)

12.2.2 In 1990, a land measuring 74 Kanals and 5 Marlas acquired by WAPDA for construction of 132 KV grid station situated at Lahore Road (WAPDA Town) Gujranwala for Rs. 8.19 million. Three out of ten land owners Ms. Ghazala Syed, Mr. Iftikhar Ahmad and Mr. Faqeer Muhammad owners of 27 Kanals and 11 Marlas challenged acquisition process before Senior Civil Judge, Gujranwala. The Civil Judge declared the entire acquisition process null and void. The Company filed appeals before District & Session Judge, Gujranwala and Honorable Lahore High Court which were dismissed by all the courts. The Company filed an appeal before Supreme Court of Pakistan which was also dismissed. Thereafter, the Company filed Civil Review Petition before Supreme Court of Pakistan against Supreme Court's judgment dated July 14, 2009 which were converted into Civil Appeals. These appeals have been dismissed by Supreme Court of Pakistan vide judgment dated January 24, 2013. The Company has filed Civil Review Petitions before Supreme Court against said judgment. After hearing the arguments from both sides Supreme Court allowed the Civil Review Petitions.

In view of Company's legal counsel the Company may be required to surrender the said land which, in the opinion of the management, will not have any adverse effect on the operation of the grid station. The abovementioned land has been included in note 13.

12.2.3 In 1973, a plot of land measuring 11 kanals and 9 marlas situated at 565 A, Model Town, Gujranwala was transferred to WAPDA by GDA (formerly Gujranwala Improvement Trust). In 2004, while transferring the plot from WAPDA to GEPCO under the Supplementary Business Transfer Agreement (SBTA), transfer deed of the plot was missing in WAPDA record. WAPDA requested GDA to provide the same. However, GDA found that 4 Kanals and 1 marla of land was not allotted to WAPDA and raised a demand of Rs 81.74 million for this disputed piece of land. In 2009, the Company, in order to resolve the issue, agreed to put the matter before District Price Assessment Committee (DPAC). DPAC, having considered the matter from both parties, decided to increase the demand to Rs 163.30 million on just and equitable basis. On May 16, 2011, the Company received a notice from GDA for taking enforced possession of disputed land on account of failure to pay the demanded dues. The Company filed a declaratory suit against GDA before Civil Judge, Gujranwala along with stay application for status quo. The Court granted status quo to the Company. GDA challenged the stay for status quo in Session Court, which was dismissed vide judgment dated November 27, 2012 by the said court. The Company's legal counsel believes that the matter will be decided in the Company's favor, hence, no provision has been made in these financial statements.

12.2.4 The Company has received certain debit and credit notes issued by CPPA against allocation of advertisment expenses, fuel price adjustment, adjsutment of 13th invoices etc aggregating to Rs. 1,896 million which have not been booked by the Company. No provision for the above adjsutments has been made in the accounts.

12.2.5 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. 568.386 million.
- Invoice dated January 19, 2012 pertaining to the years 2010-2011 amounting to Rs. 2,045.06 million.
- Invoice dated September 17, 2012 pertaining to the years 2011-2012 amounting to Rs. 1,186.924 million.
- Invoice dated January 31, 2014 pertaining to the years 2012-2013 amounting to Rs. 1,176.43 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.

12.2.6 The Company received debit notes aggregating Rs. 1,418 million (2013: Rs. 558 million) issued by Central Power Purchasing Agency against markup on syndicated loans as referred in note 8.4.

12.2.7 ***Sales tax***

- Inland Revenue Department raised a demand against the Company on following issues:

(i) A demand has been raised amounting to Rs. 2,385.50 million in respect of general sales tax on subsidy income charged to Government of Pakistan. The case has been set aside by the Commissioner Appeals on the basis of rule 14 of Sales Tax Special Procedure Rules, 2007 which states that " Filing of returns and deposit of sales tax (1) in case of WAPDA and KESC, sales tax levied and collected under rule 13 during the tax period shall be deposited on accrual basis (i.e.) the amount of tax actually billed to the consumers or purchasers for the tax period". Tax department has filed appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Appeals.

(ii) A demand has been raised from the Company in respect of general sales tax recoverable amounting to Rs. 181.5 million against the supply of energy to steel melters amounting to Rs. 741 million. The case has been decided in favor of the Company by the Commissioner Appeals and directed the department to verify the amount recovered and in case of non-verification of any amount the same may be recovered from the respective registered persons along with default surcharge under section 34 of Sales Tax Act, 1990. Tax department has filed appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Appeals.

(iii) A demand has been raised amounting to Rs. 107 million in respect of general sales tax recoverable on supply of energy to the Government of Azad Jammu & Kashmir (AJK) along with default surcharge. The Company is not charging general sales tax on sale of electricity to the Government of AJK as per the decision of the President of Pakistan dated September 26, 2002. However, department is of the view that no notification or amendment in law granting that specific exemption from charging general sales tax on sale of electricity to the Government of AJK is available. The matter has been decided against the Company by the Commissioner Appeals. The Company has filed appeal, against the order of Commissioner Appeals, before Appellate Tribunal Inland Revenue (ATIR).

(iv) A demand has been raised from the Company in respect of short payment of sales tax on amount received through demand notices amounting to Rs. 71 million. The matter has been decided against the Company by the Commissioner Appeals. The Company has filed appeal, against the order of Commissioner Appeals, before Appellate Tribunal Inland Revenue (ATIR).

(v) A demand has been raised from the Company amounting to Rs. 39 million in respect of non payment of sales tax on "Operation offices gain on new connections" that is infact the differential of provisional demand notice and actual equipment charges and income of non - utility operations. The matter has been decided against the Company by the Commissioner Appeals except for a relief of Rs 16.9 million. The Company has filed appeal, against the order of Commissioner Appeals, before Appellate Tribunal Inland Revenue (ATIR).

(vi) Inland Revenue Department has raised a demand amounting to Rs. 1,235.8 million from the Company for the tax periods April 2011 to August 2011 and October 2011, on ground of alleged non-payment of sale tax collected from the steel melters and alleged illegal adjustment of such output tax against its input tax. The matter has been taken up by Company before the Commissioner Appeals. The matter has been set aside by Commissioner Appeals. However, the Company has preferred an appeal before Appellate Tribunal Inland Revenue (ATIR).

(vii) RTO Gujranwala has raised a demand of Rs 5,693 million along with default surcharge amounting to Rs 284.68 million for the periods from July 2009 to June 2011 in respect of general sales tax recoverable on tariff subsidy received from Government of Pakistan. The matter has been decided against the Company by Commissioner Inland Revenue (Appeals). However, the Company has preferred an appeal before Appellate Tribunal Inland Revenue (ATIR).

(viii) RTO Gujranwala has raised a demand of Rs 4,861 million for the periods from July 2011 to June 2012 in respect of general sales tax recoverable on various heads. During the year the Company filed an appeal before the Commissioner Inland Revenue (Appeals). Subsequent to year end, the case was decided in favor of the Company by Commissioner Inland Revenue (Appeals) while upholding the order of assessing officer on issue of non-payment of sales tax on free supply of electricity sustaining the demand of Rs. 5.9 million. However, the Company has preferred an appeal before Appellate Tribunal Inland Revenue (ATIR).

For all the above referred cases, the Company's counsel is of the view that the matter will be decided in favor of the Company and accordingly, no provision has been made in these financial statements.

12.2.8 ***Income Tax***

(i) Inland Revenue Department has raised a demand from the Company amounting to Rs. 102.5 million for tax year 2007, by disallowing brought forward losses up to February 24, 2007 (i.e. exempt period), provision for slow moving stores & spares and certain other expenses under section 21(c) of the Income Tax Ordinance, 2001. The matter has been decided in favor of the Company. However the department has filed an appeal in Appellate Tribunal Inland Revenue (ATIR).

(ii) Inland Revenue Department has raised a demand against the Company amounting to Rs. 27.9 million and Rs. 35.8 million for tax years 2010 and 2011, respectively. The demand has been raised on the ground that tariff differential subsidy from GOP is part of gross revenue for calculation of minimum tax under section 113 of the Income Tax Ordinance, 2001. The matter has been decided against the Company by the Commissioner Appeals for tax year 2010 while pending for tax year 2011. However, the Company has taken up the matter to ATIR for tax year 2010.

(iii) Inland Revenue Department has raised a demand against the Company amounting to Rs. 6.5 million for the period July 2013 to December 2013 in respect of non deduction of tax under section 233 of the Income Tax Ordinance, 2001. The Company has preferred an appeal before Commissioner Appeals.

(iv) Inland Revenue Department has raised a demand against the Company amounting to Rs. 294 million and Rs. 289 million for tax year 2012 and 2013 respectively under section 161, 205 and 235 of the Income Tax Ordinance, 2001 in respect of non-inclusion of Extra Tax and Further Tax in the calculation of income tax on electricity consumption. The Company has preferred an appeal before Commissioner Appeals.

(v) Inland Revenue Department has raised a demand against the Company amounting to Rs. 15.44 million, Rs. 17.33 million and Rs. 14.45 million for tax year 2012, 2013 and for the periods of July 2013 to February 2014 respectively under section 205 of the Income Tax Ordinance, 2001 in respect of delay in filing of statements under section 165 and 235 of the Income Tax Ordinance, 2001. The Company has preferred an appeal before Commissioner Appeals.

(vi) Inland Revenue Department has raised a demand against the Company amounting to Rs. 31.587 million for the periods from July 2013 to October 2013 respectively under section 161, 205 and 235 of the Income Tax Ordinance, 2001. The Company has preferred an appeal before Commissioner Appeals.

For all the above referred cases, the Company's counsel is of the view that the matter will be decided in favor of the Company and accordingly, no provision has been made in these financial statements.

	Note	2014 Rupees	2013 Rupees
13 Property, plant and equipment			
Operating fixed assets- tangible	13.1	30,363,383,812	24,513,210,870
Capital work in progress	13.2	5,415,306,358	6,869,248,576
		35,778,690,170	31,382,459,446

13.1 Operating fixed assets- tangible

	2014											
	Cost				Depreciation							
Particulars	Transferred from WAPDA Under Agreement as on 01 July 1998	Additions/ (deletions) thereafter Up to last year	Additions/ (deletions) thereafter During the year	As on 30 June 2014	Transferred from WAPDA Under Agreement as on 01 July 1998	Depreciation Expense Up to last year	Depreciation Expense During the year	Adjustments/ (deletions) thereafter Up to last year	Adjustments/ (deletions) thereafter During the year	As on 30 June 2014	BOOK VALUE AS ON 30 JUNE 2014	Rate %
	Rupees											
Land - freehold	29,050,506	401,372,693	-	430,423,199	-	-	-	-	-	-	430,423,199	-
Building on freehold land	225,461,025	1,000,976,166	89,308,322	1,315,745,513	61,758,809	193,248,425	24,459,643	53,463,570	-	332,930,447	982,815,066	2
Furniture and fixtures	2,730,458	16,521,955	2,292,954	21,545,367	748,098	11,067,971	1,454,101	(1,020,142)	-	12,250,028	9,295,339	10
Distribution equipment	4,596,020,025	28,102,346,617	7,054,488,053	39,752,854,695	1,258,936,440	7,947,977,476	1,248,345,889	499,925,689	-	10,955,185,494	28,797,669,201	3.5
Mobile plant equipment	163,928	23,399,828	-	23,563,756	44,914	13,086,455	1,487,129	2,566,193	-	17,184,691	6,379,065	10
Tools, plant and equipment	43,306,782	131,045,350	5,376,187	179,728,319	11,865,312	118,107,413	6,954,473	(6,363,198)	-	130,564,000	49,164,319	10
Vehicles	210,925,584	238,846,159	1,558,499	451,330,242	57,787,152	321,055,033	19,957,963	(35,107,529)	-	363,692,619	87,637,623	10
	5,107,658,308	29,914,508,768	7,153,024,015	42,175,191,091	1,391,140,725	8,604,542,773	1,302,659,198	513,464,583	-	11,811,807,279	30,363,383,812	

Particulars	Cost				Depreciation							
	Transferred from WAPDA Under Agreement as on 01 July 1998	Additions/ (deletions) thereafter Up to last year	Additions/ (deletions) thereafter During the year	As on 30 June 2013	Transferred from WAPDA Under Agreement as on 01 July 1998	Depreciation Expense Up to last year	Depreciation Expense During the year	Adjustments/ (deletions) thereafter Up to last year	Adjustments/ (deletions) thereafter During the year	As on 30 June 2013	BOOK VALUE AS ON 30 JUNE 2013	Rate %
	Rupees											
Land - freehold	29,050,506	401,372,693	-	430,423,199	-	-	-	-	-	-	430,423,199	-
Building on freehold land	225,461,025	920,468,798	80,507,368	1,226,437,191	61,758,809	170,279,421	22,969,004	53,463,570	-	308,470,804	917,966,387	2
Furniture and fixtures	2,730,458	13,853,182	2,668,773	19,252,413	748,098	9,863,491	1,204,480	(1,020,142)	-	10,795,927	8,456,486	10
Distribution equipment	4,596,020,025	24,555,850,860	3,546,495,757	32,698,366,642	1,258,936,440	6,881,972,740	1,066,004,736	499,925,689	-	9,706,839,605	22,991,527,037	3.5
Mobile plant equipment	163,928	23,399,826	-	23,563,754	44,914	11,268,783	1,817,672	2,566,193	-	15,697,562	7,866,192	10
Tools, plant and equipment	43,306,782	121,593,164	9,452,186	174,352,132	11,865,312	109,153,456	8,953,957	(6,363,198)	-	123,609,527	50,742,605	10
Vehicles	210,925,584	234,688,892	5,184,615	449,771,743	57,787,152	299,683,315	21,371,718	(35,107,529)	-	343,542,779	106,228,964	10
			(1,027,348)						(191,877)			
	5,107,658,308	26,271,227,415	3,643,281,351	35,022,167,074	1,391,140,725	7,482,221,206	1,122,321,567	513,464,583	(191,877)	10,508,956,204	24,513,210,870	

13.1.1 As explained in note 1.2, the property and rights in the above assets were transferred to the Company on 01 July 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement between WAPDA and the Company. However, the process of transfer of titles of the freehold land and vehicles in the name of Company in the land revenue records and with registration authority respectively is in progress. Land which is under litigation is disclosed in note 12.2.2 and 12.2.3 .

	Note	2014 Rupees	2013 Rupees
13.1.2 The depreciation charge for the year has been allocated as follows:			
Distribution expenses	24	**1,224,680,011**	1,054,966,494
Administrative expenses	25	**78,171,065**	67,355,073
		1,302,851,076	1,122,321,567

13.2 Capital work in progress

Civil works	**19,340,310**	37,846,037
Distribution equipment	**1,225,528,410**	1,146,514,856
Distribution equipment against deposit works	**832,222,694**	834,730,259
Works under Asian Development Bank Loan and Export Import Bank of Korea Loan	**2,781,664,957**	4,144,026,625
Stores held for capital expenditure	**556,549,987**	706,130,799
	5,415,306,358	6,869,248,576

13.3 **The cost of the assets as on 30 June 2014 include fully depreciated assets amounting to Rs. 441 million (2013: Rs. 391 million) but are still in use of the Company.**

13.4 **During the year, borrowing cost amounting to Rs. 562 million (2013: Rs. 246 million) has been included in the cost of capital work in progress.**

My

Subsequent to March 2007, the electricity is billed to Government of AJK at tariff rates notified by GOP after

14 Long term loans - considered good	Note	2014 Rupees	2013 Rupees
To employees			
House building / purchase of plots	14.1	310,827,697	180,284,745
Vehicles		56,207,810	21,144,293
		367,035,507	201,429,038
Less: Current portion of long term loans	17	42,076,522	22,257,333
		324,958,985	179,171,705

14.1 Loans for house building and purchase of plots are recoverable in 10 years, car and motor-cycle loans in 5 years and bicycle loans in 4 years. Interest is charged on these advances at the same rate as that payable on employees' balances in General Provident Fund maintained by WAPDA.

15 Stores and spares	Note	2014 Rupees	2013 Rupees
Distribution equipments		688,305,057	730,874,915
Grid station equipments		3,412,041	1,998,136
Office supplies		7,738,694	722,489
		699,455,792	733,595,540
Less: Provision for slow moving stores and spares	15.1	5,045,884	8,917,344
		694,409,908	724,678,196

15.1	Note	2014 Rupees	2013 Rupees
Balance of provision as on 01 July		8,917,344	9,947,896
Reversal for the year	24	(3,871,460)	(1,030,552)
Balance of provision as on 30 June		5,045,884	8,917,344

16 Trade debts	Note	2014 Rupees	2013 Rupees
Considered good			
- Billed	16.2	9,880,509,637	7,251,386,586
- Unbilled		2,603,098,609	7,715,708,499
		12,483,608,246	14,967,095,085
Considered doubtful - billed		188,254,525	209,326,219
		12,671,862,771	15,176,421,304
Less: Provision for doubtful debts	16.3	188,254,525	209,326,219
		12,483,608,246	14,967,095,085

16.1 Trade debts are secured to the extent of corresponding consumers security deposits.

16.2 This includes Rs. 4,515 million (2013: Rs. 2,546 million) receivable from the Government of Azad Jammu and Kashmir (AJK) on account of electricity sales. As per agreement executed between WAPDA, GOP and Government of AJK, the tariff rate as fixed at Rs. 4.2 per unit with effect from September 2002. Out of this tariff rate Rs. 0.71, Rs. 2.44 and Rs. 1.05 per unit were to be borne by WAPDA, Government of AJK and GOP, respectively. Till March 2007, the Company billed electricity to the Government of AJK at the tariff rate as per the agreement and payments were cleared, accordingly. Subsequent to March 2007, the electricity is billed to Government of AJK at tariff rates notified by GOP after determination by NEPRA. The accumulating balance receivable from Government of AJK represents the difference between rates applied on electricity bills to Government of AJK based on tariffs notified by GOP after determination by NEPRA and the tariff approved by the sub-committee on Raising of Mangla Dam project. The tariff determined by the sub-committee was Rs. 2.32 per unit, which was increased to Rs. 2.59 per unit subsequently. Government of AJK claims, it does not fall under the purview of NEPRA, hence, it has been settling its dues at the tariff rates determined by sub-committee. Management has taken up the matter with Ministry of Water and Power, who is catering its resolution and accordingly, no provision has been created against the recoverability of this amount in these financial statements. In response to GEPCO's letter reference no. GEPCO/CSD/No:2063-64 dated October 27, 2014, Ministry of Water and Power Coordination, Policy and Finance Wing has stated that the above referred matter is under consideration of the Ministry and the outcome will be intimated later.

	Note	2014 Rupees	2013 Rupees
16.3 Provision for doubtful debts			
Opening balance		**209,326,219**	184,072,236
Bad debts written off		**(14,323)**	(61,747)
		209,311,896	184,010,489
(Reversal)/Charge for the year	*25*	**(21,057,371)**	25,315,730
		188,254,525	209,326,219

	Note	2014 Rupees	2013 Rupees
17 Short term loans and advances			
Advances to employees			
against salary			
- Considered good		**3,471,442**	4,464,845
- Considered doubtful		**935,527**	935,527
		4,406,969	5,400,372
against expenses - considered good		**5,637,752**	3,496,356
		10,044,721	8,896,728
Less: Provision for doubtful advances to employees		**935,527**	935,527
		9,109,194	7,961,201
Advances to suppliers/ contractors - considered good		**11,934,872**	19,717,228
Current portion of long term loans - considered good	*14*	**42,076,522**	22,257,333
		63,120,588	49,935,762

	Note	2014 Rupees	2013 Rupees Restated
18 Other receivables			
Duties/charges and taxes receivables	*18.1*	**-**	-
Tariff subsidy receivable from GOP	*18.2*	**16,881,161,616**	17,005,805,690
Fuel Price Adjustment subsidy receivable from GOP	*18.3*	**3,394,747,839**	-
Power purchase price adjustment		**2,193,130,565**	2,193,130,565
General sales tax receivable from GOP		**2,233,333,486**	1,938,890,335
General sales tax protected receivable from GOP		**1,117,816,608**	566,711,967
Agricultural subsidy receivable		**514,437,370**	514,437,370
Pension receivable from associated undertakings		**1,075,306,354**	847,985,076
Store shortages recoverable from employees	*18.4*	**17,587,604**	22,579,310
Due from WAPDA and other associated undertakings	*18.5*	**196,646,784**	163,068,905
Advance tax		**341,948,754**	291,930,341
Capital contribution receivable against installment connections		**67,405**	93,776
Sales tax paid under protest		**364,350,758**	43,520,428
Others		**102,157,938**	135,834,450
		28,432,693,081	23,723,988,213

	2014 Rupees	2013 Rupees
18.1 Duties/charges and taxes receivables		
Receivables not yet realized		
General sales tax - steel melters	634,007,783	573,240,807
Neelam Jhelum surcharge	135,360,849	113,146,620
Electricity duty	71,880,252	48,293,351
Withholding income tax	219,351,910	171,688,341
PTV license fee	43,616,660	39,130,748
Equalization Surcharge	101,587,928	43,718,327
Extra Tax receivables	31,427,934	-
Further Tax receivables	13,530,118	-
	1,250,763,434	989,218,194
Payables not yet realized		
General sales tax - steel melters	634,007,783	573,240,807
Neelam Jhelum surcharge	135,360,849	113,146,620
Electricity duty	71,880,252	48,293,351
Withholding income tax	219,351,910	171,688,341
PTV license fee	43,616,660	39,130,748
Equalization Surcharge	101,587,928	43,718,327
Extra Tax payable	31,427,934	-
Further Tax payable	13,530,118	-
	1,250,763,434	989,218,194

	2014 Rupees	2013 Rupees Restated
18.2 Tariff subsidy receivable from GOP		
Opening balance	17,005,805,690	8,579,180,446
Subsidy receivable accrued during the year	23,978,503,672	31,447,168,647
	40,984,309,362	40,026,349,093
Less: Amount received/adjusted against TFC	24,103,147,746	23,020,543,403
Closing balance	16,881,161,616	17,005,805,690

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 had clarified that GoP was to remove 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 which were assumed by Power Holding (Pvt.) Limited. Consequently the amount of loan liability assumed was adjusted against Tariff Subsidy receivable from GoP by the Company in the financial statements for the year ended June 30, 2010 and June 30, 2012, as explained in the relevant notes of the respective financial statements.

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

Management is of the view that this credit note, received is in lieu of the losses incurred due to shortfall of revenue in years 2003-2007, therefore, based on the updated information received through the said credit note, should be charged against opening retained earnings/accumulated losses by restating the figures of the earliest period presented. Consequently the Company has accounted for this adjustment in accordance with IAS-8 "Accounting policies, Changes in Accounting Estimate and Errors" The following adjustments have been made as a prior period adjustment

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

Effect on balance sheet:	2012 Rupees
Decrease in accumulated loss	11,128,450,051
Increase in payable to NTDC	373,209,949
	11,501,660,000
Increase in Subsidy Receivable	9,308,529,435
Increase in power purchase price adjustment	2,193,130,565
	11,501,660,000

18.3 This amount represents the subsidy claimed by the Company against Fuel Price Adjustment related to consumers having consumption of 51-350 units in pursuance of NEPRA tariff notification for financial year 2012-2013 and SRO 703(I)/2013 dated August 05, 2013 issued by Government of Pakistan.

18.4 **Store shortages recoverable from employees**	2014 Rupees	2013 Rupees
Considered good	17,587,604	22,579,310
Considered doubtful	23,835,896	23,835,896
	41,423,500	46,415,206
Less: Provision for doubtful recoverable	23,835,896	23,835,896
	17,587,604	22,579,310

18.5 **Due from WAPDA and other associated undertakings**	2014 Rupees	2013 Rupees
WAPDA - Welfare Fund	153,820,057	127,604,364
Director (Hydel Development)	76,978	76,978
Quetta Electric Supply Company Limited (QESCO)	4,989,037	4,050,354
Islamabad Electric Supply Company Limited (IESCO)	21,241,728	19,634,972
Hyderabad Electric Supply Company Limited (HESCO)	1,040,878	985,971
Jamshoro Power Generation Company Limited (GENCO-1)	385,474	271,001
Central Power Generation Company Limited (GENCO-2)	1,473,146	1,277,856
Northern Power Generation Company Limited (GENCO-3)	13,088,210	8,709,913
Lakhra Power Generation Company Limited (GENCO-4)	501,276	445,087
Tribal Electric Supply Company Limited (TESCO)	30,000	12,409
	196,646,784	163,068,905

19 Short term investments - held to maturity

These represent term deposits with banks carrying mark up at 9.01% to 10.82% (2013: 9.35% to 12.71%) per annum maturing during the next twelve months.

	Note	2014 Rupees	2013 Rupees

20 Cash and bank balances

	Note	2014	2013
Cash in hand		691	691
Cash with banks on:			
Deposit accounts	20.1	465,763,239	250,033,562
Current accounts		506,996,172	585,143,219
		972,759,411	835,176,781
		972,760,102	835,177,472

20.1 Profit on balances in deposit accounts ranges from 6% to 9% (2013: 6% to 10%) per annum.

21 Sale of electricity

	Note	2014 Rupees	2013 Rupees
Sale of energy			
Sale of electricity - Gross	21.1.1	82,143,927,305	61,279,370,049
Less: sales tax		(10,694,242,301)	(9,472,733,758)
Fuel Price Adjustment	21.1.2	(4,598,911,859)	-
Sale of electricity - Net		66,850,773,145	51,806,636,291

21.1.1 Sale of energy includes Rs. 109 million (2013: Rs 2,793 million) relating to Fuel Price Adjustment out of which an amount of Rs. (539) million (2013: Rs. 2,230 million) has not been billed to the consumers

21.1.2 National Electric Power Regulatory Authority (NEPRA) vide its notification No.NEPRA/R/TRF-100/MFPA/13239-13258 dated November 29, 2013 issued the directive regarding Fuel Price Adjustments effective for the period from July 2012 to May 2013 which has resulted in reduction of revenue to consumers aggregating to Rs. 4,598 million. This amount has been treated as change in accounting estimate and adjusted prospectively and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

22 Tariff subsidy relates to difference between the rates notified by NEPRA and the rates charged to the consumers in accordance with the tariff notification issued by Government of Pakistan (GoP). The notification for the relevant period was issued on August 5, 2013. However it was subsequently revised by notification on October 11, 2013 which was applicable from October 1, 2013.

23 Cost of electricity

23.1 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. 10.97 (2013: Rs. 10.63) per Kilo Watt Hour (KWH).

23.2 During the year, the Company has received final invoice on account of cost of electricity for the year 2012-2013 and 2013-2014. The differential cost of electricity has been included in the current year.

	Note	2014 Rupees	2013 Rupees Restated
24 Distribution expenses			
Salaries, wages and other benefits		**5,120,319,056**	4,436,502,249
Repair and maintenance		**822,928,519**	641,979,933
Rent, rates and taxes		**3,442,696**	2,217,927
Power, light and water		**15,825,058**	13,062,401
Postage and telephone		**15,626,403**	14,807,627
Reversal of provision for slow moving stores and spares	*15.1*	**(3,871,460)**	(1,030,552)
Office supplies and other expenses		**18,522,798**	14,371,839
Traveling and conveyance		**164,446,858**	159,101,865
Vehicle running and maintenance		**183,041,842**	151,369,498
Insurance - grid station		**11,359,480**	11,450,966
Advances written off		**1,113,735**	655,223
Depreciation	*13.1.2*	**1,224,680,011**	1,054,966,494
Professional fees		**16,622,560**	18,219,001
Energy conservation expenses		**479,981,415**	-
		8,074,038,971	6,517,674,471
Less: expenses capitalized		**85,851,877**	66,711,238
		7,988,187,094	6,450,963,233

	2014 Rupees	2013 Rupees Restated
25 Administrative expenses		
Salaries, wages and other benefits	**1,762,096,098**	1,299,196,299
Power, light and water	**8,856,294**	7,410,782
Postage and telephone	**7,206,698**	5,746,791
Office supplies and other expenses	**53,868,094**	50,044,213
Traveling and conveyance	**55,664,357**	50,440,488
Vehicle running and maintenance	**69,368,216**	70,495,191
Provision for doubtful debts - energy debtors	**-**	25,315,730
Electricity bills collection charges	**198,147,840**	204,805,968
Professional fees	**33,044,207**	29,340,386
Auditors' remuneration	**800,000**	1,000,000
Depreciation (*13.1.2*)	**78,171,065**	67,355,073
Advertisement and publicity	**3,528,562**	4,115,504
Other charges	**20,596,130**	15,036,550
	2,291,347,561	1,830,302,975

	Note	2014 Rupees	2013 Rupees
26 Other income			
Income from financial assets	*26.1*	**283,498,346**	273,764,343
Income from non-financial assets	*26.2*	**1,380,608,311**	1,171,837,443
		1,664,106,657	1,445,601,786
26.1 Income from financial assets			
Return on bank deposits		**283,498,346**	273,764,343

26.2 Income from non-financial assets

Meter / service rent		**36,181,153**	36,448,942
Reconnection fees		**5,573,013**	4,471,421
Surcharge on arrears of electricity sold		**995,831,611**	724,741,719
Gain on installation of new connections/ deposit works		**77,377,877**	86,524,982
Gain on sale of scrap		**18,282,632**	50,097,903
Commission on electricity duty		**22,532,860**	17,618,166
PTV commission		**102,352,905**	99,189,995
Non-utility operations		**85,461,918**	137,364,831
Insurance claims		**1,729,001**	2,363,063
Miscellaneous		**14,227,970**	13,016,421
Reversal of provision for doubtful debts	*16.3*	**21,057,371**	-
		1,380,608,311	1,171,837,443

27 Finance cost

Interest on long term loans	**226,910,929**	149,897,312
Bank and other charges	**2,525,019**	2,198,550
Exchange gain	-	22,272
	229,435,948	152,118,134

28 Remuneration of Chief Executive and Directors

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

	2014 Rupees	2013 Rupees
Managerial remuneration	**3,391,515**	3,110,868
Reimbursable expenses	-	-
Other perquisites	**621,532**	216,845
	4,013,047	3,327,713

In addition, Chief Executive is also provided with company maintained vehicle and free accommodation.

The aggregate amount charged in financial statements for the year against meeting fees of Board meetings was Rs. 1.39 million (2013: Rs. 0.63 million).

29 Taxation

	Note	**2014 Rupees**	2013 Rupees
Current			
For the year	*29.1*	**10,218,965**	9,843,117
		10,218,965	9,843,117
Deferred		-	-
		10,218,965	9,843,117

29.1 This represents final tax on commission income on collection of PTV fee.

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

		Note	2014 Rupees	2013 Rupees
30	**Cash generated from operations**			
	(Loss)/Profit before taxation		**(1,562,239,094)**	6,573,061,933
	Adjustments for non-cash charges and other charges:			
	Depreciation		**1,302,851,076**	1,122,321,567
	Amortization of deferred credit		**(599,827,964)**	(540,884,764)
	Return on term deposits		**(283,498,346)**	(243,448,297)
	(Reversal)/Provision for doubtful trade debts		**(21,057,371)**	25,315,730
	Gain on installation of new connections/ deposit works		**(77,377,877)**	(91,565,808)
	Reversal of provision for slow moving stores and spare parts		**(3,871,460)**	(1,030,552)
	Provision for employee benefits		**2,170,093,136**	2,186,021,288
	Finance cost		**226,910,929**	149,897,312
	Advances written off		**(14,323)**	655,223
	Working capital changes	*30.1*	**3,674,644,860**	(4,761,060,234)
			4,826,613,566	4,419,283,398

30.1 Working capital changes

	2014 Rupees	2013 Rupees
Decrease / (Increase) in current assets:		
Stores and spare parts	**34,139,748**	109,550,121
Trade debts	**2,504,558,533**	(1,276,887,893)
Short term advances	**(13,184,826)**	8,348,020
Other receivables	**(4,826,818,596)**	(9,040,484,682)
Increase in current liabilities:		
Trade and other payables	**5,975,950,001**	5,438,414,200
	3,674,644,860	(4,761,060,234)

31 Transactions with related parties

Prices for transactions with related parties are determined on the basis of comparable uncontrolled price method. The sale and purchase prices of electricity are controlled by the National Electric Power Regulatory Authority (NEPRA).

The related parties comprise of WAPDA, associated companies, directors of the Company, companies with common directorship and key management personnel. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Nature of transactions	**2014 Rupees**	2013 Rupees
Associated undertakings		
Electricity sales	**31,818,262**	28,106,650
Electricity purchases	**84,146,479,929**	77,578,477,549
Services	**49,194,707**	52,325,427
Purchase of material	**54,965,320**	35,794,705
Sale of material	**55,772,928**	45,022,995

	2014 Rupees	2013 Rupees
Others		
Remuneration to key management personnel	**56,162,868**	50,852,312

The transactions with key management under the terms of employment are excluded from such transactions.

32 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

32.1 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 economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was domestic only and was as follows:

	2014 Rupees	2013 Rupees Restated
Loans and advances to employees	**376,144,701**	209,390,239
Trade debts	**12,483,608,246**	14,967,095,085
Advances to suppliers	**11,934,872**	19,717,228
Profit accrued on bank deposits	**108,950,288**	90,364,944
Other receivables	**28,432,693,081**	12,222,328,213
Short term investments	**2,771,000,000**	2,200,000,000
Cash at bank	**972,759,411**	835,176,781
	45,157,090,599	30,544,072,490

Geographically there is no concentration of credit risk as the Company operates in the same geographical area and the Company believes that it is not exposed to major concentration of credit risk.

32.1.1 The maximum exposure to credit risk for advances to employees and trade receivables by type of product at the reporting date was:

	2014 Rupees	2013 Rupees
Loans and advances to employees	**376,144,701**	209,390,239
Electricity consumers	**12,483,608,246**	14,967,095,085

Trade debts are secured to the extent of corresponding consumers' security deposits against electricity connection. Advances to employees are secured against mortgage of house / plot and hypothecation on vehicles for which loans were sanctioned. The Company has arrangements with all the financial institutions for collection of bills from consumers. The Company has issued standing instructions to all these financial institutions to transfer funds in the main account. At the end of the day the Company has funds lying in the bank accounts of financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts and advances to employees.

32.1.2 Short term investment comprise of term deposit receipts (TDRs) obtained from different financial institutions. These are carried at face values. Long term and short term credit ratings of these financial

	Long term	Short term	Rating Agency
Allied Bank Limited	AA+	A1+	PACRA
Bank of Punjab	AA-	A1+	PACRA
National Bank of Pakistan	AAA	A1+	JCR-VIS
Faysal Bank Limited	AA	A1+	PACRA
Soneri Bank Limited	AA-	A1+	PACRA
Bank Alfalah Limited	AA	A1+	PACRA

32.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	2014 Rupees	2013 Rupees
Not past due date	**4,076,724,704**	10,911,134,684
Past due 0 - 180 days	**4,853,752,106**	1,772,899,617
Past due 180 - 365 days	**29,118,359**	52,418,486
1 - 3 years		
Unimpaired	**28,258,273**	492,392,967
Impaired	**88,027,984**	112,690,597
More than 3 years		
Unimpaired	**3,495,754,804**	1,738,249,331
Impaired	**100,226,541**	96,635,622
	12,671,862,771	15,176,421,304
Less: Provision for doubtful debts	**(188,254,525)**	(209,326,219)
	12,483,608,246	14,967,095,085

Based on past experience the management believes that provision for doubtful debts is made in full against all permanently disconnected consumers, full provision is made against the balances (other than government debtors) outstanding for more than one year. Movement in the provision in respect of the trade receivables during the year is as disclosed in note 15.3.

M

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As public interest company, it is liable to provide electricity connections to all of the customers falling within its distribution area. Credit risk is being managed by effective and continuous monitoring of its receivables and disconnection of electricity.

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 abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk as the consumers of the Company are of diversified nature, which include domestic, commercial, agriculture, industrial and bulk rate consumers. The Company believes that it is not exposed to significant credit risk except to the extent of receivables from its defaulted consumers. The Company deals with regular and permanent consumers who normally make payments in time.

32.2 Liquidity risk

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

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

2014

	Carrying amount	Contractual cash flows	Less than six months	Up to one year	Two to five years	Over five years
	-----	-----	-----Rupees-----	-----	-----	-----
Financial liabilities						
Long term financing	6,537,988,293	(6,537,988,293)	(153,360,071)	(153,360,071)	(1,126,980,566)	(5,104,287,585)
Security deposits	3,140,330,313	(3,140,330,313)	-	-	-	(3,140,330,313)
Trade and other payables	25,769,109,631	(25,769,109,631)	(25,769,109,631)	-	-	-
Interest accrued	723,690,148	(723,690,148)	(723,690,148)	-	-	-
	36,171,118,385	(36,171,118,385)	(26,646,159,850)	(153,360,071)	(1,126,980,566)	(8,244,617,898)

2013

	Carrying amount	Contractual Cash flows	Less than six months	Up to one year	Two to five years	Over five years
	-----	-----	-----Rupees-----	-----	-----	-----
Financial Liabilities						
Long term financing	4,832,608,434	(4,832,608,434)	(211,955,048)	(111,437,754)	(891,502,032)	(3,617,713,600)
Security deposits	2,749,039,352	(2,749,039,352)	-	-	-	(2,749,039,352)
Trade and other payables	38,221,582,126	(38,221,582,126)	(38,221,582,126)	-	-	-
Interest accrued	572,438,959	(572,438,959)	(404,117,540)	-	-	(168,321,419)
	46,375,668,871	(46,375,668,871)	(38,837,654,714)	(111,437,754)	(891,502,032)	(6,535,074,371)

My

The contractual cash flows relating to the loan related financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in note 7 to these financial statements.

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company believes that it is not exposed to any significant market risk.

32.3.1 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying amount	
	2014	2013	**2014**	2013
Fixed rate instruments	**%**	%	**Rupees**	Rupees
Financial assets				
Short term investment	**9.01-10.82**	9.35-12.7	**2,771,000,000**	2,200,000,000
Financial liabilities				
Long term financing	**15 - 17**	15 - 17	**6,138,388,293**	4,333,108,434
Variable rate instruments				
Financial assets				
Bank balances - deposit accounts	**6-9**	6-10	**465,763,239**	250,033,562
Financial liabilities				
Long term financing	**10.53-11.64**	10.96-13.49	**399,600,000**	499,500,000

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) the profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit and loss 100 bp	
	Increase	**Decrease**
	Rupees	**Rupees**
As at 30 June 2014		
Cash flow sensitivity-Variable rate financial instrument	**65,379,883**	**65,379,883**
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial liabilities	48,326,084	48,326,084

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

32.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

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

32.3.3 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate to their fair values.

32.3.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

32.3.5 Capital management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern. The Company is not exposed to any external capital requirement. As public interest entity financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

33 **Corresponding figures**

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison, however, no significant reclassification has been made.

34 **Number of employees**

The Company has employed following number of persons including permanent and contractual staff:

	2014	2013
	(Number of persons)	
- As at 30 June	**12,838**	13,191
- Average number of employees	**12,982**	13,284

35 **Date of authorization for issue**

These financial statements were authorized for issuance by the Board of Directors of the Company on 07 NOV 2014

36 **Figures**

Figures have been rounded off to the nearest rupee except where stated.

Chief Executive Officer

Director