



WAPDA Hydroelectric

PETITION TO NEPRA FOR DETERMINATION OF BULK SUPPLY TARIFF OF POWER TO NTDC

(FY 2009 – 10)

General Manager Finance (P)
713 – WAPDA House
Lahore

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1 DETAILS OF PETITIONER

a. Name and Address

WAPDA Hydroelectric WAPDA House, Shahrah-e-Quaid-e-Azam,
Lahore, Pakistan.

b. Representatives

Representatives of WAPDA Hydroelectric:

- General Manager Finance (P)
- General Manager (Hydel)

c. Details of Licensee

As a result of restructuring of WAPDA Power wing during FY 1998-99 into 12 corporatized entities, which afterwards increased to 14, WAPDA Hydroelectric (WAPDA Residual Power Wing) was created. It is managing the activities which have not been transferred to the newly created companies.

WAPDA Hydroelectric is operating under the generation licence # GL (Hydel)/05/2004 granted by NEPRA on Nov 03, 2004. The licence is for a period of 30 years, which will expire on Nov 02, 2034.

WAPDA Hydroelectric owns and operates 13 hydel power stations, having installed capacity of 6,444 MW, majority of these are situated in upper part of the country.

2 GROUNDS AND FACTS OF TARIFF PETITION

The tariff petition of WAPDA Hydroelectric is based on the following grounds and facts:

a. Tariff allowed for one year only

The last tariff determined by NEPRA in respect of WAPDA Hydroelectric was based on the revenue requirement assessed by NEPRA for the year FY 2007-08, without providing any escalation or indexation mechanism for the coming years.

b. Impact on the O&M of the Organization

The recent revision in the salaries and allowances and the inflationary impact on other O&M expenses has put strain on the O&M expenditure, which has increased significantly. Moreover, due to power cable failure incident at Mangla Power Station which is an eye opener event and trigger a drive at other hydel power stations to undertake before hand repair works to ensure their 100% availability, resulted in extraordinary increase in repair and maintenance.

c. Increase in Asset Base

For allowing return on asset (ROA), asset base of Rs 135.29 billion taken by NEPRA in last determination has increased significantly; because WAPDA Hydroelectric is following a comprehensive investment program with the approval of GOP, which is adding to its fixed assets. Therefore, the Assets Base for calculating return is increasing every year.

d. Rate of Return

NEPRA in its last determination has provided the Return on Assets (ROA) at the rate of 12.14 % which was calculated on the basis of Weighted Average Cost of Capital (WACC) by assuming 50:50 debt equity ratios as against actual 42:58 debt equity ratio. Return on Equity Investments in the country has also been increased in the similar nature business activities having comparable risk. On the basis of actual debt equity ratio, based on 13.1 % cost of debt (six month kibar) and 17 % cost of equity, the ROA works out be 15.025 % instead of 12.14 %.

e. Regulatory Revenue Gap

As per clause (iv) of Para 41 of last determination of tariff of WAPDA Hydroelectric, any over/under recovery of revenue requirement due to the variation of actual Net Electric Output from the estimated amount of 28,550 GWh would be adjusted at the time of next tariff determination.

Actual generation during FY 2007-08 and 2008-09 was 28,222 MkWh and 27,363 MkWh respectively, and is lower than the estimated generation of 28,550 MkWh determined by NEPRA, which resulted in less recovery of net revenue of Rs. 1,282 million during last two years.

f. Impact of GST

As per Section 3, Sub Section (1) clause (a) Chapter II of Sales Tax Act 1990, amended through Finance Act, 2008, 16% GST is to levy on variable charge (EPP) for net electrical out put of the entity to the power purchaser, whereas WAPDA Hydroelectric business does not have purchases of such nature on which such a large amount of GST is paid. The variable charge of its tariff is set by NEPRA to recover 30% of total annual revenue requirement, thus output GST remains higher than the input GST of WAPDA which affects cash flow of WAPDA adversely. This factor requires that ratio of fixed and variable part of tariff is determined as 95% fixed and 5% variable charge instead of 70% fixed and 30% variable to off set the adverse effect on cash flow of WAPDA on account of deposit of GST with Federal Board of Revenue and then waiting for a long time to get refund.

3. SCHEDULE OF CHARGES EXISTING & PROPOSED

		Determined By NEPRA	2007-08 (Actual)	2008-09 (Provisional)	2009-10 (Projected)
Return on Assets					
Net Operating Assets as on June 30 th	[Mln Rs]		127,474	124,043	120,612
Add: CWIP as on June 30 th	[Mln Rs]		20,952	27,551	51,368
Assets Base for Return	[Mln Rs]		148,426	151,594	171,980
Average Assets Base for Return	[Mln Rs]	135,290			161,787
Return on Assets	[Mln Rs]	16,424			24,308
Return on Assets	[%age]	12.14%			15.025%
			2007-08	2009-10	
Revenue Requirement		Determined by NEPRA			
O&M	[Mln Rs]	3,119	5,500		
NHP/ WUC	[Mln Rs]	6,720	6,720		
Depreciation	[Mln Rs]	5,309	3,431		
Dividend Income	[Mln Rs]	(2,191)	(2,191)		
Return on Assets	[Mln Rs]	16,424	24,308		
Net Revenue Gap (07-08 & 08-09)	[Mln Rs]			1,282	
Total RR	[Mln Rs]	29,381	39,050		

WAPDA HYDROELECTRIC — TARIFF PETITION

		2007-08	2009-10
Recovery of Revenue			
Variable Charge	[Mln Rs]	8,814	1,952.51
Fixed Charge	[Mln Rs]	20,567	37,097.73
Total Charge	[Mln Rs]	29,381	39,050.24
		2007-08	2009-10
Estimated NEO	[MkWh]	28,550	28,550
Installed Capacity	[MW]	6,464	6,444

4. COMPARISON OF EXISTING & PROPOSED TARIFF

		Existing Tariff	Proposed Tariff	(Inc)(Dec) Required
Variable Charge	[Ps/ kWh]	30.87	6.84	(24.03)
Fixed Charge	[Rs/ kW/ M]	265.96	479.75	213.79

5. DETERMINATION SOUGHT

Precisely, this petition seeks:

- i. Determination to approve the proposed tariff for FY 2009-10 as mentioned below:

Variable Charge	6.84	(Ps/kWh)
Fixed Charge	479.75	(Rs/ KW/ Month)

- ii. Tariff indexation mechanism, to cater the changing need of the utility instead of filing a new petition every year.

6. SUMMARY OF EVIDENCE

WAPDA has undertaken various mega projects for Hydro Electric development under vision 2025 program. Under this program thousands of megawatts hydropower potential has been identified in the country. Vision 2025 program envisages harnessing indigenous water and power resources on fast track basis over a period of 25 years for overall improvement of the national economy and social sector. Water for agriculture, which remains backbone of the national economy and hydroelectric power being low-cost alternate for replacing expensive thermal energy as well as rationalization of power sale rates.

WAPDA Hydroelectric

QUANTITATIVE DATA	(MkWh)		
	2007-08	2008-09	2009-10
	(Actual)	(Provisional)	(Projected)
Net Electrical Output	28,222	27,363	28,550

INCOME STATEMENT

	(Mln Rs)		
	2007-08	2008-09	2009-10
	(Actual)	(Provisional)	(Projected)
REVENUES			
Energy Charge	8,477	8,447	1,953
Capacity Charge	19,990	20,566	37,098
Total Revenue	28,467	29,013	39,050
OPERATING EXPENSES			
Operating and Maintenance	2,760	3,876	5,500
NHP/WUC	6,685	6,695	6,720
Total	9,445	10,571	12,220
Operating Profit / (Loss) Before Deprecitation	19,022	18,442	26,830
Depreciation	3,453	3,431	3,431
Operating Profit / (Loss) After Deprecitation	15,569	15,011	23,399
Add: Other Income	4,541	1,995	2,191
Less: Financial Charges	7,494	7,374	6,101
Net Profit / (Loss) before tax	12,616	9,632	19,489
Less: Income Tax	-	-	-
Net Profit / (Loss) for the year	12,616	9,632	19,489
Prior Year Adjustment	4,172	-	-
Net Profit / (Loss) for the year after adjustment	16,788	9,632	19,489
Unappropriated Profit/(Loss) B/F	166,788	183,576	193,208
Profit available for Distribution	183,576	193,208	212,697
Distribution	-	-	-
Unappropriated Profit/(Loss) C/F	183,576	193,208	212,697

PSDP For Hydroelectric Development Projects

Name of Project	2008-09		2009-10	
	Budget	Expenditure	Budget	Most Likely
	(Mln Rs)	(Mln Rs)	(Mln Rs)	(Mln Rs)
Self Financing				
Golan Gol HPP	180	59	850	850
Khan Khwar HPP	1,905	1,516	1,790	1790
Allai Khwar HPP	2,759	1,871	3,465	3,465
Duber Khwar HPP	3,180	1,839	4,300	4,300
Jinnah HPP	1,940	178	1,250	1,250
Bunji HPP	425	411	275	275
Phandar HPP	80	9	40	40
Dasu HPP	150	131	150	150
Lawi HPP	5	2	35	35
Keyal Khwar HPP	10	9	440	440
Chor Nallah	10	7	20	20
Spat Gah	10	6	20	20
Kohala HPP	-	-	200	200
Basho HPP	-	-	-	-
Jabban Rehabilitation	-	-	-	-
Construction Thakot Bridge	-	-	-	-
DBDP - Land Acquisition	477	390	5,000	5,000
Costruction DBDP Lot 1-5	-	-	15,000	-
Construction By Pass Shatial	-	-	2,332	2,332
Construction of Project Colony	-	-	-	-
Harpo HPP	15	-	60	60
Total Self Financing	11,146	6,427	35,227	20,227
ADP				
Kahala HPP	175	156	200	200
Basho HPP	40	6	40	40
Jabban Rehabilitation	275	11	150	150
Construction Thakot Bridge	100	-	150	150
DBDP - Land Acquisition	200	-	3,000	3,000
Costruction DBDP Lot 1-5	-	-	-	-
Construction By Pass Shatial	-	-	-	-
Construction of Project Colony	-	-	50	50
Total ADP	790	172	3,590	3,590
Total PSDP	11,936	6,598	38,817	23,817

ASSUMPTIONS TO WORKING NOTES

The tariff requirement in respect of WAPDA Hydroelectric for FY 2009-10 has been based on the following main assumptions:

a) Net Electrical Output

WAPDA Hydroelectric is operating 13 Hydro Power Projects under the generation license issued by NEPRA. No new station is expected to be commissioned during the period of petition. Based upon the capacity of powerhouses in operation and water indents, Net Electrical Output of 28,550 M kWh has been estimated for the financial year 2009 -10.

b) Sale Revenue

WAPDA Hydroelectric is selling the electricity to NTDC at a rate determined by NEPRA. The existing rates have been determined by NEPRA in Jun 2006, which was notified by GOP on Sep 19, 2007. Two part tariff was allowed by NEPRA in the form of variable charge and fixed charge, which are as under:

Variable Charge	30.87	Ps/ kWh
Fixed Charge	265.96	Rs/ kW/ Month

Based upon projected revenue requirement of the year including return on Assets @ 15.025 %, the proposed variable charge and fixed charge rates for FY 2009-10 are as follows:

Variable Charge	6.84	Ps/ kWh
Fixed Charge	479.75	Rs/ kW/ Month

c) Net Hydel Profit

At present WAPDA Hydroelectric is making payment of Rs 6,000 million on account of Net Hydel Profit (NHP) to the government of NWFP, as an interim arrangement. This arrangement is expected to continue till such time the same is determined by the Council of Common Interest (CCI) in respect of each hydroelectric power station

in operation. Therefore for FY 2009-10 the amount of Rs 6,000 million has been assumed for the payment of NHP.

d) WUC to GoAJ&K

Water usage charge (WUC) payable to GoAJ&K on hydel generation at Mangla has been taken as Rs. 0.15/ kWh of Net Electric Out put (NEO) as fixed by GOP under MoU /Agreement dated 27th day of June, 2003.

An amount of Rs. 6,720 million has been considered for NHP and WUC for the year 2009-10 as per last determination.

e) Sukuk / Financial Lease

WAPDA Hydroelectric has leased back generation units of Mangla Hydel Station from WAPDA 1st SUKUK Company on 05-01-2006 at a price of Rs.8,000/- million and has issued SUKUK (a Shariah Compliant instrument of financing) of equal amount for Mangla Dam Raising Project. Moreover, WAPDA Hydroelectric has leased back generation Unit No. 1 to 4 of Tarbela Hydel Station from WAPDA 2nd SUKUK Company on 13-07-2007 at a price of Rs.8,000/- million issuing SUKUK of equal amount for development of Khan Khawar, Allai Khawar and Dubair Khawar Hydro Power Projects.

The lease rents are payable in semi annual installments at a rate of 6 months KIBOR plus 35 bps for SUKUK-1 and 6 months KIBOR minus 25 bps for SUKUK-2. 1st Sukuk is to be redeemed on 22-10-2012 as bullet payment whereas, 2nd Sukuk will be redeemed in series, repayment beginning from 13-01-2012 semi annually will end till its complete redemption on 13-07-2017.

f) Weighted Average Cost of Capital (WACC)

The Capital assets of existing hydel power station have been financed through foreign relent loans as well as cash development loan by the GoP. The interest rate range on the existing loans based upon the GoP policy changed from time to time is as follows:

Foreign Relent Loan	7% - 17% p.a
CDL	8% - 18% p.a

g) Depreciation on Assets

The capital cost of the hydel power stations, is to be recovered through depreciation charge in tariff. However for accounting purpose straight line method has been adopted based upon economical useful life of the individual assets

h) Return of Assets

Reasonable rate of return on the assets to the licensee by the regulator in the tariff is to ensure repayment of loans as well as return on investment in accordance with debt retirement schedule.

This tariff petition is based upon rate of return on Weighted Average Cost of Capital (WACC) which comprise of 17% cost of equity and 13.1% cost of debts with WACC has been calculated as 15.025%.

NEPRA has allowed 17% return to Malakand-III, Blue Star Hydropower plants and 17% return on equity to Suki Kinari Hydropower Project (SKHPL). Therefore, proposed return on investment by WAPDA hydroelectric is quite genuine and justified.

i) Other Income

NEPRA has considered Rs.2,191 million under the head "Other Income" and same amount has been taken for calculating revenue requirement for the year 2009-10 which mainly comes from KAPCO declaring dividends in which WAPDA has 46% share holding.

STATEMENT OF COMPLIANCE

Maintenance of Separate Accounts

In clause (vi) of the Para 41 of the last determination of tariff of WAPDA Hydroelectric NEPRA has directed WAPDA to maintain separate account for its operations in future instead of amalgamating these with WAPDA (Residual Power Wing). WAPDA has duly complied with these directives and accounts for FY 2007-08 have been prepared separately for continued and discontinued operations which have also been audited by the Director General Audit WAPDA.

Verification of Assets Base

As per Para 27 of the last determination of tariff of WAPDA Hydroelectric, a point was raised about the treatment of "IJARA" transaction whether it is operating lease or financial lease. In fact it is financial lease and is being treated accordingly in books of accounts of WAPDA Hydroelectric. However, as required by NEPRA, opinion of independent auditor has been obtained in this regard which is attached (page 11).

Javaid Jalal Amjad & Company
Chartered Accountants



Mr. Anwar-ul-Haq
General Manager (Finance) Power
713- WAPDA House, Lahore

Dated: October 01, 2009

Dear Sir

**SUBJECT: INDEPENDENT OPINION ON ACCOUNTING TREATMENT OF
"IJARA" TRANSACTION**

Please refer to your request vide letter # GMF/ CPCC / 7008 / 228 dated 19-09-2009 on the above subject, we are pleased to submit our comments on the status of the assets transacted under the Ijara Agreement between WAPDA and WAPDA First Sukuk Company Limited (WFSC). At the very outset we would like to mention that for the purpose of arriving at the our opinion, we have consulted our professional colleagues and Shariah experts actively engaged in the operations of Islamic Finance. We have also thoroughly reviewed all the relevant Agreements and Documentations on the subject Ijara transaction.

Briefly, the main object of the incorporation of WFSC was to act as a special purpose vehicle (SPV) for raising of redeemable capital in the form of Shariah compliant Sukuk Certificates to carry out repair and maintenance work of Mangla turbines. Accordingly, an Ijara Agreement was signed between WAPDA (Lessee) and WFSC (Lessor) for sale and lease back of turbines of Mangla Hydro Power generation units. WFSC is also to act as Trustee on behalf of the beneficiaries (i.e. the Sukuk certificate holders).

At the time of signing of the Ijara Agreement in 2005 there was no Islamic Financial Accounting Standard (IFAS) on Ijara and the provisions of the IAS-17 (Leases) was operative and for the purpose of this Ijara Agreement the definitions of IAS-17 (Leases) were adopted and interpreted to conform to Shariah.

According to IAS-17 (Leases) as per para 58 of the IFRS/IAS issued on January 01, 2008 Quote " a sale and lease back transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and lease back transaction depends on the type of lease involved " Unquote i-e in other words it can be either a finance lease or an operating lease depending upon the nature of the transaction.

Therefore IAS-17 does not validate NEPRA's viewpoint as stated at Para 27 of NEPRA/TRF-74 WAPDA Hydro Electric 2007 dated June 27, 2007 i.e.

Quote "the purpose of sale and lease back transaction is to remove fixed assets from the books." Unquote.

However, as explained above as per IAS-17, the sale and lease back transaction may or may not remove the fixed assets from the books depending on the nature of the lease agreement especially in case of the above Ijara Agreement, the principle of substance over form is predominant and the Ijara Agreement may be treated as a Finance lease.

Notwithstanding the above facts and even if the Ijara Agreement is treated as an operating lease as per the recently introduced Islamic Financial Accounting Standard (IFAS-2 IJARA) adopted by the Institute of Chartered Accountants of Pakistan (ICAP) in May 2007, it is conspicuously clear from:

Clause-10 Reimbursement, Compensation and Exclusion of the Ijara Agreement; and

Clause-5 Reimbursement and Compensation of the Purchase Agreement; and

Clause-1 Interpretation under the Head of Reimbursement, Compensation and Exclusion of the Service Agency Agreement;

that all costs and expenses including legal fees etc;etc; shall be reimbursed to the Lessor (Purchaser) by the Lessee (Seller). Cost and expenses include depreciation i.e. wear and tear of the acquired assets.

Accordingly, WAPDA has to reimburse to WFSC the depreciation recorded in its books on the assets acquired. Hence, after the adoption of the new IFAS-2 (Ijara) WAPDA will have to include liability to WFSC for recording depreciation allowance and charge the depreciation expense to its profit and loss account.

In the light of the above facts and the clear interpretation of the Generally Acceptable Accounting Principles (GAAP) that it is always substance which prevails over form and even after the adoption of IFAS-2 on Ijara, all three agreements mentioned above i.e. Ijara Agreement. Purchase Agreement and Service Agency Agreement are very categorical that all costs and expenses of the Lessor (WFSC) are to borne by the Lessee (WAPDA).



Furthermore, the audited accounts of WFSC (being a SPV and a Trustee) for the financial years 2007 and 2008 did not include any profit and loss account. However, from the year ended June 30, 2009, onwards, the financial statements will be prepared to comply with IFAS-2 IJARA but again profit and loss account will show a nil result i.e. no income or loss because as stated earlier all costs and expenses of the Lessor are to be borne by the Lessee.

We believe that the above comments emphatically amplifies the justification of accounting treatment of the Ijara transaction and the financial commitments of the Parties.

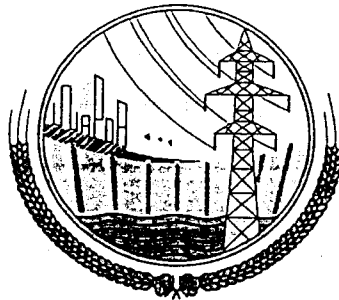
Truly yours

Muhammad J.I.Khan
Javaid Jalal Amjad & Co;
Chartered Accountants

CC: Member Finance
(Power) Wapda/ CEO-WFSC

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY

POWER WING-(HYDRO ELECTRIC)



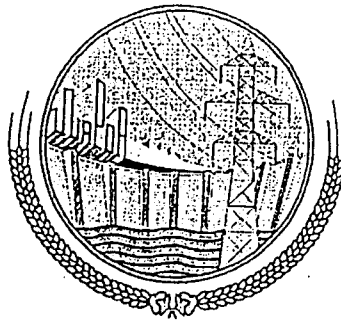
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

JUNE 30, 2008

General Manager Finance (Power)
WAPDA House, Lahore

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
POWER WING - (HYDRO ELECTRIC)



FINANCIAL STATEMENTS

*FOR THE PERIOD ENDED
JUNE 30, 2008*

General Manager Finance (Power)
WAPDA House, Lahore

PAKISTAN WATER & POWER DEVELOPMENT AUTHORITY

POWER WING – (HYDROELECTRIC)

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Report on Financial Statements – FY 2007-08

WAPDA Power wing (Hydroelectric) is operating under the generation license granted by the power regulator 'NEPRA', for operation, maintenance and development of hydel power resources in Pakistan. The installed capacity of existing hydel power plants in operation is 6,444 MW. Major hydro plants include Tarbela (3478 MW), Ghazi Barotha (1450 MW), Mangla (1000 MW) and Warsak (243 MW).

During the year, some of supervisory offices relating to DISCOs, NTDC and GENCOs have been shifted/ transferred to PEPCO. WAPDA Private Power Organization (WPPO), which is dealing with the IPPs, will also prepare their accounts separately, from the next financial year.

A significant change in depreciation policy has been made during the year. Instead of charging a fixed rate of 3.5% on all assets, revised depreciation rate, based on the economic useful life of the assets and keeping in view the standard accounting practices, have been implemented.

Capacity

During the period under review i.e. *July 2007 – June 2008*, WAPDA Power Wing (Hydroelectric) has made available its full capacity of 6,444 MW, with water outflow limitations.

Operational Performance

The Net Electrical Output (NEO) for the year stood at 28,222 MkWh, decrease by 3,162 MkWh over the same period last year i.e. FY 2006 – 07. This decrease in energy sales is due to the lower water flows during the year 2007-08.

Financial Performance

Net Profit of WAPDA for the year under review stood at Rs 12,615 million, which has increased significantly from previous years' figure of Rs 9,305 million.

Sales Revenue during the period comes to Rs 28,467 million consisting variable charge of Rs 8,477 million and capacity charge of Rs 19,990 million as per NEPRA approved tariff. Despite of decrease in NEO and delayed tariff notification, sales revenue has increase by Rs 1,550 million from the previous year's figure of Rs

26,917 million. The revised tariff of WAPDA Hydroelectric, which was determined by NEPRA on 27-06-2007, was notified by GOP during the month of October.

Operation & Maintenance expense stood at Rs 2,760 million, which has decreased by Rs 95 million from the previous year's figures of Rs 2,855 million.

WAPDA is paying Rs 6,000 million annually, on account of **Net Hydel Profit**, to Government of NWFP as adhoc payment. **Water Usage Charge** amounting Rs 685 million has accrued to GoAJ&K, at the rate Ps 15 per unit of electricity generated by Mangla Power Station, as against Rs 960 million paid last year. The decrease in the water usage charge is due to lower generation by Mangla power station.

Depreciation Charge for the period worked out to Rs 3,453 million, for the fixed assets valuing Rs 160,241 million (gross value). This amount has been decreased from the previous year's figure of Rs 5,289 million, due to revision in depreciation policy.

WAPDA endeavors to fulfill its obligation of **Debt Service Liability**, mostly consisting of bonds, Cash Development Loans and Relent Foreign loans. Coupon payment of Rs 404 million of bonds has been paid on due dates. During the second half of the financial year Rs 5,400 million has been paid on account of retirement of 10th issue of bonds. Due to financial crunch in power sector WAPDA Hydroelectric could not discharge its debt servicing liability of Rs 12,470 million to Government of Pakistan.

Capital Expenditures of WAPDA Hydroelectric for the year are in line with Water Resources and Hydro Power Development Vision 2025 Program envisioned by the Federal Government. Efforts have been made to arrange finances for the capital works in progress before time for the smooth sailing of the development as per plan. Sukuk – II amounting Rs 8,000 million has also been raised in August 2007 specifically for the Khwar projects. Due to slow pace of development work, utilization of the financing made available on this account was also low.

Assets

Fixed Assets in operation (gross value) as on June 30th, 2008, remained at Rs 159,293 million, against the last years' closing balance of Rs 151,295 million. The value of net fixed assets in operation has also increased from Rs 116,972 million to Rs 127,642 million, this increase is mainly due to asset's revaluation for raising sukuk bond.

Increase in **Capital Work in Progress** of Rs 3,938 million is mainly because of capital expenditure on Khan Khwar, Allia Khwar, Duber Khwar and Jinnah hydel development projects in progress.

Long Term Investment of Rs 187,010 million depicts the investment (deposit for shares) in XWAPDA Companies, comprises nine DISCOs, four GENCOs, NTDC and Neelum Jhelum Hydro Power Company. This amount depicts the net worth of the formations as a result of the transfer of assets and liabilities from WAPDA to the corporatized entities. The companies will issue shares to WAPDA for this investment after declaring BTA closing date i.e. 30-06-2008. If Federal Government desires later to transfer these shares in the name of President of Pakistan, then the investment of GOP in Residual WAPDA Power wing will be reduced accordingly. WAPDA Power wing has also made investment of Rs 4,155 million in KAPCO and other small companies like LCDC, FCIBL etc.

Notes Receivables represent the share of loans allocated to KAPCO, Mangla Raising Project and Neelum Jhelum Hydroelectric Power Project.

Store and spares worth Rs 1,349 million relates to hydel power stations and has no significant change in the stock during the period under report.

Trade Receivable from NTDC comprising Rs 229,762 million, out of which Rs 150,281 million pertains to offices which will continue with the WAPDA Power Wing (Hydroelectric)

Advances, Deposits and Other Receivables amounting to Rs 25,920 million mainly consists of receivable from the associated companies formations. The amount has decreased from the previous years' figure of Rs 31,134 million.

Cash and bank balances as at June 30th, 2008 was Rs 5,791 million, which was significantly less than the last year figure of Rs 11,564 million because of the shifting of central treasury office to CPPA.

Capital & Liabilities

Equity balance of Rs 347,722 million as at June 30th, 2008 comprised of Rs 164,147 million including share capital, revaluation surplus and investment by Government of Pakistan, whereas Rs 185,575 million represent accumulated profit of WAPDA Power wing.

In addition to GOP equity in Residual WAPDA Power wing, there are grants of Rs 8,769 million also, which were received by WAPDA from time to time for financing of various projects.

Long Term Loans/ WAPDA Bonds amounting to Rs 56,235 million were outstanding as on June 30th, 2008, the detail of which is elaborated below:

	Amount [Min Rs]	Average Rate [%age]
Cash Development Loan	15,097	10.34%
Foreign Relent	41,137	12.49%

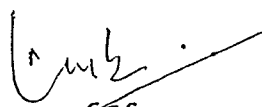
The loans pertaining to corporatized entities have been transferred to them; therefore the balance of loans outstanding has significantly been reduced from the last year.

Liability under Ijara Financing relates to WAPDA Hydroelectric development projects and has been increased from Rs 8.0 billion to Rs 16,000 million, the details are as under:

	Amount [Min Rs]	Average Rate [%age]	Repayment
Sukuk - I	8,000	6 M KIBOR + 35bps	Bullet payment in 2012.
Sukuk - II	8,000	6 M KIBOR – 25bps	Repayment will start from 2012 and will end in 2017.

Short Term Liabilities of Rs 70,124 million contains mainly Rs 46,547 million outstanding short term bank loans taken on behalf of DISCOs and Rs 20,506 million pending GOP DSL because of shortfall sustained during the last three years. Whereas, rest of the amount represents accruals, as per accounting practices.

Creditors Accrued & Other Liabilities of Rs 118,799 million has major share of Rs 79,480 million payable to IPPs as at June 30th, 2008, which has been increased from Rs 30,817 million as on June 30th, 2007. As a result of PPA of said IPPs with WAPDA; the Invoicing payment and pending liability position is appearing in Residual WAPDA Power wing. The management control of office dealing with the IPPs has also been shifted to PEPCO; therefore WPPO will prepare its accounts separate from WAPDA Hydroelectric for the purchase, and payment there against, from IPPs.

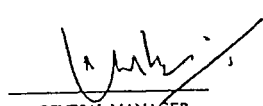

Anwar-ul-Haq
 General Manager Finance (P)

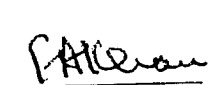
PERFORMANCE INDICATORS

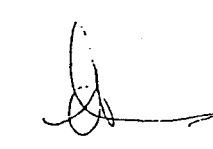
		2007-08	2006-07	2005-06	2004-05	2003-04
OPERATING						
Capacity	(MW)	6,444	6,464	6,464	6,464	6,464
Net Electrical Output	(MkWh)	28,222	31,384	30,374	25,484	27,281
Plant Utilization Factor	(%)	50.0%	55.4%	53.6%	45.0%	48.2%
FINANCIAL						
Sales Revenue	(Mln Rs)	28,467	26,917	25,620	23,562	24,110
Operating Cost	(Mln Rs)	12,898	15,104	14,439	13,795	12,200
Operating Profit	(Mln Rs)	15,569	11,813	11,181	9,767	11,910
Net Profit	(Mln Rs)	12,615	9,306	11,502	10,537	13,248
Net Fixed Assets in Operation	(Mln Rs)	127,642	116,972	120,658	109,999	109,227
Capital Work in Progress	(Mln Rs)	20,952	16,996	12,100	9,477	10,227
Long Term Debts	(Mln Rs)	67,416	70,650	68,134	67,638	71,810
Net Working Capital	(Mln Rs)	69,079	70,424	70,605	45,060	73,240
RATIOS						
Operating Profit Margin	(%)	45.31	56.11	56.36	58.55	50.60
Net Profit Margin	(%)	44.32	34.57	44.89	44.72	54.95

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
POWER WING (HYDRO ELECTRIC)
BALANCE SHEET AS AT JUNE 30, 2008

				(RUPEES IN '000')	
NOTE				2008	2007
		Continuing Offices	Discontinuing Offices	Total	Total
ASSETS					
NON - CURRENT ASSETS					
Fixed assets in operation	3	127,473,628	168,771	127,642,399	116,971,755
Capital work-in-progress	4	20,638,978	313,308	20,952,286	17,014,021
		148,112,606	482,079	148,594,685	133,985,776
LONG TERM INVESTMENTS	5	187,009,778	-	187,009,778	181,395,222
NOTES RECEIVABLES	6	19,435,353	-	19,435,353	59,880,588
		354,557,737	482,079	355,039,816	375,261,586
CURRENT ASSETS					
Stores and spares	7	1,316,384	32,218	1,348,602	1,256,427
Trade receivable from NTDC	8	150,281,477	79,480,243	229,761,720	151,540,280
Advances, deposits and other receivables	9	23,591,718	2,328,621	25,920,339	31,134,082
Cash and bank balances	10	4,434,326	1,356,904	5,791,230	11,563,667
		179,623,905	83,197,986	262,821,891	195,494,456
		534,181,642	83,680,065	617,861,707	570,756,042
TOTAL ASSETS					
EQUITY AND LIABILITIES					
Share Capital	11	9,522,000	-	9,522,000	9,522,000
Revaluation Surplus	12	14,847,487	-	14,847,487	6,859,699
Investment by Government of Pakistan	13	139,777,330	-	139,777,330	140,280,841
Accumulated Profit		183,575,374	-	183,575,374	166,788,165
		347,722,191	-	347,722,191	323,450,705
		8,769,444	-	8,769,444	8,880,011
GRANTS					
NON - CURRENT LIABILITIES					
Long term loans & Bonds	14	51,416,404	-	51,416,404	103,052,207
Liability under Ijara Financing	15	16,000,000	-	16,000,000	8,000,000
Deferred Credits of GST	16	210,927	-	210,927	2,284,519
		67,627,331	-	67,627,331	113,336,726
CURRENT LIABILITIES					
Current maturity of loans & Bonds	14.1	4,818,713	-	4,818,713	9,845,367
Short term liabilities	17	70,124,724	-	70,124,724	77,629,214
Creditors, accrued and other liabilities	18	35,119,239	83,680,065	118,799,304	37,614,019
		110,062,676	83,680,065	193,742,741	125,088,600
		534,181,642	83,680,065	617,861,707	570,756,042
TOTAL EQUITY AND LIABILITIES					

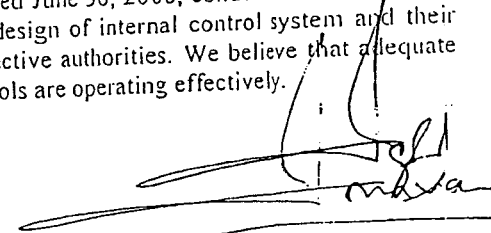

GENERAL MANAGER
FINANCE (P) WAPDA


MEMBER (POWER)
WAPDA


MEMBER (FINANCE) WAPDA


CHAIRMAN
WAPDA

As part of our audit of the financial statements for the financial year ended June 30, 2008, conducted in accordance with applicable auditing standards, we evaluated the adequacy of the design of internal control system and their implementation during the financial year and compliance with the respective authorities. We believe that adequate controls are in place and except for the observations reported, these controls are operating effectively.


DIRECTOR GENERAL AUDIT WAPDA

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
POWER WING (HYDRO ELECTRIC)
INCOME STATEMENT
FOR THE YEAR ON JUNE 30, 2008

	NOTE	(RUPEES IN '000')			
		Continuing Offices	Discontinuing Offices	2008 Total	2007 Total
Electricity Sales	19	28,466,924	235,225,459	263,692,383	203,702,870
Cost of Electricity	20	1,768,989	235,225,459	236,994,448	178,994,445
Gross Profit/(Loss)		26,697,935	-	26,697,935	24,708,425
Operating Cost	21	11,129,324	-	11,129,324	13,521,849
Operating Profit/(Loss)		15,568,611	-	15,568,611	11,186,576
Other Income	22	4,540,733	-	4,540,733	5,869,776
		20,109,344	-	20,109,344	17,056,352
Financial Charges	23	7,494,149	-	7,494,149	7,750,369
Profit/(Loss) for the Year		12,615,195	-	12,615,195	9,305,983
Prior Years Adjustments		4,172,014	-	4,172,014	(46,243)
Profit/(Loss) for the year after adjustments		16,787,209	-	16,787,209	9,259,740
Unappropriated Profit Brought Forward		166,788,165	-	166,788,165	157,528,425
Unappropriated Profit Carried Forward		183,575,374	-	183,575,374	166,788,165

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
POWER WING - (HYDRO ELECTRIC)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	<u>(RUPEES IN '000')</u>	
	2008	2007
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Profit for the year	16,787,209	9,259,740
Adjustments for:		
Depreciation	3,452,717	5,289,223
Financial charges	7,494,149	7,750,369
Interest Income	(1,218,654)	(1,619,557)
Dividend Income	(2,575,357)	(2,873,227)
Cash flows before working capital changes	23,940,064	17,806,548
(Increase) / Decrease in current assets:		
Stores & spares	(92,175)	(32,609)
Trade Receivable from NTDC	(78,221,440)	-
Advances, deposits and other receivables	5,213,743	(70,020,279)
Increase/(Decrease) in current liabilities:		
Current maturity of Loans and Bonds	(5,026,654)	(247,217)
Short term liabilities	(7,504,490)	46,335,891
Creditors, accrued and other liabilities	81,185,285	26,885,037
	(4,445,730)	2,920,823
Cash generated from operations	19,494,334	20,727,371
Financial charges paid	(7,494,149)	(7,750,369)
A). Net cash flow from operating activities	12,000,185	12,977,002
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Addition & Disposal of fixed assets	(298,557)	(1,602,990)
Adjustment in fixed assets	2,162,983	-
Capital work in progress	(3,938,265)	(4,895,988)
Long term Investment	(5,614,556)	(4,844,712)
Notes receivables	40,445,235	(6,715,204)
Interest received	1,218,654	1,619,557
Dividend received	2,575,357	2,873,227
B). Net cash flow from investing activities	36,550,851	(13,566,110)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Investment by Government of Pakistan	(503,511)	-
Long term Loans and Bonds	(51,635,803)	4,287,948
Deferred credits of GST	(2,073,592)	(959,053)
Grants	(110,567)	-
C). Net cash flow from financing activities	(54,323,473)	3,328,895
Net Increase/(Decrease) in cash or cash equivalents (A,B&C)	(5,772,437)	2,739,787
Cash & Cash Equivalents at the beginning of the year	11,563,667	8,823,880
Cash & Cash Equivalents at the end of the year	5,791,230	11,563,667

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
POWER WING (HYDRO ELECTRIC)
STATEMENT OF CHANGES IN EQUITY
AS AT JUNE 30, 2008

(RUPEES IN '000')

	Share Capital	Revaluation Surplus	Investment by Government of Pakistan	Accumulated Profit	Total
Balance as at June 30, 2007	9,522,000	6,859,699	140,280,841	166,788,165	323,450,705
Increase/(Decrease) in Revaluation Surplus		7,987,788			7,987,788
Increase/(Decrease) in Investment by GOP			(503,511)		(503,511)
Profit for the year ended June 30, 2008				16,787,209	16,787,209
Balance as at June 30, 2008	9,522,000	14,847,487	139,777,330	183,575,374	347,722,191

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
POWER WING (HYDRO ELECTRIC)**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2008.

1. THE AUTHORITY AND ITS ACTIVITIES

Pakistan Water And Power Development Authority (WAPDA) is a body fully owned by the Government of Pakistan created by virtue of the Pakistan Water And Power Development Authority Act, 1958 (West Pakistan Act No. XXXI of 1958), commonly known as WAPDA ACT, as amended from time to time. The statutory mandate of WAPDA is to develop and utilize the water and power resources of Pakistan on a unified and multipurpose basis. WAPDA remained empowered among others, to frame schemes for the generation, transmission and distribution of power and the construction, maintenance and operation of power houses and grids.

In line with the Strategic Plan 1992 approved by the Cabinet Committee, the WAPDA Power Wing have been restructured comprising of the Generations, Distribution and Transmission activities. Assets and liabilities relating to the distribution activities were transferred to the 8 Distribution Companies (DISCOs) on July 01, 1998 and those of the generation (other than hydel generation activities) and transmission facilities to the 3 Generation Companies (GENCOs) and National Transmission and Despatch Company (NTDC) on March 01, 1999. During the year, some of supervisory offices relating to DISCOs, NTDC and GENCOs have been shifted/transferred to PEPCO. WAPDA Private Power Organization (WPPO) dealing IPPs having Power Purchase Agreements (PPA) with WAPDA under Power Policy 1995, will prepare their accounts separate from WAPDA Hydro Electric from next financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except to the extent of exchange differences as referred to in Note 2.2.

2.2 Foreign currencies

Foreign currency transactions are recorded using the rate of conversion applicable on the date of transaction. All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date except in the case of foreign currency loans covered by the State Bank of Pakistan's Exchange Risk Coverage Scheme which are translated at the rates provided under the scheme. Exchange differences for the period upto the date of commissioning of assets financed out of foreign currency loans are capitalized. All other exchange differences are charged to Profit & Loss Account.

2.3 General Provident Fund and WAPDA Welfare Fund

WAPDA operates self contributed General Provident Fund and WAPDA Welfare Fund for its employees. Deductions are made from the salaries of the employees and remitted to the funds and afterward utilized as per SOPs approved by WAPDA.

2.4 Taxation

WAPDA's income is exempt from income tax under clause 106-A Part-I of the Second Schedule to the Income Tax Ordinance, 2001.

2.5 Depreciation

Based on economic useful life of individual assets, depreciation rate has been charged during the year. Depreciation at full rate is charged in the year of purchase/completion and no depreciation is charged in the year of disposal. The depreciable value of an asset has been taken as 95% of its cost whereas, 5% is to be its residual value. No depreciation is to be charged when an asset is fully depreciated.

Following rates are applied to all Assets:

Serial No.	Description of Assets	Depreciation Rate	Year
1	Land	0.0%	-
2	Civil Works/buildings	2.0%	50
3	Generation Plant & Equipments	3.5%	29
(a)	Hydel Generation Unit	3.5%	29
(b)	Switchyards Equipments	6.7%	15
(c)	Misc. Power Plant & Equipments	10.0%	10
4	Mobile Plant & Equipments	20.0%	5
5	Other Equipments (All others except computer accessories)	10.0%	10
6	Computer Accessories	25.0%	4

2.6 Long term investments

Long term investments are stated at cost. Provision is made for diminution in the value of investments if considered permanent.

2.7 Stores

Stores are valued at moving average cost method, except items in transit which are stated at cost comprising invoice value plus incidental charges thereon.

2.8 Deferred Credits of GST

Deferred credits represent the amount of general sale tax recoverable from the Ministry of Finance, Government of Pakistan against protected category of consumers.

3. FIXED ASSETS IN OPERATION CONTINUING OFFICES

								Rs. (000)
Asset Description	Cost as on June 30, 2007	Add./(Del.)/Adj. during the year	Cost as on June 30, 2008	Accumulated Dep. as on June 30, 2007	Depreciation Add./(Del.) during the year	Depreciation for the year	Accumulated Dep. as on June 30, 2008	WDV as on June 30, 2008
Land	5,017,980	(8,393)	5,009,587	-	-	-	-	5,009,587
Civil Works/Buildings	96,786,626	43,822	96,830,449	12,550,473	(96)	1,839,080	14,389,457	82,440,992
Generation Plant & Equipment	37,977,188	(107,824)	37,869,365	12,995,885	(238,466)	1,404,863	14,162,282	23,707,083
Assets subject to Finance Lease	8,000,000	8,000,000	16,000,000	151,378	-	62,358	213,734	15,786,266
Mobile Plant & Equipments	1,330,580	70,038	1,400,618	1,158,341	(1,765)	67,954	1,224,530	176,089
Other Equipments	2,169,049	(959)	2,168,090	1,763,176	(855)	55,371	1,817,693	350,396
Computer Accessories	13,150	1,742	14,892	10,496	-	1,181	11,677	3,215
	151,294,574	7,998,427	159,293,001	28,629,749	(241,182)	3,430,805	31,819,373	127,473,628

3.1 FIXED ASSETS IN OPERATION DISCONTINUING OFFICES

Asset Description	Cost as on June 30, 2007	Add./(Del.)/Adj. during the year	Cost as on June 30, 2008	Accumulated Dep. as on June 30, 2007	Depreciation Add./(Del.) during the year	Depreciation for the year	Accumulated Dep. as on June 30, 2008	WDV as on June 30, 2008
Land	-	12,023	12,023	-	-	-	-	12,023
Civil Works/Buildings	57,708	(15,525)	42,183	15,289	(8,536)	780	7,534	34,650
Generation Plant & Equipment	62,792	(62,792)	-	59,652	(59,652)	-	-	-
Mobile Plant & Equipments	73,558	12,909	86,467	45,536	(824)	10,214	54,926	31,541
Other Equipments	722,846	29,934	752,780	668,227	(550)	7,235	674,912	77,868
Computer Accessories	41,987	12,837	54,824	38,452	-	3,683	42,134	12,689
	958,890	(10,613)	948,277	827,156	(69,562)	21,912	779,506	168,771

3.2 NET (FIXED ASSETS IN OPERATIONS)

	WDV as on June 30, 2008	WDV as on June 30, 2007
Tarbela Power Station	6,413,742	5,817,539
Mangla Power Station	286,827	144,719
Ghazi Barotha Power Station	83,236,619	83,966,475
Warsak, Chitral & Kuramm Gari Power Stations	1,279,975	1,458,201
Chashma Power Station	15,998,376	16,701,204
Dargai & Malakan Power Stations	28,727	304
Shadiwal	9,908	55
Nandipur	15,224	1,777
Rasul	146,671	6,564
Chichoki & Renala	14,959	10,362
Tarbela Dam	2,955,026	430,619
Mangla Dam	1,224,314	273,434
Chashma C.J. Link	2,679	830
Wapda Cadet College	8,977	12,590
Wadpa A.C. Plant	1,028	-
MF (Hydel)	2,921	5,697
Assets subject to finance lease	15,786,266	7,580,000
Hydel Total	127,412,239	116,410,370
Continuing Offices:		
MF (HQ)	3,872	9,865
GM (Training)	54,547	57,003
Dir. Fin. (Bonds Cell)	144	367
Chief RRK	2,826	-
Sub Total	61,389	67,235
Total	127,473,628	116,477,605
Discontinuing Offices:		
GM (Thermal)	16,938	20,054
MF (Coord)	137,960	448,880
GM (WPPO)	13,873	25,216
Total	168,771	494,150
Grand Total	127,642,399	116,971,755

		(RUPEES IN '000')	
		2008	2007
4 CAPITAL WORK-IN-PROGRESS			
Capital work-in-progress on revenue account		13,569	18,359
Capital work-in-progress Hydel (Note 4.1)		20,625,409	16,711,840
Capital work-in-progress Thermal (Note 4.2)		313,308	283,822
		20,952,286	17,014,021
4.1			
Projects			
Khan Khawar Project		3,723,566	2,353,920
Allai Khawar Project		4,045,336	2,993,349
Dubbar Khawar Project		5,089,862	3,553,872
Kala Bagh Dam Project		1,116,166	1,116,572
Bhasha Dam Project		2,002,478	1,210,867
Jinnah H/Power Project		1,586,083	1,449,207
Khyal Khawar Hydro Power Project		11,488	10,047
Others		3,050,430	4,024,006
Total		20,625,409	16,711,840

4.2 The WIP cost relating to defunct Thermal Power Stations being managed by the office of GM (Thermal) Operation has been transferred to PEPCO. Where as capital work-in-progress balance as on 28-02-2008 relating to Neelum Jehlum Hydel Project has al

5 LONG TERM INVESTMENTS

Deposit for shares in Corporate Entities:

Lahore Electric Supply Company Limited (LESCO)	6,969,384	6,969,384
Gujranwala Electric Power Company Limited (GEPCO)	3,018,647	3,018,647
Multan Electric Power Company Limited (MEPCO)	10,823,626	10,823,626
Faisalabad Electric Supply Company Limited (FESCO)	3,749,434	3,749,434
Islamabad Electric Supply Company Limited (IESCO)	5,798,243	5,798,243
Peshawar Electric Supply Company Limited (PESCO)	18,082,026	18,082,026
Tribal Area Electric Supply Company Limited (TESCO)	255,010	255,010
Hyderabad Electric Supply Company Limited (HESCO)	30,219,354	30,219,354
Quetta Electric Supply Company Limited (QESCO)	12,437,535	12,437,535
Jamshoro Power Generation Company Limited (GENCO-I)	8,128,537	7,866,532
Central Power Generation Company Limited (GENCO-II)	3,344,419	3,344,419
Northern Power Generation Company Limited (GENCO-III)	17,899,362	17,899,362
Lakhra Power Generation Company Limited (GENCO-IV)	4,040,340	4,040,340
National Transmission and Dispatch Company Limited (NTDC)	56,545,971	52,693,756
Neelum Jehlum Hydro Power Company	1,542,627	-
Sub Total	182,854,515	177,197,668

Corporate Entities are to issue shares in consideration of the net worth of the assets transferred by WAPDA, after fulfilling the formalities under Rule 8 of the issue of share capital Rules 1996.

Shares Investment:

Kot Addu Power Company	4,023,359	4,023,359
(402,563,562 shares @ of Rs.10/- each)		
First Credit & Investment Bank Limited (FCIBL)	17,500	59,791
(175,000 of shares @ Rs.10/- each)		
(1,825,000 of Bonus shares @ Rs.10/- each)		
Lakhra Coal Development Company Limited	12,504	12,504
(1,250,000 shares @ of Rs.10/- each)		
WAPDA First Sukuk Company	100	100
(1,000 shares @ of Rs.10/- each)		
WAPDA Second Sukuk Company	100	100
(1,000 shares @ of Rs.10/- each)		
Investment - Bank Guarantees and Exchange risk coverage	101,700	101,700
Sub Total	4,155,263	4,197,554
Grand Total	187,009,778	181,395,222

6 NOTES RECEIVABLES

	(RUPEES IN '000')	
	2008	2007
Kot Addu Power Company	6,047,189	6,946,905
Mangla Raising Project (Water Wing) against Sukuk-I	8,000,000	6,200,000
Neelum Jehlum Hydro Power Company against GOP CDL	5,388,164	-
JPGCL (GENCO-I)	-	1,634,522
CPGCL (GENCO-II)	-	2,384,517
NPGCL (GENCO-III)	-	347,834
LPGCL (GENCO-IV)	-	26,995
NTDC	-	18,159,563
LESCO	-	2,280,252
GEPCO	-	1,892,148
MEPCO	-	5,315,298
FESCO	-	2,739,866
IESCO	-	2,170,341
PESCO	-	1,860,701
HESCO	-	5,541,272
QESCO	-	1,873,080
TESCO	-	507,294
	19,435,353	59,880,588

6.1 Long term Notes Receivables from Kot Addu Power Company Limited are receivable in 44 half yearly unequal installments starting from 1996-97 and ending in 2017-18. Mark up rate is applicable as follows:

28 June 1996 to 27 June 1997	11.25%
28 June 1997 to 27 June 1998	12.00%
28 June 1998 to 27 June 2018	14.00%

6.2 The loans allocated to corporate entities were converted into notes receivables on receipt of lender's consent and entering into Loan Assumption Agreements through Economic Affairs Division. Now Corporate Entities will make servicing for the remaini

7 STORES & SPARES

Generation - Hydel	1,316,384	1,208,919
Generation - Thermal (Note 7.1)	26,489	36,568
Sub offices of MF (C&D) (Note 7.1)	5,729	10,940
	1,348,602	1,256,427

7.1 The store balances relating to Thermal and Distribution activities have been transferred/shifted to PEPCO during the year.

8 TRADE RECEIVABLES FROM NTDC

229,761,720	151,540,280
--------------------	--------------------

WAPDA has been managing treasury on behalf of NTDC/CPPA after restructuring of WAPDA Power Wing. The receivable balances from NTDC/CPPA comprises of unpaid amount of Power sale invoices of Hydro Electric as well as the funds arranged by WAPDA for making P

9 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Continuing	Discontinuing		
Miscellaneous debtors	14,817	501	15,318	24,751
Miscellaneous advances	266,796	1,453,245	1,720,041	1,872,181
Staff loans and advances	172,320	60,985	233,305	203,659
Demurrage charges receivable	108,290	-	108,290	106,304
Shipping Guarantees/Container Securities	56,258	-	56,258	-
Octroi charges	327,638	-	327,638	327,903
Security deposits	1,704	265	1,969	200,142
Net receivable from Corporate Entities (Note 9.1)	6,484,648	4,406	6,489,054	12,323,287
Receivables from detached offices (Note 9.2)	4,153,798	-	4,153,798	-
GST Receivables (Note 9.3)	4,229,982	1,042	4,231,024	5,689,083
Receivables from Privatization Commission and MOF (Note 9.4)	5,435,555	-	5,435,555	5,435,555
Current accounts within Power Wing (Hydro Electric)	116,088	-	116,088	1,738,660
Current accounts with associated formations	263,829	-	263,829	1,362,057
Inter Office Transactions (Advices awaiting adjustments)	1,060,280	808,177	1,868,457	950,785
Current maturity - Notes receivables of KAPCO	899,715	-	899,715	899,715
	23,591,718	2,328,621	25,920,339	31,134,082

(RUPEES IN '000')

2008 2007

9.1 Receivables from Corporate Entities:

	Continuing	Discontinuing		
PESCO	3,815,490	-	3,815,490	7,407,460
JPGCL (GENCO-I)	2,320,942	-	2,320,942	4,691,702
NPGCL (GENCO-III)	-	4,406	4,406	-
LPGCL (GENCO-IV)	348,215	-	348,215	224,125
Total	6,484,648	4,406	6,489,054	12,323,287

9.2 Receivables from Detached Offices

		4,049	-
CE (Material Inspection)		4,908	-
CE (Purchase & Disposal)		12,662	-
CE (Rural Electrification)		362,251	-
DG (IS)		39,035	-
MD (Power)		7,588	-
CE (Design & Standards)		223,020	-
GM (HV&SC) Rawat		510,743	-
GM (Thermal)		2,989,542	-
GM (WPPO)		4,153,798	-
Total			

9.3 General Sales Tax Recelables

	Continuing	Discontinuing		
GST recoverable on purchases	460	1,042	1,502	1,433
GST Recoverable from DISCOs	1,364,940	-	1,364,940	-
Receivable from GOP against GST	239,990	-	239,990	4,340,932
GST Receivable from FBR	2,624,592	-	2,624,592	1,346,718
Total	4,229,982	1,042	4,231,024	5,689,083

9.4 Receivable from Privatization Commission and Ministry of Finance relate to the sale proceed of WAPDA Shares in KAPCO sold to general public, KAPCO employees and WAPDA employees during the year. The sale proceed is adjustable against subsequent retir

10 CASH AND BANK BALANCES

	4,138,678	4,872,807
Cash at Bank (HQ)	41,018	56,748
Cash at Bank (Hydel Operation)	14,177	15,012
Cash at Bank (Hydel Development)	240,453	318,409
Cash at Bank (WBC, GMT, CRRK)	1,356,904	6,300,691
Cash at Bank (Offices Shifted to PEPCO)	5,791,230	11,563,667

11 SHARE CAPITAL

9,522 ordinary shares of Rs.1,000,000 each
issued to Government of Pakistan as fully paid in cash.

9,522,000	9,522,000
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12 REVALUATION SURPLUS

Revaluation Surplus Mangla (Sukuk-I)
Revaluation Surplus Tarbela (Sukuk-II)

6,859,699	6,859,699
7,987,788	-
14,847,487	6,859,699

13 EQUITY INVESTMENT OF GOVERNMENT OF PAKISTAN

Cost of Mangla & Tarbela
Investment by Government (01.04.1959)
Investment by Government payment against hydel profit
Investment by Government for Refund of license application fee of Corporate Entities
Investment by Govt. against Technical Supplementary Grant
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 1999
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 2001
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 2002
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 2003
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 2004
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 2005
Conversion of Govt. of Pakistan Debt Service Liability into Equity in financial year 2006

8,543,732	8,543,732
-	503,511
3,000,000	3,000,000
39,000	39,000
2,080	2,080
36,383,203	36,383,203
2,000,000	2,000,000
20,000,000	20,000,000
20,714,685	20,714,685
21,085,316	21,085,316
21,612,000	21,612,000
6,397,314	6,397,314
139,777,330	140,280,841

		(RUPEES IN '000')	
		2008	2007
14 LONG TERM LOANS & BONDS			
Cash Development Loan		15,096,801	32,677,686
Foreign Loans (Relent)		41,137,484	70,750,404
Foreign Loans (Direct)		832	2,469,484
WAPDA Bonds		-	7,000,000
Total		56,235,117	112,897,574

14.1 Current Maturity of Loans & Bonds:

Cash Development Loan	231,590	830,030
Foreign Loan (Relent)	4,586,291	9,015,337
Foreign Loan (Direct)	832	-
Sub Total	4,818,713	9,845,367
Net Long term Loans & Bonds	51,416,404	103,052,207

15 LIABILITY UNDER IJARAH FINANCING

Liability under Ijarah Financing Mangla Sukuk-I	8,000,000	8,000,000
Liability under Ijarah Financing Tarbela Sukuk-II	8,000,000	-
	16,000,000	8,000,000

16 DEFERRED CREDITS OF GST

Deferred Credits of GST against protected category of consumers.	210,927	2,284,519
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17 SHORT TERM LIABILITIES

Debt service liability towards Government of Pakistan	20,505,732	28,477,004
Accrued for 4% Return on Investment by Government	22,435	22,012
Bank Overdraft/Short term loans	46,546,862	47,153,750
Accrued Interest	922,858	630,987
Others	2,126,837	1,345,461
	70,124,724	77,629,214

18 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Continuing	Discontinuing		
Payable to IPPs	-	79,480,424	79,480,424	30,817,445
Creditors	480,025	-	480,025	469,981
Accruals	64,417	-	64,417	1,590,629
Un-paid salaries	800	-	800	1,915
Net payable to Corporate Entities (Note 18.1)	32,229,407	-	32,229,407	949,378
Stores received but awaiting debits	17,919	4,285	22,204	172,280
Sundry deposits/employees funds	133,623	41,206	174,829	236,452
Professional tax & income tax and other duties	145	-	145	281
Miscellaneous liabilities	2,192,903	228	2,193,131	3,375,658
Payable to Power Wing (Hydro Electric)	-	4,153,798	4,153,798	-
GST (Payable to FBR)	-	124	124	-
	35,119,239	83,680,065	118,799,304	37,614,019

18.1 Payable to Corporate Entities

LESCO	1,661,900	(156,521)
GEPCO	1,703,119	(18,519)
MEPCO	1,868,145	(86,243)
FESCO	2,269,670	433,457
IESCO	3,326,105	(74,264)
HESCO	8,716,683	4,050,434
QESCO	2,564,530	(800,046)
TESCO	2,186,805	2,014,613
CPGCL (GENCO-II)	2,140,549	(43,192)
NPGCL (GENCO-III)	5,041,176	(4,370,341)
WAPDA Second Sukuk Company	362,632	-
Neelum Jhelum Hydro Power Company (NJHPC)	388,093	-
	32,229,407	949,378

(RUPEES IN '000')

2008

2007

19 ELECTRICITY SALES

Sale of power (Hydel)	28,466,924	26,916,819
Sale of power (IPPs)	235,225,459	176,786,051
	263,692,383	203,702,870

20 COST OF ELECTRICITY

Generation Hydel	1,768,989	1,581,555
Purchase of power-IPPs	235,225,459	177,412,890
	236,994,448	178,994,445

21 OPERATING COST

Administration and general expenses	4,444,057	6,562,268
Hydel profit paid to NWFP	6,000,000	6,000,000
Water usage charges	685,267	959,581
	11,129,324	13,521,849

22 OTHER INCOME

Interest income from KAPCO	1,067,037	1,204,285
Interest income from Bank Deposits	151,617	415,272
Dividend income from KAPCO	2,559,378	2,858,201
Dividend Income from FCIBL	5,979	12,526
Dividend Income from LCDCL	10,000	2,500
Profit for the year of discontinuing offices	353,824	-
Others	392,898	1,376,992
	4,540,733	5,869,776

23 FINANCIAL CHARGES

KAPCO loans	826,613	950,375
Foreign Direct loans	895	1,676
Foreign Relent loans	5,232,643	5,404,438
Cash Development loans	1,010,549	991,788
Sukuk and Bonds	403,750	382,500
4% Return on Investment by Government	19,699	19,592
	7,494,149	7,750,369

24 NUMBER OF EMPLOYEES

WAPDA Power Wing (Hydro Electric) as of end of the Financial Year have 4,086 employees (4013 2007).

25 NET ELECTRIC OUTPUT AND CONTRACTED CAPACITY

Hydro Electric:		
Installed Capacity (MW)	6,444	6,464
Net Electrical Output (GWH)	28,222	31,384
(Jabban Hydel Power Station of 20 MW has been decommissioned during the financial year)		
IPP's:		
Contractual Capacity (MW)	5,510	5,470
Net Electrical Output (GWH)	35,849	33,984

26 CORRESPONDING FIGURES

26.1 Corresponding figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

26.2 Figures have been rounded off to the nearest Rupees in thousand.