

ORIGINAL



PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY

Telephone # : 99202404
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o/o General Manager Finance (P)
WAPDA, 220 – Wapda House
Lahore

No.GMFP/CPCC/Tariff/4525/229-30

Dated: ²⁰17/11/2015

The Registrar, NEPRA
NEPRA Tower, Ataturk Avenue (East)
G-5/1, Islamabad

Subject: MOTION FOR LEAVE FOR REVIEW ON THE DETERMINATION OF BULK SUPPLY TARIFF PETITION – WAPDA HYDROELECTRIC FOR FY 2015-16

Ref: NEPRA/TRF-312/WAPDA (Hydro)-2015/16564-16566 dated 13-11-2015

With reference to your above referred letter vide which determination of Bulk Supply Tariff for FY 2015-16 was communicated.

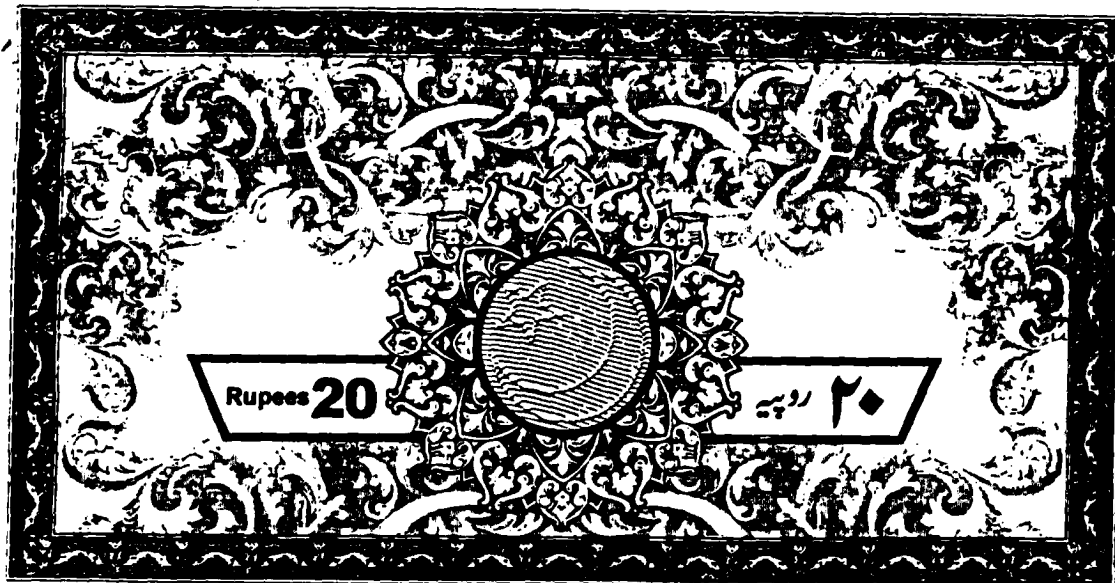
In this regard please find attached the "Motion for Leave for Review" on this determination in accordance with Section 16(6) of NEPRA Tariff Standards and Procedure Rules-1998 for favourable consideration of NEPRA Authority.

For information & n/a H.
— SAT — I
C/o: 23.11.15
— SA (Tech)
cc: Chairman
— Consultant (Hydro) VC/m (CA)
— WAPDA (LLP) m (T)
Copy for information to: m (M&E)
m (L & J)

(Anwar-ul-Haq)
GM Finance (Power)

1. Secretary, Ministry of Water & Power with reference to NEPRA's letter No. NEPRA/TRF-312/WAPDA (Hydro)-2015/16564-16566 dated 13-11-2015


Registrar 12/164
By No. 23-11-15
Dated:



**BEFORE THE NATIONAL ELECTRIC POWER
REGULATORY AUTHORITY**

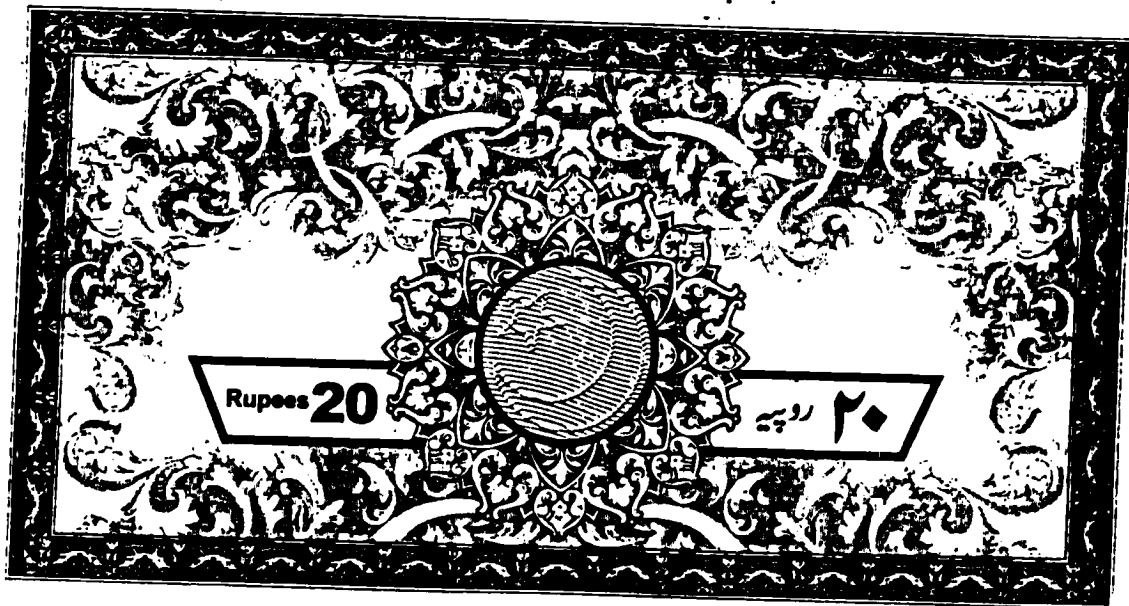
AFFIDAVIT

I, Anwar Ul Haq, General Manager Finance (Power) of WAPDA, WAPDA House, Lahore, being duly authorized representative/ attorney of WAPDA Hydroelectric, hereby solemnly affirm and declare that contents of the accompanying motion for leave for review application # GMFP/ CPCC/Tariff/ 4525/ 229-30 dated November 17, 2015 including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed. I also affirm that all further documentation and information to be provided by me in connection with the accompanying Motion for Leave for Review shall be true to the best of my knowledge and belief.

DEPONENT

(Anwar Ul Haq)
General Manager Finance (Power)

ATTESTED

WITNESSED
Secretary General
Lahore

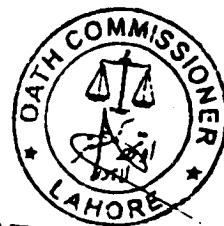


— Page 2 —

Verified on oath this ^{4th} ²⁰ 17th day of November, 2015 that the contents thereof are true and correct to the best of my knowledge and belief and nothing has been concealed.

DEPONENT


(Anwar Ur Haq)
General Manager Finance(Power)



ATTESTED

ALAHMED
Oath Commissioner
Lahore

**NAME OF LICENSEE: PAKISATN
WATER AND POWER DEVELOPMENT
AUTHORITY**

LICENSE No. GL (HYDEL) /05 / 2004

**REVIEW MOTION: MOTION FOR LEAVE FOR REVIEW ON
BULK SUPPLY TARIFF DETERMINED
FOR FY 2015-16**

GROUND'S FOR REVIEW MOTION

1. On disallowing some of the components of the Revenue Requirement of WAPDA Hydroelectric for FY 2015-16 by NEPRA, in its Determination circulated vide letter No.NEPRA/TRF-312/WAPDA(Hydro)-2015/16564-16566 dated 13.11.2015, WAPDA has been aggrieved on the following grounds;
 - i. NEPRA did not accept addition of 550 employees for operation & maintenance of newly completed Hydel Power Projects i.e. 3 Khwar, Jinnah and Jabban Hydel Power Projects, having aggregate generating capacity of 458 MW.
 - ii. For repair & maintenance of Hydel Power stations, NEPRA has fixed spending bench-marks and has also determined that WAPDA should make R&M expenditure up to maximum Rs.1,316 million in a financial year. It has further been determined that if the actual expenditures are low, then it will be adjusted in the next determination whereas if they are higher, then NEPRA will not allow.
 - iii. NEPRA has not allowed Survey and Investigation expenses claimed by WAPDA as recurring Expenses.
 - iv. NEPRA has used debt/equity ratio of 70:30 as against WAPDA's claimed ratio of 18:82 for Hydel Power stations, which were constructed in public sector under different debt/equity ratios, before NEPRA was established and GoP announced different power policy to attract private investors.
 - v. By referring the PC-I and decision of the CCI, NEPRA has determined that cost of dam of Diamer Basha Dam Project should be financed by the GoP as grant and should not be recovered from the electricity consumers.
 - vi. The Regulatory revenue gap of Rs.18.9 billion pertaining to FY 2011-12 & FY 2012-13, allowed in the determination for FY 2013-14 has been adjusted against the Regulatory revenue gap determined for FY 2015-16, which has reduced WAPDA's overall revenue requirement to that extent.
 - vii. From annual revenue requirement of WAPDA, NEPRA has deducted mark-up on the investments / loan reserve amount, which is not included in RAB for allowing ROA.

AUTHORIZATION & REPRESENTATION

2. WAPDA Authority through circulation dated 16.11.2015 decided to file review motion to NEPRA, hence this Motion for leave for review is being filed under Section 16(6) of NEPRA Standards Procedure and Rules-1998, on the NEPRA Authority's Determination for Bulk Supply Tariff for FY 2015-16 through General Manager Finance (Power) WAPDA who has been duly authorized to sign and file this petition by the WAPDA Authority vide resolution dated 16th November 2015. In the said resolution following officers have also been authorized by the WAPDA Authority to submit and sign, individually or jointly, the documents necessary in support of this Review Motion and to appear before NEPRA and represent WAPDA-Hydroelectric during proceedings of this Review Motion:
 - a. General Manager Finance (Power)
 - b. General Manager (Hydel Operation)
 - c. DG (Law)

Basis of Review Motion

Operation & Maintenance

1. Since after getting Generation License in 2004, in its petitions for determinations of bulk supply of power tariff, WAPDA has been claiming estimated operation & maintenance (O&M) cost in aggregate for its hydel power stations. In 2009 NEPRA directed WAPDA to maintain its books of accounts as per International Accounting Standards and present accounts of its regulated business duly audited by one of the top 3 ranked Chartered Accountant Firm.
2. In compliance WAPDA presented its regulated business audited accounts to NEPRA in support of its claimed annual revenue requirement. NEPRA has been allowing / disallowing certain components of O&M cost based upon its own analysis. Due to disallowing employees post retiring benefits on unit credit method, a gap of regulatory revenue of Rs 27.8 billion has been created up to 30.06.2015.
3. For claiming variant repair & Maintenance expenses, WAPDA has been explaining that incurrence of cost of major repairs depend upon implementation of major maintenance schedules of the power plants under Power Purchase Agreement therefore it may not be uniform for each year.
4. NEPRA acknowledged in its Determination that Survey & Investigation expenses are related to regulated business expenses but observed that these expenses are of development nature. As per IAS 38 such nature expenses are to be expensed out in the year of spending. Survey & Investigation expenses are recurring nature expenses therefore they may be expensed out in the yearly profit & loss account without having been capitalized.
5. While determining tariff for FY 2013-14, NEPRA taking actual O&M expenses of FY 2011-12 as bench mark has allowed 10% increase per annum without considering the increase impact of capacity additions of 425 MW in phased manner during FY 2011-12 to FY 2013-14. It has been mentioned in the Determination that employees cost per MW generating capacity of WAPDA is on the higher side but no reference has been made for comparison. WAPDA has been explaining that WAPDA operates and maintains its power station at its own. Most of the IPPs has outsources O&M activity therefore their number of employees of said IPPs cannot be compared with WAPDA.
6. It is therefore more advisable that in future, NEPRA should allow O&M cost to WAPDA on the patterned and at the average O&M rate with indexation clauses as has been allowed to Hydel IPPs, however for FY 2015-16, the claimed O&M expenses of Rs 12,750 million may be allowed.

Debt/Equity ratio of stations

7. NEPRA has used debt/equity ratio of 70:30 as against WAPDA's claimed ratio of 18:82 for Hydel Power stations, which were constructed in public sector under different debt/equity ratios, before NEPRA was established and GoP announced different power policy to attract private investors. WAPDA has financed the capital cost of Ghazi Brotha and other projects before the advent of NEPRA at debt/equity ratio of 60:40 agreed as a covenant with the World Bank and other donor agencies therefore, debt/equity threshold mentioned in the Power policy cannot be applied to Hydel Power stations commenced by WAPDA before the establishment of NEPRA and announcing the Hydel Power Policy by the GoP. NEPRA has not reopened the tariff negotiated and agreed by

WAPDA with the IPPs commissioned before creation of NEPRA. On the same analogy NEPRA should allow Return on Assets (ROA) at the debt/equity rate claimed by WAPDA in its petition for FY 2015-16 for Hydel power stations in line with covenants agreed with the lenders and financing strategy adopted by WAPDA for its Hydel power stations.

8. It has already been explained that average tenor of loan repayments of existing hydel power stations is much shorter than the average period of depreciation and no depreciation has been claimed on land cost in accordance with International Accounting Standards, therefore after repayment of loans of the stations, remaining assets which mostly comprises of civil structures and land is represented as financed through equity. NEPRA uses 30:70 equity/debt ratios while determining tariff at the beginning and not in the middle or at the ending years of the power projects.

Regulatory Asset Base (RAB) of Projects

9. By quoting the examples of apportionment of cost of Tarbela and Mangla Dam projects, NEPRA has observed that Diamer Basha Dam Project is a multi-purpose dam and the cost of dam should be financed by the GoP as grant and may not be recovered from the electricity consumers. In this regards it may be noted that although Diamer Basha Dam (DBD) Project has larger water storage capacity but water from DBD will purely be discharged for power generation. The regulated release of water from DBD will augment the power generation downstream to the other hydel power projects like Dasu, Pattan, Thakot and Tarbela. As already replied in response to a query of NEPRA that main purpose of construction of reservoir/Dam in Diamer Basha project is to create head for power generation, the water from this reservoir/Dam will be released in the river regulated according to the need for power generation and no irrigation channel/ canal is planned up till Tarbela Dam. The regulated releases of water from Diamer Basha Dam project will make available steady flows of water for irrigation downstream from Tarbela, this very aspect has been highlighted in the consensus arrived in the meeting of CCI on the matter.
10. In the PC-I of Diamer Basha Dam project duly approved by ECNEC, economic benefits of more regulated water releases have been notionally quantified, however whole of the capital cost is to be recovered through power sale tariff as has been mentioned in the financial analysis of approved PC-I of Diamer Basha Dam project.
11. Further it may be mentioned here that most of the capital cost already incurred on Diamer Basha Dam Project (DBDP) is financed through subordinate loans given by GoP. From the power sale revenue, WAPDA is serving the same at the prescribed terms & conditions. The disallowance of dam cost of DBD for allowing ROA by NEPRA will put WAPDA in difficult situation to service the loans taken to finance the capital cost already incurred. This will also hamper WAPDA's efforts being made to get financing from non conventional modes as major donor agencies are not interested for providing loans for this very important project for Pakistan.

Other Income

12. As against proposed other income amount of Rs 431million, NEPRA has deducted Rs 3,447 million from the revenue requirement of WAPDA Hydroelectric on the plea that NEPRA has been deducting misc income previously. This does not carry any weight if

MOTION FOR LEAVE FOR REVIEW ON TARIFF DETERMINATION FOR FY 2015-16

something wrong has been done in the past due to overlook, it may not be continued on the basis of past practice. It may be noted that other income is not deducted in the tariff determination methodologies adopted by NEPRA for Hydel IPPs.

13. The scrape sales income, building rental income and misc services income, the cost of which already included in the determined O&M expenses makes sense for deduction from revenue requirement whereas in the absence of including any margin for meeting financing cost of working capital in the O&M expenses, the deduction of income derived from bank balances and investments is not justified. By amortizing grants provided by different donor agencies for major repairs and refurbishment of power stations, WAPDA is already passing on the benefit to the electricity consumers.
14. The sinking fund investments and loan reserves have never been included in the working of Regulatory Asset Base (RAB) by NEPRA for allowing ROA in Hydel power sale tariff; therefore, deduction of return thereon from revenue requirement of WAPDA Hydroelectric is not appropriate. There has been sense of deducting income derived from financial assets, had NEPRA included financing cost of said financial assets in the revenue requirement of WAPDA.

REGULATORY REVENUE GAP

15. At paragraph 109 of the Determination, revenue gaps of Rs 2,454 million and surplus of Rs 12,656 million for FY 2013-14 and FY 2014-15 respectively have been worked out by deducting NEPRA assessed annual RR from the actual billed amount of Hydel power sales during the respective financial years. It may be noted that, NEPRA has determined Regulatory revenue gaps of Rs 18,954 million for FY 2011-12 and FY 2012-13 in the determination of tariff for FY 2013-14. In order to recover this revenue gap in a year, tariff for a year was fixed higher than the normal tariff determined for recovering annual revenue requirement. The Regulatory revenue gap of Rs.18.9 billion allowed during last determination has still not been fully recovered whereas NEPRA has adjusted Rs 10,202 (12,656-2,454) million from the revenue requirement of FY 2015-16 which perhaps been happened due to overlook but the same has reduced WAPDA's overall revenue requirement immensely.

Projected Cash flow for FY 2015-16

Based upon its commitments and scheduling of O&M of power station as well as development progress of Hydel power projects the projected cash flow of WAPDA for FY 2015-16 has been shown in the table below which shows that after making projected operational nature payments on account of O&M expense, debt servicing of loans of Rs 34.8 billion, the surplus of Rs 28.9 billion would be available to WAPDA for financing of projected local cost component of Rs 85.9 billion of hydel power projects.

MOTION FOR LEAVE FOR REVIEW ON TARIFF DETERMINATION FOR FY 2015-16

Indicative Cash flows- FY 2015-16

Sources of Revenues

| | [Mln.Rs] |
|-----------------------------------|----------|
| Total Revenue determined by NEPRA | 63,816 |
| Less: Hydel Levies | 19,762 |
| Revenue determined for WAPDA | 44,054 |

Current operating expenses

| | |
|---|-----------------|
| O&M of H/P stations | 12,750 |
| Debt servicing of loans of H/P stations | 13,584 |
| Interest during construction of H/P projects | 8,505 |
| Total payments | 34,839 |
| Cash surplus for equity investment in HPP | 28,977 |
| Projected self finance local cost components of HPP | 85,119 |
| Cash shortfall | (56,142) |

Structure of Tariff

16. As per past practice, NEPRA has determined two part tariff i.e. fixed charge and variable charge without mentioning components of revenue requirement. In order to bring more transparency and have better understanding of WAPDA's tariff, the structure of WAPDA tariff may be determined as under:

Variable Charge

| | | |
|--------------|----------|--------|
| Variable O&M | [Rs/kWh] | 0.0385 |
|--------------|----------|--------|

Fixed Charge

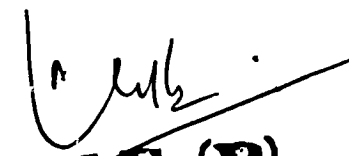
| | | |
|-------------------------------|-----------|----------|
| Fixed O&M | [Rs/kW/M] | 139.0000 |
| Depreciation | [Rs/kW/M] | 69.4184 |
| Ijara Rentals | [Rs/kW/M] | 43.1488 |
| Return on Investment-stations | [Rs/kW/M] | 375.8555 |
| Return on Investment-projects | [Rs/kW/M] | 276.6870 |
| Regulatory Revenue Gap | [Rs/kW/M] | 137.1071 |

Hydel Levies

| | | |
|-------------|----------|-------|
| NHP | [Rs/kWh] | 1.100 |
| WUC | [Rs/kWh] | 1.100 |
| IRSA charge | [Rs/kWh] | 0.005 |

RELIEF SOUGHT

This Review motion has been filed as per provisions laid down in Section 16(6) of NEPRA Tariff Standards and Procedure Rules- 1998 on the Determination circulated by NEPRA through letter No.NEPRA/TRF-312/WAPDA(Hydro)-2015/16564- dated 13.10.2015.


G.M.F. (P)

LIST OF ATTACHMENTS

| Attachment# | Description of attachment | Page# |
|--------------------|---|--------------|
| I | Copy of Resolution of WAPDA Authority dated 16.11.2015 to file Review Motion. | 08 |
| II | Copy of WAPDA Hydel projects PSDP approved by GoP for FY 2015-16 | 11 |
| III | Extract of IAS-38 | 12 |
| IV | Copy of approval of ECNEC dated 20.08.2009 of PC-I of Diamer Basha Dam Project and Annex-18 (FIRR) based upon power sale power income consequential to DBD Project. | 13 |
| V | Annual accounts duly initialed by the corporate auditors of WAPDA Hydel (Regulated Business) for the period ended on 30 th June 2015 | 17 |

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**Subject: WAPDA Hydroelectric Tariff determined by NEPRA for FY 2015-16**

1. NEPRA through its letter No.NEPRA/TRF-312/WAPDA(Hydro)-2015/16564-16566 dated 13.11.2015 has communicated its Tariff determination to the Secretary Ministry of Water & Power to notify the same in the official gazette. Comparison of same with the petition has been shown in the table below:

For FY 2015-16**[Mln.Rs]**

| Revenue Components | Proposed in Petition | Allowed by nepra | Disallowed |
|-----------------------------------|----------------------|------------------|-----------------|
| O&M (total) | 12,750 | 10,448 | (2,302) |
| Depreciation | 5,750 | 5,599 | (151) |
| Ijara Rentals (Sukuk payments) | 3,574 | 3,574 | - |
| Return on Investment-stations | 31,131 | 27,535 | (3,596) |
| Total Revenue Req-stations | 53,205 | 47,156 | (6,049) |
| Return on Investment-Projects | 22,906 | 10,547 | (12,359) |
| Total revenue-WAPDA | 76,111 | 57,703 | (18,408) |
| Deduction for Misc Income | (431) | (3,447) | (3,016) |
| Previous Regulatory revenue gap | 11,357 | (10,202) | (21,559) |
| Total addition/(deletion) | 10,926 | (13,649) | (24,575) |
| Net Revenue to WAPDA | 87,037 | 44,054 | (42,983) |
| NHP/WUC to KP | 18,810 | 18,704 | (106) |
| NHP/WUC to Punjab | 9,526 | - | (9,526) |
| NHP/WUC to AJK | 6,591 | 899 | (5,692) |
| IRSA levy | 159 | 159 | - |
| Total Hydel Levies | 35,086 | 19,762 | (15,324) |
| Total Revenue | 122,123 | 63,816 | (58,307) |
| Est. Annual Generation (GWh) | 31,752 | 31,752 | 31,752 |
| Average sale rate (Rs/kWh) | 3.85 | 2.01 | (1.84) |

2. Key points

- NEPRA did not accept addition of 550 employees for operation & maintenance of newly completed Hydel Power Projects i.e. 3 Khwar, Jinnah and Jabban Hydel Power Projects.
- For repair & maintenance of Power stations, NEPRA has fixed spending bench-marks and has also determined that WAPDA should make R&M expenditure up to maximum Rs.1,316 million in a financial year. It has further been determined that if the actual expenditures are low, then it will be adjusted in the next determination whereas if they are higher, then NEPRA will not allow.
- NEPRA has not allowed Survey and Investigation expenses claimed by WAPDA as recurring Expenses.
- NEPRA has deducted mark-up on the investments / cash in hand from annual revenue requirement of WAPDA, which does not include in RAB.
- The Regulatory revenue gap of Rs.18.9 billion allowed during last determination has been adjusted against the Regulatory revenue gap determined for current financial year, which has reduced WAPDA's overall revenue requirement to that extent.
- WAPDA in its petition has demanded Rs.1.10 per KWh Net Hydel Profit / WUC applicable for all Hydel Power Stations located in KP, Punjab and AJK whereas, NEPRA has allowed Rs.1.10 per KWh only for KP, no NHP to Punjab and has allowed 15 paisa per unit for AJK.
- While allowing the return on investment for Hydel Power stations, NEPRA has used debt/equity ratio of 70:30 as against WAPDA's claimed ratio of 18:82.
- By referring the PC-I and decision of the CCI, NEPRA has determined that Diamer Basha Dam Project is a multi-purpose dam and the cost of dam should



be financed by the GoP as grant and may not be recovered from the electricity consumers.

3. Through this determination, revenue of FY 2015-16 to WAPDA is reduced by Rs 4,210 million from the revenue of FY 2013-14 as shown in the table below:

| [Mln.Rs] | | | |
|-------------------------------------|---------------------|--------------------|-----------------|
| Revenue Components | Existing FY 2013-14 | Revised FY 2015-16 | Incre/(Dcer) |
| O&M (total) | 8,591 | 10,448 | 1,857 |
| Depreciation | 5,182 | 5,599 | 417 |
| Ijara Rentals (new debt servicing) | 1,506 | 3,574 | 2,068 |
| Return on Investment (H/P stations) | 27,715 | 27,535 | (180) |
| Total RR of H/P stations | 42,994 | 47,156 | 4,162 |
| Return on Investment (H/P Projects) | 6,319 | 10,547 | 4,228 |
| Total RR of WAPDA | 49,313 | 57,703 | 8,390 |
| Misc Income deducted | (1,049) | (3,447) | (2,398) |
| Previous Regulatory revenue gap | | (10,202) | (10,202) |
| Total deductions | (1,049) | (13,649) | (12,600) |
| Net Revenue of WAPDA | 48,264 | 44,054 | (4,210) |
| NHP to KP | 6,000 | 18,704 | 12,704 |
| WUC to AJK | 742 | 899 | 157 |
| IRSA levy | 159 | 159 | - |
| Total Hydel Levies | 6,901 | 19,762 | 12,861 |
| Net total RR | 55,165 | 63,816 | 8,651 |
| Est. Annual Generation (GWh) | 31,752 | 31,752 | 31,752 |
| Average sale rate (Rs/kWh) | 1.74 | 2.01 | 0.27 |

4. As provided in Section 16(6) of NEPRA Tariff Standards and Procedure Rules 1998, within ten (10) days of the service of a determination of the Authority, the petitioner may file a motion for leave for review by the full strength of Authority. The Authority will act upon the motion within 10 days and may refuse or accept the same as deem appropriate.

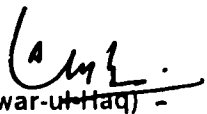
5. Since disallowance by NEPRA has major impact on the revenue requirement of WAPDA Hydroelectric therefore, it is proposed that WAPDA Authority may consider filling of motion for leave for review on the following grounds:

- WAPDA operates & maintains Hydel power stations at its own and has engaged the manpower at the Pay & Allowances allowed by the Federal Govt. The claimed O&M cost of WAPDA is much lower than the O&M cost per MW allowed by NEPRA to the Hydel IPPs hence WAPDA's claim is realistic.
- NEPRA never deducts misc. income while determining the annual revenue requirement of Hydel IPPs therefore deduction of income on the financial assets from annual revenue requirement is substantial revenue loss to WAPDA.
- Regulatory Revenue gap of Rs.18.9 billion allowed to be recovered in the determination for FY 2013-14 pertains to FY 2011-12 & 2012-13 whereas, the same has been deducted from the revenue requirement of FY 2015-16 due to obvious misconception.
- WAPDA has financed the capital cost of Chashma, Ghazi Brotha and other projects before the advent of NEPRA at debt/equity ratio of 60:40 agreed as a covenant with the World Bank and other donor agencies therefore, debt/equity threshold mentioned in the Power policy cannot be applied to Hydel Power stations commenced by WAPDA before the establishment of NEPRA and announcing the Hydel Power Policy by the GoP.

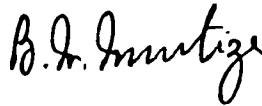


- v. Although Diamer Basha Dam (DBD) Project has water storage capacity but water from DBD will purely be discharged for power generation. The regulated release of water from DBD will augment the power generation downstream to the other hydel power projects like Dasu, Pattan, Thakot and Tarbela. As provided in the PC-I of Diamer Basha Dam projects approved by ECNEC, whole cost of the Project including dam cost will be recovered through Hydel Power Sale tariff.

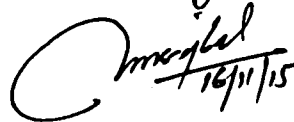
6. The Authority is therefore requested to please allow GM Finance (Power) WAPDA to file motion for leave for review in terms of Section 16(6) of NEPRA Tariff Standards and Procedure Rules- 1998 on the determination of NEPRA circulated vide its letter No.NEPRA/TRF-312/WAPDA (Hydro)-2015/16564-16566 dated 13.11.2015. The Authority is also requested to authorize GM (Hydel) Operation, DG (Law) and GMF (Power) to submit and sign individually or jointly, the document necessary in support of this Review motion and appear before NEPRA and represent WAPDA during the proceedings of this review motion.


(Anwar-ut-Haq) -
GMF(Power) / M(F)
Dated 15.11.2015

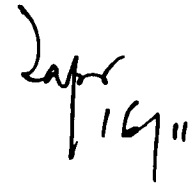
7. Member (Power)



8. Member (Water)


16/11/15

9. Chairman


16/11/15


G.M.F. (P)

WATER & POWER DIVISION (POWER SECTOR)

(Rupees Million)

| G. Sl. No | Name of the Scheme | Approval Status | Estimated Cost | | Expenditure upto 30.06.2015 | Throw-forward as on 01.07.2015 | Allocation 2015-16 | | |
|-----------|--------------------|-----------------|----------------|--------------------|-----------------------------|--------------------------------|--------------------|-------|-------|
| | | | Total | Foreign Assistance | | | Foreign Assistance | Rupee | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

WAPDA (Hydel Projects)

On-going Schemes:

| | | | | | | | | | |
|------------------|--|------------------------|-------------|-------------|------------|-------------|-----------|-----------|------------|
| 812 | Bunji Hydro Power Project (7100 MW) (PC-II) (Gilgit) | Un-Approved | 1328907.000 | 431086.500 | 108.000 | 1328799.000 | 0.000 | 1000.000 | 1000.000 |
| 813 | Construction of Diamer Basha Dam Project (4500 MW) (Land Acquisition) | ECNEC 2015 | 101373.000 | 0.000 | 39503.038 | 61889.962 | 0.000 | 10000.000 | 10000.000 |
| 814 | Construction of Diamer Basha Dam Project Lot 1 to 5 (4500 MW) | ECNEC 20.08.2009 | 834205.000 | 312943.000 | 7526.278 | 826678.722 | 0.000 | 6000.000 | 6000.000 |
| 815 | Dasu Hydro Power Project Stage-I (2160 MW) (District Kohistan, Khyber Pakhtunkhwa) | ECNEC 28.03.2014 | 486093.300 | 218547.500 | 7263.405 | 478829.895 | 3038.000 | 49322.000 | 52360.000 |
| 816 | Establishment of Hydropower Training Institute (HPTI) Mangla (AFD) | CDWP 29.11.2013 | 486.151 | 155.195 | 112.830 | 373.321 | 105.000 | 271.000 | 376.000 |
| 817 | Golan Gol Hydro Power Project (106 MW) (Chitral) | ECNEC 02.09.2002 (RUP) | 28202.402 | 10047.711 | 13368.598 | 14633.804 | 1429.000 | 6156.000 | 7585.000 |
| 818 | Keyal Khawar Hydro Power Project, Khyber Pakhtunkhwa, (Battagram) (122 MW) | ECNEC 12.09.2014 | 27803.010 | 10988.139 | 2628.320 | 25174.690 | 940.000 | 1194.000 | 2134.000 |
| 819 | Neelum Jhelum Hydro Power Project (969 MW) (China, Kuwait, Saudi Arabia, IDB and OPEC) | ECNEC 03.07.2013 | 274882.590 | 158367.180 | 207536.704 | 67345.886 | 5500.000 | 5500.000 | 11000.000 |
| 820 | Pattan Hydro Power Project (2800 MW) (Kohistan) (Study) | CDWP 17.09.2009 | 731.233 | 357.502 | 486.571 | 244.662 | 0.000 | 155.000 | 155.000 |
| 821 | Refurbishment & Up-gradation of Generation Units of Mangla Power Station (310 MW) | ECNEC 31.12.2013 | 52224.307 | 31728.853 | 480.591 | 51743.716 | 2170.000 | 1225.000 | 3395.000 |
| 822 | Shyok Dam Multipurpose Project (Feasibility Study) | CDWP 28.10.2013 | 159.583 | 0.000 | 100.000 | 59.583 | 0.000 | 50.000 | 50.000 |
| 823 | Tarbela Fourth Extension Hydro Power Project (1410 MW) (Swabi) | ECNEC 16.08.2012 | 83601.040 | 65865.368 | 25661.809 | 57939.231 | 6033.000 | 4951.000 | 10984.000 |
| 824 | Thakot Hydro Power Project (2800 MW) (Battagram) (Study) | CDWP 18.06.2012 | 719.628 | 303.139 | 162.300 | 557.328 | 0.000 | 260.000 | 260.000 |
| 825 | Warsak Hydroelectric Power Station 2nd Rehabilitation (242.96 MW) | Under Process | 23365.666 | 12181.647 | 10.000 | 23355.666 | 50.000 | 20.000 | 70.000 |
| Total (On-going) | | | 3242753.910 | 1252571.734 | 304948.444 | 2937805.466 | 19265.000 | 86104.000 | 105389.000 |

New Schemes:

| | | | | | | | | | |
|---------------|--|-------------|-------------|-------------|------------|-------------|-----------|-----------|------------|
| 826 | Chitral Hydel Power Station (Addition of 2 Un-Approved MW) | Un-Approved | 1618.521 | 444.692 | 0.000 | 1616.521 | 0.000 | 10.000 | 10.000 |
| Total (New) | | | 1618.521 | 444.692 | 0.000 | 1616.521 | 0.000 | 10.000 | 10.000 |
| Total (Hydel) | | | 3244372.431 | 1253016.426 | 304948.444 | 2939423.987 | 19265.000 | 86114.000 | 105379.000 |

Generation / GENCOs

On-going Schemes:

| | | | | | | | | | |
|-----|--|------------------|-----------|-------|---------|-----------|-------|---------|---------|
| 827 | 1X660 MW Coal Fired Plant Lakhra (JICA) | Un-Approved | 88587.500 | 0.000 | 100.000 | 88487.500 | 0.000 | 100.000 | 100.000 |
| 828 | 320 MW UAE Gifted Power Plant and Installation of 120-MW Steam Units at GTPS Faisalabad by PEPCO | ECNEC 09.12.2010 | 16348.120 | 0.000 | 118.417 | 16229.703 | 0.000 | 100.000 | 100.000 |

G.M.F. (P)

IAS 38

- 52 To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:

- (a) a research phase; and
- (b) a development phase.

Although the terms 'research' and 'development' are defined, the terms 'research phase' and 'development phase' have a broader meaning for the purpose of this Standard.

- 53 If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only.

Research phase

- 54 No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.

- 55 In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred.

- 56 Examples of research activities are:

- (a) activities aimed at obtaining new knowledge;
- (b) the search for, evaluation and final selection of, applications of research findings or other knowledge;
- (c) the search for alternatives for materials, devices, products, processes, systems or services; and
- (d) the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

Development phase

- 57 An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

FROM: (M/C) WSP(P/C)
 15/1

FRAX NO. 18519206389

Dec. 19 2009

Attention: **ANWAR DO**

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SECRET/IMMEDIATE

Annex - IV

**GOVERNMENT OF PAKISTAN
 CABINET SECRETARIAT
 (CABINET DIVISION)**

No. F. 2/2/2009-Cor

Islamabad, the 27th August, 2009

Copies of the decision(s) taken by the Executive Committee of the National Economic Council (ECNEC), in its meeting held on 20th August, 2009 in the Cabinet Room of the Prime Minister's Secretariat, Islamabad, are sent herewith for information and necessary action, in terms of Rule 24 of the Rules of Business, 1973, read with para VII of the Pamphlet 'Procedure in regard to ECNEC'.

Bilal Anwar

(Bilal Anwar)

Joint Secretary (Committees).

Ph: 9203014

| | |
|---|---|
| Federal Minister for Education | Case No. ECNEC-35/2/2009 |
| Deputy Chairman Planning Commission | Case No. ECNEC-35/2/2009 |
| MOS Finance and Economic Affairs | Case No. ECNEC-35/2/2009 |
| SAPM on Social Sector | Case No. ECNEC-35/2/2009 |
| Chairperson, NCHD | Case No. ECNEC-35/2/2009 |
| All Provincial Ministers for Education | Case No. ECNEC-35/2/2009 |
| Secretary, Livestock and Dairy Development Division | Case No. ECNEC-34/2/2009 |
| Secretary, Water and Power Division | Cases No. ECNEC-36, 37 & 38/2/2009 |
| Secretary, Communications Division | Case No. ECNEC-53/2/2009 |
| Secretary, Defence Division | Case No. ECNEC-54/2/2009 |
| Secretary, Railways Division | Case No. ECNEC-56/2/2009 |
| Secretary, Planning & Dev. Division | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |
| Secretary, Economic Affairs Division | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |
| Secretary, Finance Division | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |
| Chairman, P&D Board Punjab | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |
| ACS, P&D Department, Sindh | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |
| ACS, P&D Department, NWFP | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |
| ACS, P&D Department, Balochistan | Cases No. ECNEC-34 to 56 & 73 to 75 /2/2009 |

G.M.F. (P)

ITEM NO. 5

CASE NO. ECNEC-38/92/2009
DATED: 20-08-2009

CONSTRUCTION OF DIAMER BASHA
DAM PROJECT

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DECISION

The Executive Committee of National Economic Council (ECNEC) considered the Summary dated 15th August, 2009 submitted by the Planning Commission/ Planning and Development Division on "Construction of Diamer Basha Dam Project" and approved the project at the total cost of Rs.894,257 million including FEC of Rs.312,943 million subject to the conditions that:

- a) Committee proposed in para 17 of the summary will determine utilization pattern of increased water storage capacity after carrying out hydrology study of the impact of increased storage in

✓
G.M.F. (P)

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Diamer Bhasha as well as Tarbela and Chashma and increased generation at Ghazi Brotha. The report of the Committee will be submitted to ECNEC.

- b) *Before embarking upon the project, the following critical issues will be judiciously resolved within three months: (i) boundary dispute between Northern Areas and NWFP (ii) amicable and timely resettlement of displaced population and (iii) claim regarding net hydel profit.*
- c) Findings of feasibility study on desiltation of dams will be presented before ECNEC.

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G.M.F. (P)

ANNEX-18

DIAMER BASHA DAM PROJECT
FINANCIAL INTERNAL RATE OF RETURN (FIRR)
FROM SALE OF POWER AT CONSUMER END

| Year | Capital Cost | | | Revenue | | | Net Benefits |
|-------|-----------------------------|-------------------------|------------------------|--|--|-------------------|--------------|
| | Investment Cost (Min Rs) | O&M and WUG (Min Rs) | Total Cost (Min Rs) | Revenue from * SOP at Basha (Min Rs) | Revenue from * SOP at Tarbela (Min Rs) | Total (Min Rs) | |
| 1 | 25,415 | 0 | 25,415 | 0 | 0 | 0 | -25,415 |
| 2 | 36,807 | 0 | 36,807 | 0 | 0 | 0 | -36,807 |
| 3 | 30,414 | 0 | 30,414 | 0 | 0 | 0 | -30,414 |
| 4 | 55,152 | 0 | 55,152 | 0 | 0 | 0 | -55,152 |
| 5 | 84,551 | 0 | 84,551 | 0 | 0 | 0 | -84,551 |
| 6 | 96,898 | 0 | 96,898 | 0 | 0 | 0 | -96,898 |
| 7 | 117,097 | 0 | 117,097 | 0 | 0 | 0 | -117,097 |
| 8 | 128,262 | 0 | 128,262 | 0 | 0 | 0 | -128,262 |
| 9 | 111,894 | 0 | 111,894 | 0 | 0 | 0 | -111,894 |
| 10 | 88,359 | 0 | 88,359 | 0 | 0 | 0 | -88,359 |
| 11 | 87,045 | 0 | 87,045 | 0 | 0 | 0 | -87,045 |
| 12 | 32,363 | 6,272 | 38,635 | 100,438 | 6,166 | 106,604 | 67,969 |
| 13 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 14 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 15 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 16 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 17 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 18 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 19 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 20 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 21 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 22 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 23 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 24 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 25 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 26 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 27 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 28 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 29 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 30 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 31 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 32 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 33 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 34 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 35 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 36 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 37 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 38 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 39 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 40 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 41 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 42 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 43 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 44 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 45 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 46 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 47 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 48 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 49 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 50 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 51 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 52 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 53 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 54 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 55 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 56 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 57 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 58 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 59 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 60 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| 61 | 0 | 6,272 | 6,272 | 100,438 | 6,166 | 106,604 | 100,332 |
| Total | 894,257 | 313,600 | 1,207,857 | 5,021,900 | 308,300 | 5,330,200 | 4,122,343 |

* At consumer end

FIRR → 8.04%

G.M.F. (P)

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Building a better
working world

**PAKISTAN WATER AND POWER DEVELOPMENT
AUTHORITY - HYDRO ELECTRIC
(NEPRA - Regulated Business)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
eyfrsh.lhr@pk.ey.com
ey.com/pk

G.M.F. (P)

(DRAFT)

**INDEPENDENT AUDITOR'S REPORT TO CHAIRMAN OF
PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY**

We have audited the accompanying financial statements of **Pakistan Water and Power Development Authority- Hydroelectric (NEPRA - Regulated Business)** (hereinafter referred as "the Hydroelectric"), comprising statement of financial position as at 30 June 2015, and the related income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Hydroelectric as of 30 June 2015, and of its financial performance and of its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants

Engagement Partner: Naseem Akbar

Lahore:

31.

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G.M.F. (P)

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

| | Note | 2015 | 2014 |
|---|------|--------------------|--------------------|
| | | PKR '000 | |
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 7 | 309,243,029 | 291,948,326 |
| Long term advances and receivables | 8 | 451,193 | 409,636 |
| Long term security deposit | | 1,514 | 1,514 |
| | | 309,695,736 | 292,359,476 |
| Current assets | | | |
| Stores, spares and loose tools | 9 | 3,992,816 | 3,643,721 |
| Trade debts | 10 | 34,879,092 | 17,806,100 |
| Advances and other receivables | 11 | 3,351,075 | 4,759,673 |
| Short term investments | 12 | 19,200 | - |
| Cash and bank balances | 13 | 55,776,709 | 27,149,369 |
| | | 98,018,892 | 53,358,863 |
| TOTAL ASSETS | | 407,714,628 | 345,718,339 |
| RESERVES AND LIABILITIES | | | |
| Equity Interest | | | |
| Reserves | | | |
| Government of Pakistan's investment | 14 | 111,714,161 | 86,839,646 |
| | 15 | 72,522,716 | 72,522,716 |
| | | 184,236,877 | 159,362,362 |
| Revaluation surplus | 16 | 36,435,660 | 39,056,259 |
| | | 220,672,537 | 198,418,621 |
| Non current liabilities | | | |
| Loans and borrowings - Interest bearing | 17 | 119,744,674 | 94,407,545 |
| Deferred grants | 18 | 3,915,409 | 3,321,852 |
| Deferred liabilities | 19 | 28,207,909 | 26,286,574 |
| | | 151,867,992 | 124,015,971 |
| Current liabilities | | | |
| Trade creditor and other payables | 20 | 14,047,814 | 14,952,087 |
| Debt Service Liability | 21 | 11,388,181 | - |
| Current portion of loans and borrowings | 17 | 6,205,807 | 6,088,134 |
| Accrued Interest | 22 | 2,672,935 | 1,520,566 |
| Other current liabilities | 23 | 859,362 | 722,960 |
| | | 35,174,099 | 23,283,747 |
| CONTINGENCIES AND COMMITMENTS | 24 | | |
| TOTAL EQUITY AND LIABILITIES | | 407,714,628 | 345,718,339 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

MEMBER (FINANCE)

MEMBER (POWER)

G.M.F. (P)

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 | 2014 |
|-------------------------|------|------------|------------|
| | | PKR '000 | |
| | Note | | |
| Revenue | 25 | 68,111,420 | 52,091,081 |
| Cost of electricity | 26 | 20,920,367 | 19,177,596 |
| Gross margin | | 47,191,053 | 32,913,485 |
| Operating expenses | 27 | 1,417,341 | 1,450,390 |
| Operating profit | | 45,773,712 | 31,463,095 |
| Other income | 28 | 3,440,679 | 933,720 |
| | | 49,214,391 | 32,396,815 |
| Hydel levies | 29 | 7,109,892 | 7,015,237 |
| Finance cost | 30 | 8,354,380 | 3,930,398 |
| | | 15,464,272 | 10,945,635 |
| Net profit for the year | | 33,750,119 | 21,451,180 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

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MEMBER (FINANCE)

MEMBER (POWER)

G.M.F. (P)

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | 2015 PKR '000 | 2014 PKR '000 |
|---|--------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit for the year | | 33,750,119 | 21,451,180 |
| Adjustments for: | | | |
| Depreciation | (7) | 7,710,495 | 7,808,039 |
| Finance cost | (30) | 8,354,380 | 3,930,398 |
| Ijarah rental | (26.4) | 3,401,410 | 2,327,208 |
| Impaired investments | (12) | - | 261,000 |
| Employee benefits | (26.2) | 3,811,368 | 3,832,149 |
| Amortization of grants | (18) | (856,139) | (228,459) |
| | | <u>22,421,514</u> | <u>17,930,335</u> |
| | | 56,171,633 | 39,381,515 |
| Working capital changes: | | | |
| (Increase) / decrease in current assets: | | | |
| Stores, spare parts and loose tools | | (349,095) | (747,534) |
| Trade debts | | (17,072,992) | (11,468,330) |
| Advances and other receivables | | 1,408,598 | 24,789,751 |
| Increase / (decrease) in current liabilities: | | | |
| Short term liabilities | | 136,402 | (470,061) |
| Trade and other payables | | (904,273) | (3,133,015) |
| | | <u>(16,781,360)</u> | <u>8,970,811</u> |
| Cash generated from operations | | 39,390,273 | 48,352,326 |
| Finance cost paid | | (7,202,011) | (3,041,138) |
| Ijarah rental paid | | (3,880,504) | (2,668,013) |
| | | <u>(11,082,515)</u> | <u>(5,709,151)</u> |
| Net cash generated from operating activities | | 28,307,758 | 42,643,175 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred on property, plant and equipment | | (25,005,198) | (31,218,426) |
| Short term investments | | (19,200) | - |
| Long term advances and receivables | | (41,557) | (113,179) |
| Long term security deposit | | - | 413 |
| Net cash used in investing activities | | <u>(25,065,955)</u> | <u>(31,331,192)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term loans | | 42,958,515 | 35,826,969 |
| Repayment of long term loans | | (6,115,532) | (4,099,023) |
| Capital reserve redeemed | | (11,496,203) | (17,567,812) |
| Employee benefits paid | (19.2) | (1,410,939) | (2,077,835) |
| Grants transferred / received | (18) | 1,449,696 | - |
| Net cash generated from financing activities | | <u>25,385,537</u> | <u>12,082,299</u> |
| Net increase in cash and cash equivalents during the year | | 28,627,340 | 23,394,282 |
| Cash and cash equivalents at the beginning of the year | | 27,149,369 | 3,755,087 |
| Cash and cash equivalents at the end of the year | (13) | <u>55,776,709</u> | <u>27,149,369</u> |

The annexed notes from 1 to 37 form an integral part of these financial statements.

MEMBER (FINANCE)

MEMBER (POWER)

G.M.F. (P)

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**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|--------------------------|--------------------------|
| | <u>PKR '000</u> | <u>PKR '000</u> |
| Profit for the year | 33,750,119 | 21,451,180 |
| Other comprehensive income not to be reclassified to profit and loss account in subsequent periods: | | |
| Actuarial gain on defined benefit plans | - | 422,914 |
| Total Comprehensive Income for the year | <u>33,750,119</u> | <u>21,874,094</u> |

The annexed notes from 1 to 37 form an integral part of these financial statements.

31.

MEMEBER (FINANCE)

MEMBER (POWER)

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G.M.D. U.S.

Balance as at 01 July 2013- restated

| | | | | | |
|--|---------------------|--------------|------------|--------------|--------------|
| Profit for the year ended 30 June 2014 | - | - | - | 21,451,180 | 21,451,180 |
| Actuarial loss relating to defined benefits plan | - | - | - | 422,914 | 422,914 |
| Total comprehensive income for the year | | | | 21,874,094 | 21,874,094 |
| Capital reserve redeemed | - | (17,567,811) | - | - | (17,567,811) |
| Incremental depreciation due to revaluation | (12,019,143) | 12,019,143 | - | - | - |
| Transfer to reserve for development works | - | 21,874,094 | - | (21,874,094) | - |
| Balance as at 01 July 2014 | 39,056,259 | 86,839,646 | 72,522,716 | - | 198,418,621 |
| Profit for the year ended 30 June 2014 | - | - | - | 33,750,119 | 33,750,119 |
| Actuarial gain relating to defined benefits plan | - | - | - | - | - |
| Total comprehensive income for the year | | | | 33,750,119 | 33,750,119 |
| Capital reserve redeemed | - | (11,496,203) | - | - | (11,496,203) |
| Incremental depreciation due to revaluation | 7.1.4.1 (2,620,599) | 2,620,599 | - | - | - |
| Transfer to reserve for development works | - | 33,750,119 | - | (33,750,119) | - |
| Balance as at 30 June 2015 | 36,435,660 | 111,714,161 | 72,522,716 | - | 220,672,537 |

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**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

1. LEGAL STATUS AND OPERATIONS

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 has 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 01 July 1998 while assets and liabilities relating to generation (other than hydel generation activities) and transmission facilities were transferred to the 4 Generation Companies (GENCOs) and National Transmission and Despatch Company (NTDC) on 01 March 1999 respectively.

NEPRA has issued Generation License # GL(Hydel) /05 /2004 to WAPDA on 03 November 2004 valid for Thirty (30) years for its Hydel power stations. As modified-II vide letter date 20 June 2011 issued by NEPRA, currently WAPDA is generating power from following hydel power stations:

| | |
|-----------------|----------------|
| + Tarbela | + Nandipur |
| + Ghazi Brotha | + Shadiwal |
| + Mangla | + Chichoki |
| + Warsak | + Kuram Garhi |
| + Chashma | + Renala Khurd |
| + Rasul | + Chitral |
| + Khan Khawar | + Allai Khawar |
| + Gomal Zam | + Jinnah |
| + Dubair Khawar | + Jabban |
| + Dargai | |

The management of Hydroelectric has prepared accounts under NEPRA (Uniform System of Accounts) Rules, 2009 and decided to segregate the operation & development of Hydel activities (regulated) from non core activities (non-regulated). The Regulated business comprises activities purely from the Hydel activities (Generation & Development of hydel electricity).

1.1 EXTRACTS FROM "WAPDA ACT 1958"

As laid down in Section 22 of WAPDA Act 1958, the Hydroelectric - NEPRA regulated business Funds shall consist of:

- a) Grants made by the Governments,
- b) Loans obtained from the Governments,
- c) Grants made by the local bodies as required by the Governments,
- d) Sale proceeds of bonds, debenture, commercial paper or other securities issued by the Hydroelectric - NEPRA regulated business and dividends,
- e) Loans obtained by the Hydroelectric - NEPRA regulated business with special or general sanction of the Government,
- f) Foreign aid and loans obtained from the International Bank for Reconstruction and Development or otherwise, with the sanction and, under guarantee of [the and such terms and conditions as may be approved by the Government] and,
- g) All other sums received by the Hydroelectric - NEPRA regulated business.

Regarding fixing rate for sale of power, Section 25 of the WAPDA Act, 1958 provides that:

The rate at which the Hydroelectric - NEPRA regulated business shall sell power be so fixed as to provide for meeting the operating cost, interest charges and depreciation of assets, the redemption at due time of loans other than those covered by depreciation, the payment of any taxes and a reasonable return on investment.

As provided in Section 26 of WAPDA Act, 1958 the Hydroelectric - NEPRA regulated business shall maintain complete and accurate books of accounts in such form as may be prescribed by it, provided that separate accounts shall be maintained for all schemes and transactions relating to power.

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1.2 REFERENCE FROM "CONSTITUTION OF PAKISTAN 1973"

The Article 161(2) of the Constitution of Pakistan provides that the net profits earned by the Federal Government, or any undertaking established or administered by the Federal Government i.e. WAPDA as determined by the Presidential Order # 3 of June 1991, from the bulk generation of power at a hydro-electric station shall be paid to the Province on which the hydro-electric station is situated.

For the purpose of this clause "net profits" shall be computed by deducting from the revenues accruing from the bulk supply of power from the bus-bar of a hydro-electric station at a rate to be determined by the Council of Common Interest. Operating expenses of the station which shall include any sums payable as taxes, duties, interest or return on investment, and depreciations and element of obsolescence, and over-heads, and provision for reserves.

2. 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 and adopted by the Institute of Chartered Accountants of Pakistan (ICAP), Islamic Financial Accounting Standards issued by ICAP and directives issued by National Electric Power Regulatory Authority (NEPRA) and WAPDA.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS BECOME EFFECTIVE

3.1 The hydroelectric - NEPRA regulatory business has adopted following new and amended IFRS and IFRIC interpretations which became effective during the year:

- IAS 16 & 41 – Agriculture: Bearer Plants
- IAS 19 - Employee Contributions
- IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)
- IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)
- IFRIC 21 – Levies

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

3.2 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| <u>Standard or Interpretation</u> | <u>Effective date (annual)</u> |
|--|--------------------------------|
| IFRS 10 – Consolidated financial statements | 01-Jan-15 |
| IFRS 11 – Joint Arrangements | 01-Jan-15 |
| IFRS 12 – Disclosure of Interests in other entities | 01-Jan-15 |
| IFRS 13 – Fair Value Measurement | 01-Jan-15 |
| IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment) | 01-Jan-15 |
| IAS 16 & 38 – Clarification of Acceptable Method of Depreciation | 01-Jan-16 |

The WAPDA expects that the adoption of the above revisions and amendments of the standards will not affect the WAPDA's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

| <u>Standard or Interpretation</u> | <u>Effective date (annual)</u> |
|--|--------------------------------|
| IFRS 9 – Financial Instruments: classification and measurement | 01-Jan-18 |
| IFRS 14 – Regulatory Deferral Accounts | 01-Jan-16 |
| IFRS 15 – Revenue from Contracts with Customers | 01-Jan-17 |

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

4.1 Useful lives of property, plant and equipment and their Impairment

The Hydroelectric - NEPRA regulated business reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4.2 Cost of defined benefits plan

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases, mortality rates, future pension increases, future increase in medical costs and future increase in electricity costs. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention except for certain assets/liabilities carried at their fair values.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Property, plant and equipment

Initial recognition

Property, plant and equipment except freehold land and certain assets disposed off and leased back during previous years are stated at cost or revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost.

Subsequent measurement

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 Hydroelectric - NEPRA regulated business and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income statement during the period in which they are incurred.

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 income statement in the year the asset is derecognized.

Impairment

The carrying amounts of the Hydroelectric - NEPRA regulated business's assets are reviewed at each statement of financial position 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 whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in income statement. 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 income statement.

Revaluation surplus

Surplus arising on revaluation of power generation plant assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to reserves.

Depreciation

Depreciation is charged to income statement on straight-line method so as to write off the cost of property, plant and equipment over their estimated remaining useful lives at the rates specified in note 7. However, depreciation charged on assets that directly relates to construction and acquisition of other assets is included in the cost of such assets. Depreciation on addition to property, plant and equipment is charged from the month in which the asset is available for use and continued till the month of disposal.

Depreciation for the year is based on economic useful life of individual assets. Depreciation at full rate is charged in the month of purchase/completion and no depreciation is charged in the month of disposal. No depreciation is to be charged when an asset is fully depreciated.

Following depreciation rates are applied:

| S. No. | Description of Assets | Depreciation |
|--------|--|--------------|
| 1 | Civil Works/buildings | 2% |
| | Dams & Reservoirs | 2% |
| 2 | Generation Plant & Equipment's | |
| | a. Turbines | 2.285% |
| | b. Generators (Class - F Insulation) | 2.820% |
| | c. Generators (Class - B Insulation) | 3.30% |
| | d. GIS Switch Gear | 1.99% |
| | e. Switchyard equipment | 3.96% |
| | f. MV/LV Switch gear Control & Protection | 3.96% |
| | g. Telecommunication and SCADA Equipment | 4.987% |
| | h. Cranes | 3.30% |
| | i. Trash Rack and Cleaning Machines | 3.30% |
| | j. Truck Trailer | 4.95% |
| | k. HV Circuit Breaker Air Blast Type | 3.96% |
| | l. HV Circuit Breaker SF-6 Type | 3.30% |
| | m. Transmission line equipment | 3.96% |
| 3 | Mobile Plant & Equipment's | 20% |
| 4 | Other Equipment's (All others except computer accessories) | 10% |
| 5 | Computer Accessories | 25% |
| 6 | Vehicles | 20% |

Changes in estimates

During the year, the management separate transmission equipment from power generating plants and assets keeping in view the wear and tear and expected revised useful life. This change in accounting estimate has no material impact on the depreciation.

6.1.1 Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any.

Projects of capital work in progress are transferred to operational formations of the Hydroelectric - NEPRA regulated business, when 100% progress is certified by the consultants and verified by the Hydroelectric - NEPRA regulated business's own engineers.

6.2 Stores, spare parts and loose tools

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

Stores in transit are valued at invoice value plus other charges incurred thereon.

6.3 Trade debts

Trade debts and other receivables are carried at original invoice amount less an estimate for doubtful trade debts and other receivable based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

6.4 Cash and cash equivalents

For the purpose of statement of cash flows cash and cash equivalents comprise of cash in hand, cash at bank and short term highly liquid investment, that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

6.5 Reserve for development works

Reserve for development works is recognized in accordance with the provisions available in The Constitution of the Islamic Republic of Pakistan and NEPRA tariff petition. This reserve would be used for the construction of new/ongoing hydel power development projects through Annual Development Plans of the Government of Pakistan. Such reserves are created from retained earnings.

6.6 Grants

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Hydroelectric - NEPRA regulated business receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the relevant asset by equal annual installments.

6.7 Staff retirement benefits

Defined benefit plans

The Hydroelectric - NEPRA regulated business operates its own unfunded defined benefit plan for medical, free electricity and pension benefits schemes for its active and former employees. Due to materially different risks associated with each benefit plan the entity has disaggregated the plan for disclosure purposes. The entity underwrites the actuarial risk associated with the plan.

The entity recognizes the net defined benefit liability in the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprise of actuarial gains and losses from changes in actuarial and experience assumptions are recognized immediately in the statements of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurement of net defined benefit liability recognized in Other Comprehensive Income shall not be reclassified to Profit or Loss in subsequent period.

Past service costs are recognized in the profit and loss on earlier of ; the date of the plan amendment or curtailment, and the date when entity recognizes related restructuring cost. Net interest is calculated by applying the discount rate to the net defined benefit liability. The entity recognizes the current service cost, past service cost, gains and losses on curtailments, non-routine settlements and net interest expense or income changes in the net defined benefit obligation under 'Cost of Sales' in the statement of financial position.

The entity has determined the net defined benefit liability by consulting a qualified actuary in prior year. The principal actuarial assumptions used in prior year are given in the below table. However no qualified actuary has been involved in the determination net defined benefit liability in current year. The current year charge and the interest cost represent the best estimates.

| | Free electricity benefits | Free medical benefits | Pension |
|--|---------------------------------|-----------------------------|---------|
| - Expected rate for discounting liabilities | 12% | 12% | 12% |
| - Expected rate for increase in pensionable salary | - | - | 11% |
| - Expected rate for increase in cost of pensioners | - | - | 7% |
| - Expected rate for increase in medical cost | - | 11% | - |
| - Expected rate for increase in electricity cost | 11% | - | - |
| - Average expected remaining working life | 9 years | 9 years | 9 years |

6.8 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.

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6.9 Foreign currencies

Foreign currency transactions are recorded using the rate of conversion applicable on the date of transaction. All monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing at the statement of financial position 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 up to the date of commissioning of assets financed out of foreign currency loans are capitalized to the extent they are eligible for capitalization. All other exchange differences are charged to income statement.

6.10 Revenue recognition

Revenue from the sale of electricity is recognized on transmission of electricity to the power infrastructure (transmission system) of the National Transmission and Dispatch Company Limited (NTDCL).

Profit on bank deposit is recognized using effective interest method.

6.11 Hydel levies

Hydel levies including net hydel profit paid to the Government of Khyber Pakhtunkhwa as recommended by National Finance Commission (NFC) and is charged to income statement.

6.12 Taxation

Any income of the Pakistan Water & Power Development Authority (WAPDA) established under the Pakistan Water & Power Development Authority Act 1958 is exempt from income tax under clause-66(xvi) of the Second Schedule of (Part-I) to the Income Tax Ordinance, 2001.

6.13 Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets as appropriate. The Hydroelectric - NEPRA regulated business determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Hydroelectric - NEPRA regulated business's financial assets include cash and cash equivalents, held-to-maturity investments, and loans and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through income statement are carried in the statement of financial position at fair value with gains or losses recognized in the income statement.

The Hydroelectric - NEPRA regulated business has neither designated any financial assets nor currently has any financial asset at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Hydroelectric - NEPRA regulated business has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

6.14 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Hydroelectric - NEPRA regulated business determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Hydroelectric - NEPRA regulated business that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the Income statement.

Financial liabilities at amortized cost


After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Income statement when the liabilities are derecognized.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities:

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Hydroelectric - NEPRA regulated business - regulated business has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. Corresponding income on assets and charge on liability are reported at net amount.


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PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work in progress

| Note | 2015 | 2014 |
|-------|--------------------|--------------------|
| | PKR '000 | |
| (7.1) | 225,481,372 | 231,943,892 |
| (7.2) | 83,761,657 | 60,004,434 |
| | <u>309,243,029</u> | <u>291,948,326</u> |

7.1 Operating fixed assets - Owned

| Particulars | 2015 | | | | | | | | |
|-------------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------|----------------------------|--------------------------|--------------------------------------|-----------|
| | Cost | | | Depreciation | | | | Book values as at 30 June 2015 | Rate % |
| | As at 30 June 2014 | Additions/ (Deletions) | As at 30 June 2015 | As at 30 June 2014 | For the year | Deletions / Adjustments | As at 30 June 2015 | | |
| | | | | | | | | | |
| PKR '000 | | | | | | | | | |
| Land | 5,239,725 | 69,093 (7,261) | 5,301,557 | - | - | - | - | 5,301,557 | - |
| Buildings and civil works | 51,141,754 | 426,672 (3,808) | 51,564,618 | 11,364,813 | 949,424 | 157 | 12,314,394 | 39,250,224 | 2% |
| Power generation plant assets | 181,290,307 | 678,186 (27,032) | 181,941,461 | 104,269,973 | 4,433,568 | 7,591 | 108,717,132 | 73,224,329 | 1.99%-7% |
| Transmission line Equipment | 8,319,990 | 20,408 (2,447) | 8,337,951 | 393,465 | 231,306 | - | 624,771 | 7,713,180 | 3.96% |
| Dams and reservoir | 117,948,472 | 32,980 | 117,981,452 | 17,644,367 | 1,937,503 | - | 19,581,870 | 98,399,582 | 2% |
| General / plant assets | 2,133,282 | 170,064 (148,338) | 2,155,008 | 846,153 | 100,475 | 18,984 | 965,612 | 1,189,396 | 10% |
| Office equipment | 72,779 | 25,774 (4,500) | 94,053 | 43,292 | 5,247 | 1,295 | 49,834 | 44,219 | 10%/25% |
| Furniture and fixture | 609,294 | 25,556 (2,330) | 632,520 | 566,807 | 1,206 | 262 | 568,275 | 64,245 | 10% |
| Transportation equipment | 1,837,735 | 611,518 (558,553) | 1,890,700 | 1,520,585 | 45,765 | 29,709 | 1,596,060 | 294,640 | 20% |
| 2015 | 368,593,338 | 2,060,251 (754,269) | 369,899,320 | 136,649,446 | 7,710,495 | 57,998 | 144,417,948 | 225,481,372 | |
| (P) 2014 | 370,618,942 | 34,111,690 (36,137,294) | 368,593,338 | 154,492,661 | 7,808,039 | (25,651,258) | 136,649,446 | 231,943,892 | |

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PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)

7.1.2 Operating fixed assets by Power Station

| Power Station | 2015 | | | | | | | Book values as at 30 June 2015 |
|---------------|--------------------------|---------------------------|--------------------------|--------------------------|--------------------|---------------------------|--------------------------|--------------------------------------|
| | Cost | | | Depreciation | | | | |
| | As at 30 June 2014 | Additions/ (Deletions) | As at 30 June 2015 | As at 30 June 2014 | For the year | Deletions/ Adjustments | As at 30 June 2015 | |
| | PKR '000 | | | | | | | |
| Tarbela | 99,630,289 | 738,588 (30) | 100,368,847 | 76,768,354 | 1,544,210 | 1,781 | 78,314,345 | 22,054,502 |
| Ghazi Brotha | 129,991,424 | 442,931 (520,429) | 129,913,926 | 38,356,538 | 2,973,558 | - | 41,330,096 | 88,583,830 |
| Mangla | 30,463,197 | 285,855 (4,688) | 30,744,364 | 7,539,065 | 995,454 | 24,136 | 8,558,655 | 22,185,709 |
| Warsak | 1,351,776 | 18,821 | 1,370,597 | 738,693 | 44,238 | 153 | 783,084 | 587,513 |
| Chashma | 25,666,492 | 32,750 | 25,699,242 | 9,998,960 | 672,965 | 4 | 10,671,929 | 15,027,313 |
| Rasul | 348,327 | 21,733 | 370,060 | 77,246 | 7,111 | - | 84,357 | 285,703 |
| Dargai | 373,677 | 9,481 (26,497) | 356,661 | 308,242 | 1,857 | (14,376) | 295,723 | 60,938 |
| Nandipur | 106,238 | 21,995 | 128,233 | 70,678 | 1,239 | - | 71,917 | 56,316 |
| Shadiwal | 135,513 | 7,137 | 142,650 | 100,713 | 997 | - | 101,710 | 40,940 |
| Chichoki | 216,477 | - | 216,477 | 192,480 | 373 | - | 192,853 | 23,624 |
| Kuram Garhi | 67,594 | - | 67,594 | 61,324 | 168 | - | 61,492 | 6,102 |
| Renala Khurd | 38,986 | 861 (13) | 39,834 | 17,812 | 648 | - | 18,460 | 21,374 |
| Chitral | 52,995 | 35 | 53,030 | 25,379 | 1,112 | (659) | 25,832 | 27,198 |
| Khan Khawar | 10,489,407 | 30,001 | 10,519,408 | 823,868 | 278,424 | 3,283 | 1,105,575 | 9,413,833 |
| Allai Khawar | 16,255,606 | 70,205 | 16,325,811 | 532,811 | 394,326 | 8,780 | 935,917 | 15,389,894 |
| Gomal Zam | 8,069,095 | 354 | 8,069,449 | 211,052 | 195,802 | - | 407,854 | 7,661,595 |
| Jinnah | 17,067,381 | 854 | 17,068,235 | 605,970 | 409,159 | - | 1,015,129 | 16,053,106 |
| Jabban | 3,983,307 | 26,964 | 4,010,271 | 10,788 | 130,311 | 13,705 | 154,804 | 3,855,467 |
| Dubair Khawar | 24,004,031 | 22,671 | 24,026,702 | 48,139 | 48,274 | 18,193 | 114,606 | 23,912,096 |
| Others | 281,526 | 126,395 | 407,921 | 161,334 | 9,268 | 3,000 | 173,602 | 234,319 |
| (P) 2015 | 368,593,338 | 1,305,982 | 369,899,320 | 136,649,446 | 7,710,495 | 57,998 | 144,417,948 | 225,481,372 |
| 2014 | 370,618,942 | (2,025,604) | 368,593,338 | 154,492,661 | 7,808,043 | (25,651,258) | 136,649,446 | 231,943,892 |

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7.1.3 Power generation plant assets of NEPRA regulated business were revalued during the year ended 30 June 2012 by an independent valuer M/s Iqbal A. Nanjee & Company (Pvt.) Limited resulting in a surplus of Rs. 58,259 million over the written down value of Rs. 20,950 million on the basis of replacement cost of these power generation plant assets. The carrying values of power generation plant assets are being depreciated over the remaining useful lives (Note) of the assets from the date of revaluation. Had the power generation plant assets not been revalued, the carrying amount of these assets would have been as mentioned in Note 7.1.4.3.

7.1.4 Carrying value of revaluation surplus on power generation plant assets has been arrived as follows:

| Note | 2015 PKR '000 | 2014 |
|---|----------------------|-------------------|
| Replacement cost / Revalued Written down value | | |
| Less: Net operating / written down value at purchase price | (7.1.4.2) 52,693,735 | 55,783,889 |
| Revaluation surplus | (7.1.4.3) 16,258,075 | 16,727,470 |
| | <u>36,435,660</u> | <u>39,056,259</u> |
| Difference in yearly depreciation charge of revalued assets | | |
| Depreciation on the basis of revaluation price of assets | (7.1.4.2) 3,488,835 | 3,708,030 |
| Depreciation on the basis of historical cost of assets | (7.1.4.3) 868,236 | 856,010 |
| Transfer to Third Sukuk Co.Ltd. | - | 9,175,146 |
| Difference in depreciation charge for revalued assets | <u>2,620,599</u> | <u>2,852,020</u> |

7.1.4.2 Power generation plant assets at revalued price

| Power Stations | Revalued cost as at 1 July 2014 | Additions / (Disposals / Adjustment) | Revalued cost as at 30 June 2015 | Revalued accumulated depreciation as at 1 July 2014 | (Disposals / Adjustments) | Depreciation charge for the year 2014-15 | Revalued accumulated depreciation as at 30 June 2015 | Book value as at 30 June 2015 |
|----------------|---------------------------------|--------------------------------------|----------------------------------|---|---------------------------|--|--|-------------------------------|
| PKR '000 | | | | | | | | |
| Tarbela | 88,755,088 | 338,616 | 89,093,704 | 69,916,212 | - | 1,468,465 | 71,384,677 | 17,709,027 |
| Ghazi Brotha | 50,487,374 | 43,541 | 50,530,915 | 21,627,609 | - | 1,553,672 | 23,181,281 | 27,349,634 |
| Warsak | 479,146 | - | 479,146 | 243,777 | - | - | 243,777 | 235,369 |
| Chashma | 14,333,843 | 15,241 | 14,349,084 | 6,529,686 | - | 465,737 | 6,995,423 | 7,353,661 |
| Rasul | 34,464 | 1,297 | 35,761 | 20,738 | - | 464 | 21,202 | 14,559 |
| Dargai | 275,360 | (1,427) | 273,933 | 268,750 | (1,413) | - | 267,337 | 6,596 |
| Nandipur | 37,894 | - | 37,894 | 29,768 | - | 293 | 30,061 | 7,833 |
| Shadiwal | 83,281 | - | 83,281 | 76,139 | - | 204 | 76,343 | 6,938 |
| Chichoki | 177,210 | - | 177,210 | 170,169 | - | - | 170,169 | 7,041 |
| Kuram Garhi | 55,072 | - | 55,072 | 54,521 | - | - | 54,521 | 551 |
| Renala Khurd | 15,145 | - | 15,145 | 12,619 | - | - | 12,619 | 2,526 |
| Chitral | 2,350 | - | 2,350 | 2,510 | (160) | - | 2,350 | - |
| Total | 154,736,227 | 397,268 | 155,133,495 | 98,952,498 | (1,573) | 3,488,835 | 102,439,760 | 52,693,735 |

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7.1.4.3 Power generation plant assets at purchase price

| Power Stations | Cost as at 1 July 2014 | Additions / (Disposals /Adjustment) | Cost as at 30 June 2015 | Accumulated depreciation as at 1 July 2014 | (Disposals /Adjustments) | Depreciation charge for the year | Accumulated depreciation as at 30 June 2015 | Book value as at 30 June 2015 |
|----------------|---------------------------|---|----------------------------|--|-----------------------------|--|---|-------------------------------------|
| PKR '000 | | | | | | | | |
| Tarbela | 8,663,119 | 338,616 | 9,001,735 | 6,693,847 | - | 132,336 | 6,826,183 | 2,175,552 |
| Ghazi Brotha | 15,965,893 | 43,541 | 16,009,434 | 6,985,855 | - | 458,585 | 7,444,440 | 8,564,994 |
| Warsak | 1,563,409 | - | 1,563,409 | 742,741 | - | - | 742,741 | 820,668 |
| Chashma | 9,187,118 | 15,241 | 9,202,359 | 4,255,204 | - | 276,895 | 4,532,099 | 4,670,260 |
| Rasul | 27,452 | 1,297 | 28,749 | 15,560 | - | 276 | 15,836 | 12,913 |
| Dargai | 11,169 | (1,427) | 9,742 | 10,610 | (1,413) | - | 9,197 | 545 |
| Nandipur | 15,182 | - | 15,182 | 11,937 | - | 108 | 12,045 | 3,137 |
| Shadiwal | 14,538 | - | 14,538 | 12,986 | - | 36 | 13,022 | 1,516 |
| Chichoki | 8,088 | - | 8,088 | 7,675 | - | - | 7,675 | 413 |
| Kuram Garhi | 3,728 | - | 3,728 | 3,542 | - | - | 3,542 | 186 |
| Renala Khurd | 1,454 | - | 1,454 | 1,381 | - | - | 1,381 | 73 |
| Chitral | 29,777 | - | 29,777 | 22,119 | (160) | - | 21,959 | 7,818 |
| Total | 35,490,927 | 397,268 | 35,888,195 | 18,763,457 | (1,573) | 868,236 | 19,630,120 | 16,258,075 |

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| 7.2 | Capital work In progress | Note | 2015 PKR '000 | 2014 |
|-----|-------------------------------------|------|-------------------|-------------------|
| | Bhasha Dam Project | | 35,950,358 | 31,491,450 |
| | Terbela 4th Extension Hydro Project | | 21,445,234 | 11,277,769 |
| | Golan Gol Hydro Power Project | | 11,483,269 | 7,669,661 |
| | Dasu Hydro Power Project | | 6,370,015 | 1,655,641 |
| | Bunji Hydro Power Project | | 2,135,163 | 2,094,838 |
| | Kheyal Khawar Hydro Power Project | | 1,792,365 | 1,360,266 |
| | Dubair Khawar Project | | 230,206 | 230,206 |
| | Jinnah Hydro Power Project | | 308,741 | 237,755 |
| | Mangla Upgradation Project | | 330,736 | - |
| | Other projects under construction | | 3,715,570 | 3,986,848 |
| | | | <u>83,761,657</u> | <u>60,004,434</u> |

7.2.1 Capital work In progress - Movement during the year

| | | | |
|---------------------------------------|-----------|-------------------|-------------------|
| Opening balance | | 60,004,434 | 52,411,658 |
| Additions during the year | (7.2.1.1) | 24,525,967 | 38,587,706 |
| R&D - Survey and Investigation | (27) | (510,296) | - |
| Transferred to operating fixed assets | | (258,448) | (30,994,930) |
| Closing balance | | <u>83,761,657</u> | <u>60,004,434</u> |

7.2.1.1 This includes finance cost amounting to Rs 5,830 million (2014: Rs. 5,211 million) capitalized during the year.

8. LONG TERM ADVANCES AND RECEIVABLES

| | | | |
|---|-------|----------------|----------------|
| Long term advances to employees - considered good | (8.1) | <u>451,193</u> | <u>409,636</u> |
|---|-------|----------------|----------------|

8.1 Long term loans for purchase of plot, house, car, motorcycle etc. are given to regular employees of the Hydroelectric. The said loans are provided at mark up rate of EP Fund applicable to the employees. It is recovered in 120 instalments in respect of purchase of plot and house and in 60 installments for purchase of car, motorcycle etc. These advances are unsecured and considered good by the management of the Hydroelectric.

9. STORES, SPARES AND LOOSE TOOLS

| | | |
|-------------------|------------------|------------------|
| Stores and spares | 3,564,978 | 2,966,728 |
| Loose tools | 155,696 | 573,839 |
| Stores in transit | 272,142 | 103,154 |
| | <u>3,992,816</u> | <u>3,643,721</u> |

9.1 Stores and spares includes few items which can be capitalized but are not distinguishable from other stores and spares.

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| | | 2015 | 2014 |
|--|--|----------------------|-------------------|
| | Note | ----- PKR '000 ----- | ----- |
| 10. TRADE DEBTS | | | |
| Receivable from NTDC (CPPA) - related party | (10.1) | <u>34,879,092</u> | <u>17,806,100</u> |
| 10.1 | This represents unsecured receivable balance and are considered good by the management. | | |
| 10.2 Aging of trade debts | | | |
| Not yet due | | 4,759,866 | 10,567,551 |
| Past due: | | | |
| 0 - 30 days | | 4,697,674 | 3,738,549 |
| More than 60 days | | <u>25,421,552</u> | <u>3,500,000</u> |
| | | <u>34,879,092</u> | <u>17,806,100</u> |
| 11. ADVANCES AND OTHER RECEIVABLES | | | |
| Advance to: (considered good) | | | |
| - employees | | 1,425,155 | 1,168,802 |
| - suppliers, contractors & consultants | | 581,215 | 1,911,936 |
| Prepayments | (11.1) | 782,839 | 984,969 |
| General sales tax receivable | | 20,935 | 257,746 |
| Advance to employees | | 84,138 | 70,320 |
| Accrued interest | | 37,420 | 61,633 |
| Miscellaneous receivables | | 419,373 | 304,267 |
| | | <u>3,351,075</u> | <u>4,759,673</u> |
| 11.1 | This includes prepayments of Rs.775 million (2014: 787 million) to CRRK for import of material. | | |
| 12. SHORT TERM INVESTMENTS - Held to maturity | | | |
| Held to maturity - Unquoted | | | |
| Allied Bank Limited | (12.1) | 19,200 | - |
| Innovative Investment Bank Limited | (12.2) | 261,000 | 261,000 |
| | | 280,200 | 261,000 |
| Less: Impairment charged | | <u>(261,000)</u> | <u>(261,000)</u> |
| | | <u>19,200</u> | <u>-</u> |
| 12.1 | This represents term deposit receipts in Allied Bank Limited for Kheyal Khawar project. The amount was received as a guarantee fee from contractor. These carry markup of 5.7 % with maturity period of three months. | | |
| 12.2 | This represented investment made in Innovative Investment Bank (Formerly Crescent Standard Investment Bank). On maturity the balance remained unpaid, hence the case was lodged with the Judicial Department of Lahore High Court for the recovery of the said amount. The Honorable High Court decided the case in favour of the Hydroelectric and attached the property with forced sale value of Rs. 220 million and appointed Court Auctioneers for recovery of this amount. However, impairment has been recognized in prior year financial statements (note 27). | | |

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| | | 2015 | 2014 |
|--|--|-------------------|-------------------|
| | Note | PKR '000 | PKR '000 |
| 13. CASH AND BANK BALANCES | | | |
| Cash in hand | | 64,725 | 3,566 |
| Balance with the banks: | | | |
| - current accounts | (13.1 - 13.3) | 6,616,926 | 2,200,360 |
| - deposit accounts | (13.4) & (13.5) | 49,095,058 | 24,945,443 |
| | | 55,711,984 | 27,145,803 |
| | | <u>55,776,709</u> | <u>27,149,369</u> |
| 13.1 | This includes Rs. 616 million (2014: 1,002 million) which represents unutilized balance of IDA loan (Note 17.1.4.4) relating to 4th Extension of Tarbela Project's Assignment Account. | | |
| 13.2 | This includes Rs. 4,656 million which represents unutilized balance of IDA loan (Note 17.1.4.7) relating to Dasu Hydro Power Project's Assignment Account. | | |
| 13.3 | The amount include Rs.1,145.136 million US Aid grant for Mangla refurbishment. | | |
| 13.4 | Deposit accounts carry interest at the rate ranging from 4.5 % to 9.50% (2014: 7% to 9.50%) per annum. | | |
| 13.5 | This includes Redemption Sinking Fund which was created in March 2013 with HBL wapda house branch for the payment of SUKUK-II Ijarah rentals due in January and July each year till July 2017, and JPH supplier credit due in February and august each year till august 2020. The profit is accrued on daily product basis for monthly credit of the same at one month KIBOR+15bps. The KIBOR is revised on 1st working day of each calendar month. Sinking fund created for SUKUK-I has been settled during the year. | | |
| 14. RESERVES | | | |
| Reserve for development works | (14.1) & (14.2) | 111,714,161 | 86,839,646 |
| 14.1 | Provision for reserve for development works has been created in accordance with policy stated in note 6.5. The GoP has allowed to plough back/ invest these reserves in the construction of new/ongoing Hydel power development projects through Annual Development Plans of the Government of Pakistan. | | |
| 14.2 | Power sale tariff of the Hydroelectric is fixed to estimate reasonable return on investment made in the shape of loans and GoP equity for financing of the Hydroelectric projects. The Article 161 (2) of the Constitution of Pakistan allows to deduct return on investment and provision for reserve from the revenue of the Hydel Power Stations. The above transfer have accordingly been made to prepare financial statements of the Hydroelectric in line with provisions of the constitution. | | |
| 15. GOVERNMENT OF PAKISTAN'S INVESTMENT | | <u>72,522,716</u> | <u>72,522,716</u> |
| | This represent investment funds provided by the GoP for Diamir Basha, Mangla Dam raising, Gomul Zam Hydel Power and other Power Projects from time to time. This also includes Capital investment by WAPDA from its other source of income. | | |
| 16. REVALUATION SURPLUS | | | |
| Revaluation surplus - opening | | 39,056,259 | 51,075,402 |
| Incremental depreciation due to revaluation | | (2,620,599) | (12,019,143) |
| | | <u>36,435,660</u> | <u>39,056,259</u> |

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| | | 2015 | 2014 |
|--|----------|-------------|-------------|
| | | PKR '000 | PKR '000 |
| 17. LOANS AND BORROWINGS - INTEREST BEARING | | | |
| Foreign loans: | | | |
| - Relent | | 52,546,710 | 40,863,592 |
| - Direct | | 6,270,730 | 7,267,336 |
| Local loans: | | | |
| - Cash development loans (local currency) | | 67,133,041 | 52,364,749 |
| | (17.1) | 125,950,481 | 100,495,677 |
| Less: Current portion shown under current liabilities | | | |
| Foreign relent loans | | 4,697,486 | 4,638,967 |
| Foreign direct loans - Exim Bank China | | 1,232,000 | 1,217,457 |
| Cash development loans | | 276,321 | 231,710 |
| | | 6,205,807 | 6,088,134 |
| | | 119,744,674 | 94,407,545 |
| 17.1 Loan and borrowings - Utilization wise breakup | | | |
| Operational projects: | | | |
| 1) Foreign relent loans | | | |
| Ghazi brotha | | 9,304,981 | 11,896,881 |
| Chashma | | 1,691,973 | 2,059,363 |
| Ali, Dubair & Khan Khawar | | 9,873,631 | 11,107,835 |
| Jabban | | 2,565,094 | 3,029,635 |
| | (17.1.1) | 23,435,679 | 28,093,714 |
| 2) Foreign direct loans | | | |
| Jinnah Hydro | (17.1.2) | 6,270,730 | 7,267,336 |
| 3) Local currency Cash development loans | | | |
| Ghazi brotha | | 6,033,571 | 6,189,219 |
| Tarbela | | 1,245,632 | 1,311,235 |
| Jabban | | 127,612 | 128,203 |
| | (17.1.3) | 7,406,815 | 7,628,657 |
| Total loans for operational power stations | | 37,113,224 | 42,989,707 |
| Development projects: | | | |
| 1) Foreign relent loans | | | |
| Golen gol | | 3,747,560 | 2,837,963 |
| Tarbela 4th Extension | | 15,786,250 | 9,504,214 |
| Keyal Khwar | | 523,081 | 427,701 |
| Dasu | | 9,054,140 | - |
| | (17.1.4) | 29,111,031 | 12,769,878 |
| 2) Local currency Cash development loans | | | |
| Harpo | | 39,000 | 39,000 |
| Kohala | | 368,608 | 372,433 |
| Bashoo | | 41,945 | 42,259 |
| Diamir Basha | (17.1.5) | 59,276,673 | 44,282,400 |
| | | 59,726,226 | 44,736,092 |
| Total loans for development projects | | 88,837,257 | 57,505,970 |
| | | 125,950,481 | 100,495,677 |

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17.1.1 Operational project loans - Foreign relent loans

| Loan No. | Note | Rate of Interest per annum | Installments outstanding as on 30 June 2015 | Repayment commencement / Maturity | 2015 | 2014 |
|-------------------------------------|----------|----------------------------|---|-----------------------------------|------------|------------|
| | | | | | PKR '000 | |
| Ghazi Brotha | | | | | | |
| ADB-1424-PAK | | 14.00% | 6 | 2001/2021 | 2,824,885 | 3,295,699 |
| KFW-9566316 | | 14.00% | 8 | 2003/2023 | 2,378,778 | 2,676,123 |
| Pk-P-47 | 17.1.1 | 17.00% | 5 | 2005/2020 | 2,847,124 | 3,416,547 |
| EIB | | 11.00% | 1 | 2001/2016 | 121,499 | 243,124 |
| IBRD-3965-PAK | | 3.64% | 1 | 2001/2016 | 1,132,695 | 2,265,388 |
| | | | | | 9,304,981 | 11,896,881 |
| Chashma Hydel | | | | | | |
| FRENCH BANK CREDIT | | 11.00% | 4 | 1999/2019 | 120,890 | 151,111 |
| FRENCH STATE CREDIT | | 11.00% | 4 | 1999/2019 | 110,614 | 138,277 |
| ADB-1143-PAK | | 14.00% | 2 | 1997/2017 | 180,323 | 270,486 |
| ADB-1144-PAK | 17.1.1.2 | 14.00% | 2 | 1997/2017 | 217,353 | 326,037 |
| CITI Bank of Japan | | 11.00% | 10 | 2005/2025 | 1,058,882 | 1,164,770 |
| JAXIUM BANK LOAN | | 11.00% | 0 | 1995/2015 | 3 | 860 |
| IBRD-3107-PAK | | 11.00% | 1 | 1996/2016 | 3,908 | 7,822 |
| | | | | | 1,691,973 | 2,059,363 |
| Allai, Dubair & Khan Khwar projects | | | | | | |
| IDB-PAK-0117 | 17.1.1.3 | 17.00% | 8 | 2008/2026 | 9,873,631 | 11,107,835 |
| Jabban | | | | | | |
| AFD Credit Facility | 17.1.1.4 | 15.00% | 14 | 2011/2028 | 2,565,094 | 3,029,635 |
| | | | | | 23,435,679 | 28,093,714 |

- 17.1.1.1** These loans are for Ghazi Brotha hydel power station obtained from foreign financial institutions by the Government of Pakistan and are re-lent to the Hydroelectric - NEPRA Regulated Business and are secured by way of Government Guarantee in favour of those institutions. Further, the Hydroelectric - NEPRA Regulated Business is responsible for repayment to Government of Pakistan.
- 17.1.1.2** These loans are for Chashma hydel power station obtained from foreign financial institutions by the Government of Pakistan and are re-lent to the Hydroelectric - NEPRA Regulated Business and are secured by way of Government Guarantee in favour of those institutions. Further, the Hydroelectric - NEPRA Regulated Business is responsible for repayment to Government of Pakistan.
- 17.1.1.3** This represent Islamic Development Bank loan of US \$ 150.200 million under Istisna's Financing Agreement dated 1st Dec 2008 for Khan, Allai and Dubair Khwar Hydro Projects taken by the Government of Pakistan (Borrower). The borrower has relent the loan to WAPDA Hydroelectric being executing agency of Khwar Projects. The loan will be repaid in 15 years after the end 3 years gestation period.
- 17.1.1.4** This represent French Development Agency (AFD) loan of Euro 26.500 million under Subsidiary Loan Agreement dated 13 Dec 2010 for Jabban Power Station taken by the Government of Pakistan (Borrower). The borrower has relent the loan to WAPDA Hydroelectric being executing agency for the project. The loan will be repaid in 18 years after the grace period of 3 years.

17.1.2 Operational project loans - Foreign direct loans - Exlm Bank China

This represents supplier's credit facility of US\$ 67.703 (2014:US\$ 80.013 million) for the construction of Jinnah Hydro Power Project, a turn key project against the sanctioned limit of US \$ 108.8 million. The loan is repayable in fourteen years inclusive of four years grace period, in 20 semi annually installments starting from 18 August 2010. Rate of mark-up is 5% annually with no floor and no cap (2012: 5% annually). The loan is secured through stand by letter of credit to back issuance of 20 promissory notes issued at the time of commencement of the project in 2006.

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17.1.3 Operational project loans - Cash development loans

| Power Station & Year of Disbursement | Note | Rate of interest per annum | Installments outstanding as on 30 June 2015 | Repayment commencement / Maturity | 2015 | 2014 |
|--------------------------------------|----------|----------------------------|---|-----------------------------------|------------------|------------------|
| ----- PKR '000 ----- | | | | | | |
| Ghazi Brotha 2005-06 | 17.1.3.1 | 9.79% | 17 | 2005/2031 | 6,033,571 | 6,189,219 |
| Tarbela (HPS) 1997-98 | 17.1.3.3 | 17.50% | 9 | 1997/2023 | 805,037 | 850,568 |
| 1998-99 | 17.1.3.3 | 17.50% | 10 | 1998/2024 | 440,595 | 460,667 |
| | | | | | <u>1,245,632</u> | <u>1,311,235</u> |
| Jabban 2007-08 | 17.1.3.1 | 10.14% | 18 | 2007/2033 | 30,112 | 30,703 |
| 2009-10 | 17.1.3.1 | 12.59% | 18 | 2010/2035 | 97,500 | 97,500 |
| | | | | | <u>127,612</u> | <u>128,203</u> |
| | | | | | <u>7,856,368</u> | <u>8,082,349</u> |

17.1.3.1 These Loans have been obtained from Federal Government for construction of the project. The loan term is of 25 years with 5 years as grace period for principal repayment.

17.1.3.2 These Loans have been obtained from Federal Government for feasibility studies of Hydel development projects. The loan term is of 25 years with 5 years as grace period for principal repayment.

17.1.3.3 These Loans have been obtained for Tarbela hydel power station from Federal Government for payment of net Hydel profit to provincial Government of Khyber Pakhtunkhwa. The loan term is of 25 years with 5 years as grace period for principal repayment.

17.1.4 Development projects loans - Foreign relent loans

| Loan No. | Note | Rate of interest per annum | Installments outstanding as on 30 June 2015 | Repayment commencement / Maturity | 2015 | 2014 |
|----------------------------|----------|----------------------------|---|-----------------------------------|-------------------|-------------------|
| ----- PKR '000 ----- | | | | | | |
| Golen Gol | | | | | | |
| Kuwait Fund Loan No. 742 | 17.1.4.1 | 15.00% | 26 | 2011/2025 | 1,280,709 | 545,676 |
| Saudi Fund Loan No. 10/4/9 | 17.1.4.2 | 15.00% | 10 | 2011/2025 | 1,796,033 | 1,975,604 |
| Saudi Fund Loan No. 14/609 | 17.1.4.3 | 15.00% | 30 | 2014/2034 | 670,818 | 316,683 |
| | | | | | <u>3,747,560</u> | <u>2,837,963</u> |
| Tarbela 4th Extension | | | | | | |
| IDA CREDIT No. 5079-PK | 17.1.4.4 | 15.00% | 11 | 2013/2035 | 12,310,701 | 7,108,483 |
| IBRD 8144-PK | 17.1.4.5 | 15.00% | 11 | 2013/2035 | 3,475,549 | 2,395,731 |
| | | | | | <u>15,786,250</u> | <u>9,504,214</u> |
| Keyal Khwar | | | | | | |
| KFW-320517 | 17.1.4.6 | 17.00% | 40 | 2012/2031 | 523,081 | 427,701 |
| Dasu Hydro | | | | | | |
| IDA CREDIT No. 5498-PK | 17.1.4.7 | 15.00% | 40 | 2015/2039 | 9,054,140 | - |
| | | | | | <u>40,898,651</u> | <u>19,450,660</u> |

17.1.4.1 This represent Kuwait Fund loan of Kuwaiti Dinar 11.00 million under Subsidiary Loan Agreement dated 5th Sep 2008 for Golen Gol Hydro Power Project taken by the Government of Pakistan (Borrower). The borrower has relent the loan to WAPDA Hydroelectric being executing agency for the project. The tenor of the loan is 15 years including 2 years of grace period.

17.1.4.2 This represent Saudi Fund loan of Saudi Riyals 150.00 million under Subsidiary Loan Agreement dated 5th Sep 2008 for Golen Gol Hydro Power Project taken by the Government of Pakistan (Borrower). The borrower has relent the loan to WAPDA Hydroelectric being executing agency for the project. The tenor of the loan is 15 years including 2 years of grace period.

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17.1.4.3 This represent Saudi Fund loan of Saudi Riyals 216.750 million under Hydropower project between Pakistan and Saudi Fund for development (SFD) dated 17 Feb 2014 for Golen Gol Hydro Power Project taken by the Government of Pakistan (Borrower). The borrower has relented the loan to WAPDA Hydroelectric being executing agency for the project. The tenor of the loan is 20 years including 5 years of grace period. The effective date of loan is from 16 March 2014. The loan is to be repaid in 30 semi annual installment commencing on 30 April 2019 and ending on 31 Oct 2033.

17.1.4.4 This represent International Development Association (IDA) loan of \$ 440.00 million under Subsidiary Loan Agreement dated 12 April 2012 for Tarbela 4th Extension Hydro Power Project taken by the Government of Pakistan (Borrower). The borrower has relented the loan to WAPDA Hydroelectric being executing agency for the project. The loan will be repaid in 25 years including 5 years of grace period.

| | For the year | | Cumulative | |
|------------------------------------|--------------|-------------|--------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| PKR '000 | | | | |
| Loan Utilization | | | | |
| Opening Balance | 1,001,360 | 923,168 | 1,925,028 | 923,168 |
| Withdrawal of loan during the year | 5,202,218 | 5,148,879 | 12,310,701 | 7,108,483 |
| | 6,204,078 | 6,072,047 | 14,235,729 | 8,031,651 |
| Less: Utilization of funds | (5,588,255) | (5,070,187) | (11,694,878) | (6,106,623) |
| Closing balance | 615,823 | 1,001,860 | 2,540,851 | 1,925,028 |

17.1.4.5 This represent International Bank for Reconstruction and Development (IBRD) loan of \$ 400.00 million under Subsidiary Loan Agreement dated 12 April 2012 for Tarbela 4th Extension Hydro Power Project taken by the Government of Pakistan (Borrower). The borrower has relented the loan to WAPDA Hydroelectric being executing agency for the project. The tenor of the loan is 18.5 years including 7.5 years of grace period.

| | For the year | | Cumulative | |
|------------------------------------|--------------|-------------|-------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| PKR '000 | | | | |
| Loan Utilization | | | | |
| Opening balance | - | - | - | - |
| Withdrawal of loan during the year | 1,079,818 | 2,304,569 | 3,475,549 | 2,395,730 |
| | 1,079,818 | 2,304,569 | 3,475,549 | 2,395,730 |
| Less: Utilization of funds | (933,745) | (2,304,569) | (3,329,476) | (2,395,730) |
| Closing balance | 146,073 | - | 146,073 | - |

17.1.4.6 This represent Frankfurt am Main (KfW) loan of Euro 97.080 million in total, to be disbursed in two trenches. Under Trench - 1 Euro 4.415 million will be disbursed which will be repaid in 38 years after 10 years grace period. Under trench - 2, Euro 92.66 million will be disbursed that will be repaid in 30 years after grace period of 10 years. The loan taken by the Government of Pakistan (Borrower) has been relented under Subsidiary Loan Agreement dated 27 Dec 2011 for Keyal Khwar Hydro Power Project.

17.1.4.7 This represents relented loan from International Development Association of Special Drawing Rights 379.9 million equivalent to US \$ 588.4 million between Government of Pakistan (Borrower) and International Development Association; dated 25 August 2014 for Dasu hydropower project. Wapda will disburse US\$ 15 million on the request of NTDC for feasibility study and detail design of transmission lines. NTDC will repay this amount directly to GoP with out channeling WAPDA. The borrower has relented the loan to WAPDA Hydroelectric being executing agency for the project. The loan is to be repaid in 40 installments commencing on December 2019 and ending on June 2039. The tenor of the loan is 20 years including 5 years of grace period. The effective date of the loan is from 13 October 2014.

| | For the year | | Cumulative | |
|------------------------------------|--------------|------|-------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| PKR '000 | | | | |
| Opening balance | - | - | - | - |
| Withdrawal of loan during the year | 9,054,140 | - | 9,054,140 | - |
| | 9,054,140 | - | 9,054,140 | - |
| Less: Utilization of funds | (4,398,503) | - | (4,398,503) | - |
| Closing balance | 4,655,637 | - | 4,655,637 | - |

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17.1.5 Development projects loans - Cash development loans

| Project & Year of Disbursement | Note | Rate of interest per annum | Installments outstanding as on 30 June 2015 | Repayment commence- ment / Maturity | 2015 | 2014 |
|-----------------------------------|----------|-------------------------------------|--|--|--------------------------|--------------------------|
| PKR '000 | | | | | | |
| Harpo | | | | | | |
| 2009-10 | 17.1.3.2 | 12.59% | 18 | 2010/2035 | 39,000 | 39,000 |
| Kohala | | | | | | |
| 2006-07 | 17.1.3.2 | 11.78% | 18 | 2006/2032 | 152,092 | 154,933 |
| 2009-10 | 17.1.3.2 | 12.59% | 18 | 2010/2035 | 130,000 | 130,000 |
| 2008-09 | 17.1.3.2 | 13.80% | 18 | 2008/2034 | 86,516 | 87,500 |
| | | | | | <u>368,608</u> | <u>372,433</u> |
| Bashoo | | | | | | |
| 2007-08 | 17.1.3.2 | 10.14% | 18 | 2007/2033 | 15,945 | 16,259 |
| 2009-10 | 17.1.3.2 | 12.59% | 18 | 2010/2035 | 26,000 | 26,000 |
| | | | | | <u>41,945</u> | <u>42,259</u> |
| Diamir Basha | | | | | | |
| 2007-08 | 17.1.5.1 | 10.14% | 18 | 2007/2033 | 291,673 | 297,400 |
| 2009-10 | 17.1.5.1 | 12.59% | 18 | 2010/2035 | 1,000,000 | 1,000,000 |
| 2011-12 | 17.1.5.1 | 12.64% | 18 | 2011/2037 | 11,700,000 | 11,700,000 |
| 2012-13 | 17.1.5.1 | 10.65% | 23 | 2013/2038 | 3,785,000 | 3,785,000 |
| 2013-14 | 17.1.5.1 | 11.79% | 25 | 2014/2039 | 27,500,000 | 27,500,000 |
| 2014-15 | 17.1.5.1 | 10.53% | 25 | 2015/2040 | 15,000,000 | - |
| | | | | | <u>59,276,673</u> | <u>44,282,400</u> |
| | | | | | <u><u>59,276,673</u></u> | <u><u>44,736,092</u></u> |

17.1.5.1 These Loans have been obtained for Bhasha hydel power station from Federal Government for land acquisitions. The loan term is of 25 years with 5 years as grace period for principal repayment.

| | Note | 2015 | 2014 |
|----------------------------------|------|------------------|------------------|
| | | PKR '000 | |
| 18. DEFERRED GRANTS | | | |
| Balance as on 01 July | | 3,321,852 | 3,550,311 |
| Grants received during the year | | 1,449,696 | - |
| Grants amortized during the year | | (856,139) | (228,459) |
| Closing balance | | <u>3,915,409</u> | <u>3,321,852</u> |

18.1 This includes grants from USAID for Mangla Dam rehabilitation project, Tarbela Power Station and Gomai Zam Dam. The Tarbela Power Station grant was received under FARA agreement for the replacement of stator windings of unit 4. It has been amortized against the repair and maintenance cost incurred on the said replacements. The Gomai Zam grant was received for the construction of Gomai Zam Project and its been amortized over 30 years; economic useful life of the plant and equipment of the project. The Mangla rehabilitation grant is received during the year to enhance the capacity of Mangla power station and include refurbishment and up gradation of unit five and six.

19. DEFERRED LIABILITIES

| | | | |
|------------------------------------|--------|-------------------|-------------------|
| WAPDA Second Sukuk Company Limited | (19.1) | 376,179 | 855,273 |
| Employee benefits | (19.2) | <u>27,831,730</u> | <u>25,431,301</u> |
| | | <u>28,207,909</u> | <u>26,286,574</u> |

19.1 This represents ijarah rental payable to WAPDA Second Sukuk Company Limited and WAPDA Third Sukuk Company Limited against ijarah agreement dated 2 July 2007 and dated 14 October 2013 in respect of certain Tarbela Dam power generation machines. The rental is payable in bi-annual installments and will be fully retired at 13 July 2017 and at 14 October 2021 respectively.

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19.2

| Particulars | 2015 | | | |
|-------------|--------------------------|---------------------------|---------|-------|
| | Post employment benefits | | | |
| | Free medical facility | Free electricity facility | Pension | Total |

PKR '000

Liability recognized in the statement of financial position

| | | | |
|-----------|-----------|------------|------------|
| 5,554,063 | 2,566,197 | 19,711,470 | 27,831,730 |
|-----------|-----------|------------|------------|

Changes in the present value of defined benefit obligation:

| | | | | |
|------------------------------------|-----------|-----------|-------------|-------------|
| Opening defined benefit obligation | 4,835,721 | 2,300,154 | 18,295,427 | 25,431,301 |
| Service cost | 310,228 | 73,945 | 375,440 | 759,613 |
| Interest cost | 580,286 | 276,018 | 2,195,451 | 3,051,755 |
| Benefits paid | (172,172) | (83,920) | (1,154,848) | (1,410,939) |
| Closing defined benefit obligation | 5,554,063 | 2,566,197 | 19,711,470 | 27,831,730 |

| Particulars | 2015 | | | |
|-------------|--------------------------|---------------------------|---------|-------|
| | Post employment benefits | | | |
| | Free medical facility | Free electricity facility | Pension | Total |

PKR '000

Charge for the year:

| | | | | |
|----------------------|---------|---------|-----------|-----------|
| Current service cost | 310,228 | 73,945 | 375,440 | 759,613 |
| Interest cost | 580,286 | 276,018 | 2,195,451 | 3,051,755 |
| | 890,514 | 349,963 | 2,570,891 | 3,811,368 |

| Particulars | 2014 | | | |
|-------------|--------------------------|---------------------------|---------|-------|
| | Post employment benefits | | | |
| | Free medical facility | Free electricity facility | Pension | Total |

PKR '000

Liability recognized in the statement of financial position

| | | | |
|-----------|-----------|------------|------------|
| 4,835,721 | 2,300,154 | 18,295,427 | 25,431,301 |
|-----------|-----------|------------|------------|

Changes in the present value of defined benefit obligation:

| | | | | |
|------------------------------------|-----------|-----------|-------------|-------------|
| Opening defined benefit obligation | 4,322,373 | 2,191,670 | 17,585,858 | 24,099,902 |
| Service cost | 237,702 | 65,806 | 395,654 | 699,162 |
| Interest cost | 561,908 | 284,917 | 2,286,162 | 3,132,987 |
| Benefits paid | (184,133) | (93,244) | (1,800,458) | (2,077,835) |
| Actuarial (gains)/ losses | (102,129) | (148,996) | (171,789) | (422,914) |
| Closing defined benefit obligation | 4,835,721 | 2,300,154 | 18,295,427 | 25,431,301 |

| Particulars | 2014 | | | |
|-------------|--------------------------|---------------------------|---------|-------|
| | Post employment benefits | | | |
| | Free medical facility | Free electricity facility | Pension | Total |

PKR '000

Charge for the year:

| | | | | |
|----------------------|---------|---------|-----------|-----------|
| Current service cost | 237,702 | 65,806 | 395,654 | 699,162 |
| Interest cost | 561,908 | 284,917 | 2,286,162 | 3,132,987 |
| | 799,610 | 350,723 | 2,681,816 | 3,832,149 |

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| Particulars | 2014 | | | |
|-------------|--------------------------|---------------------------|---------|-------|
| | Post employment benefits | | | |
| | Free medical facility | Free electricity facility | Pension | Total |

PKR '000

Re-measurements of net defined benefit liability:

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Actuarial(gains)/losses due to change in demographic assumptions | (43,533) | 5,248 | (121,071) | (159,356) |
| Actuarial(gains)/losses due to experience adjustments | (58,596) | (154,244) | (50,718) | (263,558) |
| Amount chargeable to OCI | <u>(102,129)</u> | <u>(148,996)</u> | <u>(171,789)</u> | <u>(422,914)</u> |

| | | 2015 | 2014 |
|---|-------------|-------------------|-------------------|
| 20. TRADE CREDITOR AND OTHER PAYABLES | Note | | |
| Trade creditors | | 5,403,733 | 4,198,434 |
| Net hydel profit payable to Khyber Pakhtunkhwa | (6.11) | 3,500,000 | 5,400,000 |
| Security deposits | | 1,486,349 | 1,313,271 |
| Due to other formations/ wings of Authority | (20.1) | 1,210,057 | 1,205,501 |
| Retention on contract payments | | 780,598 | 247,635 |
| Accrued liabilities | | 712,700 | 419,710 |
| Taxes payable | | 204,791 | 204,241 |
| Bridge financing water wing | | 230,569 | 230,570 |
| Water usage charges payable to A.J.K Government | | 209,152 | 100,087 |
| Water Management Charges payable to IRSA | | 16 | 37,455 |
| Projects clearing accounts | | 51,106 | 5,851 |
| Other liabilities | | 258,743 | 1,589,332 |
| | | <u>14,047,814</u> | <u>14,952,087</u> |

| | | | |
|---|--|------------------|------------------|
| 20.1 Due to other formations/ wings of Authority | | | |
| Coordination Wing (HOC) | | 1,083,206 | 1,072,599 |
| Water wing | | 126,851 | 132,902 |
| | | <u>1,210,057</u> | <u>1,205,501</u> |

21. DEBT SERVICE LIABILITY

This represents the balance amount of principal and interest payable to Government of Pakistan against the schedules repayments of Foreign relant loans (Note 17.1) and Cash development loans (Note 17.3).

22. ACCRUED INTEREST

2,672,935 1,520,566

This represents interest of long term loans and borrowings note 17.

23. OTHER CURRENT LIABILITIES

| | | | |
|----------------------|--------|----------------|----------------|
| Payable to Provinces | (23.1) | 17,573 | 17,315 |
| Other liabilities | | 841,789 | 705,645 |
| | | <u>859,362</u> | <u>722,960</u> |

23.1 This represents amount payable to Governments of Punjab, Khyber Pakhtunkhwa and Sindh for 4% return on assets transferred to WAPDA from these provinces at the time of unbundling of WAPDA.

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24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 During the year ended June 30, 2009 WFSC was defrauded by a forged transfer of Sukuk Certificates valuing Rs. 180 million belonging to NFC to a ghost company, Swift Engineering Solutions (SES); the certificates were transacted a number of times and now these are partly held by Meezan Bank Limited (MBL), Soneri Bank Limited (SBL) and Bank Islami Pakistan Limited (BIPL).

24.1.2 WFSC lodged a case of fraud with the Federal Investigation Agency (FIA). On the basis of an inquiry report dated 5 Aug 2009, FIA registered an FIR bearing No. 28/2009 and recovered from the accomplices of the principal accused a publicly declared absconder who has fled the country:

- a) Rs. 13,477,000 in the form of hard cash, and prize bonds of Rs. 1,775,000;
- b) a house in Khyber block, Allama Iqbal Town Lahore valuing Rs.6,500,000;
- c) an under construction Floor Mills in the name and style of 'Hussain Floor Mills' at Ferozewala District, Sheikhpura having land measuring 8 Kanals 13 marlas with a value of Rs. 6,300,000 with building constructed thereon of Rs. 6,500,000; and
- d) Land measuring 1 kanal 1 marla at Ferozewala District, Sheikhpura.

24.1.3 On 8 Mar 2010, FIA submitted a challan u/s 173 Cr PC in the court of Special Judge (Central) Lahore against twelve (12) accused out of which two including the principal accused are public absconders who are presently outside Pakistan. The case of extradition of the absconders is being pursued with different agencies/ courts in and outside Pakistan. The Civil Court appointed WFSC as custodian of cash, prize bonds and Hussain Floor Mills whereas the house in Khyber block, Allama Iqbal Town Lahore was returned to the occupant on the condition that pending the final decision of the case, the house shall not be disposed off in any manner.

24.1.4 On 30 Sep 2013, the Court gave its verdict and out of the twelve accused, acquitted six and declared the two main accused who have fled the country as public absconders, while the remaining have been sentenced to various periods of imprisonment and fine; the Court has further adjudicated that all the recoveries as stated at Note 24.1.2 are confiscated in favor of WFSC (the complainant).

24.1.5 WFSC has invested the recovered cash of Rs. 13,477,000 in saving account on the directions of the Civil Court.

24.1.6 On 12 Dec 2009 WFSC Filed Interpleader suit u/s 88 CPC in the Civil Court of Lahore for deciding the lawful ownership of defrauded Sukuk Certificates and deposited the 8th and 9th Ijarah rental amount with the Civil Court. Meanwhile, WFSC filed an appeal in the Lahore High Court against the order dated 21 May 2010 of the Civil Judge, Lahore and the honorable High Court (LHC) ordered to continue to deposit the Ijarah rental against the defrauded Sukuk Certificates with the Civil Court and further directed the Civil Court to deposit the same in a profit bearing scheme in a scheduled bank. Accordingly, 10th, 11th, 12th, 13th & 14th (final) Ijarah rentals and the principal amount of Rs. 180 million payable against the demised Sukuk Certificates were deposited in the scheduled bank by the Civil Court.

The Honorable Lahore High Court, Lahore on 17-02-2015 had decided the case in favour of WAPDA and set aside the Impugned judgment and decree and hold that the suit is maintainable and that the trial court erred in rejecting the plaint. Accordingly, WAPDA has filed an application in the Civil Court, Lahore with the pray to revise the original inter-pleader suit for deciding the true ownership of the defrauded Sukuk Certificates amounting to Rs. 180 Million. M/s Al-Mezan Investment Management Company, Soneri Bank Ltd and National Fertilizer Corporation have filed appeals in Honorable Supreme Court of Pakistan against the judgment of Lahore High Court, Lahore.

24.1.7 Meanwhile, MBL, SBL, and BIPL being the affectees' / plaintiffs' filed separate suits against the Company (WFSC) asserting the validity of their purchase transactions. However, in the case of MBL the Honorable Sindh High Court, Karachi vide order dated 31 May 2012 decided that MBL's suit is not maintainable under the Financial Institutions (Recovery of Finance) Ordinance 2001. Accordingly, the suit was to be registered / fixed as a fresh ordinary case and written statement was filed by defendant / WAPDA. The case is now filed for framing of issues. The Honorable Court on our request has directed the plaintiffs to first satisfy the Honorable Court on the issue of jurisdiction.

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24.2 Commitments

- 24.2.1** Capital commitments contracted for but not incurred as at 30 June 2015 (through forward cost) amounted to Rs. 2,895,229 million (2014: Rs. 3,355,598 million).
- 24.2.2** Commitments under letter of credit amounts to Rs.2,748 million. (2014: Rs.1,990 million).
- 24.2.3** Commitments under Stand by letter of credit (SBLC) in favour of supplier for construction of Jinnah Hydro Project amounting to Rs. US\$ 77 million (2014: US\$ 80 million).
- 24.2.4** The commitments in respect of Ijarah rentals payable to WAPDA Second Sukuk Company Limited and WAPDA Third Sukuk Company Limited are explained below:-

| | Note | 2015 PKR '000 | 2014 PKR '000 |
|--|---|-------------------|-------------------|
| Break up of future Ijarah rentals payable (Sukuk II & III): | | | |
| With in one year | | 3,951,441 | 4,236,685 |
| With in one to five years | | 12,040,166 | 13,466,071 |
| Over five years | | 754,574 | 1,548,997 |
| | | <u>16,746,181</u> | <u>19,251,753</u> |
| 25. REVENUE | | | |
| Variable charges | (25.1) | 3,413,857 | 2,573,519 |
| Fixed charges | | 64,697,563 | 49,517,562 |
| | | <u>68,111,420</u> | <u>52,091,081</u> |
| 25.1 | The amount is net of sales tax amounting to Rs. 580 million (2014: 437 million) | | |
| 26. COST OF ELECTRICITY | | | |
| Salaries, wages and benefits | (26.1) | 3,520,993 | 2,979,413 |
| Retirement and other benefits | (26.2) | 3,811,368 | 3,832,149 |
| Sukuk Ijarah rentals | (26.4) | 3,401,410 | 2,327,208 |
| Repairs and maintenance | | 1,355,726 | 969,086 |
| Depreciation | (7.1) | 7,710,495 | 7,808,039 |
| Dams Inspection and monitoring cost | | 455,088 | 502,007 |
| Power, gas and water | | 330,475 | 267,685 |
| NEPRA fees | | 111,361 | 75,919 |
| Insurance | (26.3) | 49,721 | 49,809 |
| Consultancy charges | | 129,709 | 331,967 |
| Fuel charges | | 30,882 | 21,142 |
| Return on assets to provinces | | 12,972 | 12,972 |
| Sundry expenses | | 167 | 200 |
| | | <u>20,920,367</u> | <u>19,177,596</u> |
| 26.1 Salaries, wages and benefits | | | |
| Pay and allowances | | 2,934,548 | 2,569,192 |
| Other benefits | | 586,445 | 410,221 |
| | | <u>3,520,993</u> | <u>2,979,413</u> |
| 26.2 Retirement and other benefits | | | |
| Pension | | 2,570,891 | 2,681,816 |
| Free Electricity | | 349,963 | 350,723 |
| Free Medical | | 890,514 | 799,610 |
| | | <u>3,811,368</u> | <u>3,832,149</u> |

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26.3 As per WAPDA Equipment Protection Scheme (WEPS), WAPDA equipment of power houses have been given insurance coverage based on written down value of equipment.

| | 2015 | 2014 |
|---------------------------|------------------|------------------|
| Note | PKR '000 | |
| 26.4 Sukuk Ijarah rentals | | |
| Sukuk-II | 1,501,848 | 1,501,848 |
| Sukuk-III | 1,899,562 | 825,360 |
| | <u>3,401,410</u> | <u>2,327,208</u> |

27. OPERATING EXPENSES

| | | |
|-------------------------------------|------------------|------------------|
| Authority overheads | 523,947 | 495,535 |
| R&D - Survey and Investigation | (7.2.1) 510,296 | - |
| Vehicle running expenses | 205,346 | 237,003 |
| Outside services employed | 73,007 | 70,246 |
| Travelling expenses | 46,184 | 47,107 |
| Office expenses | 18,380 | 16,341 |
| Advertisement and periodicals | 14,793 | 23,105 |
| Legal and professional charges | 12,273 | 8,201 |
| Communication | 7,958 | 7,362 |
| Rent, rates and taxes | 2,935 | 27,758 |
| Impairment on short term investment | (12.2) - | 261,000 |
| Loss on sale of asset for Sukuk III | - | 240,103 |
| Other expenses | 2,222 | 16,629 |
| | <u>1,417,341</u> | <u>1,450,390</u> |

28. OTHER INCOME

| | | |
|---|------------------|----------------|
| 28.1 Income from financial assets | | |
| Profit on bank balances | 2,100,188 | 422,009 |
| Interest Income- Investments | 346,021 | 98,892 |
| | 2,446,209 | 520,901 |
| 28.2 Income from assets other than financial assets | | |
| Amortization of grant | (18) 856,139 | 228,459 |
| Income from lease of other property | 86,098 | 64,005 |
| Miscellaneous income | 48,440 | 105,768 |
| Income from non-utility operation | 2,076 | 4,885 |
| Interest income-advance to staff | 870 | 1,676 |
| Sale of scrap | 723 | 6,538 |
| Sale of stores | 124 | 1,488 |
| | 994,470 | 412,819 |
| | <u>3,440,679</u> | <u>933,720</u> |

29. HYDEL LEVIES

| | | |
|---------------------|------------------|------------------|
| Net hydel profit | (29.1) 6,000,000 | 6,000,000 |
| Water usage charges | (29.2) 950,788 | 858,818 |
| IRSA Charges | (29.3) 159,104 | 156,419 |
| | <u>7,109,892</u> | <u>7,015,237</u> |

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- 29.1** At present, the Hydroelectric is making payment of Rs. 6,000 million per annum on account of Net Hydel Profit (NHP) to the Government of Khyber Pakhtunkhwa, as an interim arrangement on the directions of Government of Pakistan (GoP). This arrangement is expected to continue till such time, the GoP gives revised directions after the determination of revenue rate (NHP margin) by the Council of Common Interest, in respect of each Hydroelectric power station in operation. In past, the GoP has agreed to settle NHP arrears assessed by the Arbitral Tribunal for the period from FY 1991-92 to 2004-5. It is expected that arbitrary arrears, if any, agreed/assessed by the GoP for the subsequent period would be settled by the GoP itself with the provinces at its own in line with the previous practice.
- 29.2** Water usage charges @ Rs.0.15 per unit generated at Mangla Power House is being paid to Azad Jammu & Kashmir Government as per Memorandum of Understanding signed in 2003.
- 29.3** IRSA charges are levied by IRSA vide letter no. A-II-6/10/2010-IRSA dated 25 August 2011 w.e.f. 01 July 2011 @ Rs.0.005/kWh for hydro power generation.

| | 2015 | 2014 |
|---|------------------|------------------|
| | PKR '000 | |
| 30. FINANCE COST | | |
| Interest on relent foreign loans | 3,964,754 | 3,069,970 |
| Interest on cash development loans (CDL) | 3,756,776 | 859,041 |
| Interest-Direct foreign Loans | 340,014 | - |
| Exchange loss on direct foreign loans | 245,198 | - |
| Foreign Loan Guarantee fee | 35,584 | - |
| Bank charges | 12,054 | 1,387 |
| | <u>8,354,380</u> | <u>3,930,398</u> |

- 30.1** This include exchange risk coverage fee amounting to Rs. 2,695 million (2014: 1,845 million).

31 FINANCIAL RISK MANAGEMENT

31.1 Financial risk factors

The Hydroelectric's financial liabilities comprise of interest bearing loans and borrowings, liability against assets subject to ijarah, other payables, accrued interest, short term borrowings and short term liabilities. The main purpose of these financial liabilities is to raise finances for the Hydroelectric's operations. The Hydroelectric has trade debts, advances, deposits, other receivables and cash and short term deposits that arrive directly from its operations. The Hydroelectric also holds long term investments, accounts / notes receivables and long term advances and deposits.

The Hydroelectric's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Hydroelectric's overall risk management programmed focuses on the liquidity crisis and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by management of the Hydroelectric. The management provides principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk.

31.1.1 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 Hydroelectric'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 on risk.

(a) Foreign currency risk management

Pak Rupee (PKR) is the functional currency and presentational currency of the Hydroelectric and as a result currency exposure arises from transactions and balances in currencies other than PKR. The Hydroelectric's potential currency exposure comprises of:

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

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The potential currency exposures are discussed below:

Transactional exposure In respect of non functional currency monetary Items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Hydroelectric are periodically restated to PKR equivalent, and the associated gain or loss is taken to the income statement account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure In respect of non functional currency expenditure

Certain operating and capital expenditure is incurred by the Hydroelectric in currencies other than the functional currency. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Hydroelectric's exposure to foreign currency risk was as follows based on notional amounts:

| | 2015 | 2014 |
|-----------------|------------|--------|
| | US \$ '000 | |
| Long term loans | 61,549 | 73,858 |

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date mid spot rate | |
|-------|--------------|--------|------------------------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| US \$ | 101.45 | 102.88 | 101.77 | 98.8 |

Sensitivity analysis

A ten percent strengthening of the Pak Rupee against the US \$ at 30 June 2015 would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular Interest rates, remain constant. The analysis was performed on the same basis for 30 June 2014.

| | 2015 | 2014 |
|---|----------|---------|
| | PKR '000 | |
| (Increase) / Decrease In profit or loss before reserves | 626,569 | 729,717 |

A 10 percent weakening of the Pak Rupee against the US \$ at 30 June 2015 would have equal but opposite effect on US \$ to the amounts shown above, on the basis that all other variables remain constant.

(b) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

The Hydroelectric has no significant long-term interest-bearing assets. The Hydroelectric's interest rate risk arises from interest bearing loans and borrowings and short term borrowings. Borrowings obtained at variable rates expose the Hydroelectric to cash flow interest rate risk.

At the statement of financial position date the interest rate profile of the Hydroelectric's interest bearing financial instruments is:

| | 2015 | 2014 | 2015 | 2014 |
|-------------------------------|----------------|------------------|-------------|-------------|
| | % | | PKR '000 | |
| Fixed rate Instruments | | | | |
| Financial liabilities: | | | | |
| Loans and borrowings | 3.62 % to 17 % | 3.84 % to 17.5 % | 125,950,481 | 100,495,679 |

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Fair value sensitivity analysis for fixed rate Instruments

The Hydroelectric does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the Hydroelectric.

| | 2015 | 2014 | 2015 | 2014 |
|----------------------------------|----------------|--------------|------------|------------|
| | % | % | PKR '000 | PKR '000 |
| Floating rate Instruments | | | | |
| Financial assets: | | | | |
| Bank balances | 4.5 % to 9.5 % | 7 % to 9.5 % | 49,095,058 | 24,945,443 |

Fair value sensitivity analysis for floating rate Instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Hydroelectric's profit before tax (through the impact on floating rate borrowings).

| | Increase / (Decrease) in basis points | Effect on profit before tax |
|--------------------------|---|-----------------------------------|
| | % | PKR '000 |
| 2015 | | |
| Financial assets: | | |
| Bank balances | 1 | 73,277 |
| | | <u>73,277</u> |
| 2014 | | |
| Financial assets: | | |
| Bank balances | 1 | 138,538 |
| | | <u>138,538</u> |

31.1.1.1 The Hydroelectric has transferred interest on these loans to Ministry of Finance (MoF). This interest is appearing in these financial statements as receivable from MoF. Accordingly, there would be no impact on income statement of change in interest rate applicable on such borrowing. Previously this amount was receivable from National Transmission and Dispatch Company (NTDC).

31.1.2 Sensitivity analysis of credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2015 | 2014 |
|--------------------------------|-------------------|-------------------|
| | PKR '000 | PKR '000 |
| Long term advances | 451,193 | 409,636 |
| Long term security deposit | 1,514 | 1,514 |
| Trade debts | 34,879,092 | 17,806,100 |
| Advances and other receivables | 3,351,075 | 4,759,673 |
| Short term investments | 19,200 | - |
| Bank balances | 55,711,984 | 27,145,803 |
| | <u>94,414,058</u> | <u>50,122,726</u> |

Credit risk related to trade debts is managed by established procedures and controls relating to customer's credit risk management. Outstanding receivables are regularly monitored.

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the statement of financial position date.

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| Rating | | | 2015 | 2014 |
|------------|-----------|-----------|-------------------|-------------------|
| Short term | Long term | Agency | PKR '000 | |
| A1+ | AAA | JCR/PACRA | 6,742,986 | 6,633,314 |
| A1+ | AA+ | PACRA | 10,913,153 | 6,269,705 |
| A-1+ | AA+ | JCR | 61,114 | 255,821 |
| A-1+ | AAA | JCR | 8,299,287 | 2,554,133 |
| A1+ | AAA | PACRA | 73,915 | 758,123 |
| A1+ | AAA | PACRA | 3 | 2,781 |
| A1+ | AA- | PACRA | 59,426 | 1,412,533 |
| A-1+ | AA | JCR | 29,207,740 | 6,370,769 |
| A1+ | AA | PACRA | 116,962 | 1,079,252 |
| A1+ | AA- | PACRA | - | 750,339 |
| A1+ | AA+ | PACRA | 237,398 | 1,021,650 |
| A1+ | AA+ | PACRA | - | 37,383 |
| | | | <u>55,711,984</u> | <u>27,145,803</u> |

At 30 June 2015 the Hydroelectric has only customer National Transmission and Despatch Company Limited (NTDC) that owed Hydroelectric balance of Rs. 34,879 million (2014: Rs.17,806 million.)

Due to Hydroelectric's long standing business relationships with NTDC and also it is related party of the Hydroelectric and after giving due consideration to their strong financial standing, management does not expect to the provision against receivables. Accordingly the credit risk is minimal.

31.1.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Hydroelectric's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The table below analyses the Hydroelectric's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| 2015 | | | | | |
|------------------------|------------------------|--------------------|-----------------------|-------------------|-------------------|
| Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years | |
| 30 June 2015 | | | | | |
| PKR '000 | | | | | |
| Loans | 125,950,481 | 125,950,481 | 6,205,807 | 21,077,440 | 98,667,234 |
| Other payables | 14,047,814 | 14,047,814 | 14,047,814 | - | - |
| Accrued interest | 2,672,935 | 2,672,935 | 2,672,935 | - | - |
| Short term liabilities | 859,362 | 859,362 | 859,362 | - | - |
| | <u>143,530,592</u> | <u>143,530,592</u> | <u>23,785,918</u> | <u>21,077,440</u> | <u>98,667,234</u> |

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| 2014 | | | | |
|-----------------|------------------------|------------------|-----------------------|--------------|
| Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |

PKR '000

30 June 2014

| | | | | | |
|------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| Loans | 100,495,679 | 100,495,679 | 6,088,134 | 27,229,503 | 67,178,042 |
| Other payables | 14,952,087 | 14,952,087 | 14,952,087 | - | - |
| Accrued interest | 1,520,566 | 1,520,566 | 1,520,566 | - | - |
| Short term liabilities | 722,960 | 722,960 | 722,960 | - | - |
| | <u>117,691,292</u> | <u>117,691,292</u> | <u>23,283,747</u> | <u>27,229,503</u> | <u>67,178,042</u> |

The contractual cash flows relating to the above 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 respective notes to the financial statements.

Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Financial instruments by categories

| 2015 | | | |
|--------------------------|--------------------|------------------|-------|
| Cash and cash equivalent | Loans and advances | Held to maturity | Total |

PKR '000

Assets as per statement of financial position

| | | | | |
|------------------------------------|-------------------|-------------------|----------|-------------------|
| Long term advances and receivables | - | 451,193 | - | 451,193 |
| Long term security deposit | - | 1,514 | - | 1,514 |
| Trade debts | - | 34,879,092 | - | 34,879,092 |
| Advances and other receivables | - | 3,351,075 | - | 3,351,075 |
| Short term investments | - | 19,200 | - | 19,200 |
| Cash and bank balances | 55,711,984 | - | - | 55,711,984 |
| | <u>55,711,984</u> | <u>38,702,074</u> | <u>-</u> | <u>94,414,058</u> |

| 2014 | | | |
|--------------------------|--------------------|------------------|-------|
| Cash and cash equivalent | Loans and advances | Held to maturity | Total |

PKR '000

Assets as per statement of financial position

| | | | | |
|------------------------------------|-------------------|-------------------|----------|-------------------|
| Long term advances and receivables | - | 409,636 | - | 409,636 |
| Long term security deposit | - | 1,514 | - | 1,514 |
| Trade debts | - | 17,806,100 | - | 17,806,100 |
| Advances and other receivables | - | 4,759,673 | - | 4,759,673 |
| Cash and bank balances | 27,145,803 | - | - | 27,145,803 |
| | <u>27,145,803</u> | <u>22,976,923</u> | <u>-</u> | <u>50,122,726</u> |

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| | 2015 |
|---|--------------------------|
| | At Amortized Cost |
| Financial Liabilities as per statement of financial position | PKR '000 |
| Long term loans | 125,950,481 |
| Debt Service Liability | 11,388,181 |
| Other payables | 14,047,814 |
| Accrued interest | 2,672,935 |
| WAPDA Second Sukuk Company Limited | 376,179 |
| Short term liabilities | 859,362 |
| | <u>155,294,952</u> |
| | 2014 |
| | At Amortized Cost |
| | PKR '000 |
| Long term loans | 100,495,679 |
| Other payables | 14,952,087 |
| Accrued interest | 1,520,566 |
| WAPDA Second Sukuk Company Limited | 855,273 |
| Short term liabilities | 722,960 |
| | <u>118,546,565</u> |

31.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value hierarchy

The Hydroelectric uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2015, the Hydroelectric did not hold any financial instruments carried at fair value.

32. NUMBER OF EMPLOYEES

The Hydroelectric as at 30 June 2015 has 7,697 (2014: 7,950) active employees all of whom are entitled to post employment benefits and 8,264 (2014: 8,031) pensioners to whom post employment benefits payments are disbursed.

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| | 2015 | 2014 |
|---|----------------------|--------|
| | ————— PKR '000 ————— | |
| 33. INSTALLED CAPACITY AND NET ELECTRIC OUTPUT | | |
| Installed Capacity (MW) | 6,902 | 6,902 |
| Net Electric Output (GWh) | 31,780 | 31,306 |

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, subsidiaries, undertakings with common control, Government of Pakistan (GoP) and key management personnel.

Transactions between the Hydroelectric and related parties:

Statement of financial position items:

| | | |
|---------------------------------------|------------|------------|
| Long term loans - Additions | 42,958,515 | 35,826,969 |
| - Repayments | 6,115,532 | 4,099,023 |
| Receivable from NJHPC against GoP CDL | | |
| Other payables | 1,210,057 | 1,205,501 |
| Capital induced by GoP | - | - |

Income statement items:

| | | |
|-----------------------|------------|------------|
| Sales | 68,111,420 | 52,091,081 |
| 1% Authority overhead | 263,273 | 289,977 |
| Insurance premium | 49,721 | 49,809 |
| Ijarah rentals | 3,401,410 | 2,327,208 |
| Hydel levies | 6,000,000 | 6,000,000 |
| Water usage charges | 950,788 | 858,818 |
| IRSA Charges | 159,104 | 156,419 |

35. PROVISION FOR TAXATION

Income of the Hydroelectric is exempt from income tax as per provisions of Clause 66 (xvi) Part-I of Second Schedule to the Income Tax Ordinance, 2001. Interest income under section (u/s) 151, property income u/s 155, and cash withdrawals from bank u/s 231A of the Income Tax Ordinance, 2001 is also exempt and in this connection exemption certificates are issued by Commissioner Income Tax on yearly basis.

36. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on _____.

37. GENERAL

37.1 Figures have been rounded off to the nearest thousand, unless otherwise stated.

37.2 Corresponding figures have been rearranged/reclassified, wherever necessary, for better and fair presentation. However, no significant rearrangement/reclassification has been made in the financial statements.

MEMBER (FINANCE)

MEMBER (POWER)

G.M.F. (P)