BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014	2013 Restated	2012 Restated
			(Rupees in thousand)	
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Authorised capital				
3,600,000,000 (2013: 3,600,000,000) ordinary shares of Rs 10 each		36,000,000	36,000,000	36,000,000
Issued, subscribed and paid up capital				
880,253,228 (2013: 880,253,228) ordinary shares of Rs 10 each	5	8,802,532	8,802,532	8,802,532
Capital reserve	6	444,451	444,451	444,451
Unappropriated profit		17,540,864	16,228,055	14,436,805
		26,787,847	25,475,038	23,683,788
NON-CURRENT LIABILITIES				
Long term finances	7	1,466,609	2,311,346	4,270,905
Liabilities against assets subject to finance lease	8	68,332	81,445	61,454
Deferred liabilities	9	3,602,025	3,830,698	3,866,302
		5,136,966	6,223,489	8,198,661
CURRENT LIABILITIES				
Current portion of long term liabilities	10	869,245	1,987,055	1,677,142
Finances under mark-up arrangements - secured	11	37,054,118	5,544,967	20,049,549
Trade and other payables	12	25,503,830	22,993,279	45,718,500
		63,427,193	30,525,301	67,445,191
CONTINGENCIES AND COMMITMENTS	13			
		95,352,006	62,223,828	99,327,640

The annexed notes 1 to 42 form an integral part of these financial statements.

Aftab Mahmood Butt
(Chief Executive)

	Note	2014	2013 Restated	2012 Restated
			(Rupees in thousand)	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	14	15,755,465	17,090,199	18,264,486
Intangible assets	15	14,648	14,528	7,388
Assets subject to finance lease	16	90,934	109,751	40,914
Capital work-in-progress	17	80,060	10,547	130,768
Long term loans and deposits	18	53,120	56,809	53,198
		15,994,227	17,281,834	18,496,754
CURRENT ASSETS				
Stores and spares	19	3,912,837	4,132,476	3,726,404
Stock-in-trade	20	4,128,021	4,198,262	4,239,457
Trade debts	21	66,087,635	34,219,425	69,332,911
Loans, advances, deposits, prepayments and other receivables	22	1,898,851	2,036,896	3,225,344
Cash and bank balances	23	3,330,435	354,935	306,770
		79,357,779	44,941,994	80,830,886
		95,352,006	62,223,828	99,327,640

Syed Nizam Ahmed Shah
(Director)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013
			(Rupees in thousand)	
Sales		24	113,206,047	97,533,226
Cost of sales		25	(101,001,998)	(84,144,758)
Gross profit			12,204,049	13,388,468
Administrative expenses		26	(536,565)	(357,299)
Other operating expenses		27	(723)	(24,762)
Other income		28	4,213,709	5,897,915
Profit from operations			15,880,470	18,904,322
Finance cost		29	(4,550,475)	(7,998,910)
Profit before tax			11,329,995	10,905,412
Taxation		30	(3,600,151)	(3,551,431)
Profit for the year			7,729,844	7,353,981
Earnings per share	Rupees	38	8.78	8.35

The annexed notes 1 to 42 form an integral part of these financial statements.

Aftab Mahmood Butt
(Chief Executive)

Syed Nizam Ahmed Shah
(Director)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 Restated
	(Rupees in thousand)	
Profit for the year	7,729,844	7,353,981
Items that will not be reclassified to profit or loss		
- Re-measurement of net defined benefit obligation - net of tax	(35,199)	(149,173)
Items that may be reclassified to profit or loss	-	-
Other comprehensive loss for the year - net of tax	(35,199)	(149,173)
Total comprehensive income for the year	7,694,645	7,204,808

The annexed notes 1 to 42 form an integral part of these financial statements.

Aftab Mahmood Butt
(Chief Executive)

Syed Nizam Ahmed Shah
(Director)

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in)/generated from operations	36	(10,627,595)	28,837,299
Finance cost paid		(5,488,284)	(4,057,244)
Taxes paid		(3,241,521)	(2,187,602)
Staff retirement benefits paid		(38,104)	(205,868)
Net cash (used in)/generated from operating activities		(19,395,504)	22,386,585
Cash flows from investing activities			
Fixed capital expenditure		(843,628)	(868,917)
Income on bank deposits received		23,413	9,383
Net decrease/(increase) in long term loans and deposits		3,689	(3,611)
Proceeds from sale of property, plant and equipment		4,816	89,734
Net cash used in investing activities		(811,710)	(773,411)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(29,933)	(28,723)
Repayment of long term loan - unsecured		(701,406)	(701,405)
Repayment of long term loans - secured		(1,258,152)	(953,623)
Dividend paid		(6,336,946)	(5,376,676)
Net cash used in financing activities		(8,326,437)	(7,060,427)
Net (decrease)/increase in cash and cash equivalents		(28,533,651)	14,552,747
Cash and cash equivalents at beginning of the year		(5,190,032)	(19,742,779)
Cash and cash equivalents at the end of the year	37	(33,723,683)	(5,190,032)

The annexed notes 1 to 42 form an integral part of these financial statements.

Aftab Mahmood Butt
(Chief Executive)

Syed Nizam Ahmed Shah
(Director)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Capital reserve	Un-appro-priated profit	Total
		(Rupees in thousand)		
Balance as on June 30, 2012				
- As previously reported - audited	8,802,532	444,451	14,402,413	23,649,396
Effect of retrospective change in accounting policy (note 4.2.1)	-	-	34,392	34,392
Balance as on June 30, 2012 - restated	8,802,532	444,451	14,436,805	23,683,788
Final dividend for the year ended June 30, 2012 - Rs 3.15 per share	-	-	(2,772,798)	(2,772,798)
Profit for the year	-	-	7,353,981	7,353,981
Other comprehensive loss:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(149,173)	(149,173)
Total comprehensive income for the year	-	-	7,204,808	7,204,808
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on June 30, 2013 - restated	8,802,532	444,451	16,228,055	25,475,038
Final dividend for the year ended June 30, 2013 - Rs 4.50 per share	-	-	(3,961,140)	(3,961,140)
Profit for the year	-	-	7,729,844	7,729,844
Other comprehensive loss:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(35,199)	(35,199)
Total comprehensive income for the year	-	-	7,694,645	7,694,645
Interim dividend - Rs 2.75 per share	-	-	(2,420,696)	(2,420,696)
Balance as on June 30, 2014	8,802,532	444,451	17,540,864	26,787,847

The annexed notes 1 to 42 form an integral part of these financial statements.

Aftab Mahmood Butt
(Chief Executive)

Syed Nizam Ahmed Shah
(Director)

1. Legal status and nature of business

Kot Addu Power Company Limited ('The Company'), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Companies Ordinance, 1984. The Company was listed on April 18, 2005 on the Karachi, Islamabad and Lahore Stock Exchanges. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced therefrom to a single customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA). This agreement is for a term of 25 years which commenced from June 1996.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, amendments and interpretations to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to existing standards effective in current year and applicable / relevant to the Company's operations

Standards or Interpretation	Effective date (accounting periods beginning on or after)
Annual improvements 2011; IFRS 1, 'First time adoption'. IAS 1, 'Financial statement presentation'. IAS 16, 'Property, plant and equipment'. IAS 32, 'Financial instruments: Presentation'. IAS 34, Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.	January 1, 2013
IAS 19 (Amendments), 'Employee Benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. The Company has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact of change in accounting policy on the Company's financial statements has been explained in note 4.2.1.	January 1, 2013

2.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable / relevant to the Company's operations

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 27 (Revised), 'Separate financial statements'	January 1, 2013
IAS 28 (Revised), 'Associates and joint ventures'	January 1, 2013
IFRS 1 (Amendment), 'First time adoption' on government loans	January 1, 2013
IFRS 7 (Amendment), 'Financial Instruments: Disclosures' on offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10, 'Consolidated financial statements'	January 1, 2013
IFRS 11, 'Joint arrangements'	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective but applicable / relevant to the Company's operations

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for annual periods beginning on or after January 1, 2006, however, Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of IFRIC 4 to all companies including power sector companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17, 'Leases'.

Consequently, the Company is not required to account for a portion of its Power Purchase Agreement (PPA) as a lease under IAS 17. If the Company were to follow IFRIC 4 and IAS 17, the effect on the financial statements would be as follows:

	2014	2013
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(15,732,629)	(17,062,948)
Recognition of lease debtor	7,516,890	8,336,197
Decrease in un-appropriated profit at the beginning of the year	(5,448,883)	(5,645,792)
Increase in profit for the year	100,791	196,909
Decrease in un-appropriated profit at the end of the year	(5,348,092)	(5,448,883)

- IFRS 2 (Amendment), 'Share-based Payment – Group Cash-settled Share-based Payment Transactions' effective for annual periods beginning on or after January 1, 2010.

The International Accounting Standards Board (IASB) amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

On August 14, 2009, the Government of Pakistan (GOP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investment (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities, on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

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

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Fund to meet the re-purchase commitments would be met by GOP.

The Scheme, developed in compliance with stated GOP Policy of empowerment of employees of SOEs need to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in the view the difficulties that may be faced by entities covered under the scheme, the SECP, on receiving representations from some of entities covered under the Scheme and after having consulted the ICAP, has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the staff costs of the Company for the year would have been higher by Rs 1,891.432 million (2013: Rs 1,633.899 million), profit after taxation would have been lower by Rs 1,232.006 million (2013: Rs 1,062.034 million), retained earnings would have been lower by Rs 1,232.006 million (2013: Rs 1,062.034 million), earning per share would have been lower by Rs 1.40 per share (2013: Rs 1.21 per share) and reserves would have been higher by Rs 1,891.432 million (2013: Rs 1,633.899 million).

2.2.4 Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Company's operations

Standards or Interpretations	Effective date (accounting periods beginning on or after)
IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
IAS 36 (Amendment), 'Impairment of assets'	January 1, 2014
IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Annual improvements 2012; IFRS 2, 'Share-based payment'. IFRS 3, 'Business combinations'. IFRS 8, 'Operating segments'. IFRS 13, 'Fair value measurement'. IAS 16, 'Property, plant and equipment'. IAS 38, 'Intangible assets'	July 1, 2014
Annual improvements 2013; IFRS 1, 'First time adoption'. IFRS 3, 'Business combinations'. IFRS 13, 'Fair value measurement'. IAS 40, 'Investment property'	July 1, 2014
IAS 19 (Amendment), 'Employee benefits'	July 1, 2014
IAS 24 (Amendment), 'Related parties'	July 1, 2014
IFRS 9, 'Financial instruments'	January 1, 2015
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts'	January 1, 2017

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of certain employee retirement benefits at present value.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2.

b) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the Income Tax Department at the assessment and appellate stage and where the Company considers that its views on items of material nature are in accordance with law, the amounts are disclosed as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in 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. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Taxation

Current

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

Previously, income of the Company derived from the power station up to June 27, 2006 was exempt from income tax under clause 138 of the Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company was also exempt from minimum tax under clause 13(A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 for the period it continued to be entitled to exemption under clause 138 of the Part I of the Second Schedule i.e. up to June 27, 2006.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilised.

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

4.2 Staff retirement benefits

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

(a) The Company operates an approved funded defined benefit pension scheme for all employees with a qualifying service period of ten years. Monthly contribution is made to the fund on the basis of actuarial recommendation. The latest actuarial valuation was carried out as at June 30, 2014. The actual return on plan assets during the year was Rs 187.911 million (2013: Rs 167.756 million). The actual return on plan assets represents the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The future contribution rate includes allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 13.50 percent per annum (2013: 11.00 percent per annum).
- Expected rate of increase in salary level 13.50 percent per annum (2013: 11.00 percent per annum).
- Expected rate of increase in pension 8.50 percent per annum (2013: 6.00 percent per annum).

Plan assets include long-term Government bonds, term finance certificates of financial institutions and term deposits with banks. Return on Government bonds and debt is at fixed and floating rates.

The Company is expected to contribute Rs 99.968 million to the pension fund in the next year ending June 30, 2015.

The Company's policy with regard to actuarial gains/losses is to immediately recognise all actuarial losses and gains in other comprehensive income under IAS 19, 'Employee benefits' as explained in note 4.2.1 below.

(b) The Company also operates an approved funded contributory provident fund for all employees. Equal monthly contributions are made by both the Company and the employees to the fund.

(c) The Company provides medical facilities to its retired employees and eligible dependent family members along with free electricity. Provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently. The latest actuarial valuation was carried out as at June 30, 2014.

Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

- Discount rate 13.50 percent per annum (2013: 11.00 percent per annum).
- Expected rate of increase in medical cost 11.50 percent per annum (2013: 8.00 percent per annum).
- Expected rate of increase in electricity benefit 13.50 percent per annum (2013: 11.00 percent per annum).

Retirement benefits are payable to all regular employees on completion of prescribed qualifying period of service under these schemes.

4.2.1 Change in accounting policy

During the year, in accordance with IAS 19 - 'Employee Benefits' (revised), the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised actuarial gains and losses immediately in other comprehensive income; immediately recognised all past service costs in profit and loss account; and replaced interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change has removed the corridor method and eliminated the ability for the Company to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which was previously allowed under IAS 19.

The change has been accounted for in accordance with IAS 19 - 'Employee Benefits' (Revised) and IAS 8 - 'Accounting Policies, Change in Accounting Estimates and Errors'. In accordance with requirements of IAS 8, the Company has applied the change in accounting policy retrospectively and IAS 1 - 'Presentation of Financial Statements' (Revised), the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 1, 2012.

Impact on these financial statements of this change in the accounting policy due to recognition of actuarial gains and losses on defined benefit plan in accordance with IAS 19 is summarized below as of July 1, 2012 and June 30, 2013 and for the year then ended:

	2013	2012
	(Rupees in thousand)	
Impact on balance sheet		
Deferred liabilities	(173,910)	52,109
Loans, advances, deposits, prepayments and other receivables	59,129	(17,717)
Unappropriated profit	(114,781)	34,392
Impact on other comprehensive income		
Actuarial (losses) / gains recognised - net of tax	(149,173)	141,365

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost represents the acquisition price of assets transferred to the Company in accordance with the Transfer Agreement signed between Pakistan Water and Power Development Authority (WAPDA) and the Company on June 26, 1996 based on a valuation by M/s Stone and Webster using depreciated replacement cost basis.

Depreciation on all property, plant and equipment is charged to profit on the straight line method so as to write off the depreciable amount of an asset over the economic useful life or the remaining term of PPA, whichever is lower.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Major plant modifications and improvements are capitalised. Overhauls, maintenance and repairs are charged to income as and when incurred. The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised as an income or expense.

Blades for Gas Turbines are considered a separate category of assets. All blades are depreciated at the annual rate as mentioned in note 14 regardless of whether they are in use or not. Refurbishment costs are accrued and charged to profit and loss account.

4.4 Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 15.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Leases

The Company is the lessee:

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 16. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

4.7 Stores and spares

Usable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Refurbishable items are valued at the lower of cost and net realisable value. Cost of refurbishment is charged to the profit and loss account as it is incurred. The item is charged to the profit and loss account when, upon inspection, it cannot be refurbished.

4.8 Stock-in-trade

Stock-in-trade except for those in transit are valued at lower of cost based on First In First Out (FIFO) and net realisable value.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.9 Financial instruments

4.9.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as 'available-for-sale' are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.9.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in respective carrying amounts is recognised in the profit and loss account.

4.10 Offsetting of financial assets and liabilities

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

4.11 Long term loans and deposits

Loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the balance sheet date. Initially they are recognised at fair value and subsequently stated at amortized cost.

4.12 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.15 Trade and other payables

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

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

4.16 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates.

4.17 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees (PKR), which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into PKR using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.18 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalised up to the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to income.

4.19 Revenue recognition

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas on account of capacity is recognised when due.

4.20 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2014	2013		2014	2013
(Number of shares)			(Rupees in thousand)	
253,000	253,000	Ordinary shares of Rs 10 each fully paid in cash	2,530	2,530
880,000,228	880,000,228	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	8,800,002	8,800,002
880,253,228	880,253,228		8,802,532	8,802,532

Ordinary shares of the Company held by associated undertakings are as follows:

	2014	2013
	(Number of shares)	
Pakistan Water and Power Development Authority (WAPDA)	354,311,133	354,311,133
National Power (Kot Addu) Limited (a wholly owned subsidiary of International Power plc) - note 5.1	-	316,891,159
KAPCO Employees Empowerment Trust (Formed under Benazir Employees' Stock Option Scheme (BESOS))	48,252,429	48,252,429
	402,563,562	719,454,721

5.1 National Power (Kot Addu) Limited

Company's shares held by National Power (Kot Addu) Limited were disposed off during the year by the shareholder.

6. Capital reserve

This represents the value of fuel stock taken over by the Company at the time of take over of Kot Addu Gas Turbine Power Station from WAPDA. The value of stock was not included in the valuation of assets at the time of take over.

7. Long term finances

		2014	2013
		(Rupees in thousand)	
These are composed of:			
- Loan from related parties - unsecured	- note 7.1	2,006,816	2,708,222
- Other bank finances - secured	- note 7.2	304,530	1,562,682
		2,311,346	4,270,904
Less: Current maturity		844,737	1,959,558
		1,466,609	2,311,346

7.1 Loan from related parties - unsecured

2014

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	Remaining number of installments	Interest / mark-up payable
WAPDA	PKR	2,006,816	14%	8, ending June 2018	Semi annually

2013

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	Remaining number of installments	Interest / mark-up payable
WAPDA	PKR	2,708,222	14%	10, ending June 2018	Semi annually

7.2 Other bank finances - secured

2014

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	Remaining number of installments	Interest / mark-up payable
MCB Bank Limited	PKR	124,546	6 month KIBOR plus 2.75%	1, ending August 2014	Quarterly
Habib Bank Limited	PKR	179,984	3 month KIBOR plus 2.50%	1, ending August 2014	Semi annually
Total		304,530			

2013

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	Remaining number of installments	Interest / mark-up payable
Allied Bank Limited	PKR	400,000	6 month KIBOR plus 2.75%	2, ending April 2014	Semi annually
MCB Bank Limited	PKR	622,731	6 month KIBOR plus 2.75%	5, ending August 2014	Quarterly
Habib Bank Limited	PKR	539,951	3 month KIBOR plus 2.50%	3, ending August 2014	Semi annually
Total		1,562,682			

These finances have been obtained from banks in order to meet working capital requirements and to retire letter of credits opened for Balancing, Modernization and Replacement (BMR) projects of the Company. It is secured by a joint pari passu hypothecation charge to the extent of Rs 1,245 million (2013: Rs 3,401 million) on current assets and present and future plant and machinery of the Company. The effective mark-up charged during the year was 12.32 (2013: 13.45) percent per annum.

	2014	2013
	(Rupees in thousand)	
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	92,840	108,942
Less: Current portion shown under current liabilities	24,508	27,497
	68,332	81,445

Minimum lease payments have been discounted at an implicit interest rate ranging from 10.06 percent (2013: 10.36 percent) per annum to 12.69 percent (2013: 14.50 percent) per annum to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2014		
	Minimum lease payment	Future finance charge	Present value of lease liability
	(Rupees in thousand)		
Not later than one year	33,292	8,784	24,508
Later than one year and not later than five years	78,097	9,765	68,332
	111,389	18,549	92,840

	2013		
	Minimum lease payment	Future finance charge	Present value of lease liability
	(Rupees in thousand)		
Not later than one year	37,515	10,018	27,497
Later than one year and not later than five years	95,349	13,904	81,445
	132,864	23,922	108,942

9. Deferred liabilities

		2014	2013 Restated
		(Rupees in thousand)	
Deferred taxation	- note 9.1	2,697,466	3,094,131
Staff retirement benefits	- note 9.2	904,559	736,567
		3,602,025	3,830,698

9.1 Deferred taxation

The liability for deferred taxation comprises of timing differences relating to:

	2014	2013 Restated
Accelerated tax depreciation	2,889,778	3,223,360
Provision for store obsolescence	(57,651)	(67,945)
Provision for doubtful debts	(48,435)	(24,244)
Write back of unpaid liabilities	(55,589)	-
Liabilities against assets subject to finance lease	(30,637)	(37,040)
	2,697,466	3,094,131

		2014	2013 Restated
		(Rupees in thousand)	

9.2 Staff retirement benefits

These are composed of:

		2014	2013
Pension	- note 9.2.1	288,402	267,820
Medical	- note 9.2.2	136,820	104,953
Free electricity	- note 9.2.2	479,337	363,794
		904,559	736,567

9.2.1 Pension

The amounts recognised in the balance sheet are as follows:

	2014	2013
Present value of defined benefit obligation	1,932,096	1,749,201
Fair value of plan assets	(1,643,694)	(1,481,381)
Liability as at June 30	288,402	267,820
Liability as at July 1	267,820	208,600
Charge to profit and loss account	84,598	63,009
Contribution paid by the Company	(33,134)	(202,783)
Remeasurement (gains) / losses recognised in other comprehensive income	(30,882)	198,994
Liability as at June 30	288,402	267,820

The movement in the present value of defined benefit obligation is as follows:

	2014	2013
Present value of defined benefit obligation as at July 1	1,749,201	1,400,795
Current service cost	56,674	46,160
Interest cost for the year	191,613	185,126
Benefits paid during the year	(58,732)	(81,354)
Remeasurement (gains) / losses on obligation	(6,660)	198,474
Present value of defined benefit obligation as at June 30	1,932,096	1,749,201

The movement in fair value of plan assets is as follows:

	2014	2013
Fair value as at July 1	1,481,381	1,192,195
Expected return on plan assets	163,689	168,277
Company contribution	33,134	202,783
Benefits paid during the year	(58,732)	(81,354)
Remeasurement gains / (losses) on plan assets	24,222	(520)
Fair value as at June 30	1,643,694	1,481,381

Plan assets are comprised as follows:

	2014	2013
Mutual funds	15%	10%
Interest bearing instruments	65%	87%
Other	20%	3%
	100%	100%

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

	2014	2013	2012	2011	2010
			(Rupees in thousand)		
As at June 30					
Present value of defined benefit obligations	1,932,096	1,749,201	1,400,795	1,355,828	981,216
Fair value of plan assets	(1,643,694)	(1,481,381)	(1,192,195)	(1,043,050)	(908,157)
Deficit	288,402	267,820	208,600	312,778	73,059
Experience adjustment on obligation gain/(loss)	0%	11%	12%	-14%	-6%
Experience adjustment on plan assets	1%	0%	0%	2%	1%

Year end sensitivity analysis on present value of defined benefit obligation:

	(Rupees in thousand)
Discount rate + 0.50%	1,830,054
Discount rate - 0.50%	2,043,821
Increase in salary level + 0.50%	1,992,767
Increase in salary level - 0.50%	1,874,037
Increase in pension + 0.50%	1,988,203
Increase in pension - 0.50%	1,880,178

9.2.2

	Post retirement Medical		Post retirement Free electricity	
	2014	2013 Restated	2014	2013 Restated
	(Rupees in thousand)		(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:				
Present value of defined benefit obligation as at June 30	136,820	104,953	479,337	363,794
Liability as at July 1	104,953	90,731	363,794	296,546
Charge to profit and loss account	15,272	15,136	52,895	49,804
Benefit paid by the Company	(1,646)	(1,532)	(3,324)	(1,553)
Remeasurement losses recognised in other comprehensive income	18,241	618	65,972	18,997
Liability as at June 30	136,820	104,953	479,337	363,794

	Post retirement Medical		Post retirement Free electricity	
	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)	
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at July 1	104,953	90,731	363,794	296,546
Current service cost	3,435	2,802	11,547	9,293
Interest cost for the year	11,837	12,334	41,348	40,511
Benefits paid during the year	(1,646)	(1,532)	(3,324)	(1,553)
Remeasurement losses on obligation	18,241	618	65,972	18,997
Present value of defined benefit obligation as at June 30	136,820	104,953	479,337	363,794

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of post retirement medical is as follows:

	Post Retirement Medical				
	2014	2013	2012	2011	2010
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	136,820	104,953	90,731	86,263	91,440
Fair value of plan assets	-	-	-	-	-
Deficit	136,820	104,953	90,731	86,263	91,440
Experience adjustment on obligation (loss) / gain	-13%	-1%	10%	14%	0%

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of post retirement free electricity is as follows:

	Post Retirement Free Electricity				
	2014	2013	2012	2011	2010
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	479,337	363,794	296,546	279,689	239,075
Fair value of plan assets	-	-	-	-	-
Deficit	479,337	363,794	296,546	279,689	239,075
Experience adjustment on obligation (loss) / gain	-14%	-5%	12%	-2%	-11%

Year end sensitivity analysis on present value of defined benefit obligation:

	Post retirement Medical	Post retirement Free electricity
	(Rupees in thousand)	
Discount rate + 0.50%	124,791	434,593
Discount rate - 0.50%	150,485	530,439
Increase in medical cost / electricity benefit + 0.50%	150,235	529,298
Increase in medical cost / electricity benefit - 0.50%	124,898	435,141

		2014	2013
		(Rupees in thousand)	
10. Current portion of long term liabilities			
Long term finances	- note 7	844,737	1,959,558
Liabilities against assets subject to finance lease	- note 8	24,508	27,497
		869,245	1,987,055
11. Finances under mark-up arrangements - secured			
Short term finances - secured	- note 11.1	37,054,118	5,544,967

11.1 Short term finances - secured

Short term finances available from various commercial banks under mark-up arrangements amount to Rs 44,670 million (2013: Rs 30,396 million). The rate of mark-up ranges from 9.93 percent to 12.18 percent (2013: 10.32 percent to 14.60 percent) per annum on the balances outstanding. In the event, the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate of 20 percent to 24 percent (2013: 20 percent to 24 percent) per annum on the balances unpaid.

11.2 Letters of credit and bank guarantees

Of the aggregate facility of Rs 3,188.706 million (2013: Rs 3,473.724 million) for opening letters of credit and Rs 111.794 million (2013: Rs 536.276 million) for guarantees, the amount utilised as at June 30, 2014 was Rs 922.151 million (2013: Rs 1,030.685 million) and Rs 111.794 million (2013: Rs 536.276 million) respectively.

The aggregate running finances, short term finances, letters of credit and guarantees are secured by charge on stores, spares, stock-in-trade and trade debts up to a limit of Rs 62,712 million (2013: Rs 51,762 million) and charge on property, plant and equipment up to a limit of Rs 62,045 million (2013: Rs 42,468 million).

		2014	2013
		(Rupees in thousand)	
12. Trade and other payables			
Trade creditors	- note 12.1	7,062,817	4,424,031
Accrued liabilities		393,432	195,604
Liquidated damages		178,978	175,978
Markup accrued on:			
- Long term loan - unsecured		3,079	4,155
- Long term finances - secured		12,072	46,393
- Finances under mark-up arrangements - secured		497,483	154,943
- Liabilities against assets subject to finance lease		912	974
- Credit supplies of raw material		15,972,344	17,217,234
Deposits - interest free repayable on demand		237	2,581
Workers' Welfare Fund		240,533	223,898
Workers' Profit Participation Fund	- note 22.4	-	15,271
Income tax payable		378,947	-
Differential payable to WAPDA	- note 12.2	364,443	172,098
Unclaimed dividends		382,148	337,258
Others		16,405	22,861
		25,503,830	22,993,279

12.1 Trade creditors include amount due to related parties Rs 0.250 million (2013: Rs 0.352 million) and payable to Pakistan State Oil (PSO) amounting to Rs 7,049 million (2013: Rs 4,391 million).

12.2 This represents income tax differential payable to WAPDA in accordance with clause 6.7 and 6.15(a) of Part I of Schedule 6 of Power Purchase Agreement (PPA) on account of difference in income tax rate as provided for in the PPA and the current tax rate as applicable to the Company.

13. Contingencies and commitments

13.1 Contingencies

(i) Income Tax Department carried out assessment for the Tax Years 2009, 2010 and 2011, based on which they created a demand of Rs 1,027 million. Subsequently, Commissioner Inland Revenue - Appeals CIR(A) decided certain issues in favor of the Company while remaining issues were remanded back to the Deputy Commissioner Inland Revenue (DCIR) for reconsideration. Both the Company and the Tax Department filed appeals with the Appellate Tribunal Inland Revenue (ATIR) against the CIR(A) orders. The Company received favorable order from ATIR on these issues. Subsequently, the Company has received appeal effect orders amounting to Rs 676 million which were adjusted against advance tax liability for the Tax Year 2014. Tax Department has a right to file an appeal before the High Court against the ATIR decision.

For the Tax Year 2011, Income Tax Department has also selected Company in total audit under section 214(c) and carried out the assessment on which they created a demand of Rs 159 million. Subsequently, CIR(A) decided certain issues in favor of the Company and thereby reducing the demand to Rs 71 million. Being aggrieved, the Company has filed an appeal before ATIR which is pending for hearing.

For the Tax Year 2012, DCIR issued assessment order under section 122(5A) along with demand notice amounting to Rs 458 million which was later rectified to Rs 411 million. Subsequently, CIR(A) decided certain issues in favor of the Company and thereby reducing the demand to Rs 30 million. Both the Company and the Tax Department have filed appeals with ATIR against the CIR(A) order which is pending for hearing.

For the Tax Year 2013, DCIR issued assessment order under section 122(5A) along with demand notice amounting to Rs 203 million which was later rectified to Rs 199 million. Subsequently, CIR(A) decided certain issues in favor of the Company, some issues were upheld and some were remanded back to the DCIR. Revised demand notice is awaited from DCIR. Being aggrieved, the Company is filing an appeal with ATIR against the CIR(A) order.

The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

(ii) On the strength of an unfavorable decision by ATIR in the case of other Independent Power Producers, the Tax Department has issued a sales tax order against the Company for the financial period from June 2008 to June 2013 and created a demand of Rs 10,102 million by apportioning input sales tax between Capacity invoices and Energy Invoices and allowed input sales tax allocated to Energy invoices only. The refund claims of the Company falling between the aforementioned period were also rejected by the tax authorities. Against the foregoing order, the Company filed an appeal before CIR(A) which was decided against the Company subsequent to the year end. However, CIR(A) reduced the demand by Rs 1,481 million relating to the tax periods beyond 5 years. Subsequently, the Company has filed an appeal before ATIR against the foregoing order of CIR(A) which is pending for fixation.

The management is of the view that there are meritorious grounds available to defend the foregoing demand. Consequently no provision for such demand has been made in these financial statements.

(iii) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (the Act). The legal advisor advised the Company that since it did not employ any person who fell under the definition of Worker as defined in the Act of 1968, the Company was not required to establish the Fund under the Act. As a consequence the Company was not required to make contributions to the Fund established pursuant to Workers' Welfare Fund Ordinance, 1971.

Furthermore, the question whether a company to which the Act and its scheme applies but which does not employ any Worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is sub-judice before the Sindh High Court as the Supreme Court of Pakistan accepted the petition of another company and remanded the case to the Sindh High Court for fresh decision in accordance with its order.

If it is established that the scheme is applicable to the Company and the Company is liable to pay contribution to the Workers' Welfare Fund then these amounts would be recoverable from WAPDA as a pass through item under the provisions of Power Purchase Agreement.

Certain amendments have been introduced in Finance Act 2006, to relax the conditions of payment of interest and penalty for companies defaulting in creating Fund under the Act. If it is established that Workers' Profit Participation Fund (WPPF) is applicable to the Company and Company makes the principal payment on or before the date which is to be decided by the Federal Government, no such penalty may be imposed and the Company may not be liable to pay interest.

Furthermore, the Company has obtained opinion from its legal advisors who have confirmed that in case WPPF becomes payable as a consequence of the decision by the Sindh High Court, the Company will not be required to pay any interest, as interest is payable to workers only. It is an established fact that the Company did not have any worker as per the applicable definition up to June 30, 2006.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.463 billion (2013: Rs 3.463 billion). However, it is not certain at the moment that any penalties will be levied on non-payment of WPPF as the relaxation provided under the Finance Act 2006 is still applicable.

In view of the foregoing, the Company did not make any provision for Workers' Profit Participation Fund and interest thereon in the financial statements up to June 30, 2006.

(iv) The Company has a 'Long Term Supply Agreement' (LTSA) with one of the Original Equipment Manufacturers (OEM) for the supply of spares to the Company. According to the terms of LTSA, the Company has availed discount amounting to Rs 1,747.308 million up to June 30, 2014 (2013: Rs 1,704.588 million). This discount is contingent upon the Company procuring at least a specified amount of spares from the OEM during the tenure of LTSA. Inability of the Company to achieve the desired level of purchases would result in payment of compensation fee amounting to Rs 262.096 million (2013: Rs 255.688 million) to the OEM out of the discount recognised up to June 30, 2014. The management of the Company feels that the minimum specified level of purchases will be achieved during the contractual period and no compensation fee would be payable to the OEM, consequently no provision for compensation fee as referred above has been made in these financial statements.

(v) WAPDA has raised invoices for liquidated damages to the Company for the years ended June 30, 2009, 2010, 2011, 2012 and 2013 (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amount to Rs 20,571 million (2013: Rs 12,645 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till June 30, 2014) are not expected to exceed Rs 22,773 million as at June 30, 2014 (2013: 19,917 million) based on the best estimate of the management of the Company.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel. In this regard, the Company has initiated the dispute resolution procedures specified in the Power Purchase Agreement.

According to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently no provision for such liquidated damages has been made in these financial statements.

(vi) The Company has provided bank guarantees in favor of following;

- Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 46.454 million (2013: Rs 536.276 million); and

- Punjab Power Development Board on account of Bhikki Coal Project as explained in note 22.5, amounting to Rs 65.340 million (2013: Rs Nil).

13.2 Commitments

(i) Contracts for capital expenditure Rs 1,130.841 million (2013: Rs 632.414 million).

(ii) Letters of credit other than for capital expenditure Rs 317.384 million (2013: Rs 428.005 million).

14. Property, plant and equipment

	Freehold land	Buildings on freehold land	Plant and machinery	Gas turbine blading	Auxiliary plant and machinery	Office equipment	Fixtures and fittings	Vehicles	Total
					(Rupees in thousand)				
Net carrying value basis									
Year ended June 30, 2014									
Opening net book value (NBV)	46,285	252,442	12,206,033	4,459,216	99,053	20,079	275	6,816	17,090,199
Additions (at cost)	54,488	10,945	-	670,143	8,008	25,743	-	-	769,327
Transfers	-	-	-	-	-	-	-	5,230	5,230
Disposals (at NBV)	-	-	-	(665)	-	(58)	-	(2,051)	(2,774)
Depreciation charge	-	(32,693)	(1,309,671)	(724,693)	(29,333)	(9,541)	(122)	(464)	(2,106,517)
Closing net book value (NBV)	100,773	230,694	10,896,362	4,404,001	77,728	36,223	153	9,531	15,755,465
Gross carrying value basis									
As at June 30, 2014									
Cost	100,773	714,281	34,568,485	8,763,639	335,342	135,675	17,646	57,136	44,692,977
Accumulated depreciation	-	(483,587)	(23,672,123)	(4,359,638)	(257,614)	(99,452)	(17,493)	(47,605)	(28,937,512)
Net book value (NBV)	100,773	230,694	10,896,362	4,404,001	77,728	36,223	153	9,531	15,755,465
Depreciation rate % per annum	-	4 - 13.79	4 - 12.37	10 - 12.77	20	20	20	25	
Net carrying value basis									
Year ended June 30, 2013									
Opening net book value (NBV)	46,285	274,341	13,466,940	4,349,195	91,724	23,258	397	12,346	18,264,486
Additions (at cost)	-	17,382	44,021	760,335	34,543	5,427	-	-	861,708
Transfers	-	-	-	-	-	-	-	5,316	5,316
Disposals (at NBV)	-	(7,628)	-	(24,762)	-	-	-	(9,106)	(41,496)
Depreciation charge	-	(31,653)	(1,304,928)	(625,552)	(27,214)	(8,606)	(122)	(1,740)	(1,999,815)
Closing net book value (NBV)	46,285	252,442	12,206,033	4,459,216	99,053	20,079	275	6,816	17,090,199
Gross carrying value basis									
As at June 30, 2013									
Cost	46,285	703,336	34,568,485	8,094,458	327,334	110,317	17,646	41,234	43,909,095
Accumulated depreciation	-	(450,894)	(22,362,452)	(3,635,242)	(228,281)	(90,238)	(17,371)	(34,418)	(26,818,896)
Net book value (NBV)	46,285	252,442	12,206,033	4,459,216	99,053	20,079	275	6,816	17,090,199
Depreciation rate % per annum	-	4 - 12.37	4 - 12.37	10 - 12.37	20	20	20	25	

The cost of fully depreciated assets which are still in use as at June 30, 2014 is Rs 2,548 million (2013: Rs 1,921 million).

		2014	2013
		(Rupees in thousand)	
14.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	- note 25	2,073,238	1,966,300
Administration expenses	- note 26	33,279	33,515
		2,106,517	1,999,815

14.2 Disposal of property, plant and equipment of book value exceeding Rs 50,000

2014

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Vehicles	Executives					
Honda Civic	Mr. Muhammad Anwar	1,847	(1,478)	369	369	Company Policy
Honda Civic	Mr. Naeem Ahmad Tariq	1,929	(1,543)	386	386	Company Policy
Honda City	Mr. Arshad Saqib	1,371	(1,097)	274	274	Company Policy
Toyota Corolla - GLi	Mr. Ehsan ul Haq	1,448	(1,159)	289	289	Company Policy
	Outsiders					
Toyota Hilux Vigo	New Hampshire Insurance Company	3,666	(2,933)	733	3,498	Insurance Claim

15. Intangible assets - computer software

	2014	2013
	(Rupees in thousand)	
Net carrying value basis		
Year ended June 30		
Opening net book value (NBV)	14,528	7,388
Additions (at cost)	4,183	10,171
Disposals (at NBV)	-	-
Amortization charge	(4,063)	(3,031)
Closing net book value (NBV)	14,648	14,528
Gross carrying value basis		
Cost	49,416	45,233
Accumulated amortization	(34,768)	(30,705)
Net book value	14,648	14,528
Amortization rate % per annum	20	20

15.1 Amortization charge for the year has been allocated to cost of sales.

		2014	2013
		(Rupees in thousand)	
16.	Assets subject to finance lease		
	Net carrying value basis		
	Year ended June 30		
	Opening net book value (NBV)	109,751	40,914
	Additions (at cost)	14,436	100,003
	Disposals (at NBV)	(5,230)	(5,316)
	Depreciation charge	(28,023)	(25,850)
	Closing net book value (NBV)	90,934	109,751
	Gross carrying value basis		
	Cost	152,011	163,737
	Accumulated depreciation	(61,077)	(53,986)
	Net book value	90,934	109,751
	Depreciation rate % per annum	25	25

16.1 Depreciation charge for the year has been allocated to administrative expenses.

			2014	2013
			(Rupees in thousand)	
17.	Capital work-in-progress			
	Civil works		1,389	972
	Plant and machinery		77,399	1,870
	Others		1,272	7,705
			80,060	10,547
18.	Long term loans and deposits			
	Loans to employees - considered good	- note 18.1	49,021	51,392
	Security deposits		13,781	14,899
			62,802	66,291
	Less: Receivable within one year		9,682	9,482
			53,120	56,809
18.1	Loans to employees - considered good			
	Loans to employees - unsecured	- note 18.1.1	32,459	32,157
	Loans to employees - secured	- note 18.1.2	16,562	19,235
			49,021	51,392

18.1.1 These represent unsecured loans to non-executive employees for the purchase of plot, car, construction of house etc. and are repayable in monthly installments over a maximum period of 120 months. These loans carry interest of 9 percent per annum (2013: 9 percent per annum). Included in loans to employees are loans amounting to Rs 0.817 million (2013: Rs. 0.957 million) given to employees who were victims of flood. These are interest free and repayable up to 10 years.

18.1.2 These represent secured loans to executive employees under Company's policy for the purchase of residential plot, residential house, renovation of house etc. and are repayable in monthly installments over a maximum period of 109 months. These loans carry interest ranging from 5.77 percent (2013: 7.45 percent) to 6.10 percent (2013: 8.53 percent) per annum. These loans are secured against the property purchased/renovated of the concerned employee. During the year, no new disbursement has been made.

19. Stores and spares

		2014	2013
		(Rupees in thousand)	
Stores and spares including in transit Rs 46.481 million (2013: Rs 17.036 million)	- note 19.1	4,087,537	4,332,314
Less: Provision for store obsolescence	- note 19.2	174,700	199,838
		3,912,837	4,132,476

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

19.1 Included in stores are items valuing Rs 4.420 million (2013: Rs 22.982 million) which are being held by the following suppliers:

	2014	2013
	(Rupees in thousand)	
MJB International, UAE	4,420	14,044
General Electric (USA)	-	8,938
	4,420	22,982

These stores and spares comprise of bearings, transition pieces and combustor liners sent to suppliers for inspection/ refurbishment purposes.

19.2 Provision for store obsolescence

	2014	2013
	(Rupees in thousand)	
Opening balance as at July 1	199,838	142,358
Add: (Reversal) / provision for the year	(266)	60,068
	199,572	202,426
Less: Stores written off against provision	24,872	2,588
Closing balance as at June 30	174,700	199,838

		2014	2013
		(Rupees in thousand)	
20. Stock-in-trade			
Furnace oil	- note 20.1	3,279,390	3,452,459
Diesel		848,631	745,803
		4,128,021	4,198,262

20.1 Stock-in-trade include Rs 2.425 million (2013: Rs 2.425 million) being carried at net realisable value.

		2014	2013
		(Rupees in thousand)	
21. Trade debts			
Trade debts	- note 21.1	66,234,408	34,290,730
Less: Provision for doubtful debts	- note 21.2	146,773	71,305
		66,087,635	34,219,425

21.1 These are considered good except Rs 146.773 million (2013: Rs 71.305 million) which are considered doubtful. These includes an overdue amount of Rs 50,779 million (2013: Rs 21,188 million) receivable from WAPDA. The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates. Aging analysis of trade receivables is given in note 39.1(b).

	2014	2013
	(Rupees in thousand)	
21.2 Provision for doubtful debts		
Opening balance as at July 1	71,305	68,298
Add: Provision for the year	120,562	3,007
	191,867	71,305
Less: Trade debts written off against provision	45,094	-
Closing balance as at June 30	146,773	71,305

		2014	2013 Restated
		(Rupees in thousand)	
22. Loans, advances, deposits, prepayments and other receivables			
Loans to employees - considered good	- note 18	9,682	9,482
Advances to suppliers - considered good	- note 22.1	315,907	181,831
Claims recoverable from Government:			
- Sales tax	- note 22.2	723,541	690,967
- Income tax		-	364,878
Prepayments		4,149	6,093
Claims recoverable from WAPDA as pass through items:			
- Workers' Welfare Fund		240,533	223,898
- Workers' Profit Participation Fund		566,500	545,271
	- note 22.3	807,033	769,169
Security deposits		2,424	3,376
Refundable from Workers' Profit Participation Fund	- note 22.4	11,500	-
Advance for coal expansion project	- note 22.5	6,999	-
Other receivables		17,616	11,100
		1,898,851	2,036,896

22.1 Advances to suppliers include amounts due from WAPDA Rs 14.557 million (2013: Rs 15.172 million). These are in the normal course of business and are interest free.

22.2 Sales tax recoverable includes an amount of Rs 16.972 million (2013: Rs 16.972 million), which represents refund for input tax on purchase of diesel for start-up. This refund was withheld by Deputy Collector (Refunds) and has also been adjudicated against the Company by Collector of Customs, Federal Excise & Sales Tax. The Company has filed Miscellaneous Application before the Customs, Excise and Sales Tax Appellate Tribunal.

Sales tax recoverable also includes an amount of Rs 414.814 million (2013: Rs 414.814 million) which represents refund held for input tax on EPP and CPP apportionment issue in 2009 and 2011. Being aggrieved, the Company filed an appeal before CIR(A). Subsequent to the year end, the Company received unfavorable order from CIR(A). Subsequently, the Company has filed an appeal with ATIR against unfavorable order from CIR(A) which is pending for fixation as referred to in note 13.1(ii).

22.3 Under section 14.2(a) of Part III of Schedule 6 to the Power Purchase Agreement (PPA) with WAPDA, payments to Workers' Welfare Fund and Workers' Profit Participation Fund are recoverable from WAPDA as pass through items.

	2014	2013
	(Rupees in thousand)	
22.4 Workers' Profit Participation Fund		
Opening payable / (refundable) as at July 1	15,271	(3,217)
Add: Provision for the year	566,500	545,271
	581,771	542,054
Less: Payments made during the year	593,271	526,783
Closing (refundable) / payable as at June 30	(11,500)	15,271

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968, the Company has established the KAPCO Workers' Participation Fund in March, 2008 to allocate the amount of annual profits stipulated by the Act for distribution amongst workers eligible to receive such benefits under the Act.

As fully explained in note 13.1(iii), the Company has not made any provision for Workers' Profit Participation Fund for the years up to June 30, 2006, based on a legal advice and in view of a constitutional petition pending adjudication in Sindh High Court.

22.5 The Company initiated coal expansion project at Bhikki, Punjab during the year. For this purpose, a special purpose vehicle was incorporated under the name of KAPCO Energy (Private) Limited (KEPL) on April 30, 2014. Share Capital of KAPCO Energy has not been paid up as at June 30, 2014. The balance represents regulatory fees, professional charges, guarantee commission and other related expenses incurred by the Company on behalf of KEPL. Final decision for expansion project is dependent upon the outcome of feasibility study and management as well as regulatory approvals.

		2014	2013
		(Rupees in thousand)	
23. Cash and bank balances			
At banks on:			
- Current accounts		197,573	198,748
- Savings accounts		3,132,780	155,981
	- note 23.1	3,330,353	354,729
In hand		82	206
		3,330,435	354,935

23.1 Included in these are total restricted funds of Rs 7.758 million (2013: Rs 3.735 million) held by banks under lien as margin against letters of credit. The balances in saving accounts bear mark up of 7 percent (2013: 6 percent) per annum.

		2014	2013
		(Rupees in thousand)	

24. Sales

		2014	2013
Energy purchase price		112,126,010	93,306,209
Sales tax		(16,291,813)	(12,900,797)
Net energy purchase price		95,834,197	80,405,412
Capacity purchase price		17,371,850	17,127,814
		113,206,047	97,533,226

25. Cost of sales

		2014	2013
Fuel cost		95,254,807	80,577,099
Salaries, wages and benefits	- note 25.1	1,163,670	1,034,741
Plant maintenance	- note 25.3	308,416	223,991
Gas turbines overhauls	- note 25.3	1,112,372	162,100
Repair and renewals	- note 25.3	1,082,698	113,928
Depreciation on property, plant and equipment	- note 14.1	2,073,238	1,966,300
Amortization on intangible assets	- note 15.1	4,063	3,031
Liquidated damages		3,000	3,500
(Reversal) / provision for store obsolescence	- note 19.2	(266)	60,068
		101,001,998	84,144,758

25.1 Salaries, wages and benefits

Salaries, wages and benefits include following in respect of retirement benefits:

	2014	2013 Restated
	(Rupees in thousand)	
Pension		
Current service cost	56,674	46,160
Net interest cost for the year	27,924	16,849
	84,598	63,009
Medical		
Current service cost	3,435	2,802
Net interest cost for the year	11,837	12,334
	15,272	15,136
Free electricity		
Current service cost	11,547	9,293
Net interest cost for the year	41,348	40,511
	52,895	49,804

In addition to above, salaries, wages and benefits also include Rs 28.449 million (2013: Rs 26.495 million) in respect of provident fund contribution by the Company.

	2014	2013
	(Rupees in thousand)	

25.2 Disclosures relating to provident fund

	2014	2013
Size of the fund	669,707	591,552
Cost of investments made	508,238	458,945
Percentage of investments made	75.89%	77.58%
Fair value of investments	508,571	462,402
Breakup of investments		
Government securities	290,856	309,495
Term finance certificates	98,021	75,575
Listed securities	119,361	73,875

	2014	2013
	% age of size of the fund	
Breakup of investments		
Government securities	43.43%	52.32%
Term finance certificates	14.64%	12.77%
Listed securities	17.82%	12.49%

The figures for 2014 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

25.3 Cost of sales include Rs 1,637.388 million (2013: Rs 484.662 million) for stores and spares consumed.

26. Administrative expenses

		2014	2013
		(Rupees in thousand)	
Travelling		12,396	20,931
Motor vehicles running		49,159	45,401
Postage, telephone and telex		11,473	12,388
Legal and professional charges		37,542	39,153
Computer charges		11,430	9,632
Auditors' remuneration	- note 26.1	3,102	3,277
Printing, stationery and periodicals		5,673	8,929
Repairs and maintenance infrastructure		44,425	43,402
Training expenses		10,058	9,812
Rent, rates and taxes		13,303	16,764
Depreciation on property, plant and equipment	- note 14.1	33,279	33,515
Depreciation on assets subject to finance lease	- note 16.1	28,023	25,850
Infrastructure cost		34,516	28,694
Education fee		30,879	29,945
Bad debts written off		66,243	663
Loans and advances written off		78	56
Provision for doubtful debts	- note 21.2	120,562	3,007
Other expenses		24,424	25,880
		536,565	357,299

	2014	2013
	(Rupees in thousand)	
26.1 Auditors' remuneration		
The charges for auditors' remuneration include the following in respect of auditors' services for:		
Statutory audit	2,039	1,857
Half yearly review	668	657
Workers' Profit Participation Fund audit, Employees Provident and Pension Fund audit, special reports and certificates	293	580
Out of pocket expenses	102	183
	3,102	3,277
27. Other operating expenses		
Write down of property, plant and equipment	723	24,762
28. Other income		
Income from financial assets		
Income on bank deposits	23,413	9,383
Interest on loans to employees	3,957	4,354
Interest on late payment - WAPDA	4,137,014	5,859,233
	4,164,384	5,872,970
Income from non-financial assets		
Profit on disposal of property, plant and equipment	2,765	1,648
Colony electricity	4,683	3,505
Provisions and unclaimed balances written back	963	780
Others	40,914	19,012
	49,325	24,945
	4,213,709	5,897,915
29. Finance cost		
Interest and mark-up including commitment charges on		
- long term loan from WAPDA - unsecured	353,526	451,722
- long term finances - secured	113,912	293,393
- finances under mark-up arrangements - secured	3,279,788	2,822,845
- credit supplies of raw material	755,110	4,396,396
- liabilities against assets subject to finance lease	10,224	11,813
Exchange loss	31,983	19,771
Bank and other charges	5,932	2,970
	4,550,475	7,998,910

	2014	2013
	(Rupees in thousand)	
30. Taxation		
For the year		
- Current	3,996,275	3,734,258
- Deferred	(396,670)	(176,294)
	3,599,605	3,557,964
Prior years		
- Current	546	(6,533)
- Deferred	-	-
	546	(6,533)
	3,600,151	3,551,431

	2014	2013
	%age	%age
30.1 Tax charge reconciliation		
Numerical reconciliation between the applicable tax rate and the average effective tax rate		
Applicable tax rate	34.00	35.00
Effect of change in tax rate	(0.72)	(0.83)
Effect of tax credit	(1.50)	(1.67)
Others	-	0.07
Average effective tax rate	31.78	32.57

31. Remuneration of Directors, Chief Executive and Executives

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

	Chief Executive		Executives	
	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration including bonus and other allowances	41,913	35,141	323,096	287,783
Contribution to provident & pension funds and other retirement benefit plans	2,840	2,511	47,889	38,180
Leave passage	1,900	1,900	13,557	12,232
	46,653	39,552	384,542	338,195
Number of Persons	1	1	86	85

The Company also provides the Chief Executive and some of the Executives with Company transport, telephones and medical facilities.

31.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2013: 6 directors) was Rs 1.960 million (2013: Rs 4.105 million).

32. Transactions with related parties

The related parties comprise associated undertakings, key management personnel and post retirement benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to/from related parties are shown under payables and receivables and remuneration of the key management personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

		2014	2013
		(Rupees in thousand)	
Relationship with the Company	Nature of transaction		
i. Associated undertakings	Purchase of services	594	2,518
	Sale of goods and electricity	113,206,047	97,533,226
	Interest expense	353,526	451,722
	Interest income on late payment	4,137,014	5,859,233
	Bad debts written off	66,243	663
	Provision for doubtful debts	120,562	3,007
ii. Post retirement benefit plans	Expense charged	181,214	147,034

Sale and purchase transactions with related parties are carried out on commercial terms and conditions. Interest is charged between associated undertakings on the basis of mutually agreed terms.

33. Non-adjusting events after the balance sheet date

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2014 of Rs 3.75 (2013: Rs 4.50) per share amounting to Rs 3,300.950 million (2013: Rs 3,961.140 million) at their meeting held on August 27, 2014 for approval of members at the Annual General Meeting to be held on October 22, 2014. These financial statements do not reflect this dividend payable.

34. Capacity and production

	2014 MWh	2013 MWh
Annual dependable capacity (Based on 8,760 hours)	11,756,064	11,756,064
Actual energy delivered	6,478,703	5,521,277

Capacity for the power plant taking into account all the planned scheduled outages is 10,374,682 MWh (2013: 11,373,055 MWh). Actual energy delivered by the plant is dependent on the load demanded by WAPDA and the plant availability.

35. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.0126 (2013: USD 1.0121), EURO 0.7422 (2013: EURO 0.7745), GBP 0.5948 (2013: GBP 0.6628) and YEN 102.6062 (2013: YEN 100.0600) equal to Rs 100.

	2014	2013
	(Rupees in thousand)	
36. Cash generated from operations		
Profit before tax	11,329,995	10,905,412
Adjustments for:		
- Depreciation on property, plant and equipment	2,106,517	1,999,815
- Amortization on intangible assets	4,063	3,031
- Depreciation on assets subject to finance lease	28,023	25,850
- Profit on disposal of property, plant and equipment	(2,765)	(1,648)
- Write down of property, plant and equipment	723	24,762
- Income on bank deposits	(23,413)	(9,383)
- Bad debts written off	66,243	663
- Advances written off	78	56
- (Reversal) / provision for store obsolescence	(266)	60,068
- Provision for doubtful debts	120,562	3,007
- Staff retirement benefits accrued	152,280	120,539
- Finance cost	4,550,475	7,998,910
Profit before working capital changes	18,332,515	21,131,082
Effect on cash flow due to working capital changes:		
- Decrease/(increase) in stores and spares	219,905	(466,140)
- Decrease in stock-in-trade	70,241	41,195
- (Increase)/decrease in trade debts	(32,055,015)	35,109,816
- Increase in loans, advances, deposits, prepayments and other receivables	(598,711)	(274,885)
- Increase/(decrease) in trade and other payables	3,403,470	(26,703,769)
	(28,960,110)	7,706,217
	(10,627,595)	28,837,299

		2014	2013
		(Rupees in thousand)	

37. Cash and cash equivalents

Cash and bank balances	- note 23	3,330,435	354,935
Finances under mark-up arrangements - secured	- note 11	(37,054,118)	(5,544,967)
		(33,723,683)	(5,190,032)

38. Earnings per share

38.1 Basic earnings per share

Profit for the year	Rupees in thousand	7,729,844	7,353,981
Weighted average number of ordinary shares	Numbers	880,253,228	880,253,228
Earnings per share	Rupees	8.78	8.35

38.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2014 and June 30, 2013 which would have any effect on the earnings per share.

39. Financial risk management

39.1 Financial risk factors

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

Risk management is carried out by the management in accordance with the Financial Risk Management Policy approved by the Board of Directors (the Board). This policy covers specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Great Britain Pound (GBP) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable/payable from/to the foreign entities. The Company's exposure to currency risk was as follows:

	2014	2013
Trade and other payables - USD	(82,015)	-
Advances to suppliers - USD	-	-
Net exposure - USD	(82,015)	-
Trade and other payables - GBP	(201)	(1,132)
Advances to suppliers - GBP	-	-
Net exposure - GBP	(201)	(1,132)
Trade and other payables - Euro	(797,847)	(51,257)
Advances to suppliers - Euro	-	-
Net exposure - Euro	(797,847)	(51,257)

The following exchange rates were applied during the year:

	2014	2013
Rupees per USD		
Average rate	102.65	96.77
Reporting date rate	98.75	98.80
Rupees per GBP		
Average rate	167.21	151.70
Reporting date rate	168.13	150.87
Rupees per Euro		
Average rate	139.39	125.30
Reporting date rate	134.73	129.11

If the functional currency, at reporting date, had fluctuated by 5% against the USD, GBP and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rs 3.864 million (2013: Rs 2.619 million) respectively lower/higher, mainly as a result of exchange gains/losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Staff Loans	49,021	51,392
Floating rate instruments		
Bank balances - savings accounts	3,132,780	155,981
Financial liabilities		
Fixed rate instruments		
Long term loan - WAPDA	2,006,816	2,708,222
Floating rate instruments		
Other long term loans - secured	304,530	1,562,682
Liabilities against assets subject to finance lease	92,840	108,942
Finances under mark-up arrangements - secured	37,054,118	5,544,967
	37,451,488	7,216,591

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on late payments, liabilities against assets subject to finance lease, long term loans and finances under mark-up arrangement, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after taxation for the year would have been Rs 51.652 million (2013: Rs 60.256 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) 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. Company's credit risk is primarily attributable to its trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	(Rupees in thousand)	
Long term loans and deposits	62,802	66,291
Trade debts	66,087,635	34,219,425
Loans, advances, deposits, prepayments and other receivables		
- Workers' Welfare Fund receivable from WAPDA	240,533	223,898
- Workers' Profit Participation Fund receivable from WAPDA	566,500	545,271
- Security deposits	2,424	3,376
- Refundable from Workers' Profit Participation Fund	11,500	-
- Other receivables	7,598	7,700
Balances with banks	3,330,353	354,729
	70,309,345	35,420,690

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts, Workers' Welfare Fund and Workers' Profit Participation Fund receivable from WAPDA is mitigated by guarantee from the Government of Pakistan under the Facilitation Agreement. Age analysis of trade receivable balances is as follows:

	2014	2013
	(Rupees in thousand)	
Not yet due	15,308,250	13,031,752
Due past 90 days	31,192,083	16,809,248
Due past 90 to 180 days	9,076,849	1,016,402
Due past 181 to 365 days	5,022,514	2,135,899
Due past 365 days	5,487,939	1,226,124
	66,087,635	34,219,425

The credit quality of bank balances 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:

	Rating		Rating		
	Short term	Long term	Agency	2014	2013
				(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,918,129	264
Faysal Bank Limited	A-1+	AA	JCR-VIS	22	339
MCB Bank Limited	A1+	AAA	PACRA	-	2,485
Habib Bank Limited	A-1+	AAA	JCR-VIS	404,407	348,464
Standard Chartered Bank	A1+	AAA	PACRA	1	1,624
NIB Bank Limited	A1+	AA-	PACRA	8	7
Bank of Punjab	A1+	AA-	PACRA	2	-
Deutsche Bank AG	A-1	A	Standard & Poor's	14	15
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	7,758	-
Bank Alfalah Limited	A1+	AA	PACRA	-	1,250
Citibank N.A.	A-1	A+	Standard & Poor's	12	281
				3,330,353	354,729

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2014, the Company had borrowing limits available from financial institutions at Rs 44,670 million (2013: Rs 30,396 million) and Rs 3,330.435 million (2013: Rs 354.935 million) in cash and bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities as at June 30, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term loan - unsecured	2,006,816	540,207	1,466,609	-
Long term loan - secured	304,530	304,530	-	-
Liabilities against assets subject to finance lease	92,840	24,508	68,332	-
Finances under mark-up arrangements - secured	37,054,118	37,054,118	-	-
Trade and other payables	24,884,350	24,884,350	-	-
	64,342,654	62,807,713	1,534,941	-

The following are the contractual maturities of financial liabilities as at June 30, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term loan - unsecured	2,708,222	701,405	2,006,817	-
Long term loan - secured	1,562,682	1,258,153	304,529	-
Liabilities against assets subject to finance lease	108,942	27,497	81,445	-
Finances under mark-up arrangements - secured	5,544,967	5,544,967	-	-
Trade and other payables	22,766,868	22,766,868	-	-
	32,691,681	30,298,890	2,392,791	-

39.2 Fair values of financial assets and liabilities

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

39.3 Financial instruments by categories

	Loans and receivables	
	2014	2013
	(Rupees in thousand)	
Financial assets as per balance sheet		
Long term loans and deposits	62,802	66,291
Trade debts	66,087,635	34,219,425
Loans, advances, deposits, prepayments and other receivables		
- Workers' Welfare Fund receivable from WAPDA	240,533	223,898
- Workers' Profit Participation Fund receivable from WAPDA	566,500	545,271
- Security deposits	2,424	3,376
- Refundable from Workers' Profit Participation Fund	11,500	-
- Other receivables	7,598	7,700
Cash and bank balances	3,330,435	354,935
	70,309,427	35,420,896

	Financial liabilities at amortized cost	
	2014	2013
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term loan - unsecured	2,006,816	2,708,222
Long term loan - secured	304,530	1,562,682
Liabilities against assets subject to finance lease	92,840	108,942
Finances under mark-up arrangements - secured	37,054,118	5,544,967
Trade and other payables	24,884,350	22,766,868
	64,342,654	32,691,681

39.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 7. Total capital is calculated as 'equity' shown in the balance sheet plus debt. The gearing ratio as at year ended June 30, 2014 and June 30, 2013 are as follows:

			2014	2013 Restated
			(Rupees in thousand)	
Debt		- note 7	2,311,346	4,270,904
Total equity			26,787,847	25,475,038
Total capital			29,099,193	29,745,942
Gearing ratio	Percentage		8	14

40. Number of employees

Total number of employees at year end and average number of employees during the year are 577 (2013: 607) and 587 (2013: 625) respectively.

41. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant reclassifications have been made except for restatement made in accordance with IAS 19, 'Employee benefits' (Revised) and the reclassification as under:

Description	2013	Reclassified	
	(Rupees in thousand)	From	To
Differential payable to WAPDA	172,087	Administrative expenses	Sales

42. Date of authorisation for issue

These financial statements were authorised for issue on August 27, 2014 by the Board of Directors of the Company.

Aftab Mahmood Butt
(Chief Executive)

Syed Nizam Ahmed Shah
(Director)