BALANCE SHEET

AS AT JUNE 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (2012: 3,600,000,000) ordinary			
shares of Rs 10 each		36,000,000	36,000,000
Issued, subscribed and paid up capital			
880,253,228 (2012: 880,253,228) ordinary			
shares of Rs 10 each	5	8,802,532	8,802,532
Capital reserve	6	444,451	444,451
Unappropriated profit		16,342,836	14,402,413
		25,589,819	23,649,396
NON-CURRENT LIABILITIES			
Long term finances	7	2,311,346	4,270,905
Liabilities against assets subject to finance lease	8	81,445	61,454
Deferred liabilities	9	3,656,788	3,918,411
		6,049,579	8,250,770
CURRENT LIABILITIES			
Current portion of long term liabilities	10	1,987,055	1,677,142
Finances under mark-up arrangements - secured	11	5,544,967	20,049,549
Trade and other payables	12	22,993,279	45,718,500
		30,525,301	67,445,191
CONTINGENCIES AND COMMITMENTS	13		
		62,164,699	99,345,357

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

Aftab Mahmood Butt
(Chief Executive)

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	17,090,199	18,264,486
Intangible assets	15	14,528	7,388
Assets subject to finance lease	16	109,751	40,914
Capital work-in-progress	17	10,547	130,768
Long term loans and deposits	18	56,809	53,198
		17,281,834	18,496,754
CURRENT ASSETS			
Stores and spares	19	4,132,476	3,726,404
Stock-in-trade	20	4,198,262	4,239,457
Trade debts	21	34,219,425	69,332,911
Loans, advances, deposits, prepayments and other receivables	22	1,977,767	3,243,061
Cash and bank balances	23	354,935	306,770
		44,882,865	80,848,603
		62,164,699	99,345,357

Anwar-ul-Haq
(Director)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2013

		Note	2013	2012
			(Rupees in thousand)	
Sales		24	97,705,313	100,504,304
Cost of sales		25	(84,144,758)	(89,252,443)
Gross profit			13,560,555	11,251,861
Administrative expenses		26	(529,386)	(496,057)
Other operating expenses		27	(24,762)	(600)
Other income		28	5,897,915	7,662,456
Profit from operations			18,904,322	18,417,660
Finance cost		29	(7,998,910)	(9,782,214)
Profit before tax			10,905,412	8,635,446
Taxation		30	(3,551,431)	(2,564,159)
Profit for the year			7,353,981	6,071,287
Earnings per share	Rupees	38	8.35	6.90

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

Aftab Mahmood Butt
(Chief Executive)

Anwar-ul-Haq
(Director)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
Profit for the period	7,353,981	6,071,287
Other comprehensive income	-	-
Total comprehensive income for the year	7,353,981	6,071,287

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

Aftab Mahmood Butt
(Chief Executive)

Anwar-ul-Haq
(Director)

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	28,837,299	18,988,865
Finance cost paid		(4,057,244)	(4,672,337)
Taxes paid		(2,187,602)	(2,393,685)
Staff retirement benefits paid		(205,868)	(35,114)
Net cash generated from operating activities		22,386,585	11,887,729
Cash flows from investing activities			
Fixed capital expenditure		(868,917)	(2,906,955)
Income on bank deposits received		9,383	2,529
Net increase in long term loans and deposits		(3,611)	(10,702)
Proceeds from sale of property, plant and equipment		89,734	1,184
Net cash used in investing activities		(773,411)	(2,913,944)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(28,723)	(20,438)
Repayment of long term loan - unsecured		(701,405)	(838,133)
Repayment of long term loans - secured		(953,623)	-
Proceeds from long term loans - secured		-	1,716,305
Dividend paid		(5,376,676)	(6,338,243)
Net cash used in financing activities		(7,060,427)	(5,480,509)
Net increase in cash and cash equivalents		14,552,747	3,493,276
Cash and cash equivalents at beginning of the year		(19,742,779)	(23,236,055)
Cash and cash equivalents at the end of the year	37	(5,190,032)	(19,742,779)

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

Aftab Mahmood Butt
(Chief Executive)

Anwar-ul-Haq
(Director)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Share capital	Capital reserve	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as on June 30, 2011	8,802,532	444,451	14,712,962	23,959,945
Final dividend for the year ended June 30, 2011 - Rs 3.50 per share	-	-	(3,080,886)	(3,080,886)
Total comprehensive income for the year	-	-	6,071,287	6,071,287
Interim dividend - Rs 3.75 per share	-	-	(3,300,950)	(3,300,950)
Balance as on June 30, 2012	8,802,532	444,451	14,402,413	23,649,396
Final dividend for the year ended June 30, 2012 - Rs 3.15 per share	-	-	(2,772,798)	(2,772,798)
Total comprehensive income for the year	-	-	7,353,981	7,353,981
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on June 30, 2013	8,802,532	444,451	16,342,836	25,589,819

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

Aftab Mahmood Butt
(Chief Executive)

Anwar-ul-Haq
(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 but not applicable/relevant to the Company's operations

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 (amendment), 'Financial statement presentation' on Other Comprehensive Income (OCI)	July 1, 2012
IAS 12 (amendment), 'Income Taxes' on deferred tax	January 1, 2012

2.2.2 Standards, amendments and interpretation to existing standards that are not yet effective

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for periods beginning on or after January 1, 2006, however, Independent Power Producers (IPPs), whose letter of intent has been signed on or before June 30, 2010, have been exempted from its application by Securities and Exchange Commission of Pakistan (SECP). 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:

	2013	2012
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(17,062,948)	(18,228,406)
Recognition of lease debtor	8,336,197	9,114,079
Decrease in un-appropriated profit at the beginning of the year	(5,645,792)	(3,855,533)
Increase/(decrease) in profit for the year	196,909	(1,790,259)
Decrease in un-appropriated profit at the end of the year	(5,448,883)	(5,645,792)

- 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 shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service 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 1,633.899 million (2012: Rs 823.359 million), profit after taxation would have been lower by Rs 1,062.034 million (2012: Rs 535.183 million), retained earnings would have been lower by Rs 1,062.034 million (2012: Rs 535.183 million), earning per share would have been lower by Rs 1.21 per share (2012: Rs 0.61 per share) and reserves would have been higher by Rs 1,633.899 million (2012: Rs 823.359 million).

- IAS 19 Employee Benefits (amended 2011) - effective for annual periods beginning on or after January 01, 2013.

The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace 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 will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss amounting Rs 173.910 million in other comprehensive income in the period of initial application.

- The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective dates:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 9, 'Financial Instruments'	January 1, 2013
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'	January 1, 2013

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

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
IAS 32 (Amendment), 'Financial instruments: Presentation' on Offsetting financial assets and financial liabilities.	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
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, 'Disclosures of interest on other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013

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 is in accordance with law, the amounts are shown 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, 2013. The actual return on plan assets during the year was Rs 167.756 million (2012: Rs 147.381 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 11.00 percent per annum (2012: 13.50 percent per annum).
- Expected rate of increase in salary level 11.00 percent per annum (2012: 13.50 percent per annum).
- Expected rate of increase in pension 6.00 percent per annum (2012: 8.50 percent per annum).
- Expected rate of return on plan assets 11.00 percent per annum (2012: 13.50 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 84.598 million to the pension fund in the next year ending June 30, 2014.

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 'Employee Benefits'.

(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 dependant 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, 2013.

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

- Discount rate 11.00 percent per annum (2012: 13.50 percent per annum).
- Expected rate of increase in medical cost 8.00 percent per annum (2012: 10.50 percent per annum).
- Expected rate of increase in electricity benefit 11.00 percent per annum (2012: 13.50 percent per annum).

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

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 of 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 derecognized 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 derecognized when the obligation under the liability is discharged or 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

2013	2012		2013	2012
(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:

	2013	2012
	(Number of shares)	
Pakistan Water and Power Development Authority (WAPDA)	354,311,133	354,255,935
National Power (Kot Addu) Limited (a wholly owned subsidiary of International Power plc)	316,891,159	316,891,159
KAPCO Employees Empowerment Trust (Formed under Benazir Employees' Stock Option Scheme (BESOS))	48,252,429	48,307,627
	719,454,721	719,454,721

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

		2013	2012
		(Rupees in thousand)	
These are composed off:			
- Loan from related parties - unsecured	- note 7.1	2,708,222	3,409,627
- Other bank finances - secured	- note 7.2	1,562,682	2,516,305
		4,270,904	5,925,932
Less: Current maturity		1,959,558	1,655,027
		2,311,346	4,270,905

7.1 Loan from related parties - unsecured

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	No of installments	Interest / Mark-up payable
WAPDA	PKR	2,708,222	14%	12, ending June 2018.	Semi annually

7.2 Other bank finances - secured

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	No of installments	Interest / Mark-up payable
Allied Bank Limited	PKR	400,000	6 month KIBOR plus 2.75%	4 semi annual installments ending April, 2014	Semi annually
MCB Bank Limited	PKR	622,731	6 month KIBOR plus 2.75%	8 quarterly installments ending August, 2014	Quarterly
Habib Bank Limited	PKR	539,951	3 month KIBOR plus 2.50%	4 semi annual installments 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 3,401 million (2012: 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 13.45 (2012: 13.55) percent per annum.

	2013	2012
	(Rupees in thousand)	
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	108,942	83,569
Less: Current portion shown under current liabilities	27,497	22,115
	81,445	61,454

Minimum lease payments have been discounted at an implicit interest rate ranging from 10.36 percent (2012: 12.95 percent) per annum to 14.50 percent (2012: 16.30 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:

	Minimum lease payment	Future finance charge	Present value of lease liability
			2013
	(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

	Minimum lease payment	Future finance charge	Present value of lease liability
			2012
	(Rupees in thousand)		
Not later than one year	31,228	9,113	22,115
Later than one year and not later than five years	75,272	13,818	61,454
	106,500	22,931	83,569

		2013	2012
		(Rupees in thousand)	
9. Deferred Liabilities			
Deferred taxation	- note 9.1	3,094,131	3,270,425
Staff retirement benefits	- note 9.2	562,657	647,986
		3,656,788	3,918,411

9.1 Deferred taxation

	2013	2012
The liability for deferred taxation comprises of timing differences relating to:		
Accelerated tax depreciation	3,223,360	3,373,403
Provision for store obsolescence	(67,945)	(49,825)
Provision for doubtful debts	(24,244)	(23,904)
Liabilities against assets subject to finance lease	(37,040)	(29,249)
	3,094,131	3,270,425

		2013	2012
		(Rupees in thousand)	

9.2 Staff retirement benefits

These are composed of:

		2013	2012
Pension	- note 9.2.1	694	140,468
Medical	- note 9.2.2	184,551	178,061
Free electricity	- note 9.2.2	377,412	329,457
		562,657	647,986

9.2.1 Pension

The amounts recognised in the balance sheet are as follows:

	2013	2012
Present value of defined benefit obligation	1,749,201	1,400,795
Fair value of plan assets	(1,481,381)	(1,192,195)
Unrecognised actuarial losses	(267,126)	(68,132)
Liability as at June 30	694	140,468
Liability as at July 1	140,468	66,447
Charge to profit and loss account	63,009	106,504
Contribution paid by the Company	(202,783)	(32,483)
Liability as at June 30	694	140,468

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

	2013	2012
Present value of defined benefit obligation as at July 1	1,400,795	1,355,828
Current service cost	46,160	50,517
Interest cost for the year	185,126	197,491
Benefits paid during the year	(81,354)	(30,719)
Experience loss/(gain) on liability	198,474	(172,322)
Present value of defined benefit obligation as at June 30	1,749,201	1,400,795

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

	2013	2012
Fair value as at July 1	1,192,195	1,043,050
Expected return on plan assets	168,277	150,733
Company contribution	202,783	32,483
Benefits paid during the year	(81,354)	(30,719)
Experience loss on plan assets	(520)	(3,352)
Fair value as at June 30	1,481,381	1,192,195

Plan assets are comprised as follows:

	2013	2012
Mutual funds	10%	5%
Interest bearing instruments	87%	91%
Other	3%	4%
	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:

	2013	2012	2011	2010	2009
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligations	1,749,201	1,400,795	1,355,828	981,216	823,819
Fair value of plan assets	(1,481,381)	(1,192,195)	(1,043,050)	(908,157)	(805,960)
Deficit	267,820	208,600	312,778	73,059	17,859
Experience adjustment on obligation (loss)/gain	-11%	12%	-14%	-6%	-9%
Experience adjustment on plan assets	0%	0%	2%	1%	2%

9.2.2

	Post retirement Medical 2013	Post retirement Medical 2012	Post retirement Free electricity 2013	Post retirement Free electricity 2012
	(Rupees in thousand)		(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:				
Present value of defined benefit obligation	104,953	90,731	363,794	296,546
Unrecognised actuarial gains	79,598	87,330	13,618	32,911
Liability as at June 30	184,551	178,061	377,412	329,457
Liability as at July 1	178,061	170,058	329,457	280,144
Charge to profit and loss account	8,022	9,175	49,508	50,772
Benefit paid by the Company	(1,532)	(1,172)	(1,553)	(1,459)
Liability as at June 30	184,551	178,061	377,412	329,457
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at July 1	90,731	86,263	296,546	279,689
Current service cost	2,802	2,812	9,293	9,643
Interest cost for the year	12,334	12,627	40,511	41,129
Benefits paid during the year	(1,532)	(1,172)	(1,553)	(1,459)
Experience loss/(gain)	618	(9,799)	18,997	(32,456)
Present value of defined benefit obligation as at June 30	104,953	90,731	363,794	296,546

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:

	2013	2012	2011	2010	2009
	Post Retirement Medical				
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	104,953	90,731	86,263	91,440	102,280
Fair value of plan assets	-	-	-	-	-
Deficit	104,953	90,731	86,263	91,440	102,280
Experience adjustment on obligation (loss)/gain	-1%	10%	14%	0%	9%

A one percentage point change in medical cost trend assumption would have the following effects:

	One percent point increase	One percent point decrease
	(Rupees in thousand)	
Effect on the aggregate of the service cost and interest cost	3,136	(2,490)
Effect on the defined benefit obligation	20,827	(16,597)

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

	2013	2012	2011	2010	2009
	Post Retirement Electricity				
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	363,794	296,546	279,689	239,075	190,619
Fair value of plan assets	-	-	-	-	-
Deficit	363,794	296,546	279,689	239,075	190,619
Experience adjustment on obligation (loss)/gain	-5%	12%	-2%	-11%	-8%

		2013	2012
		(Rupees in thousand)	

10. Current portion of long term liabilities

		2013	2012
Long term finances	- note 7	1,959,558	1,655,027
Liabilities against assets subject to finance lease	- note 8	27,497	22,115
		1,987,055	1,677,142

11. Finances under mark up arrangements - secured

		2013	2012
Running finances - secured	- note 11.1	5,544,967	20,049,549
Short term finances - secured	- note 11.2	-	-
		5,544,967	20,049,549

11.1 Running finances - secured

Short term running finances available from various commercial banks under mark-up arrangements amount to Rs 30,396 million (2012: Rs 26,600 million) including murabaha facilities of Rs 8,946 million (2012: Rs 6,150 million). The rate of mark-up ranges from 10.32 percent to 14.60 percent (2012: 12.93 percent to 16.04 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 (2012: 20 percent to 24 percent) per annum on the balances unpaid.

11.2 Short term finances - secured

The finances were repaid during the year. The effective mark-up charged on this facility during the year was 10.56 percent (2012: 14.01 percent) per annum.

11.3 Letter of credit and bank guarantees

Of the aggregate facility of Rs 3,473.724 million (2012: 3,498.551 million) for opening letters of credit and Rs 536.276 million (2012: Rs71.449 million) for guarantees, the amount utilised as at June 30, 2013 was Rs 1,030.685 million (2012: Rs 641.241 million) and Rs 536.276 million (2012: Rs 71.449 million) respectively.

The aggregate running finances, short term finances and letters of credit and guarantees are secured by charge on stores, spares, stock-in-trade and trade debts up to a limit of Rs 51,762 million (2012: Rs 43,093 million) and charge on property, plant and equipment up to a limit of Rs 42,468 million (2012: Rs 39,400 million).

		2013	2012
		(Rupees in thousand)	
12. Trade and other payables			
Trade creditors	- note 12.1	4,424,031	31,315,545
Accrued liabilities		195,604	171,981
Liquidated damages		175,978	172,478
Markup accrued on:			
- Long term loan - unsecured		4,155	5,231
- Long term finances - secured		46,393	77,194
- Finances under markup arrangements - secured		154,943	277,826
- Liabilities against assets subject to finance lease		974	944
- Credit supplies of raw material		17,217,234	13,120,838
Deposits - interest free repayable on demand		2,581	1,211
Workers' Welfare Fund		223,898	147,843
Workers' Profit Participation Fund	- note 22.4	15,271	-
Differential payable to WAPDA	- note 26.2	172,098	113,600
Unclaimed dividends		337,258	300,376
Others		22,861	13,433
		22,993,279	45,718,500

12.1 Trade creditors include amount due to related parties Rs 0.352 million (2012: Rs 0.782 million) and payable to Pakistan State Oil (PSO) amounting to Rs 4,391 million (2012: Rs 30,776 million)

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 the 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 appeal with the Appellate Tribunal Inland Revenue (ATIR) against the CIR(A) orders. The Company received favorable order from ATIR on these issues. The Company has applied for appeal effect orders which are yet to be issued. The Tax Department has a right to file an appeal before the High Court against the ATIR decision.

For the tax year 2012, the DCIR has issued assessment order and demand notice amounting to Rs 458 million which was later rectified to Rs 411 million. The Company has filed appeal with CIR(A).

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) 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 (2012: 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.

(iii) 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 1,704.588 million up to June 30, 2013 (2012: Rs 1,270.852 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 255.688 million (2012: Rs 190.628 million) to the OEM out of the discount recognised up to June 30, 2013. 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.

(iv) WAPDA has raised invoices for liquidated damages to the company for the years ended June 30, 2009, 2010, 2011 and 2012 (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 12,645 million. Estimated amount of liquidated damages are not expected to exceed Rs 19,917 million as at June 30, 2013 (2012: 10,101 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.

(v) Al-Takbeer KAPCO Employees Union (CBA) filed a case in District Labour Court, DG Khan (Labour Court) on June 27, 2013 seeking interim relief on their Charter of Demands (COD) which could not be agreed with the Management of the Company despite many meetings. Subsequent to the year end, the case came up for hearing from the Labour Court and the Labour Court refused to grant interim award without hearing the Company, which is a mandatory requirement under the law. Against the decision of the Labour Court, the CBA filed a petition before the Punjab Appellate Tribunal Multan (the Tribunal). The Tribunal suspended the order of the Labour Court on July 9, 2013 and directed the Labor Court to announce an interim order. The Labour Court announced the interim award on July 10, 2013 without giving the Company an opportunity to present its case as required by law.

Aggrieved by the decisions of the Tribunal and the Labour Court, the Company filed a writ petition before the Lahore High Court (Multan Bench). The Honourable High Court suspended the operation of the impugned order dated July 9, 2013 passed by the Tribunal and order dated July 10, 2013 passed by the Labour Court. The matter is still pending adjudication before the High Court. It is not possible to determine the financial impact of the outcome of any decision by the Court at this stage. The Management is of the view that it has meritorious grounds to believe that the case will be decided in the Company's favour. Therefore, no provision has been made in the accounts exceeding the amount offered by the Management as settlement of COD.

(vi) The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 536.276 million (2012: Rs 71.449 million).

13.2 Commitments

(i) Contracts for capital expenditure Rs 632.414 million (2012: Rs 333.318 million).

(ii) Letters of credit other than for capital expenditure Rs 428.005 million (2012: Rs 347.294 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, 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	
Net carrying value basis									
Year ended June 30, 2012									
Opening net book value (NBV)	46,285	299,866	14,489,540	2,009,529	81,332	20,818	564	10,243	16,958,177
Additions (at cost)	-	4,678	270,124	2,850,928	31,382	9,880	66	98	3,167,156
Transfers	-	-	-	-	-	-	-	4,517	4,517
Disposals (at NBV)	-	-	-	-	-	-	-	(1,175)	(1,175)
Depreciation charge	-	(30,203)	(1,292,724)	(511,262)	(20,990)	(7,440)	(233)	(1,337)	(1,864,189)
Closing net book value (NBV)	46,285	274,341	13,466,940	4,349,195	91,724	23,258	397	12,346	18,264,486
Gross carrying value basis									
As at June 30, 2012									
Cost	46,285	709,304	34,524,463	7,526,509	292,791	104,890	17,646	49,529	43,271,417
Accumulated depreciation	-	(434,963)	(21,057,523)	(3,177,314)	(201,067)	(81,632)	(17,249)	(37,183)	(25,006,931)
Net book value (NBV)	46,285	274,341	13,466,940	4,349,195	91,724	23,258	397	12,346	18,264,486
Depreciation rate % per annum	-	4-11	4 - 10.71	10-11	20	20	20	25	

The cost of fully depreciated assets which are still in use as at June 30, 2013 is Rs 1,921 million (2012: Rs 1,803 million).

		2013	2012
		(Rupees in thousand)	

14.1 The depreciation charge for the year has been allocated as follows:

		2013	2012
Cost of sales	- note 25	1,966,300	1,832,417
Administration expenses	- note 26	33,515	31,772
		1,999,815	1,864,189

14.2 Disposal of Property, plant and equipment of Book Value exceeding Rs 50,000

2013

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Vehicles	Executives					
Toyota Corolla - XLi	Mr. Zubair Aslam	905	(724)	181	181	Company Policy
Toyota Camry	Mr. Azfar Baig	2,876	(2,301)	575	575	Company Policy
Toyota Corolla - XLi	Mr. Mahmood Ahmad	905	(724)	181	181	Company Policy
Toyota Corolla - GLi	Mr. Muhammad Bilal	1,007	(806)	201	201	Company Policy
Toyota Corolla - GLi	Mr. Muhammad Asif	1,007	(806)	201	201	Company Policy
Toyota Corolla - GLi	Mr. Muhammad Idrees	1,007	(806)	201	201	Company Policy
Toyota Camry	Mr. Mohtashim Aftab	2,876	(2,301)	575	575	Company Policy
Toyota Camry	Mr. Khalid Pervaiz Bajwa	2,876	(2,301)	575	575	Company Policy
Honda City	Mr. Nadeem Mukhtar Rana	880	(704)	176	176	Company Policy
Honda Civic	Mr. Junaid Asghar	1,560	(1,248)	312	312	Company Policy
Honda Civic	Mr. Aftab Mehmood Butt, (Chief Executive)	1,768	(1,414)	354	354	Company Policy
Land Cruiser	Mr. Aftab Mehmood Butt, (Chief Executive)	7,963	(6,769)	1,194	1,194	Company Policy
Toyota Corolla - GLi	Mr. Atta ur Rehman	1,007	(806)	201	201	Company Policy
Honda Civic	Mr. Waheed Sohail	1,560	(1,248)	312	312	Company Policy
Toyota Corolla - GLi	Mr. Iqbal Khattak	1,007	(806)	201	201	Company Policy
Honda Civic	Mr. Ghulam Rasool Sabir	1,560	(1,248)	312	312	Company Policy
Honda Civic	Mr. Anthony Rath	1,556	(1,244)	312	312	Company Policy
Honda City	Mr. Khalid Naseem	880	(704)	176	176	Company Policy
Honda Civic	Mr. Jamal Younus	1,560	(1,248)	312	312	Company Policy
Toyota Corolla - GLi	Mr. Mushtaq Ahmad	1,013	(811)	202	202	Company Policy
	Non-executives					
Toyota Corolla 2.OD	Mr. Mahboob Ali	1,073	(858)	215	700	Negotiation
Honda City	Mr. Tahir Mahmood	880	(704)	176	986	Negotiation
	Ex-employees (Executives)					
Toyota Corolla - GLi	Mr. Tanveer Ahmad Zaidi	1,007	(806)	201	201	Company Policy
Toyota Corolla - GLi	Mr. Iftikhar ul Hassan	1,007	(806)	201	201	Company Policy
Honda Civic	Mr. Abdul Salam	1,945	(1,005)	940	1,334	Company Policy
Toyota Corolla - GLi	Mr. Ghulam Muhammad	1,007	(806)	201	201	Company Policy
Toyota Corolla - GLi	Mr. Younas Arain	1,007	(806)	201	201	Company Policy
	Outsiders					
Toyota Corolla 2.OD	Mr. Sajjad Hussain	1,073	(858)	215	682	Negotiation
Buildings on freehold land						
	Outsiders					
60 E & 30 F-Type Houses (Demolished and sold as scrap)	Ahmad Din Arshad	23,350	(15,722)	7,628	3,571	Negotiation

2012

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
			(Rupees in thousand)			
Vehicles	Executives					
Suzuki Liana	Mr. Imran Iqbal	827	(661)	166	166	Company Policy
	Ex-employee (Executives)					
Toyota Corolla - Gli	Mr. Rizwan ul Haq	1,384	(576)	808	808	Company Policy
Toyota Corolla - Gli	Mr. Sajjad Mehmood	1,007	(806)	201	210	Company Policy

	2013	2012
	(Rupees in thousand)	
15. Intangible assets - Computer software		
Net carrying value basis		
Year ended June 30		
Opening Net Book Value (NBV)	7,388	5,791
Additions (at cost)	10,171	3,488
Disposals (at NBV)	-	-
Amortisation charge	(3,031)	(1,891)
Closing NBV	14,528	7,388
Gross carrying value basis		
Cost	45,233	35,062
Accumulated amortisation	(30,705)	(27,674)
NBV	14,528	7,388
Amortisation rate % per annum	20	20

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

		2013	2012
		(Rupees in thousand)	
16.	Assets Subject to Finance Lease		
	Net carrying value basis		
	Year ended June 30		
	Opening NBV	40,914	52,908
	Additions (at cost)	100,003	6,537
	Disposals (at NBV)	(5,316)	(4,517)
	Depreciation charge	(25,850)	(14,014)
	Closing NBV	109,751	40,914
	Gross carrying value basis		
	Cost	163,737	87,562
	Accumulated depreciation	(53,986)	(46,648)
	NBV	109,751	40,914
	Depreciation rate % per annum	25	25

16.1 Depreciation charge for the period has been allocated in administrative expenses.

			2013	2012
			(Rupees in thousand)	
17.	Capital work-in-progress			
	Advance to contractor for office premises	- note 17.1	-	71,352
	Civil works		972	10,934
	Plant and machinery		1,870	6,235
	Advances for IT systems, leased vehicles etc. including amount for leased vehicles not yet delivered Rs Nil (2012: 34.186 million)		7,705	42,247
			10,547	130,768

17.1 The advance for office space has been sold to Meezan Bank Limited for Rs 74.372 million through negotiation.

		2013	2012
		(Rupees in thousand)	
18. Long term loans and deposits			
Loans to employees - considered good	- note 18.1	51,392	53,407
Security deposits		14,899	11,805
		66,291	65,212
Less: Receivable within one year		9,482	12,014
		56,809	53,198

18.1 Loan to employees - considered good			
Loans to employees - unsecured	- note 18.1.1	32,157	32,507
Loans to employees - secured	- note 18.1.2	19,235	20,900
		51,392	53,407

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 (2012: 9 percent per annum). Included in loans to employees are loans amounting to Rs 0.957 million (2012: 1.180 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 officers' housing loan 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 7.45 percent (2012: 8.53) to 8.53 percent (2012: 9.63) per annum. These loans are secured against the property purchased/renovated of the concerned employee. During the year, no new disbursement has been made.

		2013	2012
		(Rupees in thousand)	
19. Stores and spares			
Stores and spares including in transit Rs 17.036 million (2012 : Rs 4.285 million)	- note 19.1	4,332,314	3,868,762
Less: Provision for store obsolescence	- note 19.2	199,838	142,358
		4,132,476	3,726,404

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 22.982 million (2012: Rs 61.138 million) which are being held by the following suppliers:

	2013	2012
	(Rupees in thousand)	
Siemens AG Germany	-	38,503
Middle East Engineering Company (MEELSA)	-	7,526
MJB International, UAE	14,044	-
Siemens Pakistan Engineering Company Limited	-	9,351
General Electric (USA)	8,938	-
Allweiler AG	-	5,758
	22,982	61,138

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

	2013	2012
	(Rupees in thousand)	
19.2 Provision for store obsolescence		
Opening balance as on July 1	142,358	114,336
Add: Provision for the year	60,068	39,232
	202,426	153,568
Less: Stores written off against provision	2,588	11,210
	199,838	142,358

20. Stock in trade

		2013	2012
Furnace oil	- note 20.1	3,452,459	3,663,960
Diesel		745,803	575,497
		4,198,262	4,239,457

20.1 Stock in trade of Rs 2.425 million (2012: Rs 2.425) is being carried out at Net Realisable Value and an amount of Rs Nil (2012: Rs Nil) has been charged to cost of sales, being the cost of stock in trade written down during the year.

		2013	2012
		(Rupees in thousand)	
21. Trade debts			
Trade debts	- note 21.1	34,290,730	69,401,209
Less: Provision for doubtful debts	- note 21.2	71,305	68,298
		34,219,425	69,332,911

21.1 These are considered good except Rs 71.305 million (2012: Rs 68.298 million) which are considered doubtful. These include an overdue amount of Rs 21,188 million (2012: Rs 58,109 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).

		2013	2012
		(Rupees in thousand)	
21.2 Provision for doubtful debts			
Opening balance		68,298	109,751
Add: Provision for the year		3,007	19,092
		71,305	128,843
Less: Trade debts written off against provision		-	60,545
		71,305	68,298
22. Loans, advances, deposits, prepayments and other receivables			
Loans to employees - considered good		9,482	12,014
Advances to suppliers - considered good	- note 22.1	181,831	103,053
Claims recoverable from Government			
- Sales tax	- note 22.2	690,967	560,381
- Income tax		305,749	1,967,923
Prepayments		6,093	3,689
Claims recoverable from WAPDA for pass through items			
Workers' Welfare Fund		223,898	147,843
Workers' Profit Participation Fund		545,271	431,783
	- note 22.3	769,169	579,626
Security deposits		3,376	2,725
Refundable from Workers' Profit Participation Fund	- note 22.4	-	3,217
Other receivables		11,100	10,433
		1,977,767	3,243,061

22.1 Advances to suppliers include amounts due from WAPDA Rs 15.172 million (2012: Rs 48.334 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 (2012: 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. Company has filed Miscellaneous Application before the Customs, Excise and Sales Tax Appellate Tribunal.

Sales tax recoverable includes an amount of Rs 414.814 million which represents refund for input tax on EPP and CPP apportionment issue in 2009 and 2011. The DCIR issued a show cause notice on the said issues in February 8, 2013 and subsequently passed an order in April 30, 2013 concluding the amount as inadmissible. KAPCO filed an appeal to CIR(A) who issued favorable orders setting aside the aforementioned order in its entirety.

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. Similarly under section 6.15(a) of Part-I of Schedule 6 to the Power Purchase Agreement (PPA) with WAPDA, any surcharge levied is recoverable from WAPDA as pass through item.

	2013	2012
	(Rupees in thousand)	
22.4 Workers' Profit Participation Fund		
Opening refundable	3,217	4,652
Provision for the year	545,271	431,783
	542,054	427,131
Less: Payments made during the year	526,783	430,348
Closing (payable) / refundable	(15,271)	3,217

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(ii), 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 Supreme Court.

		2013	2012
		(Rupees in thousand)	
23. Cash and bank balances			
At banks on:			
- Current accounts		198,748	196,340
- Savings accounts		155,981	110,265
	- note 23.1	354,729	306,605
In hand		206	165
		354,935	306,770

23.1 Included in these are total restricted funds of Rs 3.735 million (2012: Rs Nil) held by banks under lien as margin against letters of credit. The balances in saving accounts bear mark up of 6 percent per annum (2012: 5 percent to 6 percent per annum).

		2013	2012
		(Rupees in thousand)	
24. Sales			
Energy purchase price		93,306,209	99,036,880
Less: Sales tax		(12,900,797)	(13,660,260)
Net energy purchase price		80,405,412	85,376,620
Capacity purchase price		17,299,901	15,127,684
		97,705,313	100,504,304
25. Cost of sales			
Fuel cost		80,577,099	85,652,226
Salaries, wages and benefits	- note 25.1	1,034,741	977,457
Plant maintenance	- note 25.3	223,991	201,183
Gas turbines overhauls	- note 25.3	162,100	265,133
Repair and renewals	- note 25.3	113,928	281,877
Depreciation on property, plant and equipment	- note 14.1	1,966,300	1,832,417
Amortization on intangible assets	- note 15.1	3,031	1,891
Liquidated damages		3,500	1,027
Provision for store obsolescence	- note 19.2	60,068	39,232
		84,144,758	89,252,443

25.1 Salaries, wages and benefits

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

	2013	2012
Pension		
Current service cost	46,160	50,517
Interest cost for the year	185,126	197,491
Expected return on plan assets	(168,277)	(150,733)
Amortization of actuarial loss	-	9,229
	63,009	106,504
Medical		
Current service cost	2,802	2,812
Interest cost for the year	12,334	12,627
Amortization of actuarial gain	(7,114)	(6,264)
	8,022	9,175
Free electricity		
Current service cost	9,293	9,643
Interest cost for the year	40,511	41,129
Amortization of actuarial gain	(296)	-
	49,508	50,772

In addition to above, salaries, wages and benefits also include Rs 26.495 million (2012: Rs 24.461 million) in respect of provident fund contribution by the Company.

	2013	2012
	(Rupees in thousand)	
25.2 Disclosures relating to Provident Fund		
Size of the fund	591,331	516,336
Cost of investments made	458,937	397,385
Percentage of investments made	77.61%	76.97%
Fair value of investments	462,402	397,688
Breakup of investments		
Government securities	309,495	309,279
Term Finance Certificates	75,575	66,534
Listed securities	73,867	21,572

	2013	2012
	% age of size of the fund	
Breakup of investments		
Government securities	52.34%	59.90%
Term Finance Certificates	12.78%	12.89%
Listed securities	12.49%	4.18%

The figures for 2013 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 Ordinance and the rules formulated for this purpose.

25.3 Cost of sales include Rs 484.662 million (2012: Rs 592.798 million) for stores and spares consumed.

		2013	2012
		(Rupees in thousand)	
26. Administrative expenses			
Travelling		20,931	19,866
Motor vehicles running		45,401	42,306
Postage, telephone and telex		12,388	10,701
Legal and professional charges		39,153	31,970
Computer charges		9,632	5,879
Auditors' remuneration	- note 26.1	3,277	2,881
Printing, stationery and periodicals		8,929	14,381
Repairs and maintenance infrastructure		43,402	33,292
Training expenses		9,812	10,568
Rent, rates and taxes		16,764	15,143
Depreciation on property, plant and equipment	- note 14.1	33,515	31,772
Depreciation on assets subject to finance lease	- note 16.1	25,850	14,014
Infrastructure cost		28,694	26,717
Differential payable to WAPDA	- note 26.2	172,087	113,828
Education fee		29,945	29,562
Bad debts written off		663	45,861
Loans and advances written off		56	15,598
Provision for doubtful debts	- note 21.2	3,007	19,092
Other expenses		25,880	12,626
		529,386	496,057

		2013	2012
		(Rupees in thousand)	
26.1	**Auditors' remuneration**		
	The charges for auditors' remuneration include the following in respect of auditors' services for:		
	Statutory audit	1,857	1,685
	Half yearly review	657	597
	Workers' Profit Participation Fund audit, Employees Provident and Pension Fund audit, special reports and certificates	580	396
	Out of pocket expenses	183	203
		3,277	2,881

26.2 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.

			2013	2012
			(Rupees in thousand)	
27.	**Other operating expenses**			
	Donations	- note 27.1	-	600
	Write down of property, plant and equipment		24,762	-
			24,762	600

27.1 None of the directors and their spouses had any interest in any of the donees during the year.

		2013	2012
		(Rupees in thousand)	
28.	**Other income**		
	Income from financial assets		
	Income on bank deposits	9,383	2,529
	Interest on loans to employees	4,354	2,831
	Interest on late payment - WAPDA	5,859,233	7,511,566
		5,872,970	7,516,926
	Income from non-financial assets		
	Profit on disposal of property, plant and equipment	1,648	9
	Colony electricity	3,505	3,442
	Provisions and unclaimed balances written back	780	103,996
	Others	19,012	38,083
		24,945	145,530
		5,897,915	7,662,456

	2013	2012
	(Rupees in thousand)	
29. Finance cost		
Interest and mark up including commitment charges on:		
- long term loan from WAPDA - unsecured	451,722	564,066
- long term finances - secured	293,393	325,091
- finances under markup arrangements - secured	2,822,845	3,033,285
- credit supplies of raw material	4,396,396	5,763,242
- liabilities against assets subject to finance lease	11,813	7,705
Exchange loss	19,771	85,082
Bank and other charges	2,970	3,743
	7,998,910	9,782,214
30. Taxation		
For the year		
- Current	3,734,258	2,205,102
- Deferred	(176,294)	424,215
	3,557,964	2,629,317
Prior years		
- Current	(6,533)	(65,158)
- Deferred	-	-
	(6,533)	(65,158)
	3,551,431	2,564,159

	2013	2012
	%age	%age
30.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Effect of change in tax rate	(0.83)	-
Effect of tax credit	(1.67)	(4.40)
Others	0.07	(0.91)
Average effective tax rate	32.57	29.69

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	
	2013	2012	2013	2012
	(Rupees in thousand)			
Managerial remuneration including bonus and other allowances	35,141	32,667	287,783	235,543
Contribution to provident & pension funds and other retirement benefit plans	2,511	2,242	38,180	44,696
Leave passage	1,900	1,900	12,232	10,017
	39,552	36,809	338,195	290,256
Number of Persons	1	1	85	71

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 (2012: 6 directors) was Rs 4.105 million (2012: Rs 0.670 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:

Relationship with the Company	Nature of transaction	2013	2012
		(Rupees in thousand)	
i. Associated undertakings	Purchase of services	2,518	810
	Sale of goods and electricity	97,705,313	100,504,304
	Interest expense	451,722	564,066
	Interest income on late payment	5,859,233	7,511,566
	Bad debts written off	663	45,861
	Advances written off	-	5,856
ii. Post retirement benefit plans	Expense charged	147,034	190,912

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. Proposed dividend

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2013 of Rs 4.50 (2012: Rs 3.15) per share amounting to Rs 3,961.140 million (2012: Rs 2,772.798 million) at their meeting held on August 28, 2013 for approval of members at the Annual General Meeting to be held on October 23, 2013. These financial statements do not reflect this dividend payable.

	2013	2012
	MWh	MWh
34. Capacity and production		
Annual dependable capacity (Based on 8,760 hours)	11,756,064	11,788,128
Actual energy delivered	5,521,277	6,065,461

Capacity for the power plant taking into account all the planned scheduled outages is 11,373,055 MWh (2012: 11,175,518 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 1.0121 (2012: USD 1.0616), EURO 0.7745 (2012: EURO 0.8439), GBP 0.6628 (2012: GBP 0.6799) and YEN 100.0600 (2012: YEN 84.2531) equal to Rs 100.

	2013	2012
	(Rupees in thousand)	
36. Cash generated from operations		
Profit before tax	10,905,412	8,635,446
Adjustments for:		
- Depreciation on property, plant and equipment	1,999,815	1,864,189
- Amortization on intangible assets	3,031	1,891
- Depreciation on assets subject to finance lease	25,850	14,014
- Profit on disposal of property, plant and equipment	(1,648)	(9)
- Write down of property, plant and equipment	24,762	-
- Income on bank deposits	(9,383)	(2,529)
- Bad debts written off	663	45,861
- Advances written off	56	15,598
- Provision for store obsolescence	60,068	39,232
- Provision for doubtful debts	3,007	19,092
- Staff retirement benefits accrued	120,539	166,451
- Finance cost	7,998,910	9,782,214
Profit before working capital changes	21,131,082	20,581,450
Effect on cash flow due to working capital changes:		
- Increase in stores and spares	(466,140)	(365,065)
- Decrease/(Increase) in stock-in-trade	41,195	(898,437)
- Decrease/(Increase) in trade debts	35,109,816	(2,276,924)
- (Increase)/Decrease in loans, advances, deposits, prepayments and other receivables	(274,885)	772,284
- (Decrease)/Increase in trade and other payables	(26,703,769)	1,175,557
	7,706,217	(1,592,585)
	28,837,299	18,988,865

		2013	2012
		(Rupees in thousand)	
37. Cash and cash equivalents			
Cash and bank balances		354,935	306,770
Finances under mark up arrangements - secured		(5,544,967)	(20,049,549)
		(5,190,032)	(19,742,779)
38.1 Basic earnings per share			
Profit for the year	Rupees in thousand	7,353,981	6,071,287
Weighted average number of ordinary shares	Numbers	880,253,228	880,253,228
Earnings per share	Rupees	8.35	6.90

38.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

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 minimise 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:

	2013	2012
Trade and other payables - USD	-	(3,576)
Advances to suppliers - USD	-	-
Net exposure - USD	-	(3,576)
Trade and other payables - GBP	(1,132)	(1,471)
Advances to suppliers - GBP	-	-
Net exposure - GBP	(1,132)	(1,471)
Trade and other payables - Euro	(51,257)	(78,763)
Advances to suppliers - Euro	-	-
Net exposure - Euro	(51,257)	(78,763)
The following exchange rates were applied during the year:		
Rupees per USD		
Average rate	96.77	89.40
Reporting date rate	98.80	94.20
Rupees per GBP		
Average rate	151.70	141.47
Reporting date rate	150.87	147.07
Rupees per Euro		
Average rate	125.30	119.53
Reporting date rate	129.11	118.50

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 2.619 million (2012: Rs 2.760 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:

	2013	2012
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Staff Loans	51,392	53,407
Floating rate instruments		
Bank balances - savings accounts	155,981	110,265
Financial liabilities		
Fixed rate instruments		
Long term loan - WAPDA	2,708,222	3,409,627
Floating rate instruments		
Other long term loans - secured	1,562,682	2,516,305
Liabilities against assets subject to finance lease	108,942	83,569
Finances under mark-up arrangements - secured	5,544,967	20,049,549
Trade payables	4,391,163	30,775,515
	11,607,754	53,424,938

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 60.256 million (2012: Rs 60.020 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:

	2013	2012
	(Rupees in thousand)	
Long term loans and deposits	66,291	65,212
Trade debts	34,219,425	69,332,911
Loans, advances, deposits, prepayments and other receivables		
- Workers' Welfare Fund receivable from WAPDA	223,898	147,843
- Workers' Profit Participation Fund receivable from WAPDA	545,271	431,783
- Security deposits	3,376	2,725
- Refundable from Workers' Profit Participation Fund	-	3,217
- Other receivables	7,700	3,340
Cash and bank balances	354,729	306,605
	35,420,690	70,293,636

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 and 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:

	2013	2012
	(Rupees in thousand)	
Not yet due	13,031,752	11,223,755
Due past 90 days	16,809,248	36,484,161
Due past 90 to 180 days	1,016,402	17,037,531
Due past 181 to 365 days	2,135,899	4,521,434
Due past 365 days	1,226,124	66,030
	34,219,425	69,332,911

The credit quality of cash and 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	2013	2012
				(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	264	849
United Bank Limited	A-1+	AA+	JCR-VIS	-	-
Faysal Bank Limited	A-1+	AA	JCR-VIS	339	1
MCB Bank Limited	A1+	AAA	PACRA	2,485	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	348,464	303,436
Allied Bank Limited	A1+	AA+	PACRA	-	-
Standard Chartered Bank	A1+	AAA	PACRA	1,624	1
NIB Bank Limited	A1+	AA-	PACRA	7	7
Deutsche Bank AG	A-1	A	Standard & Poors	15	15
Bank Alfalah Limited	A1+	AA	PACRA	1,250	-
Citibank N.A.	A-1	A+	Standard & Poors	281	2,296
				354,729	306,605

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, 2013, the Company had borrowing limits available from financial institutions at Rs 30,396 million (2012: Rs 28,100 million) and Rs 354.935 million (2012: Rs 306.770 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, 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	-

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Long term loan - unsecured	3,409,627	701,405	2,708,222	-
Long term loan - secured	2,516,305	953,622	1,562,683	-
Liabilities against assets subject to finance lease	83,569	22,115	61,454	-
Finances under mark-up arrangements - secured	20,049,549	20,049,549	-	-
Trade and other payables	45,569,371	45,569,371	-	-
	71,628,421	67,296,062	4,332,359	-

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	
	2013	2012
	(Rupees in thousand)	
Financial assets as per balance sheet		
Long term loans and deposits	66,291	65,212
Trade debts	34,219,425	69,332,911
Loans, advances, deposits, prepayments and other receivables		
- Workers' Welfare Fund receivable from WAPDA	223,898	147,843
- Workers' Profit Participation Fund receivable from WAPDA	545,271	431,783
- Security deposits	3,376	2,725
- Refundable from Workers' Profit Participation Fund	-	3,217
- Other receivables	7,700	3,340
Cash and bank balances	354,935	306,770
	35,420,896	70,293,801

	Financial liabilities at amortized cost	
	2013	2012
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term loan - unsecured	2,708,222	3,409,627
Long term loan - secured	1,562,682	2,516,305
Liabilities against assets subject to finance lease	108,942	83,569
Finances under mark-up arrangements - secured	5,544,967	20,049,549
Trade and other payables	22,766,868	45,569,371
	32,691,681	71,628,421

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 net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 7, less cash and cash equivalents as disclosed in note 23. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2013 and June 30, 2012 are as follows:

			2013	2012
			(Rupees in thousand)	
Borrowings		- note 7	4,270,904	5,925,932
Less: Cash and cash equivalents		- note 23	354,935	306,770
Net debt			3,915,969	5,619,162
Total equity			25,589,819	23,649,396
Total capital			29,505,788	29,268,558
Gearing ratio	Percentage		13	19

40. Number of employees

Total number of employees at year end and average number of employees during the year are 607 (2012: 634) and 625 (2012: 631) respectively.

41. Date of authorisation for issue

These financial statements were authorised for issue on August 28, 2013 by the Board of Directors of the Company.

42. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Aftab Mahmood Butt
(Chief Executive)

Anwar-ul-Haq
(Director)