

To the Chairman of the Pakistan Water and Power Development Authority (WAPDA)

Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of the Pakistan Water and Power Development Authority – Hydroelectric (NEPRA – Regulated Business) (hereinafter referred as “Hydroelectric”), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hydroelectric as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Hydroelectric in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan, together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matter

Up to the 30 June 2018, Hydroelectric used to prepare its financial statements in accordance with its Special Purpose Framework. The financial statements for the year ended 30 June 2019 are the first financial statements of Hydroelectric prepared in accordance with accounting and reporting standards as applicable in Pakistan. Accordingly, the comparative information in the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and related notes are unaudited.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing Hydroelectric's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Hydroelectric or to cease operations, or has no realistic alternative but to do so.

Members of the WAPDA are responsible for overseeing Hydroelectric's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hydroelectric's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Hydroelectric's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Hydroelectric to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Sajjad Hussain Gill.



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Chartered Accountants  
Lahore : 23 May 2021

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

		2019	2018 (Un-audited)
	Note	PKR '000'	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	439,720,613	400,856,180
Long term loans, advances and deposits	6	702,725	569,652
		<u>440,423,338</u>	<u>401,425,832</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	5,520,631	5,094,858
Receivable from the customer	8	192,282,954	137,440,872
Short term investments	9	3,000,000	31,000,000
Other receivables	10	4,572,935	2,718,678
Loans and advances	11	5,890,521	4,419,984
Prepayments		7,939	1,380,485
Cash and bank balances	12	71,677,455	69,686,606
		<u>282,952,435</u>	<u>251,741,483</u>
Regulatory deferral account debit balances	13	11,304,992	13,360,490
<b>TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES</b>		<u><u>734,680,765</u></u>	<u><u>666,527,805</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Government of Pakistan's investment	14	63,000,716	63,000,716
Accumulated profits		148,230,732	147,444,389
		<u>211,231,448</u>	<u>210,445,105</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - interest bearing	15	135,038,956	180,661,468
Deferred grants	16	32,232,720	8,180,484
Employee retirement and other benefits	17	53,984,321	45,257,218
Retention money payables	18	3,272,683	2,232,315
		<u>224,528,680</u>	<u>236,331,485</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	7,269,846	8,858,162
Short term borrowings	20	41,052,907	26,806,982
Payable against hydel levies	21	62,957,267	17,266,236
Current portion of long term financing	15	185,974,206	162,528,000
Current portion of deferred grant	16	246,283	319,471
Current portion of retention money payables	18	258,805	886,181
Accrued interest	22	1,161,323	3,086,183
		<u>298,920,637</u>	<u>219,751,215</u>
<b>TOTAL LIABILITIES</b>		<u><u>523,449,317</u></u>	<u><u>456,082,700</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>734,680,765</u></u>	<u><u>666,527,805</u></u>

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

E,

  
MEMBER (FINANCE)

  
MEMBER (POWER)

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018 (Un-audited)
	Note	----- PKR '000' -----	
Revenue from contract with customer - net	24	66,143,533	59,317,434
Cost of revenue	25	(23,672,748)	(19,403,917)
<b>Gross profit</b>		<b>42,470,785</b>	<b>39,913,517</b>
Operating expenses	26	(1,444,415)	(3,133,793)
<b>Operating profit</b>		<b>41,026,370</b>	<b>36,779,724</b>
Finance and other costs	27	(38,294,563)	(31,176,977)
Other income	28	5,216,886	4,570,024
		<b>(33,077,677)</b>	<b>(26,606,953)</b>
<b>Profit for the year before net movements in regulatory deferral account debit balances</b>		<b>7,948,693</b>	<b>10,172,771</b>
Net movement in regulatory deferral account debit balances related to profit or loss	13	(2,055,498)	7,732,416
<b>Profit for the year and net movements in regulatory deferral account debit balances</b>		<b>5,893,195</b>	<b>17,905,187</b>

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

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MEMBER (POWER)

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018 (Un-audited)
	----- PKR '000' -----	
Profit for the year and net movements in regulatory deferral account debit balances	5,893,195	17,905,187
<b>Other comprehensive loss:</b>		
<i>Items that will not subsequently be reclassified to profit or loss:</i>		
- Actuarial loss on employee retirement benefits	(5,106,852)	(9,470,118)
<b>Total comprehensive income for the year</b>	<u>786,343</u>	<u>8,435,069</u>

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

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**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Government of Pakistan's Investment	Accumulated profits	Total
----- PKR '000' -----			
<b>Balance as at 01 July 2017 - (Un-audited)</b>	63,000,716	139,009,320	202,010,036
Profit for the year and net movements in regulatory deferral account debit balances	-	17,905,187	17,905,187
Other comprehensive loss	-	(9,470,118)	(9,470,118)
Total comprehensive income for the year	-	8,435,069	8,435,069
<b>Balance as at 30 June 2018 - (Un-audited)</b>	<u>63,000,716</u>	<u>147,444,389</u>	<u>210,445,105</u>
Profit for the year and net movements in regulatory deferral account debit balances	-	5,893,195	5,893,195
Other comprehensive loss	-	(5,106,852)	(5,106,852)
Total comprehensive income for the year	-	786,343	786,343
<b>Balance as at 30 June 2019</b>	<u><u>63,000,716</u></u>	<u><u>148,230,732</u></u>	<u><u>211,231,448</u></u>

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

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MEMBER (FINANCE)

  
MEMBER (POWER)

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018 (Un-audited)
Operating activities	Note	PKR '000'
Profit for the year before net movements in regulatory deferral account debit balances		7,948,693      10,172,771
<b>Adjustments to reconcile profit for the year before net movements in regulatory deferral account debit balances to net cash flows:</b>		
Depreciation of operating fixed assets	5.1.1	7,655,469      4,785,425
Finance and other costs	27	38,294,563      31,176,977
Sukuk Ijarah rentals	25	1,834,072      2,571,259
Provision of employee retirement and other benefits	17.1	6,356,906      4,619,986
Income from financial assets	28.1	(4,460,407)      (4,104,668)
Gain on disposal of operating fixed assets	28.2	(104,867)      (10,607)
Amortization of deferred grants	28.2	(319,471)      (144,065)
		<u>49,256,265      38,894,307</u>
		<u>57,204,958      49,067,078</u>
<b><u>Working capital adjustments:</u></b>		
<b>(Increase) / decrease in current assets:</b>		
Stores, spare and loose tools		(425,773)      (400,646)
Receivable from the customer against sale of electricity		(35,665,693)      (37,260,275)
Receivable from the customer against hydel levies		(35,414,460)      (46,706,883)
Advances		(1,467,421)      (2,978,572)
Prepayments		10,678      (4,086,364)
Other receivables		(1,689,364)      (395,308)
<b>(Decrease) / increase in current liabilities:</b>		
Trade and other payables		(2,739,730)      (6,283,119)
Payable against hydel levies		45,691,031      (140,287)
		<u>(31,700,732)      (98,251,454)</u>
<b>Net cash flows from / (used in) operations</b>		<u>25,504,226      (49,184,376)</u>
Payment of Sukuk Ijarah rentals		(1,834,072)      (2,571,259)
Long term loans, advances and deposits given		(136,189)      (84,565)
Payment of employee retirement and other benefits	17	(2,736,655)      (2,253,257)
		<u>(4,706,916)      (4,909,081)</u>
<b>Net cash flows from / (used in) operating activities</b>		<u>20,797,310      (54,093,457)</u>
<b>Investing activities</b>		
Purchase of operating fixed assets and capital stores		(2,465,341)      303,174
Capital expenditure incurred on capital work in progress		(42,100,698)      (27,684,991)
Proceeds from sale of operating fixed assets		107,841      10,607
Investments made during the year		(46,000,000)      (48,000,000)
Investments realized during the year		74,000,000      19,000,000
Interest and other income received		4,291,692      4,104,668
Grants received	16	24,298,519      4,791,928
<b>Net cash flows from / (used in) investing activities</b>		<u>12,132,013      (47,474,614)</u>

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PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018 (Un-audited)
<b>Financing activities</b>		
Proceeds from long term financing	11,545,576	116,340,572
Repayment of long term financing	(43,651,282)	(1,329,877)
Proceeds from short term borrowings	100,051	-
Payment of finance and other costs	(11,522,348)	(4,394,979)
<b>Net cash flows (used in) / from financing activities</b>	<b>(43,528,003)</b>	110,615,716
<b>Effects of foreign exchange on cash and bank balances</b>	<b>12,589,529</b>	2,553,311
<b>Net increase in cash and bank balances during the year</b>	<b>1,990,849</b>	11,600,956
<b>Cash and bank balances at the beginning of the year</b>	<b>69,686,606</b>	58,085,650
<b>Cash and bank balances at the end of the year</b>	<b>12 71,677,455</b>	69,686,606

**Significant non-cash adjustment:**

- Pursuant to the directions from Federal Government, payable to the Government under short term borrowings amounted to Rs. 16,238 million (2018: Nil), were settled with receivable from the customer.
- Payable against hydel levies amounted Rs. 37,403 million (2018: Nil) were settled with receivable from the customer.

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

E,

  
MEMBER (FINANCE)

  
MEMBER (POWER)



**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**1. LEGAL STATUS AND OPERATIONS**

**1.1** Pakistan Water and Power Development Authority (WAPDA) is a body corporate, created under the Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act No. XXXI of 1958), commonly known as WAPDA Act and is fully owned by the Government of Pakistan (GoP) through Ministry of Water and Power (now Ministry of Water Resources). The registered office of WAPDA is situated at WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore, Pakistan.

The statutory mandate of WAPDA is to develop and utilize the water and power resources of Pakistan on a unified and multipurpose basis. The mandate of WAPDA also included generation, transmission and distribution of power and the construction, maintenance and operation of power houses and grids, till the year 1998. Thereafter, in line with the strategic plan approved by the GoP, WAPDA Power Wing was restructured where by assets and liabilities relating to power distribution activities were transferred to 8 Distribution Companies (DISCOs) on 01 July 1998, generation activities (other than hydel generation activities) were transferred to 4 Generation Companies (GENCOs) and transmission activities were transferred to National Transmission and Dispatch Company (NTDC) on 01 March 1999.

WAPDA decided to segregate the operation and development of hydel power generation activities (WAPDA Hydroelectric - NEPRA regulated business) from its non core activities (non-regulated business) under NEPRA Rules, 2009. The regulated business comprises activities purely related to the hydel power generation and development.

These financial statements only represent the financial information of WAPDA Hydroelectric - NEPRA regulated business ("WAPDA Hydroelectric", "Hydroelectric" or "the entity") and have been prepared in accordance with the accounting and financial reporting framework described in Note 2.2.

**1.2 Generation license**

National Electric Power Regulatory Authority (NEPRA) has issued Generation License no. GL(Hydel) /05 /2004 to WAPDA on 03 November 2004 valid for Thirty (30) years up to 2034 under section 30 of NEPRA Act 1997 for its Hydel power stations. Management expects that the generation license would be renewed upon its expiry.

**1.3 Operational hydel power stations**

WAPDA Hydroelectric is currently generating electricity from 21 hydropower stations, which have been described below along with their installed capacity as per the generation license:

Power Station	Province	Installed Capacity (MW)	Power Station	Province	Installed Capacity (MW)
- Tarbela	KPK*	3,478	- Jabban	KPK	22
- Ghazi Barotha	Punjab	1,450	- Rasul	Punjab	22
- Tarbela 4th Extension	KPK	1,410	- Dargai	KPK	20
- Mangla	AJK**	1,000	- Gomal Zam	KPK	17
- Warsak	KPK	243	- Nandipur	Punjab	14
- Chashma	Punjab	184	- Shadiwal	Punjab	14
- Duber Khwar	KPK	130	- Chichoki	Punjab	13
- Allai Khwar	KPK	121	- Kurram Garhi	KPK	4
- Golen Gol	KPK	108	- Chitral	KPK	1
- Jinnah Hydel	Punjab	96	- Renala Khurd	Punjab	1
- Khan Khwar	KPK	72			

\* Khyber Pakhtunkhwa

\*\* Azad Jammu and Kashmir

#### **1.4 Projects under development**

Following major projects are under development as at reporting date:

- |   |                         |   |                      |
|---|-------------------------|---|----------------------|
| 1 | Di Amer Bhasha Dam      | 4 | Mangla Refurbishment |
| 2 | Mohmand Dam             | 5 | Keyal Khwar          |
| 3 | Dasu Hydropower Project |   |                      |

## **2. BASIS OF PREPARATION**

### **2.1 Carve-out methodology**

WAPDA Hydroelectric is not a separate legal entity but meets the definition of a reporting entity under International Financial Reporting Standards (IFRS) under the Conceptual Framework for IFRS. IFRS defines a reporting entity as an entity that is required, or chooses, to prepare financial statements.

WAPDA Hydroelectric is part of WAPDA Power Wing, which is a segment of WAPDA and is in the business of generation and sale of hydroelectricity, which represent its economic activities. All the operating activities of WAPDA Hydroelectric are clearly defined and separately managed from the other businesses of WAPDA and accounting records are maintained on this basis. The assets of WAPDA Hydroelectric are used solely by WAPDA Hydroelectric and are registered in the name of WAPDA. The liabilities relate to the activities of WAPDA Hydroelectric.

Although the reporting boundary is defined above, the assets and liabilities presented within the reporting boundary remain the assets and liabilities of WAPDA and are not legally separable from WAPDA's other assets and liabilities. As such legally, the assets of WAPDA Hydroelectric may be available to the other claims of WAPDA.

All revenues and costs associated with WAPDA Hydroelectric's business activities are included in these financial statements.

These carve out financial statements do not constitute statutory financial statements within the meaning of Section 223 of the Companies Act, 2017. WAPDA Hydroelectric elected to apply those IFRSs, which are applicable to companies registered under the Companies Act, 2017 in Pakistan. The IFRSs applicable to companies are notified by the SECP and accordingly WAPDA Hydroelectric has applied these accounting and reporting standards as applicable in Pakistan including the relevant exemptions granted by SECP in the preparation of these financial statements.

### **2.2 Statement of compliance**

These carved out financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and notified under the Act by the SECP.
- Islamic Financial Accounting Standards, (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Act.
- Directives issued under the Act.

Where the directive issued under the Act differs from the IFRSs, the directives issued under the Act, have been followed.

For all periods up to and including the year ended 30 June 2018, WAPDA Hydroelectric prepared its financial statements in accordance with Special Purpose Framework which is stated as follows:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified and adopted by the Institute of Chartered Accountants of Pakistan (ICAP), except for various disclosure requirements of IFRS;
- the provisions of and directives issued by NEPRA and WAPDA in respect of accounting and financial reporting of the entity; and
- where provisions of and directives issued by NEPRA and WAPDA differ from IFRSs, the provisions of and directives issued by NEPRA and WAPDA have been followed.

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
NOTES TO THE FINANCIAL STATEMENTS**

These financial statements for the year ended 30 June 2019 are the first financial statements of WAPDA Hydroelectric prepared in accordance with accounting and reporting standards applicable in Pakistan (General Purpose Framework) as described above. The comparative statement of financial position, statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of changes in equity are unaudited and has been prepared as per accounting and reporting standards applicable in Pakistan for the purpose of comparative information.

IFRS 1 - First-time Adoption of International Financial Reporting Standards has not adopted by the SECP in Pakistan, hence these financial statements doesn't include the transitional provisions and the disclosures required by IFRS 1.

### **2.3 Exemptions from applicability of certain standards and interpretation to standards**

- The SECP, through its S.R.O no. 985(I)/2019, dated 02 September 2019, has exempted the requirements contained in IFRS 9 (Financial Instruments) related to application of Expected Credit Losses (ECL) method till 30 June 2021, in respect of financial assets due or ultimately due from the GoP, provided that such companies shall follow relevant requirements of IAS 39 – Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period.

The major financial assets of WAPDA Hydroelectric include receivable from the Central Power Purchasing Agency (CPPA-G). Accordingly, ECL under IFRS 9 is not applicable on these receivable, however, the management has assessed incurred losses under IAS 39.

- The SECP through its S.R.O. no.24(I)/2012 dated 16 January, 2012 has granted waiver exemption from certain requirements of International Financial Reporting Standards (IFRS), as follows:
  - i) IFRIC - 4 "Determining whether an arrangement contains a lease" and IFRIC - 12 "Service Concession Arrangements" to all companies including Power Sector Companies; and
  - ii) International Accounting Standard 21 to the extent of requirements in respect of accounting principle of capitalization of exchange difference, to Power Sector Companies only.

WAPDA has entered into the Power Purchase Agreement (PPA) with the CPPA-G on 24 January 2011. Under the PPA, WAPDA Hydroelectric is obligated to sell and deliver all output of its power plants in accordance with provisions of PPA. WAPDA Hydroelectric's arrangement with CPPA-G falls under the IFRIC 4 for which WAPDA Hydroelectric is availing the exemption granted by the SECP.

Furthermore, pursuant to the SECP exemption for capitalization of exchange differences under IAS 21, the exchange gain / loss on translation of foreign currency loan and related bank balances of under development hydropower projects is capitalized as part of capital work in progress.

### **2.4 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees ("PKR" or "Rs.") which is also WAPDA Hydroelectric's functional currency. All values have been rounded to the nearest thousands of rupees, except when otherwise indicated.

### **2.5 Basis of measurement**

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

### **2.6 Use of estimates and judgments**

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

**PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY  
(HYDROELECTRIC - NEPRA REGULATED BUSINESS)  
NOTES TO THE FINANCIAL STATEMENTS**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of accounting and reporting standards, as applicable in Pakistan that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are documented in the following accounting policies and notes, and relate primarily to:

	<b>Note</b>
- Renewal of generation license	<b>1.2</b>
- Useful lives, impairment and method of depreciation of operating fixed assets	<b>4.1.1.4</b>
- Allowance against stores and spares	<b>4.5</b>
- Impairment allowance against financial assets	<b>4.6.1</b>
- Regulatory deferral account	<b>4.9</b>
- Employee retirement and other benefits	<b>4.11.1</b>

**3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS THAT ARE NOT YET EFFECTIVE**

The standards and interpretations with respect to the accounting and reporting standards as applicable in Pakistan that are issued, but not yet effective, up to the date of issuance of Hydroelectric's financial statements are disclosed below. Hydroelectric intends to adopt these standards, if applicable, when they become effective.

**Standard or Interpretation**

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**- IFRS 16 - Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective in Pakistan for annual reporting periods beginning on or after 1 January 2019. Management of WAPDA Hydroelectric has assessed the impact of IFRS 16 on these financial statements and identified that only one of WAPDA arrangement, its Power Purchase Agreement (PPA), dated 24 January 2011, with the CPPA-G, contain a lease with significant impact on financial statements, as of 01 July 2019. Under the PPA, WAPDA Hydroelectric is obligated to deliver all output of hydroelectricity generation units, during whole of their economic life. Accordingly, management has determined that WAPDA Hydroelectric is lessor under PPA and that it is a finance lease arrangement. This determination is consistent with management determination under IFRIC 4 "Determining whether an arrangement contains a lease", which has been replaced by IFRS 16 with effect from 01 July 2019. Under IFRS 16, WAPDA Hydroelectric would derecognize its hydroelectricity generation units, as they are made available to CPPA-G. Instead, WAPDA Hydroelectric would recognize is required to recognize lease receivable, equal to lease payments discounted at interest rate implicit in the arrangement.



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WAPDA Hydroelectric would then recognize finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. Accounting by a lessor has remained consistent with those requires by IAS 17 - Leases.

The SECP has, however, via S.R.O 986(I)/2019, dated 2 September 2019, granted exemption from requirements of IFRS 16 to all companies that have executed their power purchase agreements before 01 January 2019. Resultantly, upon adopting said exemption, adoption of IFRS 16 didn't have any impact on WAPDA Hydroelectric. Currently, the same exemption was granted to power sector companies through S.R.O. no.24(I)/2012 dated 16 January 2012 against application of IFRIC 4.

WAPDA Hydroelectric continue to recognize net book value of hydroelectricity generation units and recognize lease payments as revenue, under IFRS 15 - Revenue from Contracts with Customers (refer to Notes 4.1.1 and 4.17.1, for accounting policy adopted for hydroelectricity generation units and revenue recognition).

Under accounting and reporting standards as applicable in Pakistan, ijarah arrangements are accounted for as per Islamic Financial Accounting Standard (IFAS) 2 "IJARAH". IFRS 16 will be applied on all other leases arrangements, except for Ijarah and arrangements against which exemption have been granted by the SECP. Accordingly, as per the management's assessment, adoption of IFRS 16 would not have any impact on accounting of its Ijarah arrangements.

- **IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment will have no impact on the financial statements of Hydroelectric.

- **IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)**

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2019. These amendments will have no material impact on the financial statements of Hydroelectric.

- **IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

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The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment will have no material impact on Hydroelectric.

- **IFRS 3 - Definition of a Business (Amendments)**

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. These amendments will have no impact on the financial statements of Hydroelectric, unless Hydroelectric enters into any business combinations.

- **IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment has no impact on the financial statements of Hydroelectric.

- **IFRS 3 - Business Combinations - Previously held Interests in joint operation - (Amendments)**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment is not applicable to Hydroelectric.

- **IFRS 11 - Joint Arrangements - Previously held interests in a joint operation**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment is not applicable to Hydroelectric.

- **IFRIC 23 - Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment has no impact on the financial statements of Hydroelectric.



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**- Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. These amendments will have no impact on the financial statements of, nor is there expected to be any future impact to, Hydroelectric.

**- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. These amendments will have no impact on the financial statements of Hydroelectric as it does not have any interest rate hedge relationships.

**- The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021. These amendments will have no impact on the financial statements of WAPDA Hydroelectric.

**- Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are apply prospectively. The amendments are not expected to have a material impact on the financial statements of Hydroelectric.



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- **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. This amendment will have no impact on the financial statements of Hydroelectric.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Considering the nature of operation of Hydroelectric, these amendments are not expected to have a material impact on the financial statements of Hydroelectric.

- **IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to Hydroelectric.

- **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Hydroelectric expects that these amendments will have no impact on financial statements as their current practice is already in line with the proposed amendments.

- **IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements of Hydroelectric.

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- **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The amendments is not applicable to Hydroelectric.

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements of Hydroelectric.

- **IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendment is effective for annual reporting periods beginning on or after 1 January 2019. This amendment will have no significant impact on Hydroelectric.

- **IFRS 10 - and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not applicable to Hydroelectric.

**IFRS 14 - Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. The SECP has adopted IFRS 14 and Hydroelectric has determined that, although it is not applying IFRS for the first-time, IFRS 14 is applicable as it forms part of accounting and reporting standards as applicable in Pakistan.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and Other Comprehensive Income (OCI).

The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

IFRS 14 is effective in Pakistan for annual reporting periods beginning on or after 1 July 2019. WAPDA Hydroelectric has earlier adopted regulatory deferral accounting, in accordance with the guidance available in IAS 8 and local industry practice, which is in line with the IFRS 14 requirements. Hence, management believes that adoption of IFRS 14 would not have any material effect on the financial statements.



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The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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- **IFRS 1 - First-time Adoption of International Financial Reporting Standards**

- **IFRS 17 – Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to Hydroelectric.

**4. SIGNIFICANT ACCOUNTING POLICIES**

Following significant accounting policies which have been adopted in the preparation of financial statements of WAPDA Hydroelectric.

**4.1 Property, plant and equipment**

**4.1.1 Operating fixed assets**

**4.1.1.1 Cost**

Operating fixed assets are stated at cost less accumulated depreciation and any impairment loss. The cost comprises of purchase price, including import duties, non-recourse purchase taxes and other related costs of bringing the asset to its present working condition and location for its intended use.

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

Major spare parts and standby equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of operating fixed assets. Major spare parts and standby equipment available for use are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

**4.1.1.2 Derecognition**

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

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**4.1.1.3 Depreciation**

Depreciation is charged to profit or loss on straight-line method so as to write off the cost of operating fixed assets, over their estimated remaining useful lives at the rates specified below. However, depreciation charged on assets that directly relates to construction and acquisition of other assets is included in the cost of such assets. Depreciation on addition to operating fixed assets is charged from the month in which the asset is available for use and continued till the month of disposal.

Depreciation for the year is recognized on a straight line basis over the estimated useful life of each component of an item of operating fixed assets. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is not charged to fully depreciated assets. Lands are not depreciated.

The useful lives and methods of depreciation of each component of operating fixed assets are reviewed at each reporting date and adjusted prospectively, if appropriate.

Following depreciation rates, based on the estimated useful lives of the assets, are generally applied:

Sr. no	Description of assets	Depreciation rates	
		2019	2018
1	Building and civil works	2%	2%
2	Power generation plant assets		
	a. Turbines	2.86-4%	2.86-4%
	b. Generators (Class - F insulation)	2.86%	2.86%
	c. Generators (Class - B insulation)	3.33%	3.33%
	d. Gas Insulated Switch (GIS) Gear	4.00%	4.00%
	e. Switchyard equipment	4.00%	4.00%
	f. Medium and Low Voltage (MV/LV) Switch gear Control and Protection Equipment	4.00%	4.00%
	g. Telecommunication and SCADA equipment	5.00%	5.00%
	h. Cranes	3.33%	3.33%
	i. Trash Rack and Cleaning Machines	3.33%	3.33%
	j. Truck Trailer	5.00%	5.00%
k. High Voltage (HV) Circuit Breaker Air Blast Type	4.00%	4.00%	
l. High Voltage (HV) Circuit Breaker SF-6 Type	3.33%	3.33%	
3	Transmission line equipment	4.00%	4.00%
4	Dams and reservoirs	1-1.25%	1-1.25%
5	General / plant assets	10%	10%
6	Office equipment	10-25%	10-25%
7	Furniture and fixtures	10%	10%
8	Transportation equipment	20%	20%

**4.1.1.4 Useful lives, impairment and method of depreciation of operating fixed assets**

WAPDA Hydroelectric reviews the useful lives of operating fixed assets on regular basis. The depreciation method and the useful life of each part of operating fixed assets that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

WAPDA Hydroelectric assesses at each reporting date whether there is any indication that assets excluding inventory may be impaired. In making these assessment, WAPDA Hydroelectric uses the technical resources available inside/outside WAPDA Hydroelectric, as appropriate. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit or loss.

**4.1.2 Capital work-in-progress**

Capital work in progress is stated at cost less accumulated impairment losses, if any. Projects of capital work in progress are transferred to operational offices (hereinafter referred as "formations") of WAPDA Hydroelectric when 100% progress is certified by the consultants and verified by WAPDA Hydroelectric's own engineers.



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Capital work in progress mainly includes direct cost, netted with respective test run revenue, incurred on the development projects including incurred on land acquisition, salaries of personnel deployed at respective development projects and mobilization advances given to designated contractors and consultants.

**4.2 Borrowing costs**

Interest during construction directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, is not capitalized and instead charged to profit or loss as the same is reimbursed by NEPRA as part of tariff which is being billed and recognized as revenue. Correspondingly investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is also credited to profit or loss.

**4.3 Retention money payables**

A retention is a percentage of the contract payment value which is held by WAPDA Hydroelectric of designated contractors and consultants. Retention money is released following the expiry of a defects liability period, being part of normal credit terms under such agreements. Retention money payable is recognized at the consideration to be paid at the expiry of the defects liability period.

**4.4 Impairment of non-financial assets**

The carrying amounts of non-financial assets other than stores, spares and loose tools are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

WAPDA Hydroelectric's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**4.5 Stores, spare parts and loose tools**

These are valued 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 direct charges paid thereon till the reporting date. WAPDA Hydroelectric reviews stores and spare parts for possible impairment on an annual basis and provision is made for obsolescence, based on management's best estimate.

**4.6 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**4.6.1 Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Hydroelectric's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Hydroelectric has applied the practical expedient, Hydroelectric initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Hydroelectric has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Hydroelectric's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that Hydroelectric commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortized cost (debt instruments)**

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Hydroelectric's financial assets at amortized cost includes receivables from the customer, other receivables, short term investments and long term loans and deposits.

**Financial assets at fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Hydroelectric doesn't have any financial assets measured at fair value through OCI.

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, Hydroelectric can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.



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Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when Hydroelectric benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Hydroelectric hasn't elected to classify any financial assets under this category.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Hydroelectric doesn't have any financial assets measured at fair value through profit or loss.

**Impairment of financial assets**

WAPDA Hydroelectric recognizes an allowance for ECLs for all debt instruments (excluding receivable from the CPPA-G) not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Hydroelectric expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The trade receivable of WAPDA Hydroelectric represents amounts due from CPPA-G (a Government owned entity) against sale of electricity and hydel levies. SRO No. 985(1)/2019 issued by the SECP on 2 September 2019 in respect of the companies holding financial assets due from GOP, the requirements contained in "IFRS 9 (Financial instrument) with respect to application of expected credit losses method" shall not be applicable till 30 June 2021. Accordingly, no impairment charge is recorded on the trade receivables. However, receivables from the CPPA-G are assessed at each reporting date to determine whether there is any objective evidence that it is impaired as per IAS 39. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

**4.6.2 Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

WAPDA Hydroelectric's financial liabilities include trade and other payables (excluding due to statutory authorities), loans and borrowings, retention money payables, short term borrowings and interest payable.

**Subsequent measurement**

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)





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**Financial liabilities at fair value through profit or loss**

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. WAPDA Hydroelectric has not designated any financial liability as at fair value through profit or loss.

**Financial liabilities at amortized cost (loans and borrowings)**

This is the category most relevant to WAPDA Hydroelectric. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

#### **4.6.3 Derecognition**

##### **4.6.3.1 Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- Hydroelectric has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Hydroelectric has transferred substantially all the risks and rewards of the asset, or (b) Hydroelectric has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Hydroelectric has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Hydroelectric continues to recognize the transferred asset to the extent of its continuing involvement. In that case, Hydroelectric also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Hydroelectric has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Hydroelectric could be required to repay.

##### **4.6.3.2 Financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **4.6.4 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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**4.7 Hydrel levies**

The Article 161 (2) of the Constitution of Islamic Republic of Pakistan provides that the net profits earned by the Federal Government, or any undertaking established or administered by the Federal Government i.e. WAPDA as determined by the Presidential Order no. 3 of June 1991, from the bulk generation of power at a hydroelectric station shall be paid to the provinces in which hydroelectric stations are situated.

Hydel levies mainly comprise of Net Hydel Profits (NHP) attributable to the Governments of Punjab (GoPb) and Khyber Pakhtunkhwa (GoKPK) as per instructions of the GoP and also include Water Usage Charges (WUC) payable to the Government of Azad, Jammu and Kashmir (GoAJ&K) and Water Management Charges (WMC) payable to the Indus River System Authority (IRSA). These levies are billed to the CPPA-G at Federal Government notified rates and recognized in the statement of financial position as receivable and unpaid amount of levies is recognized as payable against hydel levies.

**4.8 Cash and bank balances**

Cash and bank balances comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

For the purpose of the statement of cash flows, cash and bank balances consist of cash and short-term deposits and balances with banks, as defined above, as they are considered an integral part of WAPDA Hydroelectric's cash management.

**4.9 Regulatory deferral account**

A regulatory deferral account balance is defined as the balance of any expense (or income) account that would not be recognized as an asset or a liability in accordance with other Standards, but that qualifies for deferral because it is included, or is expected to be included, by the rate regulator in establishing the rates that can be charged to customers.

As mentioned in Note 1.1, WAPDA was formed under the WAPDA Act, which prescribes that rate of sale of electricity shall be so fixed as to provide for recovering the operating costs, interest charges, depreciation of assets and return on regulatory asset base (average carrying value of property, plant and equipment). WAPDA Hydroelectric submits its tariff petition after every two years with the NEPRA (regulator for determining the tariff of electricity in the country and also a related party of WAPDA Hydroelectric), on the basis of management's best estimate of the expected cost and the difference of actual cost incurred versus the estimate of cost considered by the NEPRA in determining the previous tariffs. The NEPRA determines the next tariff based upon the tariff petitions filed by WAPDA Hydroelectric. The regulatory deferral balances arise due to this rate regulation process. The management is confident that no significant risks exits as of reporting date in respect of rate regulation.

WAPDA Hydroelectric initially recognizes deferral account balance at historic cost, without accounting for the effect of time value of money, based on the management's best estimate considering the tariff structure under the WAPDA Act and tariff determinations of the NEPRA. Such amounts are expected to be recovered through tariff from the CPPA-G, in future periods and these are transferred from regulatory deferral account to receivable from the customer. At each reporting date, the outstanding balance of deferral amount is assessed for probability of recovery, considering decisions of the NEPRA. An impairment charge is also recognized, if recoverable amount, without accounting for the effect of time value of money is less than their carrying value.

**4.10 Government / deferred grants**

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. WAPDA Hydroelectric receives two type of grants: against specific expenses or for specific assets. When the grant relates to an expense item, it is recognized as income over the period necessary to match the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and charged to profit or loss over the expected useful life of the related asset.





**Monetary grant:**

If grant is in the form of cash, it is measured at the amount of cash received or receivable.

**Non-monetary grant:**

When WAPDA Hydroelectric receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts.

**4.11 Employee retirement and other benefits**

WAPDA Hydroelectric operates following retirement and other long term schemes for its employees.

**a) Pension:**

WAPDA Hydroelectric offers post employment pension scheme to its eligible employees and their dependents. Under the unfunded scheme all such employees are entitled for lifetime pension based on "Pensionable Salary" as defined in the pension scheme rules of WAPDA. After the death of the employee, their spouse and minor children (if any) are also eligible for 75% of pension benefit.

No benefits under this scheme are available to any employee who either resigned from the service before 25 years or who is dismissed / terminated from the service of Hydroelectric due to misconduct.

**b) Free medical facility:**

WAPDA Hydroelectric provides free medical benefits to its pensioners. The level of post-retirement medical benefit for a retiree (or beneficiaries) depends on whether the retiree opts for cash medical allowance during service or not. Pensioners eligible for full medical benefits are allowed to use all medical and surgical facilities available at WAPDA Hospitals and Dispensaries. Specialist consultation is also provided if considered necessary by WAPDA Medical Officer.

The retirees can opt to take cash medical allowance in accordance with their basic pay scale.

**c) Free electricity facility:**

WAPDA Hydroelectric offers free electricity benefit to its eligible employees and their dependents. Under the unfunded scheme all such employees are entitled for lifetime free electricity benefit based on their last served employment scale, starting from the date of retirement. After the death of the employee, their spouse and minor children (if any) are also eligible for the 50% of the free electricity benefit.

No benefits under this scheme are available to any employee who either resigned from the service before 25 years or who is dismissed / terminated from the service of WAPDA Hydroelectric due to misconduct.

**d) Compensated absences:**

WAPDA Hydroelectric provides leave encashment benefit to its employees. Employees of WAPDA Hydroelectric are entitled to receive 48 days leave per annum. The un-utilized leave are accumulated subject to a maximum of 365 days. The un-utilized accumulated leave are en-cashed at the time of leaving the service.

The employees are also entitled to take Leave Preparatory to Retirement (LPR) of one year retirement. A general practice of the employees is to take leave encashment benefit on monthly/quarterly/semi-annually basis in the last year before retirement which is equivalent to rendering additional service during LPR.

Due to materially different risks associated with each benefit plan the entity has disaggregated the above benefits for disclosure purposes. The entity underwrites the actuarial risk associated with the above benefits and determines the defined benefit liabilities by consulting an qualified independent actuary.



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The entity recognizes the defined benefit liabilities in the statement of financial position. The cost of providing benefits under the defined benefit plan is determined by an independent qualified actuary using the projected unit credit method. Actuarial valuation is conducted every year. Re-measurements, comprising of actuarial gains and losses from changes in actuarial and experience assumptions for pension, free electricity and free medical benefits are recognized immediately in the statement of financial position with a corresponding debit or credit to accumulated profits through other comprehensive income in the period in which they occur, whereas actuarial gain and loss from changes in actuarial and experience assumptions for compensated absences is recognized in statement of profit or loss. Re-measurement of defined benefit liabilities recognized in other comprehensive income shall not be reclassified to profit or loss in subsequent periods.

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

#### **4.11.1 Estimates and judgments**

The cost of employee retirement and other benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases, mortality rates, future pension increases, future increase in medical costs and future increase in electricity costs. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. WAPDA Hydroelectric uses the valuation performed by an independent actuary as the present value of its defined benefit obligations. Actuarial valuation is conducted every year and is based on assumptions as mentioned in notes to these financial statements.

#### **4.11.2 Risks associated with defined benefit plans**

##### **Pension**

- WAPDA Hydroelectric provides pension benefits to all of its regular employees.
- The pension scheme is an un-funded scheme. There is no minimum funding requirement for a pension scheme which leads to relatively less secured pension benefits.
- The pension scheme is a defined benefit scheme with benefits based on service and last drawn salary. Therefore, the liabilities of the scheme are sensitive to the salary increases and pension increases.

##### **Medical**

- WAPDA Hydroelectric provides post-retirement medical benefits to all of its regular employees.
- The post-retirement medical benefits scheme is an un-funded scheme. In general, there is no practice in the local market to have a funded post-employment medical benefit scheme.
- There is no minimum funding requirements for a post-retirement medical benefit scheme which leads to relatively less secured post-retirement medical benefits.
- The post-retirement medical benefit scheme is categorized as a post-employment defined benefit scheme in accordance with the provisions of IAS-19. The liabilities of the scheme are sensitive to the increases in medical cost incurred by retirees in future.

##### **Electricity**

- WAPDA Hydroelectric provides post-retirement free electricity to all of its regular employees.
- The post-retirement free electricity scheme is an un-funded scheme. This mean that the cost incurred by WAPDA Hydroelectric on providing this benefit is not paid from any fund.
- The post-retirement free electricity scheme is categorized as a post-employment defined benefit scheme in accordance with the provisions of IAS-19. The liabilities of the scheme are sensitive to the increases in electricity cost in future.

##### **Leave Encashment / Compensated Absences**

- WAPDA Hydroelectric provides leave encashment benefit to all of its regular employees.
- The leave encashment benefit scheme is an un-funded Scheme. This mean that the cost incurred by WAPDA Hydroelectric on providing this benefit is not paid from any fund.
- The leave encashment benefit scheme is categorized as other long term employee benefit in accordance with the provisions of IAS-19. The benefit is based on the last drawn salary. Therefore, liabilities of the scheme are sensitive to the increases in salaries.



#### **4.12 Provisions**

Provisions are recognized when Hydroelectric has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Hydroelectric expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

WAPDA Hydroelectric has no legal or constructive obligation regarding dismantling and removal of the power generation plants and restoration of the related sites.

#### **4.13 Current versus non-current classification**

Hydroelectric presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Hydroelectric classifies all other liabilities as non-current.

#### **4.14 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Hydroelectric.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Hydroelectric uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, Hydroelectric determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at reporting date, WAPDA Hydroelectric has no financial or non-financial assets for which fair value modelling is required (2018: Nil).

#### **4.15 Events after the reporting period**

If Hydroelectric receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, Hydroelectric will assess if the information affects the amounts that it recognizes in Hydroelectric's financial statements. Hydroelectric will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, Hydroelectric will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

#### **4.16 Foreign currencies**

Transactions in foreign currencies are initially recorded by Hydroelectric at its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of exchange differences on translation of foreign currency loan and related foreign currency bank balances related to projects under development, which is being capitalized to the extent they are eligible for capitalization, up to the date of commissioning of the projects, in pursuant to the exemption granted by the SECP as disclosed in Note 2.3. All other exchange differences are charged to statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. There are no non-monetary items measured at fair value in a foreign currency.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which Hydroelectric initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, Hydroelectric determines the transaction date for each payment or receipt of advance consideration.

#### **4.17 Revenue from contract with customer**

Revenue is measured based on the consideration to which Hydroelectric expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Hydroelectric recognize revenue when it transfers control of a product or service to a customer.

##### **4.17.1 Sale of electricity**

WAPDA signed its PPA with the CPPA-G, the sole customer of WAPDA Hydroelectric on 24 January 2011.

##### **Performance obligations**

Under the PPA, WAPDA Hydroelectric is obligated to:

- sell and deliver all Net Electric Output (NEO) of all power stations of WAPDA Hydroelectric; and
- make available the installed capacity of power stations to the CPPA-G.



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Since, the CPPA-G simultaneously receives and consumes the benefits provided by Hydroelectric, hence performance obligations are satisfied over time. However, Hydroelectric applies the practical expedient of right to invoice to recognize the revenue under IFRS 15. There is no significant financing component and significant variable consideration. The individual components of consideration is billed on monthly basis in accordance with terms of the PPA. The invoices are raised to the CPPA-G on monthly basis and are payable within 25 days from the date of invoice.

The power sale invoice comprises of payments for a fixed charge and a variable charge. Fixed charge payments are computed by multiplying the fixed charge rate with the installed capacity and variable charge payments are computed by multiplying the variable charge rate with the net electrical output in the month to which the relevant invoice relates. The fixed charge rate and the variable charge rate for each agreement year are approved by NEPRA and notified by the Federal Government in the official Gazette.

#### **4.17.2 Grant income**

- Grant related to operating fixed assets are taken to income over the useful life of the operating assets in order to match with the corresponding depreciation expense.
- Grant for operating expenditures are amortized on the basis of expenditure incurred in accordance with the terms attached to the respective grants.

#### **4.17.3 Sale of scrap and store items**

- Revenue from sale of scrap and store items is recognized when control of items passes to buyers which is generally on dispatch of goods.

#### **4.18 Ijarah**

Ijarah is a contract whereby the owner of an asset, other than consumable, transfers its usufruct to another person for an agreed period for an agreed consideration. All Ijarah agreements are treated as operating lease.

##### **Sales and lease back under Ijarah**

A sale and leaseback transaction involves the sale of an asset by the vendor and the leasing of the same asset back to the vendor. When an asset is sold with an intention to enter into an Ijarah arrangement, any profit or loss based on the asset's fair value should be recognized immediately. If the sale price is below fair value, any profit or loss should be recognized immediately except that, if the loss is compensated by future lease payments at below market price, it should be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

WAPDA have Ijarah agreements with WAPDA Second and Third Sukuk Companies, whereby certain power generation plant assets of Tarbela have been sold to above Sukuk Companies and WAPDA Hydroelectric has leased the subject assets back at agreed rentals from the Sukuk Companies.

Ijarah rentals payable under Ijarah arrangement are charged to profit or loss on a straight line basis over the term of the Ijarah lease arrangement as per the Islamic Financial Accounting Standard - 2 IJARAH. At the end of Ijarah term, Sukuk Companies would gift the leased assets back to WAPDA Hydroelectric, which would be recognized at nominal value.

#### **4.19 Taxation**

Income of WAPDA is exempt from income tax as per provisions of Clause 66 (xvi) Part-I of Second Schedule to the Income Tax Ordinance, 2001. Interest income u/s 151, property income u/s 155 and cash withdrawals from bank u/s 231A of the Income Tax Ordinance, 2001 are also exempt. Exemption certificates in these regards are issued by Commissioner Income Tax on yearly basis. As mentioned in Note 2.1, WAPDA Hydroelectric, being a segment of WAPDA, falls under the exemptions granted under the Income Tax Ordinance 2001.



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5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Capital Work In Progress (CWIP)

		2019	2018 (Un-audited)
Note		PKR '000'	PKR '000'
5.1		266,137,486	177,349,253
5.2		173,583,127	223,506,927
		<u>439,720,613</u>	<u>400,856,180</u>

5.1 Operating fixed assets

Asset class	2019										
	Cost					Depreciation rates	Accumulated depreciation				Net book value as at 30 June 2019
	Opening balance as at 01 July 2018	Direct additions	Transferred from CWIP	Disposals during the year / adjustments	Closing balance as at 30 June 2019		Opening balance as at 01 July 2018	Charge for the year	Disposals during the year / adjustments	Closing balance as at 30 June 2019	
PKR '000'					%	PKR '000'					
Land	5,698,714	10,329	199,052	(2,904)	5,905,191	-	-	-	-	-	5,905,191
Building and civil works	53,428,867	357,366	22,785,005	(319)	76,570,919	2	15,311,924	1,533,530	(175)	16,845,279	59,725,640
Power generation plant assets	68,848,628	1,092,398	43,850,334	(123,988)	113,667,372	2.86-5	30,534,495	3,807,110	(8,909)	34,332,696	79,334,676
Transmission line equipment	5,644,096	292	9,164,279	-	14,808,667	4	1,047,898	592,511	-	1,640,409	13,168,258
Dams and reservoirs	113,077,114	1,013,304	15,991,987	-	130,082,405	1-1.25	23,727,016	1,296,475	117	25,023,608	105,058,797
General / plant assets	1,179,992	55,118	1,990,678	(2,993)	3,222,795	10	579,827	293,210	(1,013)	872,024	2,350,771
Office equipment	196,900	23,629	-	-	220,529	10-25	107,615	27,845	-	135,460	85,069
Furniture and fixtures	682,206	9,090	-	-	691,296	10	584,934	32,423	-	617,357	73,939
Transportation equipment	2,318,617	71,610	-	(6,941)	2,383,286	20	1,832,172	122,215	(6,246)	1,948,141	435,145
	<u>251,075,134</u>	<u>2,633,136</u>	<u>93,981,335</u>	<u>(137,145)</u>	<u>347,552,460</u>		<u>73,725,881</u>	<u>7,705,319</u>	<u>(16,226)</u>	<u>81,414,974</u>	<u>266,137,486</u>

Asset class	2018 - (Un-audited)										
	Cost					Depreciation rates	Accumulated depreciation				Net book value as at 30 June 2018
	Opening balance as at 01 July 2017	Direct additions	Transferred from CWIP	Disposals during the year / adjustments	Closing balance as at 30 June 2018		Opening balance as at 01 July 2017	Charge for the year	Disposals during the year / adjustments	Closing balance as at 30 June 2018	
PKR '000'					%	PKR '000'					
Land	5,696,596	2,118	-	-	5,698,714	-	-	-	-	-	5,698,714
Building and civil works	52,774,849	659,178	-	(5,160)	53,428,867	2	14,138,731	1,173,193	-	15,311,924	38,116,943
Power generation plant assets	67,586,895	1,313,709	-	(51,976)	68,848,628	2.86-5	28,506,956	2,027,735	(196)	30,534,495	38,314,133
Transmission line equipment	5,644,096	-	-	-	5,644,096	4	794,648	253,250	-	1,047,898	4,596,198
Dams and reservoirs	113,010,284	66,830	-	-	113,077,114	1-1.25	22,593,828	1,133,188	-	23,727,016	89,350,098
General / plant assets	967,948	212,210	-	(166)	1,179,992	10	453,612	126,215	-	579,827	600,165
Office equipment	162,692	34,376	-	(168)	196,900	10-25	83,843	23,772	-	107,615	89,285
Furniture and fixtures	656,622	25,644	-	(60)	682,206	10	578,212	6,722	-	584,934	97,272
Transportation equipment	2,082,961	239,650	-	(3,994)	2,318,617	20	1,742,640	89,532	-	1,832,172	486,445
	<u>248,582,943</u>	<u>2,553,715</u>	<u>-</u>	<u>(61,524)</u>	<u>251,075,134</u>		<u>68,892,470</u>	<u>4,833,607</u>	<u>(196)</u>	<u>73,725,881</u>	<u>177,349,253</u>

5.1.1 Depreciation charge for the year has been allocated as follows:

Cost of revenue  
Transferred to CWIP

		2019	2018 (Un-audited)
Note		PKR '000'	PKR '000'
25		7,655,469	4,785,425
		<u>49,850</u>	<u>48,182</u>
		<u>7,705,319</u>	<u>4,833,607</u>

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5.1.2 Operating fixed assets by power station

Power stations	2019								
	Cost				Accumulated depreciation				Net book value as at 30 June 2019
	Opening balance as at 01 July 2018 (Un-audited)	Additions / transfers during the year	Disposals during the year / adjustments	Closing balance as at 30 June 2019	Opening balance as at 01 July 2018 (Un-audited)	Charge for the year	Disposals during the year / adjustments	Closing balance as at 30 June 2019	
	PKR '000'								
Tarbela	21,624,210	742,819	(2,904)	22,364,125	15,588,384	417,872	-	16,006,256	6,357,869
Ghazi Barotha	96,201,646	152,744	(1,457)	96,352,933	29,776,493	1,631,611	(1,310)	31,406,794	64,946,139
Mangla	32,763,471	1,152,434	(1,326)	33,914,579	6,422,446	636,776	(1,193)	7,058,029	26,856,550
Warsak	3,425,574	19,407	(776)	3,444,205	2,184,001	72,198	(699)	2,255,500	1,188,705
Chashma	20,940,222	94,021	(922)	21,033,321	9,689,387	461,413	(830)	10,149,970	10,883,351
Rasul	369,932	13,137	-	383,069	100,263	6,477	-	106,740	276,329
Dargai	155,433	2,250	(320)	157,363	61,797	4,184	(175)	65,806	91,557
Nandipur	120,642	1,697	-	122,339	72,184	3,169	-	75,353	46,986
Shadiwal	107,070	7,974	(189)	114,855	49,584	4,444	(170)	53,858	60,997
Chichoki	73,661	28,379	(525)	101,515	37,880	3,878	(473)	41,285	60,230
Kurram Garhi	57,805	608	-	58,413	15,793	1,759	-	17,552	40,861
Renala Khurd	27,651	4,800	-	32,451	9,151	965	-	10,116	22,335
Chitral	81,712	189	-	81,901	57,283	1,496	-	58,779	23,122
Khan Khwar	9,633,412	8,734	-	9,642,146	1,412,131	183,978	-	1,596,109	8,046,037
Allai Khwar	15,200,891	2,251	(799)	15,202,343	2,726,881	265,447	(719)	2,991,609	12,210,734
Gomal Zam	7,519,486	518	-	7,520,004	833,251	141,819	-	975,070	6,544,934
Jinnah Hydrel	17,346,208	928,224	-	18,274,432	2,049,927	426,954	-	2,476,881	15,797,551
Jabban	4,016,529	9,055	(126,981)	3,898,603	644,708	116,436	(9,790)	751,354	3,147,249
Duber Khwar	20,836,313	1,273	-	20,837,586	1,679,793	346,136	-	2,025,929	18,811,657
Tarbela 4th Extension	168,482	66,445,427	-	66,613,909	75,221	2,264,751	-	2,339,972	64,273,937
Golen Gol	7,538	26,930,744	-	26,938,282	6,328	660,297	(15)	666,610	26,271,672
Others	397,246	67,786	(946)	464,086	232,995	53,259	(852)	285,402	178,684
<b>2019</b>	<b>251,075,134</b>	<b>96,614,471</b>	<b>(137,145)</b>	<b>347,552,460</b>	<b>73,725,881</b>	<b>7,705,319</b>	<b>(16,226)</b>	<b>81,414,974</b>	<b>266,137,486</b>
2018 - (Un-audited)	248,582,943	2,553,715	(61,524)	251,075,134	68,892,470	4,833,607	(196)	73,725,881	177,349,253

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**5.2 Capital Work In Progress (CWIP)**

	Note	2019 ----- PKR '000'	2018 (Un-audited) ----- PKR '000'
Opening balance as at 01 July:		223,506,927	194,735,483
Additions during the year	5.2.3	44,057,535	28,771,444
Transferred to operating fixed assets		(93,981,335)	-
Closing balance as at 30 June	5.2.1	<u>173,583,127</u>	<u>223,506,927</u>

**5.2.1 Projects breakup movement**

	2019									
	Diamer Bhasha Dam	Tarbela 4th Extension	Golen Gol	Dasu Hydropower Project (5.2.3)	Keyal Khwar	Mangla Upgradation	Mohmand Dam	Warsak 2nd Rehabilitation	Other Projects	Total
----- PKR '000'										
<b>Opening balance as at 01 July 2018 - (Un-audited)</b>	77,201,695	66,606,173	26,924,253	38,848,272	2,801,429	4,425,880	-	1,021,346	5,677,879	223,506,927
<b>Movement in CWIP during the year:</b>										
Additions / (adjustments) during the year	8,484,806	2,326,634	3,667,767	10,503,371	366,598	2,467,551	16,709,162	13,377	(481,731)	44,057,535
Transferred to operating fixed assets	-	(66,426,175)	(26,924,254)	-	-	-	-	-	(630,906)	(93,981,335)
	<u>8,484,806</u>	<u>(64,099,541)</u>	<u>(23,256,487)</u>	<u>10,503,371</u>	<u>366,598</u>	<u>2,467,551</u>	<u>16,709,162</u>	<u>13,377</u>	<u>(1,112,637)</u>	<u>(49,923,800)</u>
<b>Closing balance as at 30 June 2019</b>	<u>85,686,501</u>	<u>2,506,632</u>	<u>3,667,766</u>	<u>49,351,643</u>	<u>3,168,027</u>	<u>6,893,431</u>	<u>16,709,162</u>	<u>1,034,723</u>	<u>4,565,242</u>	<u>173,583,127</u>

	2018 - (Un-audited)									
	Diamer Bhasha Dam	Tarbela 4th Extension	Golen Gol	Dasu Hydropower Project (5.2.3)	Keyal Khwar	Mangla Upgradation	Warsak 2nd Rehabilitation	Other Projects	Total	
----- PKR '000'										
Opening balance as at 01 July 2017 - (Un-audited)	73,297,363	54,959,617	19,600,687	34,612,535	2,984,096	1,788,767	962,732	6,529,686	194,735,483	
<b>Movement in CWIP during the year:</b>										
Additions / (adjustments) during the year	3,904,332	11,646,556	7,323,566	4,235,737	(182,667)	2,637,113	58,614	(851,807)	28,771,444	
Closing balance as at 30 June 2018 - (Un-audited)	<u>77,201,695</u>	<u>66,606,173</u>	<u>26,924,253</u>	<u>38,848,272</u>	<u>2,801,429</u>	<u>4,425,880</u>	<u>1,021,346</u>	<u>5,677,879</u>	<u>223,506,927</u>	

**5.2.2 The project-wise break up of Interest During Construction (IDC) charged to profit or loss is as follows.**

IDC till 1 July 2017 - (Un-audited)	24,415,200	11,481,852	4,227,505	3,368,671	528,532	-	142,572	-	44,164,332
IDC for the year	8,506,485	7,798,779	2,000,861	5,815,415	125,952	33,557	147,459	-	24,428,508
IDC till 30 June 2018 - (Un-audited)	32,921,685	19,280,631	6,228,366	9,184,086	654,484	33,557	290,031	-	68,592,840
IDC for the year	<u>8,485,098</u>	<u>8,896,598</u>	<u>2,096,314</u>	<u>8,262,820</u>	<u>96,829</u>	<u>193,498</u>	<u>153,258</u>	<u>120,326</u>	<u>28,304,741</u>
<b>IDC till 30 June 2019</b>	<u>41,406,783</u>	<u>28,177,229</u>	<u>8,324,680</u>	<u>17,446,906</u>	<u>751,313</u>	<u>227,055</u>	<u>443,289</u>	<u>120,326</u>	<u>96,897,581</u>

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**5.2.3** This includes net exchange loss of Rs. 1,973 million (2018: Rs. 1,597 million) which arose on translation of foreign direct loan and foreign currency bank balance, directly related to Dasu Hydropower project.

		2019	2018 (Un-audited)
		----- PKR '000' -----	
<b>6.</b>	<b>LONG TERM LOANS, ADVANCES AND DEPOSITS</b>		
	Loans to employees - secured	594,207	567,982
	Advance to WAPDA Water Wing	106,562	-
	Security deposits	1,956	1,670
		<u>702,725</u>	<u>569,652</u>
<b>6.1</b>	<b>Long term loans to employees against purchase of:</b>		
	- House buildings	199,081	181,428
	- Plots	456,614	446,754
	- Vehicles	4,962	2,603
	- Others	139	670
		<u>660,796</u>	<u>631,455</u>
	Less: current portion shown under current assets		
	- House buildings	19,908	18,143
	- Plots	45,661	44,675
	- Vehicles	992	521
	- Others	28	134
		<u>66,589</u>	<u>63,473</u>
		<u>594,207</u>	<u>567,982</u>

**6.1.1** These represent loans provided to the permanent employees and are recoverable in 120 monthly installments in respect of purchase of plot and house buildings and in 60 monthly installments for other loans. Loans against plot are secured against the mortgage of land in favor of WAPDA, whereas other loans are secured against employees' balances in General Provident Fund maintained with WAPDA. Most of these loans are interest free and the management considers that discounting impact of these loans would be insignificant.

**6.2** This advance has been given to WAPDA Water Wing for providing of technical services for hydro development projects.

		2019	2018 (Un-audited)
		----- PKR '000' -----	
<b>7.</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores and spares	5,184,714	4,742,237
	Loose tools	335,917	352,621
		<u>5,520,631</u>	<u>5,094,858</u>
<b>8.</b>	<b>RECEIVABLE FROM THE CUSTOMER Unsecured, considered good</b>		
	<i>Receivable from CPPA-G - related party:</i>		
	- against sale of electricity	67,677,164	48,249,542
	- against hydel levies	124,605,790	89,191,330
		<u>192,282,954</u>	<u>137,440,872</u>

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8.1	Receivable against hydel levies	Note	2019 ----- PKR '000' -----	2018 (Un-audited)
	<b>Billed:</b>			
	NHP - Government of Punjab	8.1.1	77,279,939	24,582,684
	NHP - Government of KPK	8.1.2	46,399,684	26,592,563
	WUC - Government of AJ&K	8.1.3	769,003	518,492
	WMC - IRSA	8.1.4	157,164	94,497
			124,605,790	51,788,236
	<b>Un-billed:</b>			
	NHP - Government of Punjab	8.1.5.1	-	6,032,331
	NHP - Government of KPK	8.1.5.2	-	31,370,763
			-	37,403,094
			124,605,790	89,191,330

**8.1.1** This represents NHP receivable from CPPA-G against bulk generation of power from hydro-electric stations situated in Punjab by WAPDA Hydroelectric and is paid / payable to the Government of Punjab, in accordance with GoP notification S.R.O. 290 (I)/2018 dated 23 February 2018.

**8.1.2** This represents NHP receivable from CPPA-G against bulk generation of power from hydro-electric stations situated in KPK by WAPDA Hydroelectric and is paid / payable to the Government of Khyber Pakhtunkhwa, in accordance with GoP notification S.R.O. 290 (I)/2018 dated 23 February 2018.

**8.1.3** This represents Water Usage Charges (WUC) receivable from CPPA-G and is paid / payable to the Government of Azad Jammu and Kashmir, in accordance with GoP notification S.R.O. 290 (I)/2018 dated 23 February 2018.

**8.1.4** This represents Water Management Charges (WMC) receivable from CPPA-G and is paid / payable to the Indus River System Authority (IRSA), in pursuant to letter no. A-II-6/10/2010-IRSA dated 25 August 2011 i.e. 01 July 2011 and S.R.O. 290 (I)/2018 dated 23 February 2018.

**8.1.5 Unbilled Net Hydel Profits (NHP)**

This represented unbilled portion of NHP receivable from CPPA-G against the amount paid to the GoKPK and the GoPb.

**8.1.5.1 Government of Punjab (GoPb)**

In the light of Council of Common Interest (CCI), GoP decision dated 16 December 2016, the Federal Government through WAPDA Hydroelectric was directed to pay arrears of Rs. 82,700 million against NHP to the GoPb in 4 installments in FY 2016 to FY 2019 as a full and final payment of NHP arrears since inception till June 2016. WAPDA Hydroelectric has invoiced NHP arrears related to GoPb amounting Rs. 67,840 million to CPPA-G till financial year ended 30 June 2019.

The CCI, GoP has allowed WAPDA Hydroelectric to recover the total arrears payable as above through its tariff petition. NEPRA has allowed to charge Rs. 2,878.344 per kW/month of the installed capacity of all power stations located in Punjab for the electricity sold to CPPA-G in accordance with the GoP notification S.R.O.290(I)/2018 dated 23 February 2018.



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**8.1.5.2 Government of Khyber Pakhtunkhwa (GoKPK)**

In pursuant to Memorandum of Understanding (MoU) signed on 25th February 2016, between the GoP and the GoKPK, regarding the settlement of past arrears of NHP, the CCI, GoP gave concurrence to the MoU during its 28th meeting held on 29th February 2016. Under the MoU a total amount of Rs. 70,000 million was agreed to be paid by WAPDA Hydroelectric on account of arrears of NHP to GoKPK as full and final settlement of NHP since inception till February 2016, in 4 installments in FY 2016 to FY 2019. WAPDA Hydroelectric has invoices NHP arrears related to GoKPK amounting Rs. 70,000 million to CPPA-G till financial year ended 30 June 2019.

The CCI, GoP has allowed WAPDA Hydroelectric to recover the total arrears payable as above through its tariff petition. WAPDA Hydroelectric has been allowed by NEPRA to charge Rs. 181.0964 per kW/month from 07 March 2016 to 22 February 2018 and Rs. 305.549 per kW/month of the installed capacity of all power stations located in Khyber Pakhtunkhwa for the electricity sold to CPPA-G in accordance with the GoP notification S.R.O.290(I)/2018 dated 23 February 2018.

	<b>2019</b>	2018 (Un-audited)
	----- PKR '000' -----	
<b>8.2 Aging of trade debts</b>		
Not past due:	<b>10,660,327</b>	15,782,808
Past due:		
- 30 days	<b>10,461,178</b>	14,475,795
- 31 - 60 days	<b>8,863,374</b>	13,833,458
- More than 60 days	<b>162,298,075</b>	93,348,811
	<b>192,282,954</b>	137,440,872

As discussed in Note 29.1.2, receivable from the customer of WAPDA Hydroelectric represents amounts due from CPPA-G (a Government owned entity) against sale of electricity and hydel levies. In pursuant with the SRO No. 985(1)/2019 issued by SECP on 2 September 2019 in respect of the companies holding financial assets due from GOP, the requirements contained in "IFRS 9 (Financial instrument) with respect to application of expected credit losses method (ECL)" shall not be applicable till 30 June 2021.

Amounts receivable from CPPA-G has been acknowledged by CPPA-G, a fellow Government owned entity, which has direct access to cashflows of electricity distribution entities; accordingly, the management is confident that there is no objective evidence that any significant credit loss has incurred. Accordingly, no allowance in this regard has been created.

		<b>2019</b>	2018 (Un-audited)
		----- PKR '000' -----	
<b>9. SHORT TERM INVESTMENTS</b>	<b>Note</b>		
<b>Amortized cost:</b>			
Investment in Term Deposit Receipt (TDR)	<b>9.1</b>	<b>3,000,000</b>	31,000,000
Innovative Investment Bank Limited	<b>9.2</b>	<b>261,000</b>	261,000
		<b>3,261,000</b>	31,261,000
Less: allowance for expected credit loss		<b>(261,000)</b>	(261,000)
		<b>3,000,000</b>	31,000,000

**9.1** These are term deposit receipts from commercial banks having maturity up to six months. These carry mark-up at the rate of 11% to 13.5% (2018: 6.4% to 8.9%) per annum.

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**9.2** This represents investment made in the Innovative Investment Bank Limited (the Bank). On maturity, the balance remained unpaid, hence the case was lodged with the Honorable Lahore High Court (LHC) for the recovery of the said amount. The Honorable Lahore High Court decided the case in favor of WAPDA and attached the property with forced sale value of Rs. 220 million and appointed Court Auctioneers for recovery of this amount.

Further, Securities and Exchange Commission of Pakistan (SECP) obtained stay order from LHC and initiated voluntary winding-up of the Bank by court. The LHC first appointed Provisional Manager to run the affairs of the Bank and there after Joint Official Liquidators (JOLs) for winding-up of the Bank. WAPDA lodged its formal claim as preferential claimant being the entity owned by the GoP before JOLs of the Bank under liquidation. JOLs through decision dated 09 September 2020 rejected WAPDA's claim as to preferential claimant and against that JOLs' decision, WAPDA filed an appeal before LHC which is pending for adjudication. WAPDA Hydroelectric has recognized the expected credit loss against the said investment in its financial statements.

<b>10. OTHER RECEIVABLES</b>	<b>Note</b>	<b>2019</b>	<b>2018</b> (Un-audited)
		----- PKR '000' -----	
Bridge financing to:			
- WAPDA Water Wing	<b>10.1</b>	<b>2,520,604</b>	2,185,688
- WAPDA Coordination Wing	<b>10.2</b>	<b>460,689</b>	9,300
		<b>2,981,293</b>	2,194,988
Receivable from Power Sector Investment	<b>10.3</b>	-	3,822
Interest receivable on bridge financing to:			
- WAPDA Water Wing		<b>641,056</b>	271,170
- WAPDA Coordination Wing		<b>22,961</b>	116
		<b>664,017</b>	271,286
Others:			
- Considered good	<b>10.4</b>	<b>927,625</b>	248,582
- Considered doubtful		<b>1,286,558</b>	1,286,558
		<b>2,214,183</b>	1,535,140
Provision against doubtful receivable	<b>10.5</b>	<b>(1,286,558)</b>	(1,286,558)
		<b>927,625</b>	248,582
		<b>4,572,935</b>	2,718,678

**10.1** This represents unsecured bridge financing extended to WAPDA Water Wing for Kurram Tangi Dam and Kachi Canal Project. The loan carries interest at the rate of 14.91% per annum (2018: 14.91% per annum). These are expected to be recovered in next twelve months.

**10.2** This represents unsecured bridge financing extended to WAPDA Coordination Wing to meet its working capital requirements. The loan carries interest at the rate of 14.91% per annum (2018: 14.91% per annum). These are expected to be recovered in next twelve months.

**10.3** This represented receivable from associated undertaking against Debt Service Liability (DSL) related to foreign relent loans paid to GoP for financial years 2014-15, 2015-16 and 2016-17 on behalf of Kot Addu Power Company Limited (KAPCO) and Neelum Jhelum Hydropower Company (Private) Limited.

**10.4** This includes Rs. 495 million receivable in respect of interest income from Land Acquisition Collectors of Hazro and Ghazi against advances given for land acquisition for Ghazi Barotha Hydropower Project.

**10.5** This represents provision against unreconciled balance with CPPA-G.



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	2019	2018 (Un-audited)
	----- PKR '000' -----	
<b>11. LOANS AND ADVANCES</b>	<b>Note</b>	
<i>Advances to: considered good</i>		
- Employees against expense	381,841	795,961
- Chief Resident Representative Karachi	3,449,460	2,955,053
- Suppliers and others	1,992,631	605,497
	<b>5,823,932</b>	4,356,511
Current portion of long term loans	66,589	63,473
	<b>5,890,521</b>	4,419,984

11.1 This advance has been given to the Chief Resident Representative Karachi (CRRK), (a segment of WAPDA) against import of stores and spare parts.

	2019	2018 (Un-audited)
	----- PKR '000' -----	
<b>12. CASH AND BANK BALANCES</b>	<b>Note</b>	
Cash in hand	-	43,555
<b>Direct working capital balances</b>		
Balance with the banks:		
- current accounts		
Hydroelectric's own balance	1,536,177	2,895,417
<b>Balances held for specific utilizations</b>		
Balance with the banks:		
- current accounts		
un-utilized balance of loans and grants	54,866,832	41,097,974
- deposit accounts		
un-utilized balance of loans and grants	5,364,488	12,346,871
Hydroelectric's own balance	9,909,958	13,302,789
	<b>15,274,446</b>	25,649,660
<b>Total bank balances</b>	<b>71,677,455</b>	69,643,051
<b>Total cash and bank balances</b>	<b>71,677,455</b>	69,686,606

**12.1 Un-utilized balance of loans and grants**

**Held in current accounts:**

IDA relent loan for Dasu hydropower project	15.1.2.2	1,836,259	1,836,259
Foreign direct loan for Dasu hydropower project	15.2.1	49,065,464	37,025,648
IDA relent loan for Tarbela 4th extension project	15.1.1.13	803,924	374,656
IBRD relent loan for Tarbela 4th extension project	15.1.1.14	488,769	590,993
USAID grant for Mangla refurbishment project	16.1.2	1,330,345	1,270,418
AFD relent loan for Mangla refurbishment project	15.1.2.5	745,947	-
IBRD relent loan for Tarbela 5th extension project	15.1.2.6	346,131	-
USAID grant for Golen Gol hydropower project	16.1.3	249,993	-
		<b>54,866,832</b>	41,097,974

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		2019	2018 (Un-audited)
		----- PKR '000' -----	
<b>12.2</b>	<b>Un-utilized balance of loans and grants</b>	<b>Note</b>	
	<b>Held in deposit accounts:</b>		
	Syndicated local facility for		
	Dasu hydropower project	<b>15.4</b>	12,346,870
		<b>5,364,488</b>	<b>12,346,870</b>

**12.3** Deposit accounts carry interest at the rate ranging from 9.8% to 11.75% (2018: 4.25% to 6.30%) per annum.

**13. REGULATORY DEFERRAL  
ACCOUNT DEBIT BALANCES**

	Interest on loans (Note 13.1)	Operating costs and others (Note 13.2)	Total
	----- PKR '000' -----		
Balance as at 01 July 2017 - (Un-audited)	1,442,898	4,185,176	5,628,074
Balances arising in the year	3,298,721	7,441,695	10,740,416
Recovery / reversal (Note 13.3)	-	(3,008,000)	(3,008,000)
Net movement	3,298,721	4,433,695	7,732,416
Balance as at 30 June 2018 - (Un-audited)	<b>4,741,619</b>	<b>8,618,871</b>	<b>13,360,490</b>
Balances arising in the year	<b>3,887,300</b>	<b>(382,798)</b>	<b>3,504,502</b>
Recovery / reversal (Note 13.3)	-	<b>(5,560,000)</b>	<b>(5,560,000)</b>
Net movement	<b>3,887,300</b>	<b>(5,942,798)</b>	<b>(2,055,498)</b>
Balance as at 30 June 2019	<b>8,628,919</b>	<b>2,676,073</b>	<b>11,304,992</b>

**13.1** This regulatory deferral account debit balance represents the interest on loans obtained by WAPDA Hydroelectric for payment of NHP to the Provincial Governments and management expects that this would be recovered within 36 months from the reporting date.

**13.2** This regulatory deferral account debit balance represents the operating and maintenance cost, depreciation and return on regulatory asset base. The management expects that this would be recovered within 36 months from the reporting date.

**13.3** This represents the transfer from regulatory deferral account debit balance to receivable from the customer.

**13.4** As described in Note 4.19, income of WAPDA Hydroelectric is exempt from tax, accordingly there are no tax implications on regulatory deferred account debit balance.

**13.5** For detail regarding rate regulatory process, refer to Note 4.9.

**14. GOVERNMENT OF PAKISTAN'S INVESTMENT**

This represents equity investment of the GoP in WAPDA Hydroelectric.



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	2019	2018
	(Un-audited)	
<b>15. LONG TERM FINANCING - interest bearing</b>	----- PKR '000' -----	
Note		
Foreign loans:		
- relent from the GoP in PKR - unsecured (FRL)	<b>15.1</b>	109,662,906
- direct - secured	<b>15.2</b>	102,771,331
		45,566,349
		<u>168,806,996</u>
		148,337,680
Local loans:		
- cash development loans from the GoP - unsecured	<b>15.3</b>	89,086,166
- syndicated term finance facility - secured	<b>15.4</b>	89,699,788
- diminishing musharakah - secured	<b>15.5</b>	25,000,000
		80,152,000
		<u>152,206,166</u>
		194,851,788
		<u>321,013,162</u>
		343,189,468
Less: current portion shown under current liabilities		
- foreign relent loans	<b>15.6</b>	41,123,950
- foreign direct loans	<b>15.2.2</b>	59,144,090
- cash development loans	<b>15.6</b>	22,586,166
- syndicated term finance facility	<b>15.4.1</b>	25,000,000
- diminishing musharakah	<b>15.5.1</b>	38,120,000
		185,974,206
		162,528,000
		<u>135,038,956</u>
		180,661,468
<b>15.1 Foreign relent loans from the GoP - unsecured:</b>		
Operational power station loans	<b>15.1.1</b>	82,187,122
Development project loans	<b>15.1.2</b>	81,820,665
		20,950,666
		<u>109,662,906</u>
		102,771,331

**15.1.1 Operational power station loans**

Loan name	Note	Rate of interest per annum	Outstanding semi annual installments as on 30 June 2019	Repayment commencement / maturity	2019	2018 (Un-audited)
----- PKR '000' -----						
<b>Ghazi Barotha</b>						
ADB-1424-PAK	<b>15.1.1.1</b>	14.00%	4	2001/2021	<b>941,629</b>	1,412,442
KfW-9566316	<b>15.1.1.2</b>	14.00%	8	2003/2023	<b>1,189,390</b>	1,486,738
Pk-P-47	<b>15.1.1.3</b>	17.00%	2	2005/2020	<b>569,427</b>	1,138,851
					<u>2,700,446</u>	4,038,031
<b>Chashma</b>						
French Credit Bank	<b>15.1.1.4</b>	11.00%	-	1999/2019	-	30,223
French State Bank	<b>15.1.1.5</b>	11.00%	-	1999/2019	-	27,647
Citi Bank of Japan	<b>15.1.1.6</b>	11.00%	12	2005/2025	<b>635,329</b>	741,218
					<u>635,329</u>	799,088
<b>Allai, Dubair and Khan Khwar projects</b>						
IDB-PAK-0117	<b>15.1.1.7</b>	17.00%	8	2014/2023	<b>4,936,817</b>	6,171,021
<b>Jabban Power station</b>						
AFD Credit Facility	<b>15.1.1.8</b>	15.00%	18	2014/2028	<b>1,775,835</b>	1,973,150





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Loan name	Note	Rate of interest per annum	Outstanding semi annual installments as on 30 June 2019	Repayment commencement / maturity	2019	2018 (Un-audited)
----- PKR '000' -----						
<b>Golen Gol</b>						
Kuwait Fund Loan No. 742	15.1.1.9	17.00%	12	2014/2025	2,663,746	3,107,704
Saudi Fund Loan No. 10/479	15.1.1.10	17.00%	12	2014/2025	2,155,384	2,514,614
Saudi Fund Loan No. 14/609	15.1.1.11	15.00%	29	2019/2034	5,349,047	4,720,436
OPEC Fund Loan No. 1205	15.1.1.12	17.00%	18	2018/2028	1,261,649	1,401,832
OPEC Fund Loan No. 1206	15.1.1.12	17.00%	18	2019/2028	937,211	837,564
					<u>12,367,037</u>	<u>12,582,150</u>
<b>Tarbela 4th Extension</b>						
IDA Credit No. 5079-PK	15.1.1.13	15.00%	35	2017/2037	18,059,104	15,918,666
IBRD 8144-PK	15.1.1.14	15.00%	23	2020/2031	41,712,554	40,338,559
					<u>59,771,658</u>	<u>56,257,225</u>
					<u>82,187,122</u>	<u>81,820,665</u>

- 15.1.1.1** This loan has been obtained for Ghazi Barotha Hydropower Station from Asian Development Bank (ADB) by the GoP and further re-lent to WAPDA Hydroelectric. This carries mark up @ 14% (2018: 14%) per annum inclusive of interest rate of 11% (2018: 11%) plus 3% (2018: 3%) "Exchange Risk Cover" which is charged on principal amount. This loan is secured through GoP guarantee in favor of ADB and WAPDA Hydroelectric is responsible for repayment to the GoP.
- 15.1.1.2** This loan has been obtained for Ghazi Barotha Hydropower Station from Kreditanstalt für Wiederaufbau, Frankfurt an Main (KfW) by the GoP and further re-lent to WAPDA Hydroelectric. This carries mark up @ 14% (2018: 14%) per annum inclusive of interest rate of 11% (2018: 11%) plus 3% (2018: 3%) "Exchange Risk Cover" which is charged on principal amount. This loan is secured through the GoP guarantee in favor of KfW and WAPDA Hydroelectric is responsible for repayment to the GoP.
- 15.1.1.3** This loan has been obtained for Ghazi Barotha Hydropower Station from Overseas Economic Cooperation Fund (Fund) by the GoP and further re-lent to WAPDA Hydroelectric. This carries mark up @ 17% (2018: 17%) per annum inclusive of interest rate of 11% (2018: 11%) plus 6% (2018: 6%) "Exchange Risk Cover" which is charged on principal amount. This loan is secured through the GoP guarantee in favor of Fund and WAPDA Hydroelectric is responsible for repayment to the GoP.
- 15.1.1.4** This loan has been obtained for Chashma Hydropower Station from French Credit Bank by the GoP and further re-lent to WAPDA Hydroelectric. This carries mark up @ 11% (2018: 11%) per annum inclusive of interest rate of 8% (2018: 8%) plus 3% (2018: 3%) "Exchange Risk Cover" which is charged on principal amount. This loan is secured through GoP guarantee in favor of the bank and WAPDA Hydroelectric is responsible for repayment to the GoP. WAPDA Hydroelectric has fully repaid the loan.
- 15.1.1.5** This loan has been obtained for Chashma Hydropower Station from French State Bank by the GoP and further re-lent to WAPDA Hydroelectric. This carries mark up @ 11% (2018: 11%) per annum inclusive of interest rate of 8% (2018: 8%) plus 3% (2018: 3%) "Exchange Risk Cover" which is charged on principal amount. This loan is secured through GoP guarantee in favor of the bank and WAPDA Hydroelectric is responsible for repayment to the GoP. WAPDA Hydroelectric has fully repaid the loan.
- 15.1.1.6** This loan has been obtained for Chashma Hydropower Station from Citi Bank by the GoP and further re-lent to WAPDA Hydroelectric. This carries mark up @ 11% (2018: 11%) per annum inclusive of interest rate of 8% (2018: 8%) plus 3% (2018: 3%) "Exchange Risk Cover" which is charged on principal amount. This loan is secured through the GoP guarantee in favor of the bank and WAPDA Hydroelectric is responsible for repayment to the GoP.
- 15.1.1.7** This represents Islamic Development Bank loan amounting to USD 150.200 million under Istisna's Financing Agreement dated 01 December 2008 for Allai, Dubair and Khan Khwar Hydropower Projects obtained by the GoP. The GoP has relent the loan to WAPDA Hydroelectric being executing agency of Khwar Projects. This carries mark up @ 17% (2018: 17%) per annum inclusive of interest rate of 11% (2018: 11%) plus 6% (2018: 6%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 15 years including 3 years of grace period.





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- 15.1.1.8** This represents Agence Française de Développement (AFD) loan amounting to EURO 26.500 million under Subsidiary Loan Agreement dated 13 December 2010 for Jabban Power Station taken by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the Jabban Power Station. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 18 years including 3 years of grace period.
- 15.1.1.9** This represents Kuwait Fund loan amounting to Kuwaiti Dinar 11 million under Subsidiary Loan Agreement dated 05 September 2008 for Golen Gol Hydropower Project taken by the GoP. The disbursement of loan started in 2011. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 17% (2018: 17%) per annum inclusive of interest rate of 11% (2018: 11%) plus 6% (2018: 6%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 15 years including 2 years of grace period.
- 15.1.1.10** This represents Saudi Fund loan amounting to Saudi Riyals 150 million under Subsidiary Loan Agreement dated 05 September 2008 for Golen Gol Hydropower Project taken by the GoP. The disbursement of loan started in 2011. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 17% (2018: 17%) per annum inclusive of interest rate of 11% (2018: 11%) plus 6% (2018: 6%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 15 years including 2 years of grace period.
- 15.1.1.11** This represents Saudi Fund loan amounting to Saudi Riyals 216.750 million under Subsidiary Loan Agreement dated 28 April 2014 for Golen Gol Hydropower Project taken by the GoP. The disbursement of loan started in 2011. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 20 years including 5 years of grace period.
- 15.1.1.12** These represent Organization of Petroleum Exporting Country (OPEC) fund loans amounting to USD 15 million each under relending arrangement dated 05 June 2017 for Golen Gol Hydropower Project taken by the GoP. The disbursement of Portion-1 and Portion-2 has been started in 2016 and 2018 respectively. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. These carry mark up @ 17% (2018: 17%) per annum inclusive of interest rate of 11% (2018: 11%) plus 6% (2018: 6%) "Exchange Risk Cover" which is charged on principal amount. Portion-1 and Portion-2 will be repaid in 11 and 10 years respectively. WAPDA Hydroelectric has started repayment of Portion-1 and Portion-2 from 2018 and 2019, respectively, pursuant to the direction of the GoP.
- 15.1.1.13** This represents International Development Association (IDA) loan, amounting to USD 440 million under Subsidiary Loan Agreement dated 12 April 2012 obtained for Tarbela 4th Extension Hydropower Project by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) and 6.8% (2018: 6.8%) "Exchange Risk Cover" which are charged on both principal and interest amount separately. The loan will be repaid in 25 years including 5 years of grace period.

Loan utilization	For the year		Cumulative	
	2019	2018	2019	2018
	(Un-audited)		(Un-audited)	
	----- PKR '000' -----			
Opening balance	374,656	99,295	-	-
Withdrawal of loan	2,668,857	2,473,713	18,587,523	15,918,666
	<b>3,043,513</b>	2,573,008	<b>18,587,523</b>	15,918,666
Less: utilization of funds	<b>(2,239,589)</b>	(2,198,352)	<b>(17,783,599)</b>	(15,544,010)
Closing balance	<b>803,924</b>	374,656	<b>803,924</b>	374,656

- 15.1.1.14** This represents International Bank for Reconstruction and Development (IBRD) loan of USD 400 million under Subsidiary Loan Agreement dated 12 April 2012 for Tarbela 4th Extension Hydropower Project taken by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on both principal and interest amount separately. The loan will be repaid in 19 years including 7 years of grace period.



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Loan Utilization	For the year		Cumulative	
	2019	2018	2019	2018
	(Un-audited)		(Un-audited)	
	----- PKR '000' -----			
Opening balance	590,993	96,038	-	-
Withdrawal of loan	1,373,995	11,285,585	41,712,554	40,338,559
	<b>1,964,988</b>	<b>11,381,623</b>	<b>41,712,554</b>	<b>40,338,559</b>
Less: utilization of funds	(1,476,219)	(10,790,630)	(41,223,785)	(39,747,566)
Closing balance	<b>488,769</b>	<b>590,993</b>	<b>488,769</b>	<b>590,993</b>

**15.1.2 Development project loans**

Loan name	Note	Rate of interest per annum	Outstanding semi annual installments as on 30 June 2019	Repayment commencement / maturity	2019	2018 (Un-audited)
----- PKR '000' -----						
<b>Keyal Khwar</b>						
KfW-320517	15.1.2.1	15.00%	79	2019/2059	516,543	523,081
KfW-3003374	15.1.2.1	15.00%	59	2019/2049	132,839	101,923
					<b>649,382</b>	<b>625,004</b>
<b>Dasu Hydro</b>						
IDA Credit No. 5498-PK	15.1.2.2	15.00%	40	2020/2039	22,823,983	17,995,372
<b>Warsak Rehabilitation (Phase 2)</b>						
AFD Credit Facility	15.1.2.3	15.00%	28	2022/2036	981,049	981,049
KfW-15568024	15.1.2.4	15.00%	60	2027/2056	40,671	40,671
					<b>1,021,720</b>	<b>1,021,720</b>
<b>Mangla Refurbishment Project</b>						
AFD Credit Facility	15.1.2.5	12.00%	30	2023/2037	1,914,289	1,308,570
<b>Tarbela 4th / 5th Extension</b>						
IBRD Loan No.8646-PK	15.1.2.6	12.00%	28	2023/2036	755,949	-
AIIB Loan No.LN 0005-PAK	15.1.2.7	12.00%	28	2023/2036	310,461	-
					<b>1,066,410</b>	<b>-</b>
					<b>27,475,784</b>	<b>20,950,666</b>

**15.1.2.1** This represents Frankfurt am Main (KfW) loan amounting to EURO 97.080 million, to be disbursed in two tranches. Under Tranche - 1 (KfW 320517) - EURO 4.415 million will be disbursed that will be repaid in 48 years including 8 years of grace period. Under Tranche - 2 (KfW 3003374), EURO 92.664 million will be disbursed that will be repaid in 34 years including 4 years of grace period. The loan taken by the GoP has been relented under Subsidiary Loan Agreement dated 27 December 2011 for Keyal Khwar Hydropower Project. The disbursement of loan for second tranche started in 2015. These carry mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on principal amount.

**15.1.2.2** This represents relented loan from International Development Association (IDA), amounting to USD 588.4 million under subsidiary loan agreement dated 13 October 2014 for Dasu Hydropower Project taken by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on principal amount. WAPDA Hydroelectric will disburse USD 15 million to National Transmission and Despatch Company (NTDC) for feasibility study and detail design of transmission lines. WAPDA Hydroelectric has disbursed USD 2.796 million (2018: USD 2.586 million) to NTDC as of reporting date. The loan will be repaid in 25 years including 5 years of grace period.



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Loan utilization	For the year		Cumulative	
	2019	2018	2019	2018
	(Un-audited)		(Un-audited)	
	----- PKR '000' -----			
Opening balance	1,836,259	2,166,636	-	-
Withdrawal of loan	4,828,611	447,123	22,823,983	17,995,372
	<b>6,664,870</b>	2,613,759	<b>22,823,983</b>	17,995,372
Less: utilization of funds	<b>(4,828,611)</b>	(777,500)	<b>(20,987,724)</b>	(16,159,113)
Closing balance	<b>1,836,259</b>	1,836,259	<b>1,836,259</b>	1,836,259

**15.1.2.3** This represents Agence Française de Développement (AFD) loan amounting to EURO 41.5 million under Subsidiary Loan Agreement dated 22 September 2015 for Warsak Rehabilitation Hydropower Project (Phase-2) taken by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the Warsak Rehabilitation Project. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 20 years including 6 years of grace period.

**15.1.2.4** This represents Frankfurt am Main (KfW) loan of EURO 40 million, to be disbursed in two portions. Under Portion-1, EURO 30 million will be disbursed that will be repaid in 38 years including grace period of 8 years. Under Portion-2, EURO 10 million will be disbursed that will be repaid after 10 years from the availability of Portion-2 over a period of 15 years. The disbursement of loan for Portion-1 started in 2018. The loan taken by the GoP has been relented under Subsidiary Loan Agreement dated 22 September 2015 for Rehabilitation of Warsak Hydropower Plant Project. This carries mark up @ 15% (2018: 15%) per annum inclusive of interest rate of 8.2% (2018: 8.2%) plus 6.8% (2018: 6.8%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 38 years including 8 years of grace period.

**15.1.2.5** This represents Agence Française de Développement (AFD) loan amounting to EURO 90 million under Subsidiary Loan Agreement dated 20 July 2017 for Rehabilitation of Mangla Hydropower Project taken by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the Mangla Hydropower Project. This carries mark up @ 12% (2018: 12%) per annum inclusive of interest rate of 6.9% (2018: 6.9%) plus 5.1% (2018: 5.1%) "Exchange Risk Cover" which is charged on principal amount. The loan will be repaid in 20 years including a grace period of 5 years.

**15.1.2.6** This represents International Bank for Reconstruction (IBRD) loan amounting to USD 390 million under Subsidiary Loan Agreement dated 18 January 2017 for additional financing of Tarbela 4th Extension Hydropower Project taken by the GoP. The loan is also being utilized for Tarbela 5th Extension Hydropower Project. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 12% (2018: 12%) per annum inclusive of interest rate of 6.9% (2018: 6.9%) plus 5.1% (2018: 5.1%) "Exchange Risk Cover" which is charged on both principal and interest amount separately. The loan will be repaid in 19 years including a grace period of 5 years.

**15.1.2.7** This represents Asian Infrastructure Investment Bank (AIIB) loan amounting to USD 300 million under Subsidiary Loan Agreement dated 18 January 2017 for Tarbela 5th Extension Hydropower Project taken by the GoP. The GoP has relented the loan to WAPDA Hydroelectric being executing agency for the project. This carries mark up @ 12% (2018: 12%) per annum inclusive of interest rate of 6.9% (2018: 6.9%) plus 5.1% (2018: 5.1%) "Exchange Risk Cover" which is charged on both principal and interest amount separately. The loan will be repaid in 19 years including a grace period of 5 years.

15.2 Foreign direct loans - secured:	Note	2019	2018
		(Un-audited)	
		----- PKR '000' -----	
Operational power station loans	15.2.1	2,009,460	2,994,554
Development project loans	15.2.2	57,134,630	42,571,795
		<b>59,144,090</b>	45,566,349



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Loan name	Note	Rate of interest per annum	Installments outstanding as on 30 June 2019	Repayment commencement / maturity	2019	2018 (Un-audited)
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----- PKR '000' -----

**Operational power station loan**

**Jinnah**

Chinese Supplier Credit	15.2.1	5.00%	2	2010/2020	2,009,460	2,994,554
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**Development project loan**

**Dasu**

Pakistan Water and Power (06/17) - Global	15.2.2	5.34%	8	2023/2027	57,134,630	42,571,795
					<b>59,144,090</b>	<b>45,566,349</b>

**15.2.1 Operational project loan - Dongfang Electric Corporation**

This represents supplier's credit facility from Exim Bank of China, amounting to Nil (2018: USD 12.308 million) for the construction of Jinnah Hydropower Project, a turn key project against the sanctioned limit of USD 123.097 million. The loan is repayable in fourteen years inclusive of four years grace period, in 20 semi annually installments starting from 18 August 2010. Rate of mark-up is 5% annually. The loan is secured through stand by letter of credit to back issuance of 20 promissory notes issued at the time of commencement of the project in 2006. The loan is secured through guarantee given by the GoP.

	2019	2018 (Un-audited)	2019	2018 (Un-audited)
	USD '000'		PKR '000'	
Outstanding balance as at 01 July	24,618	36,928	2,994,554	3,876,779
Exchange loss for the year	-	-	634,189	447,655
	<b>24,618</b>	36,928	<b>3,628,743</b>	4,324,434
Less: repayments during the year	<b>(12,310)</b>	(12,310)	<b>(1,619,283)</b>	(1,329,880)
Outstanding balance as at 30 June	<b>12,308</b>	24,618	<b>2,009,460</b>	2,994,554

**15.2.2 Development project loan - Credit Suisse AG, Singapore**

This represents loan amounted USD 350 million (2018: USD 350 million) obtained from Credit Suisse, AG for the construction of Dasu Hydropower Project. The loan is repayable in ten years inclusive of six years grace period, in 8 semi annual installments starting from 30 June 2023. Rate of mark-up is 5.34%. The loan is secured through guarantees given by the GoP and International Development Association (IDA).

As per section 23.2 of the loan agreement with Credit Suisse Bank, WAPDA Hydroelectric is required to maintain tangible net worth at or above Rs. 500,000 million, at all time prior to the payment of the uncovered interest amount. Due to adoption of cost model for subsequent measurement of operating fixed assets, under the accounting and reporting standards as applicable in Pakistan (with effect from 01 July 2018), WAPDA Hydroelectric's net worth is less than the above-mentioned amount and WAPDA Hydroelectric didn't have the unconditional right to defer the payment of loan for next 12 months, hence, the entire outstanding loan amounted Rs. 57,135 million (2018: Rs. 42,572 million) has been classified as current. Subsequent to the reporting date, the breach has been cured as mentioned in Note 36.3.

	2019	2018 (Un-audited)	2019	2018 (Un-audited)
	USD '000'		PKR '000'	
Outstanding balance as at 01 July	350,000	200,000	42,571,795	20,995,760
Exchange loss for the year	-	-	14,562,835	3,330,980
	<b>350,000</b>	200,000	<b>57,134,630</b>	24,326,740
Add: loan received during the year	-	150,000	-	18,245,055
Outstanding balance as at 30 June	<b>350,000</b>	350,000	<b>57,134,630</b>	42,571,795

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			2019	2018 (Un-audited)
<b>15.3 Cash development loans from the GoP - unsecured:</b>	<b>Note</b>		----- PKR '000' -----	
Operational power station loans	15.3.1		6,207,924	6,561,798
Development project loans	15.3.2		<u>82,878,242</u>	<u>83,137,990</u>
			<u><b>89,086,166</b></u>	<u><b>89,699,788</b></u>

**15.3.1 Operational power station loans**

Power station and year of disbursement	Note	Rate of interest per annum	Installments outstanding as on 30 June 2019	Repayment commencement / maturity	2019	2018 (Un-audited)
					----- PKR '000' -----	
<b>Ghazi Barotha</b>						
2005-06	15.3.1.1	9.79%	12	2012/2031	5,242,936	5,469,086
<b>Jabban</b>						
2007-08	15.3.1.1	10.14%	14	2014/2033	27,083	27,953
2009-10	15.3.1.1	12.59%	16	2016/2035	<u>91,409</u>	<u>93,213</u>
					<b>118,492</b>	<b>121,166</b>
<b>Tarbela (HPS)</b>						
1997-98	15.3.1.2	17.50%	4	2004/2023	528,023	614,812
1998-99	15.3.1.2	17.50%	5	2005/2024	<u>318,473</u>	<u>356,734</u>
					<b>846,496</b>	<b>971,546</b>
					<u><b>6,207,924</b></u>	<u><b>6,561,798</b></u>

**15.3.1.1** These loans have been obtained for Ghazi Barotha and Jabban projects from the GoP for construction of the projects. The loans will be repaid in 25 years including 5 years of grace period.

**15.3.1.2** The loan have been obtained for Tarbela hydel power station from the GoP for payment of net hydel profit to provincial Government of Khyber Pakhtunkhwa. The loan will be repaid in 25 years including 5 years of grace period.

**15.3.2 Development project loans**

Project and year of disbursement	Note	Rate of interest per annum	Installments outstanding as on 30 June 2019	Repayment commencement / maturity	2019	2018 (Un-audited)
					----- PKR '000' -----	
<b>Harpo</b>						
2009-10	15.3.2.1	12.59%	16	2016/2035	36,564	37,285
<b>Bashoo</b>						
2007-08	15.3.2.1	10.14%	14	2014/2033	14,342	14,803
2009-10	15.3.2.1	12.59%	16	2016/2035	<u>24,376</u>	<u>24,856</u>
					<b>38,718</b>	<b>39,659</b>
<b>Diamer Bhasha</b>						
2007-08	15.3.2.2	10.14%	14	2014/2033	262,338	270,766
2009-10	15.3.2.2	12.59%	16	2016/2035	937,526	956,022
2011-12	15.3.2.2	12.64%	18	2018/2037	11,379,462	11,549,258
2012-13	15.3.2.2	10.65%	19	2019/2038	3,723,634	3,785,000
2013-14	15.3.2.2	11.79%	20	2020/2039	27,500,000	27,500,000
2014-15	15.3.2.2	10.53%	20	2021/2040	15,000,000	15,000,000
2015-16	15.3.2.2	7.37%	20	2022/2041	10,000,000	10,000,000
2016-17	15.3.2.2	6.54%	20	2023/2042	<u>14,000,000</u>	<u>14,000,000</u>
					<b>82,802,960</b>	<b>83,061,046</b>
					<u><b>82,878,242</b></u>	<u><b>83,137,990</b></u>

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- 15.3.2.1** These loans have been obtained from the GoP for feasibility studies of hydel development projects. The loans will be repaid in 25 years including 5 years of grace period.
- 15.3.2.2** The loan have been obtained from the GoP for the land acquisition of Diamer Bhasha Dam project. The loan will be repaid in 25 years including 5 years of grace period.
- 15.4** WAPDA Hydroelectric has entered into agreements with Habib Bank Limited lead consortium of seven banks on 29 March 2017 for financing of Dasu Hydropower Project amounting to Rs. 144,000 million for the period of 15.5 years including 5.5 years as grace period. This loan has the following structure of facilities:

	GoP Guarantee Backed Financing (GBF) Facilities		Assets Backed Financing (ABF) Facilities		Total
	Sukuk (musharakah)	TFCs	Diminishing musharakah	Commercial facility	
	----- PKR '000' -----				
Total amount of facilities	52,800,000	35,200,000	33,600,000	22,400,000	144,000,000
Un-availed balance of facilities at 01 July 2017 - (Un-audited)	37,800,000	25,200,000	33,600,000	22,400,000	119,000,000
Availed during the year	-	-	-	-	-
Un-availed balance of facilities at 30 June 2018 - (Un-audited)	37,800,000	25,200,000	33,600,000	22,400,000	119,000,000
Availed during the year	-	-	-	-	-
<b>Un-availed balance of facilities at 30 June 2019</b>	<b>37,800,000</b>	<b>25,200,000</b>	<b>33,600,000</b>	<b>22,400,000</b>	<b>119,000,000</b>
<b>Total availed balance of facilities at 30 June 2019</b>	<b>15,000,000</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>25,000,000</b>
Face value per certificate (Rs.)	10,000	10,000	-	-	-
Principal repayment will commence	8 November 2022		-	-	-
Profit on rental payments	6 month KIBOR + margin of 1.45% payable semi annually		-	6 month KIBOR + margin of 200 basis points p.a	-
Musharakah assets share	62.75%	-	32.25%	-	100%

- 15.4.1** The Sukuk and TFCs are secured by way of guarantee of the GoP to the Pak Brunei Investment Company Limited (Trustee) whereas Mangla Dam's land amounting to Rs. 103,244 million is being used as Musharakah Assets. Further Power Generation Plant Assets of Ghazi Barotha and Tarbela HPP amounting to Rs. 77,106 million have been hypothecated in favor of Security Trustee for securing Islamic and Commercial Asset Backed Facilities. WAPDA Hydroelectric has injected equity amounting Rs. 18,106 million (2018: Rs. 13,673 million) as at reporting date for the construction of Dasu Hydropower Project.

As per clause 22 of schedule 8 of DASU syndicated facilities, WAPDA Hydroelectric shall maintain Financial Services Coverage Ratio (FSCR) and Current Ratio at least 1.25:1 and 1:1 respectively; any breach will trigger an event of default. As described in Notes 15.2.2, 15.5.1 and 15.6, WAPDA Hydroelectric classified the loan from Credit Suisse, loans from GoP and loan against diminishing musharakah facility as current; resultantly WAPDA Hydroelectric was unable to maintain the required FSCR and current ratios as of reporting dates. hence, the entire outstanding loan amounting Rs. 25,000 million (2018: Rs. 25,000 million) has been classified as current.





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		2019	2018 (Un-audited)
	Note	----- PKR '000' -----	
<b>15.5 Diminishing Musharakah - secured</b>			
Habib Bank Limited	15.5.1	38,120,000	38,120,000
United Bank Limited	15.5.2	-	42,032,000
		<b>38,120,000</b>	<b>80,152,000</b>

**15.5.1** This represents Shirkat ul milk facility amounting to Rs. 38,120 million obtained from Habib Bank Limited for payment of net hydel profits to the Provincial Governments. The principal is repayable at the end of two years in the form of a bullet repayment. Profit is payable semi-annually in arrears at the rate of six months KIBOR minus 50 bps. The facility is secured by unconditional and irrevocable first demand guarantee covering principal and profit from the GoP.

As per clause 2 of schedule 5 of the loan agreement, WAPDA Hydroelectric shall maintain Financial Services Coverage Ratio (FSCR) and Current Ratio at least 1.25:1 and 1:1 respectively; any breach will trigger an event of default. As described in Notes 15.2.2, 15.4.1 and 15.6, WAPDA Hydroelectric classified the loan from Credit Suisse, loans from GoP and loan against syndicated term finance facility as current; resultantly WAPDA Hydroelectric was unable to maintain the required FSCR and Current Ratio as at reporting dates. hence, the entire outstanding loan amounted Rs. 38,120 million (2018: Rs. 38,120 million) has been classified as current. Further as at 30 June 2019, the payment against this loan is due in next 12 months.

**15.5.2** This represented Non Interest Demand Finance (NIDF) and Islamic Structure facility to meet interim working capital needs of WAPDA. The principal was repayable at the end of two years in the form of a bullet repayment. Profit was payable semi-annually in arrears at the rate of six months KIBOR minus 21 bps. The principal amount and profit accrued was secured by unconditional and irrevocable first demand guarantee covering principal and profit from the GoP. The Musharakah property relating to the Islamic structure of finance facility included generators, switchgears, control and protection equipment.

**15.6** As described in Note 20.2, WAPDA Hydroelectric did not repay the installments of certain Foreign relent loans (FRLs) and cash development loans (CDLs) as per agreed repayment schedules. WAPDA Hydroelectric does not have unconditional right to defer the settlement of these loans for at least twelve months after the reporting date. As a result of being in default of these loans, the management has classified the FRLs and CDLs amounted Rs. 31,799 million (2018: Rs. 31,270 million) and Rs. 21,506 million (2018: Rs. 18,801 million), respectively, as current liabilities.

		2019	2018 (Un-audited)
	Note	----- PKR '000' -----	
<b>16. DEFERRED GRANTS</b>			
Balance as at 01 July		8,499,955	3,852,092
Add: grants received during the year		24,298,519	4,791,928
Less: grants amortized during the year	28.2	(319,471)	(144,065)
Balance as at 30 June	16.1	32,479,003	8,499,955
Less: current portion shown under current liabilities		(246,283)	(319,471)
		<b>32,232,720</b>	<b>8,180,484</b>

Grants related to capital work in progress	Grants related to operating fixed assets
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		2019	2018 (Un-audited)	2019	2018 (Un-audited)
	Note	----- PKR '000' -----			
<b>16.1</b> These relates to:					
- Gomal Zam	16.1.1	-	-	2,218,736	2,314,110
- Mangla Dam Rehabilitation	16.1.2	4,726,143	3,571,251	-	-
- Golen Gol	16.1.3	-	2,506,839	3,542,622	-
- Diamer Bhasha Dam	16.1.4	4,736,070	-	-	-
- Mohmand Dam	16.1.5	17,000,000	-	-	-
- Hydropower Training Institute		228,872	101,367	-	-
- Glacier Monitoring Network Center		26,559	6,388	-	-
- Land granted by GoGB	16.1.6	1	-	-	-
		<b>26,717,645</b>	<b>6,185,845</b>	<b>5,761,358</b>	<b>2,314,110</b>



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- 16.1.1** The grant was received from United States Agency for International Development (USAID) for the construction of Gomal Zam project consisting construction of civil works and purchase of electronic and mechanical equipment and is being amortized over 50 years and 25 years respectively which are useful lives of the respective assets of the project.
- 16.1.2** The grant for Mangla Refurbishment Project is received from USAID to enhance the total installed capacity of Mangla Power Station by 310 Mega Watts (MW) from the current 1,000 MW to 1,310 MW. The grant is also being used for refurbishing and upgrading units 5 and 6 of Mangla Power Station along with related plant facility enhancements.
- 16.1.3** This represents grant received from USAID for the construction of Golan Gol Hydropower Project with a total installed capacity of 108 MW. Consequential to capitalization of Golan Gol Hydropower Project during the year it is now being amortized over 30 years which is the useful life of the plant and equipment of the project.
- 16.1.4** The grant is received under Public sector Development Program (PSDP), from the GoP for the construction of Diamer Bhasha Dam having total installed capacity of 4,500 MW.
- 16.1.5** The grant is received under Public sector Development Program (PSDP), from the GoP for the construction Mohmand Dam having total installed capacity of 800 MW.
- 16.1.6** This pertains to the nominal value assigned as per WAPDA Hydroelectric's accounting policy for non-monetary grants to the land measuring 17,214 acres granted by Government of Gilgit Baltistan (GoGB) free of cost for the construction of Diamer Bhasha Dam.

**17. EMPLOYEE RETIREMENT AND OTHER BENEFITS**

Particulars	2019				
	Compensated absences	Free medical facility	Free electricity facility	Pension	Total
	----- PKR '000' -----				
Liabilities recognized in the statement of financial position	857,073	3,645,650	2,261,928	47,219,670	53,984,321

**Changes in the present value of obligations:**

Opening balance	643,871	3,403,426	2,222,753	38,987,168	45,257,218
Service cost	36,165	91,784	52,556	918,074	1,098,579
Interest cost	75,655	382,737	256,146	4,442,407	5,156,945
Benefits paid	-	(292,172)	(85,581)	(2,358,902)	(2,736,655)
Actuarial loss / (gain)	101,382	59,875	(183,946)	5,230,923	5,208,234
Closing balance	857,073	3,645,650	2,261,928	47,219,670	53,984,321

Particulars	2018 - (Un-audited)				
	Compensated absences	Free medical facility	Free electricity facility	Pension	Total
	----- PKR '000' -----				
Liabilities recognized in the statement of financial position	643,871	3,403,426	2,222,753	38,987,168	45,257,218

**Changes in the present value of obligations:**

Opening balance	628,176	3,131,821	2,148,227	27,512,147	33,420,371
Service cost	40,283	100,034	49,903	853,229	1,043,449
Interest cost	62,952	334,977	231,671	2,922,711	3,552,311
Benefits paid	(111,766)	(173,145)	(84,248)	(1,884,098)	(2,253,257)
Actuarial loss / (gain)	24,226	9,739	(122,800)	9,583,179	9,494,344
Closing balance	643,871	3,403,426	2,222,753	38,987,168	45,257,218

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**17.1 Charge for the year in statement of profit or loss**

Particulars (Note 25.2)	2019				
	Compensated absences	Free medical facility	Free electricity facility	Pension	Total
	----- PKR '000' -----				
Current service cost	36,165	91,784	52,556	918,074	1,098,579
Interest cost	75,655	382,737	256,146	4,442,407	5,156,945
Actuarial loss	101,382	-	-	-	101,382
	<b>213,202</b>	<b>474,521</b>	<b>308,702</b>	<b>5,360,481</b>	<b>6,356,906</b>

Particulars (Note 25.2)	2018 - (Un-audited)				
	Compensated absences	Free medical facility	Free electricity facility	Pension	Total
	----- PKR '000' -----				
Current service cost	40,283	100,034	49,903	853,229	1,043,449
Interest cost	62,952	334,977	231,671	2,922,711	3,552,311
Actuarial loss	24,226	-	-	-	24,226
	<b>127,461</b>	<b>435,011</b>	<b>281,574</b>	<b>3,775,940</b>	<b>4,619,986</b>

**17.2 Key assumptions**

	2019			
	Compensated absences	Free medical facility	Free electricity facility	Pension
Medical cost growth rate	-	14.75%	-	-
Cash medical allowance growth rate	-	5.00%	-	-
Discount rate	14.75%	14.75%	14.75%	14.75%
Salary growth rate	13.75%	-	-	13.75%
Pension growth rate	-	-	-	9.75%
Electricity cost growth rate	-	-	13.75%	-
Average expected remaining working life	9 Years	10 Years	10 Years	10 Years
Average duration of liabilities	9 Years	23 Years	23 Years	23 Years

	2018 - (Un-audited)			
	Compensated absences	Free medical facility	Free electricity facility	Pension
Medical cost growth rate	-	10.75%	-	-
Discount rate	11.75%	11.75%	11.75%	11.75%
Salary growth rate	10.75%	-	-	10.75%
Pension growth rate	-	-	-	6.75%
Electricity cost growth rate	-	-	10.75%	-
Average expected remaining working life	9 Years	9 Years	9 Years	9 Years
Average duration of liabilities	9 Years	26 Years	26 Years	26 Years

**17.3 Quantitative sensitivity analyses**

	2019			
	Compensated absences	Free medical facility	Free electricity facility	Pension
	----- PKR '000' -----			
Medical cost increase + 1%	-	629,166	-	-
Medical cost increase - 1%	-	(536,562)	-	-
Discount rate + 1%	(73,423)	(567,369)	(352,021)	(7,348,748)
Discount rate - 1%	80,295	671,909	416,883	8,702,788
Salary increase + 1%	80,296	-	-	3,406,258
Salary increase - 1%	(73,417)	-	-	(3,177,031)
Pension increase rate + 1%	-	-	-	3,082,505
Pension increase rate - 1%	-	-	-	(2,668,364)
Electricity cost increase + 1%	-	-	390,363	-
Electricity cost increase - 1%	-	-	(332,908)	-

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2018 - (Un-audited)			
Compensated absences	Free medical facility	Free electricity facility	Pension

----- PKR '000' -----

Medical cost increase + 1%	-	138,165	-	-
Medical cost increase - 1%	-	(560,332)	-	-
Discount rate + 1%	(39,479)	(637,255)	(258,510)	(3,227,825)
Discount rate - 1%	44,804	248,832	321,015	3,848,303
Salary increase + 1%	44,804	-	-	1,225,732
Salary increase - 1%	(40,154)	-	-	(1,101,865)
Pension increase rate + 1%	-	-	-	2,545,086
Pension increase rate - 1%	-	-	-	(2,203,149)
Electricity cost increase + 1%	-	-	246,427	-
Electricity cost increase - 1%	-	-	(206,423)	-

		<b>2019</b>	2018				(Un-audited)
		----- PKR '000' -----					
<b>18. RETENTION MONEY PAYABLES</b>	<b>Note</b>						
Opening balance		<b>3,118,496</b>	2,809,712				
<i>Add:</i>							
- Retention held during the year		<b>663,493</b>	722,647				
- Exchange loss		<b>429,461</b>	233,919				
		<b>1,092,954</b>	956,566				
<i>Less:</i>							
- Payments made during the year		<b>(679,962)</b>	(647,782)				
Closing balance		<b>3,531,488</b>	3,118,496				
Less: current portion shown under current liabilities		<b>258,805</b>	886,181				
		<b>3,272,683</b>	2,232,315				

		<b>2019</b>	2018				
		----- PKR '000' -----					
<b>19. TRADE AND OTHER PAYABLES</b>							
Payables to contractors and consultants		<b>4,123,167</b>	5,775,742				
Due to other wings of WAPDA	19.1	<b>1,453,164</b>	1,183,865				
Due to statutory authorities		<b>436,958</b>	557,448				
Security deposits		<b>367,845</b>	542,076				
Accrued liabilities		<b>38,758</b>	25,906				
Other liabilities	19.2	<b>849,954</b>	773,125				
		<b>7,269,846</b>	8,858,162				

		<b>2019</b>	2018				(Un-audited)
		----- PKR '000' -----					
<b>19.1 Due to other wings of WAPDA</b>							
WAPDA Coordination Wing		<b>84,255</b>	283,602				
WAPDA Water Wing		<b>1,368,909</b>	900,263				
		<b>1,453,164</b>	1,183,865				

**19.2** This includes payable to related parties (mainly, entities under control of WAPDA) amounted Rs. 372 million (2018: Rs. 101 million).

**19.3** Terms and conditions of the above financial liabilities:

- Payable to contractors and consultants are non-interest bearing and are normally settled on 30-60 days terms.
- Other payables are non-interest bearing and have an average term of three to six months.

		<b>2019</b>	2018				(Un-audited)
		----- PKR '000' -----					
<b>20. SHORT TERM BORROWINGS</b>	<b>Note</b>						
Power Sector Investment (PSI)	20.1	<b>96,229</b>	-				
Payable to the GoP	20.2	<b>40,956,678</b>	26,806,982				
		<b>41,052,907</b>	26,806,982				

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**20.1** This represent unsecured and interest free loan obtained during the year from PSI (entity under common control of WAPDA) to meet the working capital requirements and is payable on demand.

**20.2** This represents the overdue balances of installments and related interest accrued on foreign relent and cash development loans, which is not paid as per the respective repayment schedules. The outstanding balances and the related interest accrued are payable on demand and will be settled upon specific instructions from Economic Affair Division (EAD), the GoP. No interest is charged on the outstanding balance, after their due dates.

		2019	2018
	Note	----- PKR '000' -----	(Un-audited)
<b>21. PAYABLE AGAINST HYDEL LEVIES</b>			
NHP payable to Government of Punjab (GoPb)	8.1.1	32,758,962	265,417
NHP payable to Government of KPK (GoKPK)	8.1.2	30,088,008	16,906,235
WUC payable to Government of AJ&K (GoAJ&K)	8.1.3	74,509	48,700
WMC payable to IRSA	8.1.4	35,788	45,884
		<b>62,957,267</b>	<b>17,266,236</b>

**21.1** Movement in payable against hydel levies during the year is as follows:

	NHP payable to GoPb	NHP payable to GoKPK	WUC payable to GoAJ&K	WMC payable to IRSA	Total
	----- PKR '000' -----				
As at 01 July 2017 - (Un-audited)	-	17,224,898	139,102	42,523	17,406,523
Billed during the year	24,582,685	35,204,470	610,925	133,877	60,531,957
Paid during the year	(24,317,268)	(35,523,133)	(701,327)	(130,516)	(60,672,244)
As at 30 June 2018 - (Un-audited)	<b>265,417</b>	<b>16,906,235</b>	<b>48,700</b>	<b>45,884</b>	<b>17,266,236</b>
Billed during the year	<b>63,864,308</b>	<b>39,214,104</b>	<b>570,417</b>	<b>135,980</b>	<b>103,784,809</b>
Adjusted with unbilled NHP	<b>(31,370,763)</b>	<b>(6,032,331)</b>	-	-	<b>(37,403,094)</b>
Paid during the year	-	<b>(20,000,000)</b>	<b>(544,608)</b>	<b>(146,076)</b>	<b>(20,690,684)</b>
As at 30 June 2019	<b>32,758,962</b>	<b>30,088,008</b>	<b>74,509</b>	<b>35,788</b>	<b>62,957,267</b>

**22. ACCRUED INTEREST**

This represents interest accrued on foreign relent loans received during the year from the GoP.

**23. CONTINGENCIES AND COMMITMENTS**

**23.1 Contingencies**

There are no significant contingencies to disclose at the reporting date (2018: Nil).

**23.2 Commitments**

**23.2.1** Capital commitments contracted for but not incurred as at 30 June 2019 amounted to Rs. 693,770 million (2018: Rs. 952,890 million).

**23.2.2** Commitments under letter of credit amounts to Rs. 2,586 million (2018: Rs.1,513 million).

**23.2.3** The commitments in respect of Ijarah rentals payable to WAPDA Third Sukuk Company Limited are described below:

	2019	2018
	----- PKR '000' -----	(Un-audited)
Not later than one year	1,780,126	1,834,072
Later than one year and not later than five years	2,223,119	4,321,600
	<b>4,003,245</b>	<b>6,155,672</b>

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**23.2.4** The commitments in respect of arrears of net hydel profit payable to the Governments of Punjab and Khyber Pakhtunkhwa are described below:

	Government of Punjab		Government of Khyber Pakhtunkhwa	
	2019	2018 (Un-audited)	2019	2018 (Un-audited)
	----- PKR '000' -----			
With in one year	14,860,000	14,860,000	-	15,000,000
With in one to five years	-	14,860,000	-	-
	<b>14,860,000</b>	<b>29,720,000</b>	<b>-</b>	<b>15,000,000</b>

	Note	2019	2018
		(Un-audited)	
		----- PKR '000' -----	
<b>24. REVENUE FROM CONTRACT WITH CUSTOMER - NET</b>			
<b>Sale of electricity</b>			
- Variable charges	24.1	2,197,509	2,348,928
- Fixed charges		63,946,024	56,968,506
	24.3	<b>66,143,533</b>	<b>59,317,434</b>

**24.1** The amount is net of sale tax amounting Rs. 373.577 million (2018: Rs. 399.318 million).

	2019	2018
	(Un-audited)	
----- PKR '000' -----		
<b>24.2 Timing of revenue recognition</b>		
Revenue recognized over time	<b>66,143,533</b>	<b>59,317,434</b>

**24.3 Plant wise disaggregated revenue information**

Tarbela	15,932,772	24,820,961
Ghazi Barotha	15,141,585	13,330,833
Tarbela 4th Extension	5,066,201	-
Mangla	8,538,740	8,523,914
Khan Khwar	2,146,763	1,142,717
Chashma	3,390,727	2,203,917
Warsak	1,936,541	2,011,764
Duber Khwar	4,495,930	2,302,325
Golen Gol	586,042	-
Jinnah Hydel	2,248,731	1,311,259
Allai Khwar	3,221,811	1,778,926
Jabban	844,175	418,669
Rasul	232,010	201,068
Dargai	227,128	190,379
Gomal Zam	1,392,624	565,951
Nandipur	205,710	148,342
Shadiwal	178,211	135,048
Chichoki	163,292	129,029
Kurram Garhi	94,608	55,740
Chitral	53,991	24,387
Renala Khurd	45,941	22,205
	<b>66,143,533</b>	<b>59,317,434</b>



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		2019	2018 (Un-audited)
	Note	----- PKR '000' -----	-----
<b>25. COST OF REVENUE</b>			
Salaries, wages and benefits	25.1	5,445,618	4,983,857
Retirement and other benefits	25.2	6,356,906	4,619,986
Sukuk Ijarah rentals	25.3	1,834,072	2,571,259
Repairs and maintenance		832,137	1,081,288
Depreciation	5.1.1	7,655,469	4,785,425
Dams inspection and monitoring cost		943,715	709,193
Power, gas and water		358,392	302,099
NEPRA fee		125,863	101,747
Insurance	25.4	55,046	52,690
Consultancy charges		71	155,788
Fuel charges		29,648	27,591
Return on assets to provinces		12,972	12,972
Sundry expenses		22,839	22
		<u>23,672,748</u>	<u>19,403,917</u>
<b>25.1 Salaries, wages and benefits</b>			
Pay and allowances		4,312,354	3,974,487
Other benefits		1,133,264	1,009,370
		<u>5,445,618</u>	<u>4,983,857</u>
<b>25.2 Retirement and other benefits</b>			
Pension	17.1	5,360,481	3,775,940
Free electricity facility	17.1	308,702	281,574
Free medical facility	17.1	474,521	435,011
Compensated absences	17.1	213,202	127,461
		<u>6,356,906</u>	<u>4,619,986</u>
<b>25.3 Sukuk Ijarah rentals</b>			
Sukuk-II		-	686,106
Sukuk-III		1,834,072	1,885,153
		<u>1,834,072</u>	<u>2,571,259</u>
<b>25.4</b>			
As per the WAPDA Equipment Protection Scheme (WEPS), WAPDA Hydroelectric's equipment of power houses has been provided insurance coverage based on net book value of equipment.			
<b>26. OPERATING EXPENSES</b>			
Management service charges		698,953	1,182,353
R&D - Survey and Investigation	26.1	329,924	1,562,558
Vehicle running expenses		217,098	199,287
Outside services employed		48,105	23,199
Travelling expenses		81,087	88,171
Office expenses		20,178	23,915
Advertisement and periodicals		19,746	13,919
Legal and professional charges		12,717	18,231
Communication		12,196	14,757
Rent, rates and taxes		2,762	2,827
Others		1,649	4,576
		<u>1,444,415</u>	<u>3,133,793</u>
<b>26.1</b>			
R&D - Survey and investigation includes research and development expenses of projects which cannot be developed due to financial or technical reasons and the projects which are not to be developed by WAPDA Hydroelectric (i.e. the feasibility is either transferred to Federal or Provincial Government, any organization or expensed).			

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	-----	(Un-audited)
<b>27. FINANCE AND OTHER COSTS</b>	<b>Note</b>	<b>PKR '000'</b>
Finance costs	27.1	36,063,545
Other costs	27.2	2,231,018
		<u>38,294,563</u>
<b>27.1 Finance costs</b>		
<b>27.1.1 Development hydel projects</b>		
Interest on foreign relent loans	5.2.2	14,371,510
Interest on foreign direct loans	5.2.2	2,861,535
Dasu syndicated term finance facility	5.2.2	2,577,273
Interest on cash development loans	5.2.2	8,494,423
		<u>28,304,741</u>
<b>27.1.2 Operational hydel stations</b>		
Interest on foreign relent loans	15.1.1	1,916,993
Interest on foreign direct loans	15.2.1	124,777
Interest on cash development loans	15.3.1	720,013
Interest on diminishing musharakah	27.1.2.1	4,997,021
		<u>7,758,804</u>
		<u>36,063,545</u>
<b>27.2 Other costs</b>		
Bank charges		15,954
Other charges	27.2.1	2,215,064
		<u>2,231,018</u>

**27.1.2.1** This represents markup accrued on diminishing musharakah facility, obtained for payment of NHP to the Governments of KPK and Punjab.

**27.2.1** This mainly includes net exchange loss on foreign currency loan and payment of foreign currency invoices of designated contractors and consultants.

	2019	2018
	-----	(Un-audited)
<b>28. OTHER INCOME</b>	<b>Note</b>	<b>PKR '000'</b>
<b>28.1 Income from financial assets</b>		
Profit on bank balances	10.4	2,623,118
Interest income - investments		1,443,723
Interest income - long term loans to employees		835
Interest income - bridge financing		392,731
Recovery from contractor	28.1.1	-
Liabilities written back		-
		<u>4,460,407</u>
<b>28.2 Income from non financial assets</b>		
Amortization of grant	16	319,471
Income from guest houses and others		121,137
Sale of scrap		29,270
Gain on disposal of operating fixed assets		104,867
Income from non - utility operation		3,558
Sale of stores		1,972
Miscellaneous income		176,204
		<u>756,479</u>
		<u>5,216,886</u>

**28.1.1** This represented amount recovered from designated contractor of Jinnah Hydel Power Project against settlement.

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**29. FINANCIAL RISK MANAGEMENT**

**29.1 Financial risk factors**

WAPDA Hydroelectric financial liabilities comprise of interest bearing long term financing, short term borrowings, trade and other payables (excluding statutory payables), accrued interest and retention money payables. The main purpose of these financial liabilities is to raise finances for Hydroelectric operations. Hydroelectric financial assets includes receivables from the customer, long term loans and deposits, other receivables, cash and short term deposits that arise directly from its operations.

Risk management is carried out by WAPDA Authority (which comprise of a Chairman and 3 Members) for WAPDA Hydroelectric. WAPDA Authority provides principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk.

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

**29.1.1 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect WAPDA Hydroelectric's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**(a) 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.

WAPDA Hydroelectric is exposed to currency risk arising from currency exposure to the United States Dollar (USD). Currently, WAPDA Hydroelectric's foreign exchange risk exposure is restricted to the repayment of foreign direct loans, retention money payables, Payables to contractors and consultants and cash and bank balances held in foreign currency.

**Exposure to foreign currency risk**

WAPDA Hydroelectric's exposure to foreign currency risk was as follows based on following amounts:

	<b>2019</b>	2018 (Un-audited)
	USD '000'	
Long term financing - foreign direct loans	<b>362,308</b>	374,618
Bank balances	<b>300,569</b>	304,745
Payables to contractors and consultants	<b>2,139</b>	10,754
Retention money payables	<b>8,561</b>	10,474

The following significant exchange rates applied during the year:

	Annual average rate		Reporting date spot rate	
	2019	2018	2019	2018
<b>US \$</b>	<b>136.27</b>	124.14	<b>160.05</b>	121.49

**Sensitivity analysis**

WAPDA Hydroelectric's exposure to foreign currency risk arise on the projects which are under development mainly due to the foreign currency balances mentioned above. The translation differences on the foreign currency loan and related foreign currency bank balances are capitalized in pursuant to the SECP exemption regarding capitalization of exchange differences, whereas fluctuation in the functional currency against USD on other balances would not be having any significant impact on the profit of the Hydroelectric.

**(b) Interest rate risk**

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

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

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

	<b>2019</b>	2018 (Un-audited)
	----- PKR '000' -----	
<b>Fixed rate instruments</b>		
<b>Financial liabilities:</b>		
Cash development, foreign relent and direct loans	<b>257,893,162</b>	238,037,468
<b>Financial assets:</b>		
Short term investments	<b>3,000,000</b>	31,000,000
Bridge financing to other Wings	<b>2,981,293</b>	2,194,988
<b>Floating rate instruments</b>		
<b>Financial liabilities:</b>		
Syndicated term finance facility	<b>25,000,000</b>	25,000,000
Diminishing musharakah	<b>38,120,000</b>	80,152,000
<b>Financial assets:</b>		
Bank balances - deposit accounts	<b>15,274,446</b>	25,649,660

**Fair value sensitivity analysis for fixed rate instruments**

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

**Fair value sensitivity analysis for floating rate instruments**

If floating interest rates on financial instruments at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit for the year would have decreased / increased by Rs. 312 million (2018: Rs. 440 million), mainly as a result of higher / lower interest expense in the year ended 30 June 2019. This analysis is prepared assuming the amount of floating rate instruments outstanding at the statement of financial position dates were outstanding for the whole year.

**(c) Other price risk**

Other price risk is a risk that fair value or future cash flows of a financial instruments will fluctuate because of changes in the market prices (other than those arising from currency risk and interest rate risk), whether those changes are caused by specific to the individual financial instruments or its issuer, or factors effecting all similar instruments traded in the market.

As at 30 June 2019, WAPDA Hydroelectric is not exposed to any significant price risk. (2018: Nil)

**29.1.2 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 its obligation. WAPDA Hydroelectric is exposed to credit risk from its operating activities (primarily for trade receivable) loans to related parties and employees and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.



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	2019		2018	
	PKR '000'	Exposure %	(Un-audited)	
	PKR '000'	Exposure %	PKR '000'	Exposure %
<b>At amortized cost:</b>				
Long term loans to employees	660,796	0.24%	631,455	0.26%
Long term deposits	1,956	0.00%	1,670	0.00%
Receivable from the customer	192,282,954	70.64%	137,440,872	56.93%
Short term investments	3,000,000	1.10%	31,000,000	12.84%
Other receivables	4,572,935	1.68%	2,718,678	1.13%
Bank balances	71,677,455	26.34%	69,643,051	28.84%
	272,196,096	100.00%	241,435,726	100.00%

At 30 June 2019, WAPDA Hydroelectric has only one customer, the CPPA-G (a Government owned entity) that owed WAPDA Hydroelectric amounted Rs. 67,677 million (2018: Rs. 48,250 million) and Rs. 124,606 million (2018: Rs. 89,191 million) against sale of electricity and hydel levies respectively .

SRO No. 985(1)/2019 issued by the SECP on 2 September 2019 in respect of the companies holding financial assets due from GOP, the requirements contained in "IFRS 9 (Financial instrument) with respect to application of ECL" shall not be applicable till 30 June 2021. Accordingly, no ECL is recorded on receivables from the CPPA-G as at 30 June 2019.

Further, due to WAPDA Hydroelectric's long standing business relationships with the CPPA-G and considering that it is a Government owned entity, management does not expect to recognize the provision against receivables from CPPA-G. Accordingly, the credit risk is minimal.

Other receivables mainly includes balances from other segments of WAPDA or other Government controlled entities. The management has assessed that ECL allowance on these receivable from related parties, is not significant as the balances have been acknowledged by respective counter party and they have financial ability to settle the amount.

WAPDA Hydroelectric deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with balances and short term investments are held at reporting date:

Bank	Rating			2019	2018 (Un-audited)
	Short term	Long term	Agency		
----- PKR '000' -----					
<b>Bank balances</b>					
National Bank of Pakistan	A1+	AAA	PACRA	55,743,095	43,121,296
Habib Bank Limited	A1+	AAA	JCR-VIS	7,484,398	7,749,164
MCB Bank Limited	A1+	AAA	PACRA	2,028,992	3,493,752
Habib Metropolitan Bank	A1+	AA+	PACRA	2,005,821	1,567,577
Askari Bank Limited	A1+	AA+	PACRA	1,896,848	6,841,395
United Bank Limited	A1+	AAA	JCR-VIS	979,615	944,067
Allied Bank Limited	A1+	AAA	PACRA	844,883	1,505,382
Bank Alfalah Limited	A1+	AA+	PACRA	434,944	1,965,899
Soneri Bank Limited	A1+	AA-	PACRA	258,855	2,454,515
Standard Chartered Bank	A1+	AAA	PACRA	4	4
				71,677,455	69,643,051
<b>Short term investments</b>					
Bank Alfalah Limited	A1+	AA+	PACRA	1,500,000	1,500,000
Habib Metropolitan Bank	A1+	AA+	PACRA	1,500,000	1,500,000
Habib Bank Limited	A1+	AAA	JCR-VIS	-	19,000,000
National Bank of Pakistan	A1+	AAA	PACRA	-	9,000,000
				3,000,000	31,000,000
				74,677,455	100,643,051



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**29.1.3 Liquidity risk**

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

WAPDA Hydroelectric's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Hydroelectric's reputation. Despite, presentation of various loans as current as mentioned in Notes 15.2.2, 15.4.1, 15.5.1 and 15.6, WAPDA Hydroelectric expects to pay these loans in accordance with original loan schedules.

The table below analyses WAPDA Hydroelectric's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, the liabilities have been disclosed on the basis of earliest date on which WAPDA Hydroelectric is required to pay these liabilities.

<b>2019</b>					
<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	
----- PKR '000' -----					
<b>As at 30 June 2019</b>					
Long term financing	321,013,162	435,666,064	209,512,697	101,249,162	124,904,205
Short term borrowings	41,052,907	41,052,907	41,052,907	-	-
Trade and other payables	6,832,888	6,832,888	6,832,888	-	-
Payable against hydel levies	62,957,267	62,957,267	62,957,267	-	-
Retention money payables	3,531,488	3,531,488	258,805	3,272,683	-
Accrued Interest	1,161,323	1,161,323	1,161,323	-	-
	<b>436,549,035</b>	<b>551,201,937</b>	<b>321,775,887</b>	<b>104,521,845</b>	<b>124,904,205</b>
-----					
<b>2018</b>					
<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	
----- (Un-audited) -----					
----- PKR '000' -----					
<b>As at 30 June 2018</b>					
Long term financing	343,189,468	469,097,294	231,877,865	76,385,197	160,834,232
Short term borrowings	26,806,982	26,806,982	26,806,982	-	-
Trade and other payables	8,300,714	8,300,714	8,300,714	-	-
Payable against hydel levies	17,266,236	17,266,236	17,266,236	-	-
Retention money payables	3,118,496	3,118,496	886,181	2,232,315	-
Accrued Interest	1,161,323	1,161,323	1,161,323	-	-
	<b>399,843,219</b>	<b>525,751,045</b>	<b>286,299,301</b>	<b>78,617,512</b>	<b>160,834,232</b>

**29.1.4 Fair values estimation**

Financial instruments comprise financial assets and financial liabilities. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. WAPDA Hydroelectric's financial assets consist of receivables from the customer, long term loans and deposits, other receivables and bank balances and short term investments. Its financial liabilities consist of long term financing, short term borrowings, trade and other payables (excluding statutory payable), retention money payables and payable against hydel levies. The above financial assets and liabilities (except non-current portion of long term loans and deposits, long term financing and retention money payables) approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of non-current portion of long term loans and deposits and long term financing is not significantly different to its carrying value as these financial instruments bear interest at floating rates which gets re-priced at regular intervals. Management has concluded that carrying value of retention money payable approximates its fair value.



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**29.1.5 Financial instruments by categories**

	2019	2018 (Un-audited)
	----- PKR '000' -----	
<b>Financial assets at amortized cost</b>		
Long term loans and security deposits	662,752	633,125
Receivable from the customer	192,282,954	137,440,872
Short term investments	3,000,000	31,000,000
Other receivables	4,572,935	2,718,678
Cash and bank balances	71,677,455	69,686,606
	<u>272,196,096</u>	<u>241,479,281</u>
<b>Financial liabilities at amortized cost</b>		
Long term financing	321,013,162	343,189,468
Short term borrowings	41,052,907	26,806,982
Trade and other payables	6,832,888	8,300,714
Payable against hydel levies	62,957,267	17,266,236
Retention money payables	3,531,488	3,118,496
Accrued Interest	1,161,323	1,161,323
	<u>436,549,035</u>	<u>399,843,219</u>

**29.1.6 Capital risk management**

WAPDA Hydroelectric's objectives when managing capital are to safeguard Hydroelectric's ability to continue as a going concern. Hydroelectric manages its capital structure and make adjustments to it, in the light of the changes in economic conditions.

Hydroelectric monitors capital using gearing ratio, which is net debt divided by equity plus net debt. Debt represent long term loans (including current portion) obtained by Hydroelectric. Total equity includes accumulated profits and equity investment by the GoP plus net debt.

The gearing ratios as at 30 June 2019 and 30 June 2018 are as follows:

		2019	2018 (Un-audited)
		----- PKR '000' -----	
	<b>Note</b>		
Long term financing including current portion	15	321,013,162	343,189,468
Short term borrowings	20	41,052,907	26,806,982
Less: Cash and bank balances	12	(71,677,455)	(69,686,606)
Net debt		<u>290,388,614</u>	<u>300,309,844</u>
Equity		211,231,448	210,445,105
Net debt		<u>290,388,614</u>	<u>300,309,844</u>
Equity and net debt		<u>501,620,062</u>	<u>510,754,949</u>
Gearing ratio (%)		<u>58%</u>	<u>59%</u>

**30. CHANGES IN LIABILITIES ARISING FROM FINANCING  
ACTIVITIES INCLUDING CURRENT PORTION**

	Note	Short term borrowings		Long term financing	
		2019	2018 (Un-audited)	2019	2018 (Un-audited)
----- PKR '000' -----					
As on 01 July		26,806,982	580,439	343,189,468	229,164,609
Cash flows		100,051	-	(32,105,706)	115,010,695
Foreign exchange		-	-	15,197,024	3,778,635
Others	30.1 & 30.2	14,145,874	26,226,543	(5,267,624)	(4,764,471)
As on 30 June		<u>41,052,907</u>	<u>26,806,982</u>	<u>321,013,162</u>	<u>343,189,468</u>

**30.1** The others pertains to the interest on FRLs and CDLs and overdue installments of principal of FRL and CDL transferred from long term financing, payable to the GoP.

**30.2** The others pertains to the overdue installments of principal of FRL and CDL transferred into payable to the GoP under short-term borrowings.



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	2019	2018 (Un-audited)
<b>31. INSTALLED CAPACITY AND NET ELECTRIC OUTPUT</b>		
Installed Capacity (Mega Watts)	<u>8,348</u>	<u>6,902</u>
Net Electric Output (Giga Watt)	<u>27,196</u>	<u>26,775</u>
<b>32. NUMBER OF EMPLOYEES</b>	----- Number -----	
Active employees	<u>8,461</u>	<u>7,287</u>
Pensioners	<u>8,882</u>	<u>8,411</u>

**33. TRANSACTIONS WITH RELATED PARTIES**

WAPDA Hydroelectric is part of WAPDA Power Wing, which is a segment of WAPDA, which is fully owned by the GoP, therefore entities which are owned and / or controlled by the GoP, or where the GoP may exercise significant influence, are related parties of WAPDA Hydroelectric. WAPDA Hydroelectric in the ordinary course of business enters into transaction with Government-related entities. Related parties comprise the GoP and its associated departments and entities being commonly controlled by GoP, associated undertakings, key management personnel and entities in which key management personnel are office holders / members. Using the exemption granted under IAS 24, WAPDA Hydroelectric has disclosed only the significant related parties transactions entered into during the year. Balances due from and due to related parties are shown in their respective notes. Details of significant related parties transactions during the year are as follows:

Name of related party & relationship	Nature of transaction	2019	2018 (Un-audited)
		----- PKR '000' -----	
<b>Government of Pakistan</b>			
- Economic Affair Division	Receipt of disbursements against FRL	<b>11,549,543</b>	26,226,543
	Adjustment of financing with trade debts	<b>16,238,071</b>	-
	Adjustment of financing with prepayments	<b>1,361,868</b>	3,382,980
	Payment of guarantee fee - Exim Bank	<b>13,990</b>	18,576
	Payment of guarantee fee - Credit Suisse	<b>52,350</b>	43,900
	Receipt of Government grants	<b>21,736,070</b>	-
<b>Associated undertakings due to common control</b>			
- CPPA-G	Sale of electricity including related to tests run	<b>67,229,632</b>	59,317,434
	Billing of hydel levies	<b>103,784,809</b>	60,531,957
	Adjustment of borrowing with trade debts	<b>16,238,071</b>	-
	Receipts against sale of electricity and hydel levies	<b>62,919,450</b>	72,396,635
- Government of Punjab	Payment of 4% return on assets	<b>9,284</b>	9,284
	Hydel levies adjustment / payment	<b>31,370,763</b>	24,317,268
- Government of Sindh	Accrual of 4% return on assets	<b>257</b>	257
- Government of Khyber Pakhtunkhwa	Payment of 4% return on assets	<b>3,430</b>	3,430
	Hydel levies adjustment / payment	<b>26,032,331</b>	35,523,133
- WAPDA Equipment Protection Scheme	Insurance premium	<b>55,046</b>	52,690
- WAPDA Second Sukuk Company	Payment of Ijarah rentals	-	686,106

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Name of related party & relationship	Nature of transaction	2019	2018 (Un-audited)
		----- PKR '000' -----	
<b>Associated undertakings due to common control</b>			
- WAPDA Third Sukuk Company	Payment of Ijarah rentals	<b>1,834,072</b>	1,885,153
- Government of Azad Jammu and Kashmir	Payment of water usage charges	<b>544,608</b>	701,327
- Indus River System Authority	Payment of water management charges	<b>146,076</b>	130,516
- WAPDA Water Wing	Bridge financing - net	<b>334,916</b>	899,217
	Dams inspection and monitoring charges	<b>943,715</b>	709,193
	Long term advance for technical services	<b>106,562</b>	-
	Interest on bridge financing	<b>369,886</b>	271,170
- WAPDA Coordination Wing	Bridge financing - net	<b>446,164</b>	9,300
	Authority overhead	<b>287,521</b>	417,123
	Interest on bridge financing	<b>22,845</b>	116
- NEPRA	NEPRA fee	<b>125,863</b>	101,747
- Power Services and Investments (PSI)	Receipt of short term borrowing	<b>100,000</b>	-
- Land Acquisition Collectors	Advance provided for land acquisition	<b>1,882,271</b>	1,826,461
- National Highway Authority (NHA)	Payment to NHA for construction of Shatial Thor Nullah by-pass	-	250,000
	Advance paid to NHA for relocation and upgradation of Karakoram Highway	<b>4,299,161</b>	-
- National Transmission & Despatch Company (NTDC)	Payment made against the upgradation of transmission line and switch yard of Tarbela	<b>225,080</b>	-
- Chief Resident Representative Karachi (CRRK)	Advance against foreign purchase of plant, machinery, stores and spares - net	<b>494,408</b>	670,872

**Key management personnel**

The Members of WAPDA Authority are the key management personnel of WAPDA Hydroelectric. The salaries and other benefits of key management personnel are recorded and paid by WAPDA Coordination Wing. WAPDA Coordination Wing charges these amounts to WAPDA Hydroelectric as part of authority overhead, disclosed above.

**34. IMPACT OF COVID-19 PANDEMIC ON THE FINANCIAL STATEMENTS**

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the GoP announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts. Resultantly, WAPDA Hydroelectric faced minor disruptions in business operations during the lock down period.





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As WAPDA Hydroelectric's main business activity is the generation of hydro power, even the lockdown period the power plants were continuously operating with close supervision. The impact of COVID-19 has been relatively minimal to the hydro energy sector.

The management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on WAPDA Hydroelectric's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation. The COVID-19 impact on the country's economy has reflected through a significant increase in credit risk. However, in the case of WAPDA Hydroelectric, the only customer is the CPPA-G, (a Government owned entity and related party). The CPPA-G is under the control of a sovereign entity, who can print the currency which is routinely held by central bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions and reasonable and supportable forecasts. As at the reporting date, the sovereign entity has never defaulted on any of its debts. Accordingly, WAPDA Hydroelectric's credit risk exposure has not increased significantly.

**35. OPERATING SEGMENTS**

WAPDA Hydroelectric has determined that WAPDA Authority, chaired by the Chairman of WAPDA Authority, is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'. WAPDA Hydroelectric is only involved in selling electricity to the CPPA-G, which is its only operating segment.

**36. EVENTS AFTER THE REPORTING PERIOD**

**Non-adjusting events**

- 36.1** Subsequent to the year end, the Cabinet Committee of Energy (CCoE), GoP in its meeting held on 27 August 2020, has reduced the rate of return on equity investment for Government independent power producers (IPPs) from 17% to 10%.
- 36.2** WAPDA intends to issue USD 500 million of long-term dollar-denominated Green EURO Bonds in United Kingdom (UK) capital market to finance its hydroelectric development projects.
- 36.3** As described in Note 15.2.2, WAPDA Hydroelectric is in default due to breach of financial covenants under the loan agreement with Credit Suisse Bank. Subsequently, as at 30 June 2020, the entire uncovered interest amount has been repaid, and related financial covenant became redundant. Accordingly, this loan has been classified as non-current, as at 30 June 2020.

**Adjusting event**

- 36.4** WAPDA Hydroelectric had filed its tariff petition for financial year 2020-21 with NEPRA on 29 June 2020, which has been determined by NEPRA on 05 April 2021. On the basis of determination and decisions made by NEPRA, WAPDA Hydroelectric has aligned its estimate for regulatory deferral account debit balance, as disclosed in Note 13.

**37. DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorized for issuance on 23 May 2021 by WAPDA Authority.

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MEMBER (FINANCE)

  
MEMBER (POWER)