

**Islamabad Electric Supply
Company Limited**
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

Deloitte Yousuf Adil

Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Islamabad Electric Supply Company Limited

Report on the audit of the financial statements

Qualified Opinion

We have audited the annexed financial statements of Islamabad Electric Supply Company Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that, except as described in the basis for qualified opinion section below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect of the matter described in the basis for qualified opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and, given the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As explained in note 9.1 to the financial statements, the Company's trade debts include an amount of Rs. 67,321 million (2017: 54,781 million), receivable from the Government of Azad Jammu and Kashmir (GoAJK) against supply of electricity, being the difference between electricity amounts billed to GoAJK, at the tariff rates notified by the Federal Government, from time to time and the amount paid by the GoAJK at Rs. 2.59 per unit. The Company has claimed this amount from the Government of Pakistan (GoP) based on decision taken as discussed in the above referred note. However, in absence of official notification in this regard, we have not been able to obtain sufficient appropriate audit evidence regarding the recovery of these receivables and consequently, we were unable to determine whether any adjustment to this amount was necessary.

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 the Company in accordance with the International Ethics Standards Board for

Member of

Deloitte Touche Tohmatsu Limited

Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

We draw attention to the contents of following notes to the financial statements:

- a) as explained in note 11.2 to the financial statements, management has taken up the matter of subsidy receivable from the Government of Pakistan, amounting to Rs.2,815 million recognized in 2014 on account of non-charging of Fuel Price Adjustment to domestic consumers, for the period from August 2011 to March 2013. The recovery of said amount is dependent on the notification by the Government of Pakistan;
- b) note 25.2.1, where it has been explained that the Company has not recorded various credit and debit notes received from the Central Power Purchasing Agency (CPPA), relating to the Company's share of borrowings obtained by the Federal Government, in order to settle the matter of circular debt in the country along with the related accrued markup thereon, amounting to Rs. 25,399 million and Rs. 974 million, respectively; and
- c) note 25.1, which describes various matters regarding tax contingencies, the ultimate outcome of which cannot be presently determined; hence pending the resolution thereof, no provision for the same has been made in accompanying financial statements.

Our opinion is not modified in respect of these matters.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is director's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) 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 the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company'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 the Company'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 the Company'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 the Company 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 the board of directors 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Ali.


Chartered Accountants

Place: Islamabad
Date: October 25, 2018

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

		2018	2017	As at July 1, 2016
			Restated (Note 41)	Restated (Note 41)
			Rupees	
	Note			
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	93,656,715,309	89,672,471,335	86,430,846,482
Long-term loans	7	89,139,069	59,874,078	60,020,353
Long-term deposit		73,736,230	44,776,293	1,586,230
		93,819,590,608	89,777,121,706	86,492,453,065
CURRENT ASSETS				
Stores, spares and loose tools	8	957,872,617	665,321,987	604,712,053
Trade debts	9	84,097,887,276	65,761,111,141	55,980,270,195
Current portion of long-term loans	7	33,278,570	27,155,933	20,374,089
Short-term advances	10	368,471,871	206,971,429	255,525,824
Interest accrued		6,484,621	901,021	784,555
Receivable from Government of Pakistan	11	5,859,696,963	14,806,782,863	7,768,646,740
Other receivables	12	2,283,636,353	5,021,326,553	9,393,221,327
Recoverable from tax authorities	13	20,136,655,218	14,863,421,887	13,656,825,360
Receivable from TIBL	14	30,790,759	30,790,759	80,681,259
Cash and bank balances	15	2,121,684,292	2,412,742,341	1,354,641,206
		115,896,458,540	103,796,525,914	89,115,682,608
NON-CURRENT ASSETS HELD FOR SALE				
	14	65,890,500	65,890,500	16,000,000
TOTAL ASSETS		209,781,939,648	193,639,538,120	175,624,135,673
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Issued, subscribed and paid up capital	16	5,798,253,340	5,798,253,340	5,798,253,340
Reserves				
Accumulated loss		(42,651,514,278)	(19,401,317,073)	(2,155,847,062)
Revaluation surplus on operating fixed assets		31,420,481,685	32,619,786,404	33,803,514,663
		(11,231,032,593)	13,218,469,331	31,647,667,601
Deposit for shares	17	20,030,165,684	20,112,510,939	20,112,510,939
NON-CURRENT LIABILITIES				
Long-term loans	18	6,350,636,935	5,746,971,007	5,564,263,745
Long-term security deposits	19	5,568,091,813	5,028,195,630	4,581,775,257
Staff retirement benefits	20	40,123,468,365	40,080,387,781	31,639,179,729
Deferred taxation - net	21	-	-	-
Deferred credit	22	25,158,736,218	23,893,672,310	23,079,719,609
		77,200,933,331	74,749,226,728	64,864,938,340
CURRENT LIABILITIES				
Trade and other payables	23	104,511,050,738	68,552,197,534	44,122,053,850
Interest accrued on long-term loans	18	9,289,686,928	7,715,564,563	6,218,088,444
Current portion of long-term loans		4,182,882,220	3,493,315,685	2,860,623,159
		117,983,619,886	79,761,077,782	53,200,765,453
TOTAL EQUITY AND LIABILITIES		209,781,939,648	193,639,538,120	175,624,135,673
CONTINGENCIES AND COMMITMENTS				
	24			

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 -----Rupees-----	2017
Sale of electricity - net	25	96,197,249,209	78,160,758,702
Subsidy from Government of Pakistan	26	11,180,870,919	8,503,256,593
		<u>107,378,120,128</u>	<u>86,664,015,295</u>
Cost of electricity	27	(115,304,228,777)	(84,307,754,745)
Gross (loss) / profit		<u>(7,926,108,649)</u>	<u>2,356,260,550</u>
Amortization of deferred credit	22	1,317,589,677	1,227,196,802
		<u>(6,608,518,972)</u>	<u>3,583,457,352</u>
Operating expenses			
Administrative expenses	28	(6,536,910,582)	(4,935,953,242)
Distribution costs	29	(12,319,987,844)	(8,963,077,386)
Customer services costs	30	(646,238,852)	(590,974,275)
		<u>(19,503,137,278)</u>	<u>(14,490,004,903)</u>
Operating loss		<u>(26,111,656,250)</u>	<u>(10,906,547,551)</u>
Other income	31	1,867,656,872	1,115,397,938
		<u>(24,243,999,378)</u>	<u>(9,791,149,613)</u>
Finance costs	32	(1,867,695,888)	(1,373,502,968)
LOSS BEFORE TAXATION		<u>(26,111,695,266)</u>	<u>(11,164,652,581)</u>
Taxation			
Current		(1,225,226,639)	(695,335,099)
Deferred		-	-
	32	<u>(1,225,226,639)</u>	<u>(695,335,099)</u>
LOSS FOR THE YEAR		<u>(27,336,921,905)</u>	<u>(11,859,987,680)</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

Saeed ulah Khan.
CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 -----Rupees-----	2017
Loss for the year		(27,336,921,905)	(11,859,987,680)
Other comprehensive income not to be reclassified to profit or loss account in subsequent periods:			
Actuarial gain / (loss) relating to defined benefit plans	20	2,887,419,981	(6,567,273,262)
Total comprehensive loss for the year		<u>(24,449,501,924)</u>	<u>(18,427,260,942)</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

Saeed ulah Khan.
CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(26,111,695,266)	(11,164,652,581)
Adjustment for non-cash items:		
Depreciation	4,249,596,838	2,207,940,357
Write off of distribution equipment	1,778,943	3,063,325
Amortization of deferred credit	(1,317,589,677)	(1,227,196,802)
Provision for staff retirement benefits	5,072,246,289	3,531,751,835
Provision for obsolete inventory	6,124,801	41,074,614
Reversal of provision for impairment	-	(6,813,267)
Profit on bank deposits	(46,774,896)	(10,722,970)
Exchange loss - net	30,187,446	35,128
Gain on disposal of land	(1,665,000)	-
Finance costs	1,837,508,442	1,373,467,840
	(16,280,282,080)	(5,252,052,521)
Working capital changes:		
(Increase) / decrease in current assets		
Store, spares and loose tools	(298,675,431)	(101,684,548)
Trade debts	(18,336,776,135)	(9,780,840,946)
Short term advances	(161,500,442)	48,554,395
Recoverable from tax authorities	(5,215,826,849)	(1,091,920,398)
Receivable from Government of Pakistan	8,864,740,645	(7,038,136,123)
Other receivables	2,737,690,200	4,371,894,774
Increase / (decrease) in current liabilities		
Trade and other payables	38,541,506,789	26,471,293,187
	26,131,158,777	12,879,160,341
Net operating cash flows after working capital changes	9,850,876,697	7,627,107,820
Long-term security deposits	539,896,183	446,420,373
Long-term deposit	(28,959,937)	(43,190,063)
Staff retirement benefits paid	(2,141,745,724)	(1,657,817,045)
Long-term loans given during the year	(35,387,628)	(6,635,569)
Finance costs paid	(391,359,550)	(10,448,367)
Income tax paid	(1,282,633,121)	(810,011,228)
Net cash generated from operating activities	6,510,686,920	5,545,425,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(8,107,781,282)	(5,313,295,950)
Profit on bank deposits	41,191,296	10,606,504
Sales proceed from the sale of land	1,800,000	-
Net cash used in investing activities	(8,064,789,986)	(5,302,689,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	1,263,045,017	815,364,660
Net cash generated from financing activities	1,263,045,017	815,364,660
Net increase / (decrease) in cash and cash equivalents	(291,058,049)	1,058,101,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,412,742,341	1,354,641,206
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,121,684,292	2,412,742,341

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

Note	Share capital	Revenue reserve	Capital Reserve	Total
	Issued, subscribed and paid up	Accumulated profit / (loss)	Revaluation surplus on operating fixed assets	
	Rupees			
Balance as at July 1, 2016 (as previously reported)	5,798,253,340	6,086,187,964	-	11,884,441,304
Adjustment due to restatement	-	(8,242,035,026)	33,803,514,663	25,561,479,637
Balance as at July 1, 2016 - Restated	5,798,253,340	(2,155,847,062)	33,803,514,663	37,445,920,941
Loss for the year	-	(11,859,987,680)	-	(11,859,987,680)
Other comprehensive (loss) / income	-	(6,567,273,262)	-	(6,567,273,262)
Total comprehensive income for the year	-	(18,427,260,942)	-	(18,427,260,942)
Transfer from surplus on revaluation of operating fixed assets recognized directly in equity - net of deferred tax - restated	-	1,181,790,931	(1,181,790,931)	-
Adjustment in revaluation surplus	-	-	(1,937,328)	(1,937,328)
Balance as at June 30, 2017 - Restated	5,798,253,340	(19,401,317,073)	32,619,786,404	19,016,722,671
Loss for the year	-	(27,336,921,905)	-	(27,336,921,905)
Other comprehensive income	-	2,887,419,981	-	2,887,419,981
Total comprehensive loss for the year	-	(24,449,501,924)	-	(24,449,501,924)
Transfer from surplus on revaluation of operating fixed assets recognized directly in equity - net of deferred tax	-	1,199,170,209	(1,199,170,209)	-
Transfer from surplus on revaluation of operating fixed assets to accumulated loss- on disposal	-	134,510	(134,510)	-
Balance as at June 30, 2018	5,798,253,340	(42,651,514,278)	31,420,481,685	(5,432,779,253)

The annexed notes 1 to 45 form an integral part of these financial statements.

[Signature]

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CHIEF EXECUTIVE OFFICER

Saeedullah Khan

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. The Company and its operations

Islamabad Electric Supply Company Limited (the Company) is a public limited company incorporated in Pakistan, under Companies Ordinance 1984. The Company was established to take over all the properties, rights and liabilities of Islamabad Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA). The Company was incorporated on April 25, 1998 and commenced commercial operations on June 01, 1998.

The Company is principally engaged in distribution and supply of electricity within defined geographical boundaries. The Company was granted a license on November 02, 2001 by the National Electric Power Regulatory Authority (NEPRA) for electricity distribution. The registered office of the Company is situated at IESCO Headquarters, Street 40, G-7/4, Islamabad.

2. Statement of compliance

These 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 Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.

-Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and Directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**Effective from accounting period
beginning on or after:**

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
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Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 01, 2017
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Amendments to IFRS 12 'Disclosure of Interests in Other Entities' issued in the Annual Improvements Cycle 2014-2016

Certain annual improvements have also been made to a number of IFRSs. Such improvements did not have any material effect on the financial statements of the Company.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 41, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

2.2 **New accounting standards / amendments and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective date (accounting periods beginning on or after)

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - IFRIC 14 'IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

The company has further assessed the impact of following standards at time of their initial application from July 01, 2018. The expected impacts are not significant for the Company.

- IFRS 15 'Revenue from contracts with customers'
- IFRS 9 'Financial Instruments'

3. Basis of preparation

These financial statements have been prepared on the basis of the historical cost convention except for staff retirement benefits, which are measured using actuarial techniques and freehold land, leasehold land, buildings on freehold and leasehold lands and distribution equipment, which are stated using the revaluation model.

4. Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. A revision to the accounting estimates is recognized in the period in which the 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.

The estimates / judgements and associated assumptions that have significant effects on the financial statements are as follows:

4.1 Useful life and residual value of property, plant and equipment

The Company reviews the appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation on items of property, plant and equipment on a regular basis (note 6.1). Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available inside/outside the Company, as appropriate. Any change in these estimates in the future might affect the carrying amount of items of property, plant and equipment, with a corresponding effect on the depreciation charge, impairment and amortization of deferred credit.

The Company measures certain items of property, plant and equipment (as disclosed in note 6.1) at revalued amounts, with changes in fair value being recognized directly in equity.

4.2 Provision for obsolete stores, spares and loose

The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

4.3 Provision for doubtful trade debts

Management reviews its trade debts at each reporting date to identify the existence of any doubtful debts and to assess whether a provision should be recorded in the profit or loss account. In particular, judgment by management is required in the estimation of the amount and timing of the future cash flows, when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.4 Provision for staff retirement benefits

The actuarial valuation of pension, medical benefits, compensated absences plans and free electricity requires the use of certain assumptions related to future periods, including increase in future salary / pension / medical costs, inflation rate and the discount rate used to discount future cash flows to present values.

4.5 Provision for taxation

The Company recognizes income tax provisions using estimates based upon expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Company's tax liability, are recorded on the final determination of such liability.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that future taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

4.6 Other provisions and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

5. Summary of significant accounting policies

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

5.1 Functional and presentation currency

The financial statements have been prepared using functional and presentation currency of Pakistan i.e. Pak Rupees. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee unless otherwise stated.

5.2 Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency using the exchange rate prevailing on reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary items at end of the year exchange rates, are charged to income for the year.

5.3 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit or loss whenever incurred.

5.4 Property, plant and equipment

a) Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for land, buildings and distribution equipment, which are stated at their revalued amounts less subsequent accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Depreciation is charged to income on a straight-line method so as to write-off the depreciable amount of an asset over its estimated useful life at the rates given in note 6.1 to the financial statements. Depreciation on depreciable assets is commenced from the month the asset is available for use up to the month preceding the month of disposal. Major renewals and improvements are capitalized. Minor replacement, repairs and maintenance are charged to profit or loss.

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 assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss account, in the year the asset is derecognized.

b) Surplus on revaluation of operating fixed assets

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus on operating fixed assets. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus on operating fixed assets.

c) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their construction, erection, installation and acquisition. The assets are transferred to the relevant category of operating fixed assets when they are ready for their intended use.

5.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment loss are restricted to the original cost of the asset. An impairment loss, or the reversal of an impairment loss, is recognized in the profit or loss for the year.

5.6 Stores, spares and loose tools

These are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis, comprising invoice values and the related charges incurred up to the date of the statement of financial position. 100% provision is made for inactive stores and spares over 3 years.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred to effect such sale.

5.7 Trade debts

Trade debts are carried at original billed value less an estimate for provision for doubtful debts. Trade debts are written-off when considered irrecoverable. No provision is made for amount due from federal and provincial government consumers.

5.8 Loans and other receivables

These are initially recognized at the fair value of consideration given. Subsequent to initial recognition these are recorded at their amortized cost less impairment, if any.

5.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, balances with banks in current and savings accounts, and short-term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

5.10 Staff retirement benefits

The Company operates unfunded pension, post retirement free electricity, medical benefits and compensated absences schemes for all its permanent employees. Provisions are made in accordance with the actuarial recommendations using the Projected Unit Credit Method as required by IAS-19. The latest valuation was carried out as at June 30, 2018.

The Company also maintains a General Provident Fund and WAPDA Welfare Fund for all its regular employees. The Company makes deductions from salaries of its employees and remits these amounts to the respective funds established by WAPDA.

5.11 Deferred credit

As the Company has applied IFRIC 18, as a result of which amounts received from consumers and the Government as contributions towards the cost of extension of distribution network and of providing service connections are deferred for amortization over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network.

5.12 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost, which approximates the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.13 Revenue recognition

Revenue is recognized to the extent it is probable that the future economic benefits will flow to the Company. The Company generates revenue from:

a) Electricity sale

Revenue related to electricity sales is recognized on supply of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan, from time to time. Late payment surcharges are recognized on an accrual basis.

b) Tariff differential subsidy

Tariff differential subsidy on electricity announced by the Government of Pakistan for consumers is recognized under revenue on an accrual basis.

c) Rental and service income

Meter rentals are recognized on a time proportionate basis.

d) Interest / mark-up

Interest / mark-up on bank deposits is recognized on accrual basis using the effective interest rate method.

5.14 Borrowings

Borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and the redemption value is recognized in the profit or loss over the period of borrowing on an effective rate basis. The borrowing cost on qualifying assets is included in the cost of the related assets.

5.15 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre-tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

5.16 Taxation

a) Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates after taking into account rebates and tax credits, if any, expected to apply to the profit for the year, if enacted or minimum tax at the rate of 1 percent of the turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is accounted for all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax asset is also recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax is charged to/credited in the profit or loss except in case of items credited or charged to equity in which case it is included in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax expense comprises of current and deferred tax. Income tax is recognized in profit or loss except to extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

5.17 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument, and derecognized when the Company loses control of the contractual rights that comprise the financial assets, and in case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expires. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or losses on derecognition of financial assets and financial liabilities are included in profit or loss account for the year.

a) Financial assets

Classification and subsequent measurement

The Company classifies its financial assets in the following categories: fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset.

i. Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets, designated upon initial recognition, at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the financial statements at their fair values, with changes therein recognized in the income for the year. Assets in this category are classified as current assets.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are measured at amortized cost, using the effective interest rate method, less impairment, if any.

Impairment of financial assets

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

b) Financial liabilities

Initial recognition and measurement

The Company classifies its financial liabilities in the following categories: fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs.

Subsequent measurement

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

i. 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 being at fair value through profit or loss. The Company has not designated any financial liabilities upon initial recognition as being at fair value through profit or loss.

ii. Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method.

c) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements, if the Company has a legally enforceable right to set-off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.18 Offsetting of financial assets and financial liabilities

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

6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

Note	Rupees	
	2018	2017
6.1	82,986,295,529	82,235,067,206
6.2	10,670,419,780	7,437,404,129
	<u>93,656,715,309</u>	<u>89,672,471,335</u>

6.1 Operating fixed assets

	Cost / revalued amount		Rate	Accumulated depreciation		Written down value
	At 01 July	Additions/ transfers	Disposals/ write off/ adjustments	At 30 June	Charge for the year note 6.1.2	At 30 June
	Rupees					
2018						
Freehold land	12,888,976,459	-	(135,000)	12,888,841,459	-	12,888,841,459
Leasehold land	4,824,460,000	-	-	4,824,460,000	-	4,824,460,000
Buildings on freehold land	3,143,647,410	197,538,142	-	3,341,185,552	-	3,196,321,190
Buildings on leasehold land	391,963,344	-	-	391,963,344	-	374,480,665
Distribution equipment	62,874,410,913	4,757,879,776	(1,778,943)	67,630,511,746	82,250,868	61,398,354,835
Vehicles	704,666,912	-	-	704,666,912	10,084,768	147,030,627
Computer and ancillary equipment	127,458,623	8,110,033	-	135,568,656	10,084,768	128,803,841
Furniture and fixtures	75,862,258	3,123,927	-	78,986,185	26,796,100	6,784,815
Other plant and equipment	252,707,799	40,136,765	-	292,844,564	3,822,117	29,553,683
	<u>85,284,153,718</u>	<u>5,006,788,633</u>	<u>(1,913,943)</u>	<u>90,289,028,408</u>	<u>18,591,970</u>	<u>72,356,299</u>
2017						
Freehold land	12,888,976,458	-	-	12,888,976,459	-	12,888,976,459
Leasehold land	4,824,460,000	-	-	4,824,460,000	-	4,824,460,000
Buildings on freehold land	3,047,208,417	96,438,983	-	3,143,647,410	-	3,081,033,916
Buildings on leasehold land	387,293,556	4,869,788	-	391,963,344	-	384,565,433
Distribution equipment	58,449,733,757	4,427,740,481	(3,063,325)	62,874,410,913	62,188,325	60,749,200,612
Vehicles	693,764,725	10,902,187	-	704,666,912	7,169,032	173,826,727
Computer and ancillary equipment	125,191,143	2,267,480	-	127,458,623	2,089,583,663	2,476,899
Furniture and fixtures	70,264,461	5,597,797	-	75,862,258	25,861,292	31,583,740
Other plant and equipment	239,089,658	13,618,141	-	252,707,799	4,921,252	86,943,420
	<u>80,725,982,175</u>	<u>4,561,234,868</u>	<u>(3,063,325)</u>	<u>85,284,153,718</u>	<u>2,212,017,449</u>	<u>82,235,067,206</u>

6.1.1 The Company's freehold land, leasehold land, buildings thereon and distribution equipments are carried at the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's buildings and distribution equipments as at June 30, 2016 were performed by F.K.S Building Services, independent valuers not related to the Company. Fair valuation of land was performed on June 30, 2014 by the same valuer. F.K.S are on the list of approved valuers issued by Pakistan Banks Association. They have the appropriate qualifications and experience in fair value measurement in the relevant locations.

The fair value of the buildings were determined based on market rate per square foot of the covered area after taking into account factors such as provision of utilities and allied services, location and condition of property, legality of occupation of property, type of construction, state of maintenance, building depreciation and law and order situation prevailing in the country. The market value/ cost of construction has been worked out on the analysis of the rates of material and labor prevailing in the local market.

The fair value of the grid stations were determined based on new cost and freight (C&F) values obtained from various sources. Further, factors such as capacity and type of the installed equipment, year of make and its manufacturer and overall condition of these assets were also taken into account while assessment of the fair values. For transmission lines and related equipment, 70% of the new price of distribution material have been taken for assets valuation after taking into account the type of material used, and overall condition of these assets.

Had there been no revaluation, the related figures of revalued assets would have been as follows:

	Cost	Accumulated depreciation	Written down value
	Rupees		
2018			
Freehold land	106,989,320	-	106,989,320
Leasehold land	56,887,270	(23,004,920)	33,882,350
Buildings on freehold land	4,207,114,195	(768,204,896)	3,438,909,299
Buildings on leasehold land	466,026,224	(102,129,037)	363,897,187
Distribution equipment	70,198,840,683	(23,630,558,663)	46,568,282,020
	75,035,857,692	(24,523,897,516)	50,511,960,176
2017			
Freehold land	107,124,319	-	107,124,319
Leasehold land	56,887,270	(23,004,920)	33,882,350
Buildings on freehold land	4,009,576,053	(686,463,627)	3,323,112,426
Buildings on leasehold land	466,026,224	(92,808,512)	373,217,712
Distribution equipment	65,442,818,193	(21,307,960,999)	44,134,857,194
	70,082,432,059	(22,110,238,058)	47,972,194,001

Lands amounting to Rs. 11, 972 million are under the possession of the Company but the Company does not have the title of the lands. Although, lands amounting Rs. 8,995 are under the title of WAPDA.

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

	Note	2018	2017
		Rupees	
Administrative expenses	28	77,467,108	57,933,019
Distribution costs	29	4,114,405,494	2,092,675,603
Customer service costs	30	57,724,236	57,331,735
Included in capital work-in-progress		4,049,529	4,077,092
		4,253,646,367	2,212,017,449

6.1.3 In 2002, the Company entered into an agreement with Bahria Town Private Limited (BTPL) for the distribution of electricity to the society. As per the agreement, BTPL transferred 32 kanals land in the name of the Company and agreed to bear all costs associated with the construction of a grid station and buildings on the land. Later on, the Company assumed the ownership of the land, building and grid station, currently having carrying value of Rs. 238.60 million as at June 30, 2018, and recognized these assets in its books of accounts, during the year ended June 30, 2009.

On November 24, 2010, National Electric Power Regulatory Authority (NEPRA) granted a license to BTPL for distribution of electricity to licensed locations. The Company considers the territory granted under distribution licensees to BTPL as its inalienable right and any action to withdraw a part thereof would be violation of the Company's right under the NEPRA Act. Accordingly, the Company filed writ petition in Islamabad High Court to challenge NEPRA's decision of granting license to BTPL. In the meantime, BTPL approached Ministry of Water and Power, Government of Pakistan (MoWP) and submitted a request for settlement of the matter through arbitration process. On BTPL's request Secretary MoWP requested the chairman of the Board of Directors of the Company to withdraw the writ petition and settle the matter through arbitration. Shareholders of the Company in their Extra Ordinary General Meeting held on 14 June 2011 resolved to withdraw the writ petition filed in Islamabad High Court and enter into arbitration process with BTPL. However, the arbitration process could not yield the desired results to the Company and subsequent to which Board of Directors of the Company in their meeting held on July 03, 2012 decided to re-file a writ petition with Islamabad High Court against the decision of NEPRA to grant distribution license to BTPL, which was filed on September 01, 2012. During the year, no hearing was held and the matter is pending for adjudication.

The management of the Company is confident of a favorable outcome of the writ petition filed with the Honorable Islamabad High Court and accordingly the fixed assets and land received from BTPL, having carrying values in aggregate of Rs. 238.60 million (2017: Rs. 240.68 million) have not been derecognized in these financial statements.

6.2	Capital work-in-progress	Note	2018	2017
			-----Rupees-----	
	Civil works			
	Distribution equipment	6.2.2	142,572,436	86,483,230
		6.2.1	7,969,221,016	5,529,562,405
			8,111,793,452	5,616,045,635
	Provision for impairment	6.2.3	-	(82,924,930)
	Capital stores	6.2.4	8,111,793,452	5,533,120,705
	Advances to suppliers		2,454,251,597	1,776,353,560
			104,374,731	127,929,864
			10,670,419,780	7,437,404,129
6.2.1	Movement in capital work-in-progress			
	Balance at the beginning of the year		5,616,045,635	4,953,143,028
	Additions during the year		7,451,165,735	5,188,688,544
	Transfers to operating fixed assets			
	- Buildings on freehold land		(197,538,142)	(96,438,993)
	- Buildings on leasehold land		-	(4,669,788)
	- Distribution equipment		(4,757,879,776)	(4,424,677,156)
			(4,955,417,918)	(4,525,785,937)
	Balance at the end of the year		8,111,793,452	5,616,045,635
6.2.2	Breakup of distribution equipment is as follows:			
	Material		4,419,002,507	2,917,317,859
	Labor		514,131,353	432,266,418
	Overheads:			
	Borrowing costs		127,973,473	134,456,646
	Other		1,173,893,194	949,021,666
	Contract work		1,301,866,667	1,083,478,312
			1,734,220,489	1,096,499,816
			7,969,221,016	5,529,562,405

6.2.3 This represents costs incurred on various capital projects which are no longer viable and are therefore fully provided for by the Company. Amount of Rs. 82,924,930 has been written off in current year.

6.2.4 These represent items of stores, spares and loose tools held for capitalization.

7. LONG-TERM LOANS

Secured, considered good

To employees

Current portion shown under current assets

2018

2017

-----Rupees-----

122,417,639	87,030,011
(33,278,570)	(27,155,933)
<u>89,139,069</u>	<u>59,874,078</u>

7.1 These represent long-term loans given to employees for purchase of houses, plots, cars, motor cycles and bicycles. House building and plot loans are repayable in 10 years, car and motor-cycle loans in 5 years and bicycle loans in 4 years. As per the Company's policy, the rate of mark-up charged on these loans is 12%-14% (2017:12%-14%) per annum, which is the same rate as that payable on employees balances in the General Provident Fund. Loans are secured by a mortgage of immovable property and hypothecation of vehicles.

8. STORES, SPARES AND LOOSE TOOLS

Note

2018

2017

-----Rupees-----

Stores, spares and loose tools

Provision for slow moving/ obsolete items

8.1

1,107,570,315	808,894,884
(149,697,698)	(143,572,897)
<u>957,872,617</u>	<u>665,321,987</u>

8.1 Movement in provision during the year is as follows:

Balance at the beginning of the year

Charge for the year

Balance at the end of the year

143,572,897	102,498,283
6,124,801	41,074,614
<u>149,697,698</u>	<u>143,572,897</u>

9. TRADE DEBTS

Considered good

Considered doubtful

9.1, 9.2 & 25.1

Provision for doubtful debts

9.3

84,097,887,276	65,761,111,141
565,070,232	565,070,232
<u>84,662,957,508</u>	<u>66,326,181,373</u>
(565,070,232)	(565,070,232)
<u>84,097,887,276</u>	<u>65,761,111,141</u>

9.1 These include an amount of Rs. 67,321 million (2017: Rs. 54,781 million), receivable from the Government of Azad, Jammu and Kashmir (GoAJK), representing the differential of the amount billed to GoAJK on tariff notified by Government of Pakistan (GOP) and the tariff approved by the sub-committee constituted at the time of a presentation given to the Chief Executive of Pakistan, in September 2002, on the Raising of the Mangla Dam. The rate approved by the sub-committee at that time was Rs. 2.32 per unit which was increased to Rs. 2.59 per unit subsequently. However, the Company has a practice to bill electricity supplied to GoAJK, on the basis of tariffs notified by the GoP from time to time. The GoAJK has been settling its dues at a tariff of Rs. 2.59 per unit and contesting the applicability of tariff approved by NEPRA and notified by the GoP by claiming that AJK does not fall under notified tariff.

The Company has taken up the matter with the Ministry of Finance and GoAJK. Further, the MoWP had decided in a meeting held on May 29, 2015 to constitute a committee to deliberate the tariff issue with NEPRA and sort out an amicable tariff for all stake-holders. The said committee, in its meeting held on December 8, 2015, has formulated a proposal to revise the tariff by increasing up to Rs. 5.79 per unit, with effect from, July 01, 2015 which has also been agreed by GoAJK vide letter no. SE/PS/70-82/2016 dated: January 01, 2016. However, MoWP is further deliberating on the matter, thus no official notification has been received in this regard. Further, the Company has filed a claim of Rs. 66,610 million representing the AJK receivable balance, as tariff differential, with the MoWP for the period from April 2008 to June 2018, for onward submission to Ministry of Finance, pursuant to the decision made in meeting of such committee. Accordingly, the management is confident that the amount will be recovered as tariff differential subsidy in near future.

9.2 The Company's receivable from non-government consumers are secured to the extent of the consumers' security deposits against electricity connections, as disclosed in note 19.

9.3 Movement in provision for doubtful debts is as follows:

Balance at the beginning of the year
Provision during the year
Balance at the end of the year

2018	2017
-----Rupees-----	-----Rupees-----
565,070,232	565,070,232
-	-
<u>565,070,232</u>	<u>565,070,232</u>

10. SHORT-TERM ADVANCES

Note

Considered good

To suppliers

To employees against operating expenses

2018	2017
-----Rupees-----	-----Rupees-----
311,628,574	158,757,289
<u>56,843,297</u>	<u>48,214,140</u>
<u>368,471,871</u>	<u>206,971,429</u>

11. RECEIVABLE FROM GOVERNMENT OF PAKISTAN

Balance at the beginning of the year

Subsidy recognized during the year on account of
tariff differential subsidy

11.1

Credit note received from Central Power Purchasing Agency

Balance at the end of the year

11.2

14,806,782,863	7,768,646,740
<u>9,316,374,752</u>	<u>7,038,136,123</u>
<u>24,123,157,615</u>	<u>14,806,782,863</u>
(18,263,460,652)	-
<u>5,859,696,963</u>	<u>14,806,782,863</u>

11.1 This represents Tariff Differential Subsidy (TDS) receivable from GoP as a difference between NEPRA rates notified as per "Schedule-I" and the rates charged to the consumers as per "Schedule-II" as notified by GoP in S.R.O. 569 (I)/2015 dated June 10, 2015.

11.2 This represents subsidy recognized of Rs. 2,814,646,230 in previous financial year for the period from August 2011 to March 2013, in respect of non-charging of Fuel Price Adjustment to domestic consumers, having consumption of units from 51 to 350 units, pursuant to the determination of the IESCO's tariff by the NEPRA, duly notified by the GoP vide SRO No. 701 dated August 05, 2013 and SRO No. 914 dated October 11, 2013 and the NEPRA's clarification issued in the case of another distribution company.

During the year, MoWP vide its letter no. PF-05(15-FPA)/2012, directed the Company to include these claims in future tariff petition to be filed with NEPRA.

12. OTHER RECEIVABLES

Note

Unsecured, considered good

Receivable from related parties:

Central Power Purchasing Agency

Other related parties on account of:

Free electricity and other transactions

Pensions

Others

12.1

12.2

2018	2017
-----Rupees-----	-----Rupees-----
-	2,260,769,023
809,393,763	1,463,080,801
<u>1,429,913,210</u>	<u>1,264,785,174</u>
<u>44,329,380</u>	<u>32,691,555</u>
<u>2,283,636,353</u>	<u>5,021,326,553</u>

12.1 This represents the net amount receivable from WAPDA and other related parties on account of free electricity provided to the employees of these companies residing within the Company's territorial jurisdiction; a party wise breakup is as follows:

Note	2018	2017
	Rupees	
WAPDA		
National Transmission and Dispatch Company Limited	889,633,529	847,275,948
Pakistan Electric Power Company Limited	(110,424,549)	589,607,424
Quetta Electric Supply Company Limited	-	-
Northern Power Generation Company Limited (GENCO-III)	10,899,667	9,246,391
Central Power Generation Company Limited (GENCO-II)	6,827,660	5,869,741
Tribal Electric Supply Company Limited	4,905,072	4,355,091
Jamshoro Power Company Limited (GENCO-I)	4,660,371	4,070,232
Lakhra Power Generation Company Limited (GENCO-IV)	1,654,938	1,531,132
	1,237,075	1,124,842
	<u>809,393,763</u>	<u>1,463,080,801</u>

- 12.2 This represents the amount receivable from WAPDA and other related parties on account of pension paid to the retired employees of these companies residing within the Company's territorial jurisdiction; a party wise breakup is as follows:

	2018	2017
	Rupees	
WAPDA		
National Transmission and Dispatch Company Limited	1,043,636,333	879,370,410
Lahore Electric Supply Company Limited	201,321,108	150,265,904
Faisalabad Electric Supply Company Limited	37,998,137	18,580,728
Gujranwala Electric Power Company Limited	12,099,493	42,318,955
Peshawar Electric Supply Company Limited	11,252,744	57,999,912
Multan Electric Power Company Limited	9,687,005	21,238,269
Hyderabad Electric Supply Company Limited	15,174,431	17,767,888
Northern Power Generation Company Limited (GENCO-III)	14,747,314	8,390,804
Central Power Generation Company Limited (GENCO-II)	22,823,618	17,214,954
Quetta Electric Supply Company Limited	15,018,540	13,276,343
Jamshoro Power Company Limited (GENCO-I)	16,682,735	6,672,511
Lakhra Power Generation Company Limited (GENCO-IV)	1,173,322	505,489
Pakistan Electric Power Company Limited	489,093	265,115
Tribal Area Electric Supply Company	22,788,207	24,245,714
Sukkur Electric Supply Company	1,390,002	1,452,251
Power Information Technology Company	1,578,135	3,848,733
GENCO Holding Company Limited	1,971,507	1,297,118
	81,486	74,076
	<u>1,429,913,210</u>	<u>1,264,785,174</u>

13. RECOVERABLE FROM TAX AUTHORITIES

Sales tax		
Other receivables from tax authorities	13.1	(92,445,950)
Advance income tax		220,758,250
		19,605,134,407
		623,966,761
		<u>20,136,655,218</u>
		<u>14,863,421,887</u>

- 13.1 These represent amounts recovered by the taxation authorities, alleging that the Company, in the current or prior years, has either failed to recover sales tax from various customers or have adjusted incorrect input tax in its returns related to subsidy provided by GOP to IESCO. The Company has filed various appeals against these cases which are pending before the taxation authorities and different courts of law. The management of the Company is confident of a favorable outcome of these pending cases and accordingly, a provision has not been recorded in the financial statements against these balances.

Note	2018	2017
	Rupees	
14. RECEIVABLE FROM TIBL		
14.1	<u>30,790,759</u>	<u>30,790,759</u>

- 14.1 These represent investment made in the TDRs of Trust Investment Bank Limited (TIBL) in accordance with the Ministry of Finance Regulations, which were matured in January 2013. However, the bank was facing liquidity issues, due to which the full amount of investments made could not be recovered on the maturity date. During the year ended June 30, 2014, under a Settlement Agreement dated April 09, 2014 between the Company and TIBL, the Company recovered an amount of Rs. 2,149,282 in cash, and for the remaining principal amount of Rs. 96,681,259 and accumulated interest thereon amounting to Rs. 10,297,841, TIBL transferred the possession of certain properties in the name of the Company representing various lands and buildings.

Further, under another separate agreement dated July 04, 2014, it was agreed that if the Company would sell or transfer all of the properties to a bona fide third party/parties on an arm's length basis before June 30, 2015, and the sales consideration paid by such third party/parties would be less than the outstanding amount as per the original agreement, then TIBL would be required to compensate the Company for shortfall amount, either in the form of cash or any other means within seven days of notification by the Company.

During 2015, the Company was able to obtain the legal transfer of only one property in its name, having current market value of Rs. 16,000,000 at that time, while steps were being taken to obtain the physical possession and to transfer the remaining properties in the name of the Company. The separate agreement mentioned above was also extended to June, 30 2016. However during the year ended June 30, 2016, BoD, in the light of the fact that TIBL has not honored its commitments under the separate agreement mentioned above, resolved not to extend the above mentioned agreement between IESCO and TIBL. The Company has filed a reference with National Accountability Bureau (NAB).

During 2017, another property having value of Rs. 49,000,000 was transferred in the name of the Company. Matter for the remaining settlement is pending with NAB.

An amount of Rs. 30.79 million representing the principal amount of investment not recovered from TIBL so far is being carried as receivable from TIBL in these financial statements while the fair value of transferred property is still carried as non-current assets held-for-sale as the management has the positive intention to dispose off this property in near future.

15. CASH AND BANK BALANCES	Note	2018	2017
		-----Rupees-----	
Cash in hand		9,310	6,926
At banks in:			
- Deposit accounts	15.1 & 15.2	1,168,601,564	1,518,732,847
- Current accounts		953,073,418	894,002,568
		2,121,674,982	2,412,735,415
		<u>2,121,684,292</u>	<u>2,412,742,341</u>

15.1 These carry mark-up ranging from 4% to 7% per annum (2017: 4% to 7% per annum).

15.2 Included herein is an amount of Rs. 692 million (2017: Rs. 51.44 million) kept in separate bank accounts relating to consumers' and employees' security deposits.

16. SHARE CAPITAL

16.1 Authorized capital	2018	2017
	-----Rupees-----	
5,000,000,000 (2017: 5,000,000,000) Ordinary shares of Rs. 10/ each	50,000,000,000	50,000,000,000

16.2 Issued, subscribed and paid-up capital

2018	2017		2018	2017
----Number of shares----			-----Rupees-----	
1,000	1,000	Ordinary shares of Rs. 10 each, issued for consideration in cash	10,000	10,000
579,824,334	579,824,334	Ordinary shares of Rs. 10 each, issued for consideration other than in cash	5,798,243,340	5,798,243,340
<u>579,825,334</u>	<u>579,825,334</u>		<u>5,798,253,340</u>	<u>5,798,253,340</u>

- 16.3 The President of Pakistan, WAPDA and the IESCO Employees Trust Fund, respectively hold 1,000 (2017: 1,000), 510,245,414 (2017: 510,245,414) and 69,578,920 (2017: 69,578,920) ordinary shares of the Company at the year end. In 2012, 69,578,920 shares, previously owned by WAPDA, were transferred to the IESCO Employees Trust Fund under the Benazir Employees Stock Option Scheme.

	2018	2017
	-----Rupees-----	
17. DEPOSIT FOR SHARES	20,030,165,684	20,112,510,939

- 17.1 This represents GoP's investment/equity in the Company channelized through PEPCO/NTDC as a measure taken to clear circular debts prevailing in the power sector.

	Note	2018	2017
		-----Rupees-----	
18. LONG-TERM LOANS			
From Government of Pakistan out of:			
Asian Development Bank - Tranche I	18.1	2,056,802,452	2,056,802,452
Asian Development Bank - Tranche II	18.2	1,841,115,364	1,636,996,810
International Bank for Reconstruction and Development	18.3	3,687,887,986	3,687,887,986
Asian Development Bank - Tranche III	18.4	1,616,635,201	1,396,712,169
Earthquake Reconstruction and Rehabilitation Authority	18.5	217,923,729	187,736,283
Asian Development Bank - Tranche IV	18.6	1,113,154,423	274,150,992
Current maturity shown under current liabilities		10,533,519,155	9,240,286,692
		(4,182,882,220)	(3,493,315,685)
		6,350,636,935	5,746,971,007

Movement of long term loans during the year

Balance at the beginning of the year	9,240,286,692	8,424,886,904
Cash received during the year	1,263,045,017	815,364,660
Exchange loss	30,187,446	35,128
Balance at the end of the year	10,533,519,155	9,240,286,692

- 18.1 This represents re-lent portions of the total term finance facility obtained by the GoP from Asian Development Bank (ADB) for power distribution and enhancement projects. Out of total finance facility, an amount of US \$ 30.06 million has been allocated to the Company vide a letter [No. 6(9) ADB-I/86 dated March 30, 2009] of the Ministry of Economic Affairs and Statistics (MEAS), against which the Company has utilized US \$ 23.31 (2017: US \$ 23.31 million) up to the year end. The loan carries interest at 17% per annum inclusive of exchange risk coverage fee of 6% charged both on the principal amount and the interest amount, separately. The initial agreed amount was later revised to a total allocation of 23.3 million via letter number 5654 from ADB dated July 17, 2013.

The loan is repayable in 26 semi-annual installments, excluding a grace period of 2 years, ending August 15, 2023 with first repayment due on February 15, 2011. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to June 30, 2018, aggregating to Rs. 1,304 million and Rs. 1,878 million respectively. However, the principal amount which has fallen due and is due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

- 18.2 This represents re-lent portions of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility of US \$ 172.300 million, an amount of US \$ 19.560 million has been allocated to the Company [vide letter No. 1(3) ADB-II/06-A dated March 31, 2011] of the MEAS, against which the Company has utilized US \$ 18.334 million (2017: US \$ 16.50 million) up to the year end. The loan carries interest at 15% per annum inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount separately.

The loan is repayable in 34 semi-annual installments, excluding a grace period of 3 years, ending December 01, 2030, with a first repayment due on June 01, 2014. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to June 30, 2018, aggregating to Rs. 540 million and Rs. 1,282 million respectively. However, the principal amount which has fallen due and is due for repayment within the next 12 months of the reporting date has been transferred to the current portion.

- 18.3 This represents re-lent portions of the total term finance facility obtained by the GoP from the International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission projects. Out of the total finance facility an amount of US \$ 58.50 million has been allocated to the Company [vide letter No. 1(28) IDA-I/2006 dated November 16, 2011] of the MEAS, against which the Company has utilized US \$ 40.974 million (2017: US \$ 40.974 million) up to the year end. The loan carries interest at 17% p.a. inclusive of exchange risk coverage fee of 6% charged on both the principal amount and the interest amount, separately. The total amount of loan to be utilized has been revised for IESCO to a figure of US \$ 41 million via the letter from World Bank dated July 16, 2015 and this closes the total loan from the World Bank.

The loan is repayable in 26 semi-annual installments, excluding a grace period of 2 years, ending March 15, 2024 with first repayment due on September 15, 2011. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to June 30, 2018, aggregating to Rs. 2,177 million and Rs. 3,746 million respectively. However, the principal amount, which has fallen due and is due for repayment within the next 12 months of the reporting date, has been transferred to the current portion.

- 18.4 This represents re-lent portions of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility an amount of US \$ 24.55 million has been allocated to the Company [vide letter No. 2(9) ADB-II/12 dated December 31, 2013] of the MEAS, against which the Company has utilized US \$ 15.386 million (2017: US \$ 13.46 million) up to the year end. The loan carries interest at 15% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately.

The loan is repayable in 40 semi-annual installments, excluding a grace period of 5 years, ending December 31, 2037, with the first repayment due on June 01, 2018. The Company has withheld the principal repayments along with related interest accrued up to June 30, 2018, aggregating to Rs. 119 million and Rs. 715 million respectively. However, the principal amount, which has fallen due and is due for repayment within the next 12 months of the reporting date, has been transferred to the current portion.

- 18.5 This represents re-lent portions of the total term finance facility obtained by the GoP from ADB for Earthquake Emergency Assistance Project. Out of total finance facility an amount of US \$ 1.40 million has been allocated to the Company [vide letter No. 6(9) ADB-II/86 dated July 22, 2008] of MEAS, against which the Company has fully utilized US \$ 1.79 million in year 2011. The loan carries interest at 1% p.a. upto December 15, 2025 and thereafter 2% interest on the amount of loan withdrawn from loan account and outstanding from time to time.

The loan is repayable in US \$ 1.79 million in 60 semi-annual installments, excluding a grace period of 10 years, ending December 15, 2045, with the first repayment due on June 15, 2016. No payment on this loan has yet been made. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to June 30, 2018, aggregating to Rs. 15 million and Rs. 22 million respectively. However, the principal amount, which has fallen due and is due for repayment within the next 12 months of the reporting date, has been transferred to the current portion.

- 18.6 This represents re-lent portions of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility, an amount of US \$ 17.810 million has been allocated to the Company [vide letter from EAD dated November 07, 2014] of the MEAS, against which the Company has utilized US \$ 9.978 million (2017: US \$ 2.6 million) up to the year end. The loan carries interest at 15% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately.

The loan is repayable in 40 semi-annual installments, excluding a grace period of 5 years, ending 01 December 2038, with a first repayment due on June 01, 2018. The Company has withheld the principal repayments along with related interest accrued up to June 30, 2018, aggregating to Rs. 28 million and Rs. 267 million respectively. However, the principal amount, which has fallen due and is due for repayment within the next 12 months of the reporting date, has been transferred to the current portion.

	Note	2018 -----Rupees-----	2017
19. LONG-TERM SECURITY DEPOSITS			
Consumers' security deposits	19.1 & 15.2	<u>5,568,091,813</u>	<u>5,028,195,630</u>
19.1 These represent security deposits received from consumers at the time of installation of electricity connections and are refundable / adjustable on disconnection of electricity supply.			

20. STAFF RETIREMENT BENEFITS

Four types of defined benefit plans are operated by the Company namely, pension obligations, medical benefits, free electricity and compensated absences.

20.1 The amounts recognized in the statement of financial position

	Pension obligations		Medical benefits		Free electricity		Compensated absences		Total
	2018	2017	2018	2017	2018	2017	2018	2017	
Present value of defined benefit obligations	33,851,557,967	35,902,558,781	3,047,193,495	1,522,608,896	1,646,493,021	1,481,757,454	1,578,223,882	1,173,462,650	40,123,465,365
									40,080,387,781

20.2 Changes in the present value of defined benefit obligations:

Balance at the beginning of the year	35,902,558,781	24,820,210,832	1,522,608,896	3,314,065,087	1,481,757,454	2,313,500,538	1,173,462,650	1,091,403,262	40,080,387,781
Current service cost	841,118,447	578,928,854	58,160,909	56,814,666	37,605,942	63,295,799	534,761,035	154,743,611	1,471,646,333
Interest cost	3,377,074,164	2,173,060,915	143,969,264	297,751,067	139,556,508	207,156,923	-	-	853,782,930
Benefits paid during the year	(1,971,876,836)	(1,550,179,119)	(14,285,933)	(11,439,812)	(24,483,162)	(23,513,891)	(129,998,303)	(72,684,223)	(2,141,745,724)
Actuarial (gain) / loss on obligation	(4,237,216,609)	9,780,537,299	1,336,740,349	(2,134,582,122)	13,056,279	(1,078,681,915)	-	-	(1,857,817,045)
Balance at the end of the year	33,851,557,967	35,902,558,781	3,047,193,495	1,522,608,896	1,646,493,021	1,481,757,454	1,578,223,882	1,173,462,650	40,080,387,781

20.3 Charge for the year:

Current service cost	841,118,447	578,928,854	58,160,909	56,814,666	37,605,942	63,295,799	534,761,035	154,743,611	1,471,646,333
Interest cost	3,377,074,164	2,173,060,915	143,969,264	297,751,067	139,556,508	207,156,923	-	-	853,782,930
Charge to other comprehensive income	4,158,192,631	2,751,989,769	202,130,173	354,565,733	177,162,450	270,452,722	534,761,035	154,743,611	3,551,751,835

Actuarial (gain) / loss

Actuarial (gain) / loss	(4,237,216,609)	9,780,537,299	1,336,740,349	(2,134,582,122)	13,056,279	(1,078,681,915)	-	-	(2,887,419,981)
									6,567,273,262

20.4 Significant actuarial assumptions at the balance sheet date are:

Discount rate	9.5%	9.0%	9.5%	9.0%	9.5%	9.0%	9.5%	9.0%
Future salary increase	8.5%	8.0%	-	-	-	-	8.5%	8.0%
Indexation rate	4.25%	4.0%	-	-	-	-	-	-
Future medical cost increase	-	-	4.25%	7.5%	-	-	-	-
Exposure inflation rate	-	-	3.0%	3.0%	-	-	-	-
Electricity inflation rate	-	-	-	-	4.25%	8.0%	-	-

20.5 Description of risks to the Company

The defined benefit plans expose the Company to the following risks:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what was assumed.
 Withdrawal risk - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.
 Mortality risk - The risk that the actual mortality experience is different. Similar to the Withdrawal risk, the effect depends on the beneficiaries' service/age distribution and the benefit.
 Medical escalation risk - The risk that the cost of post retirement medical benefits will increase.

The calculations of the defined benefit obligations is sensitive to the significant actuarial assumptions set out in note 20.4. The table below summarizes how the defined benefit obligations at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	Pension obligations	Medical benefits	Free electricity	Total
Remeasurement (gain) / loss on obligation				
- Financial assumptions	1,283,180,970	97,082,463	60,321,416	1,440,584,849
- Demographic assumptions				-
- Experience adjustments	(5,520,397,579)	1,239,657,886	(47,265,137)	(4,328,004,830)
Total remeasurement (gain) / loss	(4,237,216,609)	1,336,740,349	13,056,279	(2,887,419,981)
Total remeasurement (gain) / loss recognized in OCI	(4,237,216,609)	1,336,740,349	13,056,279	(2,887,419,981)

The above sensitivity analyses are based on changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

	Note	2018	2017
		-----Rupees-----	
21. DEFERRED TAXATION - net			
Deferred tax asset	21.1	13,565,912,870	17,102,161,618
Deferred tax liability	21.2	(13,565,912,870)	(17,102,161,618)
		<u>-</u>	<u>-</u>
21.1 Movement in deferred tax asset:			
Deferred tax asset on tax losses			
Balance at the beginning of the year		17,102,161,618	17,558,037,473
Charge for the year		(3,536,248,748)	(455,875,855)
		<u>13,565,912,870</u>	<u>17,102,161,618</u>
21.2 Movement in deferred tax liability:			
Deferred tax liability on property, plant and equipment			
Balance at the beginning of the year		(17,102,161,618)	(17,558,037,473)
Reversal for the year		3,536,248,748	455,875,855
		<u>(13,565,912,870)</u>	<u>(17,102,161,618)</u>
21.3	In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized, the Company has not recognized net deferred tax asset of Rs. 31,414 million (2017: Rs. 31,302 million).		
	Business tax losses aggregating to Rs. 59,585 million against which deferred tax asset has not been recognized, will expire as follows:		
	Tax year	-----Rupees-----	
	2022	5,509,366,475	
	2023	17,188,137,443	
	2024	36,887,728,485	
		<u>59,585,232,403</u>	
21.4 Movement in deferred tax relating to revaluation surplus on operating fixed assets			
		2018	2017
		-----Rupees-----	
Deferred tax liability at the beginning of the year		7,311,202,160	7,867,339,069
Charge for the year		-	-
Deferred tax liability reversal on incremental depreciation charged during the year		(538,757,630)	(556,136,909)
Deferred tax liability at the closing of the year		<u>6,772,444,530</u>	<u>7,311,202,160</u>
22. DEFERRED CREDIT			
Balance at the beginning of the year		35,062,765,761	33,021,616,258
Additions during the year		2,582,653,585	2,041,149,503
		<u>37,645,419,346</u>	<u>35,062,765,761</u>
Amortization			
Balance at the beginning of the year		(11,169,093,451)	(9,941,896,649)
For the year		(1,317,589,677)	(1,227,196,802)
		<u>(12,486,683,128)</u>	<u>(11,169,093,451)</u>
Balance at the end of the year		<u>25,158,736,218</u>	<u>23,893,672,310</u>
23. TRADE AND OTHER PAYABLES			
Creditors:			
Associated undertakings	23.1	72,138,389,648	106,855,647
Others		1,176,049,545	1,176,198,904
C/f		<u>73,314,439,193</u>	<u>1,283,054,551</u>

		2018	2017
		-----Rupees-----	
Other payables:	Note		
B/f			
Receipts against deposit works		73,314,439,193	1,283,054,551
Advances from customers		10,294,031,825	8,328,367,320
Provision for Workers' Profit Participation Fund (WPPF)	23.2	1,444,351,901	1,456,880,548
Due to related parties on account of:		1,179,422,289	1,179,422,289
- Free electricity	23.3	1,372,910,686	1,343,163,277
- Pension	23.4	410,177,825	367,908,893
Capital contributions awaiting connections		1,783,088,511	1,711,072,170
Accrued liabilities		421,864,575	554,615,017
Retention money - contractors / suppliers		526,408,902	412,883,374
Government surcharges payable:		183,698,411	265,333,720
- Realized			
Equalization surcharge	23.5	1,668,827,499	1,667,952,054
Tariff rationalization surcharge	23.6	-	33,288,806,358
Electricity duty		1,048,359,357	547,143,898
Neelum Jhelum surcharge		1,516,516,256	1,136,109,647
TV license fee		67,543,699	62,687,378
Financing cost	23.7	1,347,942,772	7,781,838,043
Withholding tax		298,308,378	117,153,803
- Unrealized		5,947,997,961	44,601,691,181
Equalization surcharge		179,574,205	180,764,889
Electricity duty		57,356,133	47,240,357
Neelum Jhelum surcharge		1,103,778,226	972,126,286
TV license fee		45,675,894	45,157,396
Tariff rationalization surcharge	23.8	5,963,882,992	6,043,051,802
Financing cost	23.9	1,897,336,695	1,325,593,656
Income tax		97,256,531	75,091,538
General sales tax		-	-
Advance income tax		5,539,631	3,385,436
Steel melters income tax		458,000	1,084,000
Others		9,350,858,307	8,693,495,360
		64,888,863	65,382,004
		<u>104,511,050,738</u>	<u>68,552,197,534</u>
23.1 Creditors - associated undertakings			
Lahore Electric Supply Company Limited		-	28,210,161
Peshawar Electric Supply Company Limited		-	78,645,486
Faisalabad Electric Supply Company Limited		-	-
National Transmission and Dispatch Company Limited		-	-
Central Power Purchasing Agency	23.1.1	72,138,389,648	-
		<u>72,138,389,648</u>	<u>106,855,647</u>
23.1.1	During the year, CPPA issued certain debit notes to all DISCOs including the Company to make alignments in certain account heads related to CPPA payables, Tariff Rationalization Surcharge (TRS) and Finance Cost (FC) surcharge. Accordingly, the Company made adjustment to TRS payable and FC payable to CPPA account.		
23.2	The Company has held payment of its contribution towards Workers' Profit Participation Fund (WPPF) amounting to Rs. 1,179 million, being Company's liability on account of WPPF till June 30, 2014, which is long outstanding. PEPCO has forwarded its recommendation to MoWP for exemption of DISCO's, GENCO's, and NTDC from the liability of the payment to be made under the Companies Profit (Workers' Participation) Act, 1968, which is pending decision. Hence no payments are being made till the outcome of the decision. Moreover, during the year Company incurred a loss, therefore no provision was booked during the year.		
23.3	Due to related parties		
	This represents the net amounts payable to related parties on account of free electricity provided to the families of IESCO's employees residing within the territorial jurisdiction of these companies. A party wise breakup is as follows:		

	2018	2017
	-----Rupees-----	
Lahore Electric Supply Company Limited	895,498,508	899,197,865
Peshawar Electric Supply Company Limited	256,520,670	232,001,607
Multan Electric Power Company Limited	76,827,476	76,037,957
Faisalabad Electric Supply Company Limited	117,203,775	111,182,495
Gujranwala Electric Power Company Limited	19,435,720	17,667,262
Hyderabad Electric Supply Company Limited	2,667,545	2,548,599
Sukkur Electric Power Company	2,378,237	1,969,191
Pakistan Electric Power Company Limited	2,378,755	2,558,301
	<u>1,372,910,686</u>	<u>1,343,163,277</u>

23.4 Payable to related parties on account of pension

This represents amounts payable to related parties on account of pension paid to the retired employees of IESCO residing within the territorial jurisdiction of these Companies. A party wise breakup is as follows:

	2018	2017
	-----Rupees-----	
Peshawar Electric Supply Company Limited	173,165,797	111,362,739
Gujranwala Electric Power Company Limited	114,576,480	144,485,536
Faisalabad Electric Supply Company Limited	74,363,498	96,042,147
Lahore Electric Supply Company Limited	36,806,392	5,902,782
Hyderabad Electric Supply Company Limited	1,690,455	378,421
Multan Electric Power Company Limited	8,552,521	9,135,591
Quetta Electric Supply Company Limited	992,337	571,332
Sukkur Electric Power Company	30,345	30,345
	<u>410,177,825</u>	<u>367,908,893</u>

23.5 This represents amounts collected from consumers, during the period from April 2011 to June 2012, pursuant to S.R.O 236(1)2011, dated March 15, 2011, issued by the MoWP. However, the amount was collected from consumers during the period from April 2011 to May 2012 but further collection has been discontinued on account of a subsequent S.R.O 506(1)2012, dated May 16, 2012. The payment of this amount to the Federal Government is pending as payment mechanism has not been conveyed to the Company by the GoP.

23.6 Tariff rationalization surcharge has been notified by GOP vide SRO. 569 (1) / 2015 dated June 10, 2015, at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the Company to maintain uniform rates of electricity across the country for each of the consumer category.

23.7 Financing cost surcharge has been notified by GoP vide SRO.569 (1) / 2015 dated June 10, 2015, at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the Company. The amount of surcharge is to be kept in escrow account of CPPA for the payment of the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GoP.

24. CONTINGENCIES AND COMMITMENTS

24.1 Tax and other contingencies

24.1.1 The Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Company for the tax years 2010, 2011 and 2013 by charging minimum tax on distribution margin, earned by the Company inclusive of subsidy; thereby raising an aggregate tax demand of Rs. 716 million. The Company filed an appeal with the Commissioner Inland Revenue which was decided against the Company. The company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and ATIR decided the case against the Company. The company filed reference before Islamabad High Court (IHC) against decision of ATIR. Management of the company is confident that the matter will be decided in favor of the Company and accordingly, no provision has been made in these financial statements.

24.1.2 The Deputy Commissioner Inland Revenue (DCIR) issued various orders u/s 124/161/205 of the Income tax Ordinance, 2001 for the tax year from 2007 to 2012, raising tax demand of Rs. 2,122 million by treating the Company as taxpayer in default on certain revenue and capital expenditure. CIR and ATIR both upheld the order in original. The Company filed reference before Islamabad High Court (IHC) which is pending.

24.1.3 The Deputy Commissioner Inland Revenue (DCIR) issued order u/s 161/205 of Income Tax Ordinance, 2001 for the tax year 2013 raised an income tax demand of Rs. 304.5 million by treating the Company as taxpayer in default on certain revenue and capital expenditures. The Company appealed before the Commissioner Inland Revenue (CIR) which was unsuccessful. The Company preferred an appeal before ATIR which is pending adjudication.

- 24.1.4** The Deputy Commissioner Inland Revenue (DCIR) issued order under section 161/205 of the Income Tax Ordinance 2001 for the tax year 2014 raising an income tax demand of Rs. 1,152 million by treating the Company as tax payer in default for short collection of advance tax on electricity consumption from its consumers. CIR upheld the order, however, ATIR remanded back the case for reconsideration. FTO has reassessed the case and reduced tax demand to Rs. 998 million against which the Company has filed appeal before ATIR, which is pending adjudication. The company has also filed reference before Islamabad High Court (IHC) against earlier decision of ATIR.
- 24.1.5** Taxation Officer Inland Revenue (TOIR) passed the order against the Company in relation to alleged non-payment of sales tax on electricity supplied to the Government of AJK (GoAJK) involving sales tax demand of Rs. 1,269 million including default surcharge and penalty. The amount was withdrawn from the Company's bank accounts or paid by the Company under protest under amnesty scheme. On the Company's appeal, Appellate tribunal inland revenue (ATIR) Islamabad decided the case in favor of IESCO vide order No 65/IB/2011 and declared electricity supply to GoAJK as exempt supply by considering the Mangla raising agreement as bilateral treaty between the GoP and GoAJK. Subsequently, ATIR vide order No. 207 dated October 28, 2015, granted sales tax adjustment of Rs. 1,269 million on monthly sales tax return. FBR filed petition in Islamabad High Court (IHC) against the decision of ATIR. IHC decided the case against the Company, vide order No 265/2011 dated March 21, 2016, declaring the supplies as taxable. The Company has filed review petition in Supreme Court of Pakistan which is pending.
- 24.1.6** Officer Inland Revenue (OIR) has passed the order in original no of 04/2011 dated October 30, 2013 raising sales tax demand of Rs. 1,708 million plus default surcharge and penalty thereon for the tax period from July 2007 to June 2008 on account of electricity supplies to GoAJK, supplies of free electricity to employees and other distribution companies, sales of scrap, demand notes for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government Subsidy and non-payment of unrealized sales tax. The Company filed an appeal before the CIR which was decided against the Company. The Company has preferred an appeal before appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.
- 24.1.7** Officer inland revenue passed Order-in-Original no 13/2012 dated September 3, 2012 raising sales tax demand of Rs. 2,454 million plus default surcharge and penalty chargeable thereon for the tax period July 2008 to June 2009 on account of supplies of free electricity to employees and other distribution companies, sales of scrap, demand notes for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government Subsidy and non-payment of unrealized sales tax. CIR and ATIR both dismissed the appeals filed by the Company and upheld the order of the Officer Inland Revenue. The company has preferred an appeal before IHC who remanded the case back to appellate Tribunal Inland Revenue (ATIR), for reconsideration.
- 24.1.8** Officer Inland Revenue passed an Order-in-Original No.02/2013 dated October, 14 2013 raising sales tax demand of Rs.7,766 million plus default surcharge and penalty chargeable thereon for the tax period from July 2009 to June 2012 on account of free supply of electricity to employees and distribution companies, sale of scrap, demand notes for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy, and non-payment of unrealized sales tax. The Company preferred an appeal before CIR who dismissed the appeal filed by the Company and upheld the order of the Officer Inland Revenue. The Company preferred an appeal before the ATIR, who deleted the demand to the extent of Rs. 1,224 million on account of unrealized sales tax and Rs. 6,504 million on account of sales tax on subsidy and sales tax on demand notes. Further, the ATIR remanded back the case of sales tax on free electricity to employees and distribution companies for de novo consideration. The matter of sales tax on sale of scrap of Rs. 416 million has been decided against the Company against which the Company filed reference before IHC.
- 24.1.9** Officer Inland Revenue issued an Order-in-Original no. 21/2012 dated April 24, 2012 raising sales tax demand of Rs. 1,527 million plus default surcharge and penalty chargeable thereon for the tax period July 2010 to June 2011 on account of non-payment of sales tax on supply of electricity to GoAJK. In a similar case, the ATIR had declared the supply of electricity to GoAJK as exempt, vide order no. 65/18/2011 dated September 07, 2011 against which FBR filed petition in IHC. The Company also preferred an appeal before the IHC to declare such sales as an export. The IHC decided the case against the Company, vide STR No. 265/2011 dated March 21, 2016, declaring the supplies as taxable. The Company has filed the reference before the honorable Supreme Court, which is still pending. Since, both the cases are of similar nature, the outcome of these is dependent on the decision of Supreme Court.
- 24.1.10** Officer Inland Revenue passed an Order-in-Original No.55/2014 dated May 14, 2014 raising sales tax demand of Rs. 8,407 million plus default surcharge and penalty chargeable thereon for the tax year 2012 to 2013 on account of non payment of sales tax on supply of electricity to GoAJK, non-payment of sales tax on subsidy from GoP, demand notes for reimbursement of capital and other costs by electricity consumers and short payment of sales tax pertaining to miscellaneous receipts. The Company preferred an appeal before the CIR who upheld the order of the Officer Inland Revenue. The Company preferred an appeal before ATIR who passed the Order-in-Appeal vide STA No. 326/IB/2014 dated January 27, 2016 whereby tax demand to the extent of Rs. 6,998 million on the matter of sales tax on demand notes, supply of electricity to GoAJK and subsidy from GoP has been deleted. The matter of sales tax amounting to Rs. 1,547 million pertaining to miscellaneous receipts has been remanded back to the original adjudicating authority for reconsideration. The demand of sales tax on scrap amounting to Rs. 56 million has not been confirmed by ATIR. The Company filed reference against demand of sales tax on scrap before IHC which is pending.
- 24.1.11** The ACIR passed an Order-in-Original No. 57/2014 dated May 29, 2014 raising sales tax demand of Rs. 212 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2009 to June 2012 on account of inadmissible adjustment of input tax for steel sector. The Company filed an appeal before the CIR which was dismissed. The Company has preferred an appeal before ATIR which is pending adjudication.

- 24.1.12** The ACIR passed an Order-in-Original No. 14/2015 dated January 28, 2015 raising sales tax demand of Rs. 312 million plus default surcharge and penalty chargeable thereon for the tax period from July 2013 to June 2014 on account of inadmissible adjustment of input tax for steel sector. The Company has preferred an appeal before ATIR which is pending adjudication.
- 24.1.13** The ACIR passed an Order-in-Original No. 06/2016 dated January 01, 2016 raising sales tax demand of Rs. 1,029 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2011 to March 2012 on account of inadmissible adjustment of input tax over output tax. The Company filed an appeal before the CIR which was dismissed. The Company preferred an appeal before ATIR who has directed the Company and department to reconcile the numbers and submit a report in the court. The reconciliation exercise has been completed and also submitted and presented at the last hearing of the case. No order has been passed by ATIR as yet.
- 24.1.14** DCIR passed an Order-in-Original No. 11/2016 dated February 11, 2016 raising sales tax demand of Rs. 1,948 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2015 to February 2016 on account of inadmissible adjustment of input tax over output tax. The Company has filed an appeal before the CIR which was dismissed. The Company preferred an appeal before ATIR which is pending adjudication.
- 24.1.15** The DCIR passed an Order-in-Original No. 149/2017 dated May 22, 2017 raising tax demand of Rs. 223 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2015 to January 2017 on account of sales tax withheld based on the review of the sales tax returns for the period July 2015 to January 2017. CIR upheld the order in original. The company has filed an appeal with ATIR which is pending adjudication.
- 24.1.16** The DCIR passed an Order-in-Original No. 09/2017 dated May 12, 2017 raising tax demand of Rs. 1,802 million plus default surcharge and penalty chargeable thereon for the tax period from July 2015 to June 2016 on account of short payment of sales tax based on difference between gross supplies and taxable supplies as appearing in the monthly sales tax returns, further alleging that the Company has wrongly treated supplies to GoAJK and others as zero rated. CIR upheld the order in original. The company has filed an appeal with ATIR which is pending adjudication.
- 24.1.17** The DCIR passed an Order-in-Original No. 05/2017 dated February 24, 2017 raising tax demand of Rs. 1,728 million plus default surcharge and penalty chargeable thereon for the tax period from July 2014 to June 2015 on account of short payment of sales tax based on difference between gross supplies and taxable supplies as appearing in the monthly sales tax returns, further alleging that the Company has wrongly treated supplies to GoAJK and others as zero rated. CIR upheld the order in original. The company has preferred an appeal with ATIR against the order, ATIR decided the case according to which sales tax related to the supply of electricity to textile sector and retailers has been remanded back, whereas sales tax on supply of electricity to GoAJK has been confirmed. The Company filed reference against demand of sales tax on supply of electricity to GoAJK before IHC which is pending.
- 24.1.18** The DCIR passed an Order-in-Original No. 17-25/2017 dated February 02, 2018 raising tax demand of Rs. 586 million plus default surcharge and penalty chargeable thereon for the tax periods July 2016 to June 2017 on account of short payment of sales tax based on difference between gross supplies and taxable supplies as appearing in the monthly sales tax returns, further alleging that the Company has wrongly treated supplies to GoAJK and others as zero rated. CIR upheld the order in original. The company has filed an appeal with ATIR which is pending adjudication.
- 24.1.19** The DCIR passed an order in original No. 04/2017 dated February 14, 2017 raising tax demand of Rs 4,817 million plus default surcharge and penalty chargeable thereon for the period from July 2014 to June 2015 on account of non-payment of sales tax on supply of free electricity to other distribution companies and to employees residing within the company's territorial jurisdiction, non-payment of sales tax in taxable supplies other than electricity, short payment of sales tax, non-payment of sales tax on amount received on account of demand notices and non-payment of sales tax on subsidy from GoP. CIR upheld the Order-in-Original. An appeal against the order has been filled with the appellate tribunal (ATIR) which is pending adjudication.
- 24.1.20** The Company's case was selected for audit u/s 214C of the Income Tax Ordinance 2001 and information was called u/s 177 during the course of audit. The demand in this particular case was Rs. 2,403 million. The ACIR finalized the audit proceedings by issuing order vide DCR NO.04/02 dated October 31, 2016 u/s 122(1) of the Income Tax Ordinance, 2001. Feeling aggrieved, the company had filled an appeal before the CIR (Appeal) against the order. CIR (Appeal) passed a partial judgement on certain issues. The company has filed an appeal against the appellate order of CIR before Appellate Tribunal Inland revenue Islamabad. Whereas, the main appeal is pending adjudication before the ATIR.
- 24.1.21** DCIR has issued order u/s 122(5A) of the Income Tax Ordinance 2001 raising tax demand of Rs. 551 million vide order No 8/75(u-1) dated April 28, 2016. The assessment of the Company was amended by disallowing subsidy amounting to Rs 11,239 million and business losses from tax year 2010 to 2014 amounting to Rs. 72,868 million. CIR(A) upheld the order in original. The Company filed an appeal before ATIR which is pending adjudication.
- 24.1.22** No provision on account of above contingencies has been made in these financial statements as the management and the tax / legal advisors of the Company are of the view, that these matters will eventually be settled in favor of the Company.
- 24.1.23** In addition to above-mentioned matters, large number of small cases have been filed against the Company, primarily by the Company's employees, consumers and vendors, the quantum of which cannot be estimated reliably. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability on the part of the Company in respect of such cases.

24.2 Claims not acknowledged as debts are as follows:

	Note	2018 -----Rupees-----	2017
Loans not acknowledged as debt by the Company	24.2.1	<u>25,399,096,471</u>	<u>25,399,096,471</u>
Interest on syndicated loans	24.2.1	974,166,399	11,689,829,047
Supplemental charges of CPPA	24.2.2	7,395,993,557	7,134,976,637
Advertisement charges - net	24.2.3	459,949,667	459,949,667
O&M cost of PEPCO	24.2.4	535,350,437	515,203,738
Short cash remittance as per CPPA		121,628,257	1,910,712,834
FC surcharge withdrawn from cash		-	5,745,565,671
Use of system charges	25.2.6	1,580,935,490	5,347,479,188
Others	25.2.6	1,693,291,017	274,356,307
		<u>12,761,314,824</u>	<u>33,078,073,089</u>

24.2.1 In order to curb the circular debt in the country, the Federal Government, through Power Holding Private Limited (PHPL) has injected money from time to time through borrowings from commercial banks. The amount was ultimately transferred to distribution companies on the basis of outstanding payables towards Central Power Purchasing Agency (CPPA).

Originally, PHPL planned to re-lend the loan to DISCOs through multi-party agreement between Lenders, DISCOs and PHPL with each DISCO jointly and severally liable in-case of default. The management of DISCOs objected to this arrangement and based on their observations the proposed mechanism of extending the loan was revised in a joint meeting held at the Ministry of Water and Power (MoWP) on May 14, 2012, whereby a bilateral agreement was proposed to be signed between each DISCO and PHPL with all DISCOs being severally liable. The Board of Directors of the Company accorded its approval in its 100th and 101st meeting subject to certain reservations. The draft of the relending agreement between the Company and PHPL was received on August 13, 2012. Subsequently, during a joint meeting held at LESCO Head Office on August 27, 2012, it was agreed among DISCOs that the relending agreement will be effective from the date it is signed by the respective DISCOs and the same was communicated to MoWP vide a letter issued by the LESCO Legal Director [# L-Dir/12150-53 dated August 28, 2012]. As of June 30, 2014, CPPA has issued advices of loan amounting to Rs. 10,377 million representing the facility allocated to the Company by the Ministry.

MoWP vide its letter dated February 19, 2015, had directed the CPPA to re-allocate the loans obtained by the Federal Government between DISCOs on the basis of energy drawl basis instead of receivable basis. Therefore, CPPA issued two more credit invoices to the Company amounting to Rs. 17,301 million and Rs. 6,562 million, resulting in total loan allocation of Rs. 34,241 million, along with related accrued mark-up of Rs. 7,716 million.

In 2017, CPPA on direction of MoWP issued one credit note amounting to Rs.6,703 million and one debit note amounting to Rs. 15,545 million resulting in re-allocation of loans to the Company.

During the year, CPPA has issued certain debit and credit notes against loan and related accrued mark up. As a result thereof, total unrecorded loans and related accrued mark-up as at June 30, 2018 are Rs. 25,399 million and 974 million respectively.

The World Bank, being the lender of the Company, and NEPRA being the power sector regulator have also raised certain concerns on the structure of the transaction which have been forwarded to the Ministry of Water and Power (MoWP) vide [letter No. 1970-73 dated September 07, 2012]. Pending resolution of matters raised by the World Bank and NEPRA, the relending agreement between PHPL and the Company was not finalized. Further during year 2016, Pak Electric Power Company (Pvt.) Limited vide its letter 235-38, dated January 21, 2016, directed the Company to book the debit/credit notes already issued by CPPA in respect of its share in loans and markups thereon. However, the management believes that its obligation under the arrangement will arise once the bilateral relending agreement between the Company and PHPL is finalized, which is still pending. Accordingly, the Company has not accounted for the loan along with the related markup due to non-availability of terms and conditions of the loan and finalization of re-lending agreement between the Company and PHPL. Further, as per the management, NEPRA did not allow the Company to claim the markup cost in its tariff determination in previous years, hence the markup cost has not been recorded in its books. The management also obtained an independent legal opinion in 2014-15 from a law firm which concurred with the management point of view to not to record the liability and related markup cost in its books.

24.2.2 This represents supplementary charges invoiced by CPPA to the Company on account of allocation of late payment charges. During year 2016, the matter was discussed in para 43 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-336/IESCO-2015 dated February 29, 2016. According to which late payment charges recovered from consumers on utility bills shall be set off against the late payment invoices raised by CPPA to Company in determination of its consumer end tariff pertaining to financial years 2015-16 to 2019-20. However, matter of invoices raised prior to the year ended June 30, 2015 is still to be resolved and of which management is of the view that invoices should not be recorded until same is allowed by NEPRA in its tariff determination.

- 24.2.3** CPPA has charged Rs. 459,949,667 (2017: Rs. 459,949,667) to the Company as its share in advertisement carried out by Pakistan Electric Power Company (PEPCO). The management of the Company asserts that these amounts will not be payable to CPPA as they do not relate to the Company and further detail of these amounts have not been received by the Company. Further, the management of the Company asserts that the Company will not be able to claim these amounts from NEPRA through tariff determination. Accordingly these amounts have not been recognized in these financial statements as liability towards CPPA.
- 24.2.4** The amount was debited by the CPPA during 2015 on account of certain O&M cost of PEPCO formations which is still under consideration of management and has not been recorded at year end. During the year debit note of Rs. 16 million has been issued by CPPA.
- 24.2.5** In 2017 CPPA issued two debit notes amounting to Rs. 2,105 million and Rs. 3,640 million respectively on account of FC Surcharges collected from the consumers and adjusted the same against cash remittances made by the Company to CPPA. This adjustment has also resulted in significant differences in the cash remittances as per records of CPPA. As mentioned in the above notes the terms of the loans received under the re-lent arrangements to the Company are not yet finalized. Accordingly the adjustment of FC Surcharge to the CPPA has not been recognized by the Company in its books.
- 24.2.6** In 2017, CPPA has issued a credit note to the Company for an amount of Rs. 5,347 million on account of system charges payable to National Transmission and Dispatch Company Limited (NTDC). The Company has not recorded this amount as CPPA has not provided relevant details\ calculations for this adjustment.
- 24.2.7** These represent debit notes/ credit notes issued to the Company by CPPA on account of adjustments against the provisional monthly power purchase billing for previous years and certain other charges. Management do not agree with these adjustments, therefore these have not been recorded in the Company's books.

24.3 Commitments

- 24.3.1** Inland letters of credits as at June 30, 2018 amounted to Rs.1,122 million (2017: 1,043 million).

	Note	2018 -----Rupees-----	2017
25. SALE OF ELECTRICITY			
Gross sales	25.1	112,782,405,480	92,466,685,474
Sales tax		(16,585,156,271)	(14,305,926,772)
		<u>96,197,249,209</u>	<u>78,160,758,702</u>

- 25.1** These include unbilled revenue of Rs. 6,552 million (2017: Rs. 3,108 million).

- 25.2** For the year ended June 30, 2016 and from July 1, 2016 to March 22, 2018, the Company billed its customers on the rates notified by the Government of Pakistan (GoP) for the financial year 2015-16 vide S.R.O 569 (1) dated, June 10, 2015 and recorded revenue accordingly. IESCO filed a multiyear tariff petition on October 10, 2015 for determination of its tariff from 2016 to 2020. In response NEPRA through case number NEPRA/TRF-336 pronounced the tariff determination on February 29, 2016 and same was intimated to GoP for notification in the official Gazette. IESCO being aggrieved of the aforesaid tariff determination filed Motion for Leave for Review which was disposed off vide decision dated May 18, 2016. IESCO filed writ petition in Islamabad High Court (IHC) against the aforementioned decision of the Authority. Pursuant to the directions of the Honorable IHC vide Judgement dated June 22, 2017, the tariff of the IESCO was re-determined by the Authority on September 18, 2017 and was intimated to the GoP for notification in the official Gazette. This new tariff was notified by GoP vide S.R.O. 377 dated March 22, 2018. Loss sustained by IESCO during the year 2017-18 was mainly due to delay in notification of revised tariffs. Subsequent to the year end NEPRA vide its determination number NEPRA/TRF/336/13637-13639 dated August 31, 2018 has allowed IESCO certain positive tariff adjustments for the year 2017-18 which are pending for GoP notification.

	Note	2018 -----Rupees-----	2017
26. SUBSIDY FROM GOVERNMENT OF PAKISTAN			
Tariff differential subsidy	11	9,316,374,752	7,038,136,123
Industrial support package		1,864,496,167	1,465,120,470
		<u>11,180,870,919</u>	<u>8,503,256,593</u>
27. COST OF ELECTRICITY			
Central Power Purchasing Agency			
Cost of electricity	27.1	114,487,158,075	84,307,754,745
Supplementary charges	27.2	817,070,702	-
		<u>115,304,228,777</u>	<u>84,307,754,745</u>

- 27.1 This represents tariff charged by Central Power Purchasing Agency as determined by National Electric Power Regulatory Authority (NEPRA) and notified by the Government of Pakistan in the Gazette of Pakistan.
- 27.2 As per para 43 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-336/IESCO-2015 dated February 29, 2016, late payment charges recovered from consumers on utility bills shall be set off against the late payment invoices raised by CPPA-G to Company in determination of its consumer end tariff pertaining to financial years 2015-16 to 2019-20.

During the year, the Company has recorded the invoiced amount of Rs. 817 million, received during the year against the late payment charges billed to consumers amounting to Rs. 973 million during 2017-18.

28.	ADMINISTRATIVE EXPENSES	Note	2018	2017
			-----Rupees-----	
	Salaries, wages and other benefits	28.1	5,781,090,688	4,272,881,996
	Transportation		138,019,323	119,486,525
	Depreciation	6.1.2	77,467,108	57,933,019
	Market operation fee		92,907,715	-
	Electricity bill collection charges		119,980,529	125,733,810
	Office supplies and other expenses		63,930,985	69,740,832
	Legal and professional charges		96,894,616	71,118,192
	Repairs and maintenance		5,173,681	3,773,570
	Power, light and water charges		7,842,420	6,261,771
	Postage and telephone		40,357,269	69,140,504
	Insurance expense		24,996,955	25,946,653
	NEPRA fee and charges		27,701,234	24,289,940
	Advertising and publicity		43,853,106	26,162,387
	Auditor's remuneration		1,500,000	1,300,000
	Miscellaneous expenses		15,194,953	62,184,043
			<u>6,536,910,582</u>	<u>4,935,953,242</u>
28.1	These include a sum of Rs. 4,788 million (2017: Rs. 3,188 million) and Rs.161 million (2017: Rs. 247 million) in respect of staff retirement benefits and provision of free electricity benefits to employees, respectively.			
29.	DISTRIBUTION COSTS	Note	2018	2017
			-----Rupees-----	
	Salaries, wages and other benefits	29.1	6,286,330,439	5,528,799,691
	Depreciation	6.1.2	4,114,405,494	2,092,675,603
	Repairs and maintenance		1,303,623,011	796,866,620
	Transportation		449,151,240	411,826,677
	Provision for slow moving stores, spares and loose tools	8.1	6,124,801	41,074,614
	Office supplies and other expenses		13,475,595	12,678,945
	Rent, rates and taxes		35,699,877	35,554,777
	Power, light and water charges		23,347,413	22,759,007
	Postage and telephone		20,159,098	19,715,459
	Legal and professional charges		15,000	
	Miscellaneous expenses		67,655,876	1,125,993
			<u>12,319,987,844</u>	<u>8,963,077,386</u>
29.1	These include a sum of Rs.84 million (2017: Rs. 63 million) and Rs. 5 million (2017: Rs. 9 million) in respect of staff retirement benefits and provision of free electricity benefits to employees, respectively.			
30.	CUSTOMER SERVICES COSTS	Note	2018	2017
			-----Rupees-----	
	Salaries, wages and other benefits	30.1	489,027,368	441,740,217
	Transportation		29,317,477	26,505,980
	Electricity bill collection charges		53,958,534	47,706,537
	Depreciation	6.1.2	57,724,236	57,331,735
	Office supplies and other expenses		3,617,163	3,848,810
	Rent, rates and taxes		2,298,196	3,723,903
	Power, light and water charges		3,114,738	2,725,266
	Postage and telephone		1,946,603	2,006,873
	Repairs and maintenance		1,258,136	1,186,619
	Miscellaneous expenses		3,976,401	4,198,335
			<u>646,238,852</u>	<u>590,974,275</u>
30.1	These include a sum of Rs.10 million (2016: Rs. 8 million) and Rs. 9 million (2017: Rs. 14.7 million) in respect of staff retirement benefits and provision of free electricity benefits to employees, respectively.			

31. OTHER INCOME

Note

2018 2017
-----Rupees-----

Income from financial assets

Profit on bank deposits

Late payment surcharge

46,774,896	10,722,970
973,548,978	529,977,433
1,020,323,874	540,700,403

Income from non-financial assets

Sale of scrap

Vetting and processing fee

Income from rest houses

Other operating revenue

42,409,116	7,960,000
52,525,119	80,353,093
1,833,704	-
502,866,300	292,973,357
599,634,239	381,286,450

Others

Commission on collection of electricity duty and PTV license fee

Liquidated damages on vendors' contracts

Public lighting

Meter / service rent

Reconnection fees

Miscellaneous

42,168,017	30,886,676
45,717,084	27,711,052
14,580,240	14,541,971
29,936,670	29,665,690
3,361,131	3,246,779
111,935,617	87,358,917
247,698,759	193,411,085
1,867,656,872	1,115,397,938

32. FINANCE COSTS

Interest on long-term loans

Bank charges

Foreign exchange loss

1,826,762,704	1,363,019,473
10,745,738	10,448,367
30,187,446	35,128
1,867,695,888	1,373,502,968

33. TAXATION

Current

- For the year

- Prior year

1,225,226,639	695,335,099
-	-

Deferred

33.1

33.2

1,225,226,639	695,335,099
-	-
1,225,226,639	695,335,099

33.1 The provision for minimum taxation is calculated @ 1.25% (2017: 1.25%) of the Company's gross revenue and other income under the provisions of the Income Tax Ordinance, 2001.

2018 2017
-----Rupees-----

33.2 Charge for deferred tax is as follows:

Charge for the year

Reversal of deductible differences

3,536,248,748	455,875,855
(3,536,248,748)	(455,875,855)
-	-

33.3 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

Accounting loss before tax

Tax rate

Tax at applicable rate

(26,111,695,266)	(11,164,652,581)
30%	31%
(7,833,508,580)	(3,461,042,300)

Impact of inadmissible expenses

Impact of admissible tax depreciation

Impact of other admissible expenses

Impact of incomes chargeable at lower rate

712,309,837	685,725,409
(1,318,714,547)	(1,296,657,625)
(3,190,189,329)	(2,562,253,207)
5,045,214,486	3,868,520,522
1,248,620,447	695,335,099

34. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS

34.1 Remuneration of the Chief Executive Officer and Executives

	Executives		Chief Executive Officer	
	2018	2017	2018	2017
	-----Rupees-----			
Managerial remuneration and allowances	84,275,028	59,667,552	3,130,588	3,236,733
Bonus	8,402,560	10,730,878	403,545	417,228
Retirement benefits	20,365,561	14,180,326	1,171,069	1,210,775
	<u>113,043,149</u>	<u>84,578,756</u>	<u>4,705,202</u>	<u>4,864,736</u>
Number of persons	<u>36</u>	<u>32</u>	<u>1</u>	<u>1</u>

In addition, the Chief Executive Officer is also provided with free transport, residential telephone and medical facilities.

34.2 The aggregate amount charged in the financial statements for the year as fees to directors is Rs. 8.26 million (2017: Rs. 7.064 million) for attending Board of Directors and sub-committee meetings.

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks that include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on its financial performance.

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market variables such as foreign exchange rates and interest rates. Market risks include currency risk, interest rate risk and other price risk, such as equity price risk. The Company is exposed to the following market risks:

i) Currency risk

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

Exposure to currency risk

The Company has taken foreign loans from Asian Development Bank and International Bank for Reconstruction and Development (IBRD) through Government of Pakistan (GoP), denominated in US dollars; however, since the receipt and repayment of loan from GoP is in Pak rupees and Exchange Risk Component is also being paid as part of its financing arrangement with GoP, it is not subject to currency risk on this financial instrument. However, the Company is exposed to currency risk on its loan from Asian Development Bank (ADB) for Earthquake Emergency Assistance Project as follows:

	2018	2017
	-----USD-----	
Long-term loans - secured	<u>217,923,729</u>	<u>187,736,283</u>

The following significant exchange rates were applied during the year:

	2018	2017
Rupees per USD		
Average rate	<u>110.59</u>	<u>104.80</u>
Reporting date rate	<u>121.75</u>	<u>104.85</u>

Sensitivity analysis

Following is the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant, of the Company's profit before tax.

Change in rate	2018		2017	
	+10%	-10%	+10%	-10%
Effect on profit before tax	Rupees			
	21,792,373	(21,792,373)	18,773,628	(18,773,628)

ii) Non-financial assets at fair value using a valuation technique

The table below analyses non-financial assets carried at fair value, by valuation method. The various fair value levels have been defined as follows:

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

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	Rupees		
Land	-	17,713,301,459	-
Building	-	3,570,801,855	-
Distribution equipment	-	61,398,354,835	-
As at June 30, 2018	-	82,682,458,149	-
As at June 30, 2017	-	81,928,236,419	-

Valuation technique are defined in note 6.1.1 of these financial statements.

There were no transfers made among various levels of fair value hierarchy during the year.

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the Company has fixed interest rate due to which the Company is isolated from the financial risk due to change in interest rates.

The analysis of interest rate / mark up rate risk is as under:

	2018	2017	2018	2017
	Effective rate (in Percentages)		Carrying amount Rupees	
Financial Assets				
<u>Fixed rate instruments:</u>				
Deposit accounts	4 to 7	4 to 7	1,168,601,564	1,518,732,847
Financial Liabilities				
<u>Fixed rate instruments:</u>				
Long term loans	15 to 17	15 to 17	10,533,519,155	9,240,286,692

Cash flow sensitivity analysis for the fixed rate instruments

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

iv) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2018		2017	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	-----Rupees-----			
Long-term loans	122,417,639	122,417,639	87,030,011	87,030,011
Long-term deposits	73,736,230	73,736,230	44,776,293	44,776,293
Trade debts	84,662,957,508	84,662,957,508	66,326,181,373	66,326,181,373
Short-term advances	368,471,871	368,471,871	206,971,429	206,971,429
Interest accrued	6,484,621	6,484,621	901,021	901,021
Other receivables	2,283,636,353	2,283,636,353	5,021,326,553	5,021,326,553
Receivable from TIBL	30,790,759	30,790,759	30,520,759	30,520,759
Bank balances	2,121,674,982	2,121,674,982	2,412,735,415	2,412,735,415
	<u>89,670,169,963</u>	<u>89,670,169,963</u>	<u>74,130,442,854</u>	<u>74,130,442,854</u>

The management believes that there is no credit risk involved in respect of receivables from the Government of Pakistan. The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade debts the Company believes that due to large number and diversity of its consumer base, concentration of credit risk is limited. Further, the Company manages its credit risk by obtaining security deposits from consumers.

The maximum exposure to credit risk for trade receivables at the reporting date by type of sector is as follows:

	2018	2017
	-----Rupees-----	-----Rupees-----
Government sector	68,003,180,000	55,434,749,490
Private sector	<u>16,659,777,508</u>	<u>10,891,431,883</u>
	<u>84,662,957,508</u>	<u>66,326,181,373</u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of product is:

	2018	2017
	-----Rupees-----	-----Rupees-----
Electricity consumers	<u>84,662,957,508</u>	<u>66,326,181,373</u>

Ageing

The ageing of trade receivables at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	-----Rupees-----			
Not past due	16,408,236,987	-	11,644,947,087	-
Past due up to 1 year	401,165,270	18,099,121	9,927,343,009	18,098,873
Past due between				
- 1 to 3 years	398,131,598	32,775,669	293,684,288	32,775,221
- 3 to 5 years	3,669,043,107	514,203,170	14,774,889,083	514,196,138
Over 5 years	63,786,380,545	-	29,685,317,906	-
	<u>84,662,957,507</u>	<u>565,077,960</u>	<u>66,326,181,373</u>	<u>565,070,232</u>

The receivable balance due over 5 years relates to receivable from government entities and Azad Jammu and Kashmir. As per the Company policy, the balance is fully recoverable from these parties, so no provision has been made for this balance.

The credit quality of bank balances, that are neither past due nor impaired, can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The recent credit ratings of counterparties are

Rating Agency	Rating		2018	2017	
	Short-term	Long-term			
-----Rupees-----					
Public Sector Banks					
National Bank of Pakistan	PACRA	A-1+	AAA	365,552,891	691,641,270
Sindh Bank Limited	JCR-VIS	A-1+	AA	513,866	611,290
The Bank of Khyber	PACRA	A-1+	A	(195,457)	(142,230)
The Bank of Punjab	PACRA	A1+	AA	189,552,696	202,917,656
Specialized Banks					
SME Bank Limited	PACRA	B	B-	19,708	17,834
Zarai Taraqiati Bank Limited	PACRA	A-1+	AAA	3,632,433	2,280,083
Private Sector Banks					
Allied Bank Limited	PACRA	A1+	AAA	377,454,906	514,333,045
Askari Bank Limited	PACRA	A1+	AA	342,110,045	523,109,970
Bank Alfiah Limited	PACRA	A1+	AA	14,728,727	9,727,165
Faysal Bank Limited	PACRA	A1+	AA	(677,257)	(788,398)
Habib Bank Limited	JCR-VIS	A-1	AA	100,280,332	35,441,197
Habib Metropolitan	PACRA	A1+	AA+	(2,968,596)	(2,595,941)
JS Bank Limited	PACRA	A1+	AA-	5,565,386	5,650,073
MCB Bank Limited	PACRA	A1+	AAA	316,580,337	224,863,708
NIB Bank Limited	PACRA	A1+	AA-	369,931	1,410,158
Silk Bank Limited	JCR-VIS	A-2	A-	(233,131)	(558,985)
Soneri Bank Limited	PACRA	A1+	AA-	183,328	1,712,455
Standard Chartered Bank	PACRA	A1+	AAA	3,186,482	2,228,145
Summit Bank	JCR-VIS	A-1	A-	956,406	840,228
United Bank Limited	JCR-VIS	A-1	AAA	277,672,341	104,668,359
Other institutions	N/A	N/A	N/A	127,398,918	95,368,332
				2,121,684,292	2,412,735,415

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

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
-----Rupees-----					
2018					
Long-term loans - secured	10,533,519,155	10,533,519,155	4,182,882,220	-	-
Long-term security deposits	5,568,091,813	5,568,091,813	-	-	5,568,091,813
Trade and other payables	85,997,122,515	85,997,122,515	85,997,122,515	-	-
Accrued interest	9,289,686,928	9,289,686,928	9,289,686,928	-	-
	111,388,420,411	111,388,420,411	99,469,691,663	-	5,568,091,813

2017

Long-term loans - secured	9,240,286,692	9,240,286,692	3,493,315,685	-	-
Long-term security deposits	5,028,195,630	5,028,195,630	-	-	-
Trade and other payables	12,142,442,778	12,142,442,778	12,142,442,778	-	5,028,195,630
Accrued interest	7,715,554,563	7,715,554,563	7,715,554,563	-	-
	34,126,479,663	34,126,479,663	23,351,313,026	-	5,028,195,630

35.2 Fair value of financial instruments

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 carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

35.3 Financial instruments by categories

	Loans and receivables		Held-to-maturity	
	2018	2017	2018	2017
	Rupees			
Financial assets as per statement of financial position				
Long-term loans	122,417,639	87,030,011		
Long-term deposits	73,736,230		-	-
Trade debts	84,662,957,508	44,776,293	-	-
Interest accrued	6,484,621	66,326,181,373	-	-
Receivable from Government of Pakistan	5,859,696,963	901,021	-	-
Other receivables	2,283,636,353	14,806,782,863	-	-
Receivable from TIBL	30,790,759	5,021,326,553	-	-
Bank balances	2,121,674,982	30,790,759	-	-
	2,121,674,982	2,412,735,415	-	-
	95,161,395,055	88,730,524,288	-	-

	Liabilities at fair value through profit and loss		Other financial liabilities	
	2018	2017	2018	2017
Financial liabilities as per balance sheet	Rupees			
Long-term loans - secured	-	-	10,533,519,155	9,240,286,692
Long-term security deposits	-	-	5,568,091,813	5,028,195,630
Trade and other payables	-	-	85,997,122,515	12,142,442,778
Accrued interest	-	-	9,289,686,928	7,715,554,563
	-	-	111,388,420,411	34,126,479,663

35.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure, which comprises capital and reserves, by monitoring its return on net assets, and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, appropriation of amounts to capital reserves and / or issue new shares.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

The Company monitors capital using the net debt to total capital ratio, which is total debt of the Company as reduced by cash and cash equivalents, divided by total equity plus the net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at 30 June 2017 and 30 June 2018 were as follows:

	Note	2018 -----Rupees-----	2017
Long-term loans	19	6,350,636,935	5,746,971,007
Long-term security deposits	20	5,568,091,813	5,028,195,630
Deferred credit	23	25,158,736,218	23,893,672,310
Trade and other payables	24	104,511,050,738	68,552,197,534
Interest accrued on long-term loans		9,289,686,928	7,715,564,563
Current portion of long-term loans		4,182,882,220	3,493,315,685
Total debt		155,061,084,852	114,429,916,729
Cash and bank balances		(2,121,684,292)	(2,412,742,341)
Net debt		152,939,400,560	112,017,174,388
Equity		(11,231,032,593)	13,218,469,331
Total Capital		141,708,367,967	125,235,643,719
Net debt to total equity		1.08	1.06

36. RELATED PARTY TRANSACTIONS

WAPDA holds 88% (2017: 88%) shares of the Company, therefore all electricity generation and distribution undertakings of WAPDA are related parties of the Company. Other related parties comprise of directors, key management personnel, Government of Pakistan and Government owned entities.

Revenue transactions with Government of Pakistan and Government owned entities are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of the Company's operations.

Balances with related parties have been disclosed in respective notes to the financial statements. Transactions with electricity generation and distribution undertakings of WAPDA, other than remuneration and benefits to the Chief Executive as disclosed in note 34 to the financial statements, are as follows:

	2018 -----Rupees-----	2017
WAPDA		
Pension paid on behalf of WAPDA	281,464,577	92,856,991
Related parties		
Free electricity supplied on behalf of related parties	61,985,796	54,407,788
Free electricity supplied on behalf of the Company	49,763,336	53,022,534
Assets transferred to the Company	-	13,637,848
Electricity duty paid by the Company	-	183,160,000
Pension paid on behalf of related parties	304,265,577	67,668,639
Pension paid on behalf of the Company	334,388,907	84,504,014
Cost of power purchased from CPPA	115,304,228,777	84,307,754,745
Cash remitted to CPPA	97,536,988,920	88,926,853,275
Services provided to the Company	12,761,252,687	1,110,714
Government related entities		
Relent loan received during the year	1,263,045,017	815,364,660
Markup expense during the year	1,826,762,704	1,363,019,473
Subsidy claimed during the year	11,180,870,919	7,038,136,123
Subsidy received through adjustment of CPPA	-	-
Payable during the year	-	-

37. NUMBER OF EMPLOYEES

The number of total employees at the year end were 13,521 (2017: 12,288), whereas the average number of employees during the year were 12,905 (2017: 12,788).

38. PROVIDENT FUND

The Company contributes to a general provident fund scheme, operated by WAPDA for all power sector companies.

39. CAPACITY

The Company's capacity of the electricity distribution depends on various factors including supply and demand of electricity, and transmission and distribution losses. The Company distributed 10,605,862,607 (2017: 9,627,548,801) units of electricity to its consumers during the year.

40. BENAZIR EMPLOYEE STOCK OPTION SCHEME

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

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

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP. The Scheme, developed in compliance with the above stated GoP policy of empowerment of employees of SOEs need to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan in June 2011 vide SRO 587(I)/2001; on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the salaries, wages & other benefits cost and accumulated profits of the Company would not have had a significant impact.

41. RESTATEMENT

41.1 Change in accounting policy due to change in law

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, Section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS)-16 Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of plant and machinery stands amended as follows:

Increases in the carrying amounts arising on revaluation of plant and machinery are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss and other comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on plant and machinery to unappropriated profits.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

	As at June 30, 2017			As at June 30, 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	Restatement
Effect on statement of financial position	-----Rupees-----					
Surplus on revaluation of operating fixed assets - net of tax	25,097,127,128	-	(25,097,127,128)	25,561,479,637	-	(25,561,479,637)
Unappropriated profit / Accumulated (loss)	(11,878,657,797)	(19,401,317,073)	(7,522,659,276)	6,086,187,964	(2,155,847,062)	(8,242,035,026)
Revaluation surplus on operating fixed assets (equity)	-	32,619,786,404	32,619,786,404	-	33,803,514,663	33,803,514,663
Effect on statement of change in equity						
Capital reserve	-	32,619,786,404	32,619,786,404	-	33,803,514,663	33,803,514,663
Revenue reserve	(11,878,657,797)	(19,401,317,073)	(7,522,659,276)	6,086,187,964	(2,155,847,062)	(8,242,035,026)

42. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTED THE COMPANY'S FINANCIAL POSOTION AND PERFORMANCE

The financial position and performance of the Company was affected by the following events and transactions during the year:

- Restatement due to change in accounting policy on account of change in law (see note 41).
- Increase in cost of electricity due to increase in tariff charged by CPPA (see note 27).
- Increase in payable to CPPA due to current year adjustments (see note 23.1.1).

43. CORRESPONDING FIGURES

Corresponding figures have been rearranged in statement of profit or loss to conform to current year's presentation. Following changes have been

Statement of profit or loss

Amount reclassified to "Subsidy from Government of Pakistan" from "Sale of electricity" -----Rupees-----

1,864,496,167

44. DATE OF AUTHORIZATION FOR ISSUE

05 OCT 2018

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

45. GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee.

[Signature]

[Signature]

CHIEF EXECUTIVE OFFICER

Saeedullah Khan.

CHAIRMAN