Riaz Ahmad & Company
Chartered Accountants

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ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2019

A member of Nexia International

Riaz Ahmad & Company
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 30 June 2019, and the 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 give 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 30 June 2019 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As stated in note 7.4 of the accompanying financial statements, bogus receipts were recorded in trade receivables at one of the revenue offices of the Company involving collusion of some employees. Accordingly, bank balances and trade receivables were misstated in the books of accounts of the Company to the extent of amount of fraud. An internal inquiry committee in its interim inquiry report identified embezzlement of Rupees 207.75 million for the period from July 2018 to June 2019. The committee apprehended that the amount of fraud may increase through detailed scrutiny of previous periods. Further, investigations are currently been carried out by the management. As per management, out of Rupees 207.75 million, an amount of Rupees 145.12 million has been recovered from some of the related consumers. Since, the matter is currently under investigation the exact amount of fraud cannot be determined at this stage. Accordingly, no adjusting entry has been made in the bank and trade receivable balances as at 30 June 2019.

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 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 following matters:

a) As stated in note 24.2 of the accompanying financial statements, there are certain charges levied by Central Power Purchasing Agency (Guarantee) Limited (CPPA) which the Company does not acknowledge.

b) As explained in note 9.1 of the accompanying financial statements, management has taken up the matter of subsidy receivable from the Government of Pakistan (GoP), amounting to Rupees 2,814.65 million recognized in 2014 on account 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 GoP; and

c) Note 24.1 of the accompanying financial statements, 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 comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We draw attention to the matter described in the *Basis for Qualified Opinion* section above. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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) except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, 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).

Other Matter

The financial statements for the preceding year ended 30 June 2018 excluding the adjustment described in note 2.23 to the financial statements were audited by another firm of chartered accountants who, vide their report dated 25 October 2018, has expressed modified audit opinion on those financial statements concerning recovery of trade receivables from the Government of Azad Jammu and Kashmir along with emphasis of matters concerning (i) recovery of subsidy from the Government of Pakistan; (ii) non-recognition of various debit / credit notes received by the Company from Central Power Purchasing Agency (CPPA); and (iii) uncertainties regarding the tax contingencies.

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

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants Raz.

ISLAMABAD

Date: 06 NOV 2019

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	NOTE	2019 Rupees	2018 Restated Rupees	2017 Restated Rupees
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3	99,792,713,363	93,971,124,012	89,988,926,038
Intangible asset under development	4	43,678,792	43,678,792	-
Long term loans	5	122,060,871	89,139,069	59,874,078
		99,958,453,026	94,103,941,873	90,048,800,116
CURRENT ASSETS				
Stores, spares and loose tools	6	1,156,738,534	957,872,617	665,321,987
Trade debts	7	96,970,187,670	84,097,887,276	65,761,111,141
Advances	8	334,030,956	358,071,649	234,127,362
Interest accrued on bank deposits		8,615,846	6,484,619	901,021
Receivable from Government of Pakistan	9	6,328,113,489	5,859,696,963	14,806,782,863
Security deposits	10	73,736,230	73,736,230	44,776,293
Other receivables	11	3,386,314,935	2,283,636,353	5,021,326,553
Recoverable from tax authorities	12	22,632,626,478	20,136,655,218	14,863,421,887
Receivable from TIBL	13	30,790,759	30,790,759	30,790,759
Cash and bank balances	14	3,332,892,482	1,930,782,070	2,343,596,984
		134,254,047,379	115,735,613,754	103,772,156,850
Non-current assets held for sale	13	65,890,500	65,890,500	65,890,500
		134,319,937,879	115,801,504,254	103,838,047,350
TOTAL ASSETS		234,278,390,905	209,905,446,127	193,886,847,466
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
5,000,000,000 (2018: 5,000,000,000) Ordinary shares of Rupees 10 each		50,000,000,000	50,000,000,000	50,000,000,000
Issued, subscribed and paid up capital	15	5,798,253,340	5,798,253,340	5,798,253,340
Revenue reserve-accumulated loss		(47,616,169,065)	(42,652,648,754)	(19,401,613,059)
Capital reserves				
Deposit for shares	16	20,250,770,096	20,030,165,684	20,112,510,939
Surplus on revaluation of operating fixed assets - net of deferred income tax	17	30,534,963,137	31,736,024,864	32,936,537,093
		50,785,733,233	51,766,190,548	53,049,048,032
Total equity		8,967,817,508	14,911,795,134	39,445,688,313
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term loans	18	7,053,024,516	6,350,636,935	5,746,971,007
Long term security deposits	19	6,045,080,129	5,568,091,813	5,028,195,630
Staff retirement benefits	20	41,187,410,111	39,932,566,143	40,011,242,424
Deferred taxation - net	21	-	-	-
Deferred credit	22	26,997,537,666	25,158,736,216	23,893,672,310
		81,283,052,422	77,010,031,107	74,680,081,371
CURRENT LIABILITIES				
Trade and other payables	23	138,137,046,637	104,511,050,738	68,552,197,534
Accrued mark-up		4,332,903,161	9,289,686,928	7,715,564,563
Current portion of long term loans	18	1,557,571,177	4,182,882,220	3,493,315,685
		144,027,520,975	117,983,619,886	79,761,077,782
TOTAL LIABILITIES		225,310,573,397	194,993,650,993	154,441,159,153
CONTINGENCIES AND COMMITMENTS	24			
TOTAL EQUITY AND LIABILITIES		234,278,390,905	209,905,446,127	193,886,847,466

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

CHIEF EXECUTIVE OFFICER

Saadullah Khan

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 Rupees	2018 Restated Rupees
SALE OF ELECTRICITY - NET	25	128,926,728,033	96,197,249,209
SUBSIDY FROM GOVERNMENT OF PAKISTAN	26	16,964,938,061	11,180,870,919
		145,891,666,094	107,378,120,128
COST OF ELECTRICITY	27	(132,916,340,967)	(115,304,228,777)
GROSS PROFIT / (LOSS)		12,975,325,127	(7,926,108,649)
AMORTIZATION OF DEFERRED CREDIT	22	1,432,070,184	1,317,589,677
		14,407,395,311	(6,608,518,972)
OPERATING EXPENSES:			
ADMINISTRATIVE EXPENSES	28	(7,483,592,979)	(6,537,199,717)
DISTRIBUTION COSTS	29	(12,772,711,333)	(12,319,987,844)
CUSTOMER SERVICES COSTS	30	(692,264,242)	(646,238,852)
		(20,948,568,554)	(19,503,426,413)
LOSS FROM OPERATIONS		(6,541,173,243)	(26,111,945,385)
OTHER INCOME	31	2,243,358,298	1,865,900,007
FINANCE COST	32	(1,656,645,866)	(1,867,695,888)
LOSS BEFORE TAXATION		(5,954,460,811)	(26,113,741,266)
TAXATION	33	(1,638,924,453)	(1,225,226,639)
LOSS AFTER TAXATION		(7,593,385,264)	(27,338,967,905)

The annexed notes form an integral part of these financial statements. Raw.

CHIEF EXECUTIVE OFFICER

Saadullah Khan.

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018 Restated
	Rupees	Rupees
LOSS AFTER TAXATION	(7,593,385,264)	(27,338,967,905)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plan	1,428,803,226	2,887,419,981
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	1,428,803,226	2,887,419,981
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(6,164,582,038)	(24,451,547,924)

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 Rupees	2018 Restated Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(5,954,460,811)	(26,113,741,266)
Adjustment for non-cash items:		
Depreciation	4,699,327,805	4,251,642,838
Loss due to theft	12,161,569	1,778,943
Amortization of deferred credit	(1,432,070,184)	(1,317,589,677)
Provision against staff retirement benefits	4,695,815,532	5,070,489,424
Provision against slow moving / obsolete items	-	6,124,801
Profit on bank deposits	(56,130,129)	(45,018,031)
Exchange loss	68,569,530	30,187,446
Gain on sale of property, plant and equipment	-	(1,665,000)
Finance cost	1,588,076,336	1,837,508,442
	3,621,289,648	(16,280,282,080)
Working capital changes:		
(Increase) / decrease in current assets:		
Store, spares and loose tools	(198,865,917)	(298,675,431)
Trade debts	(23,158,245,975)	(18,336,776,135)
Advances	24,040,693	(161,500,442)
Recoverable from tax authorities	(2,248,269,682)	(5,215,826,849)
Receivable from Government of Pakistan	(247,812,114)	8,864,740,645
Other receivables	(1,102,678,582)	2,737,690,200
Increase in trade and other payables	36,896,867,533	38,541,506,789
	9,965,035,956	26,131,158,777
Cash generated from operations	13,586,325,604	9,850,876,697
Long term security deposits	476,988,316	539,896,183
Long term deposits	-	(28,959,937)
Staff retirement benefits paid	(2,012,168,338)	(2,261,745,724)
Long term loans given during the year	(32,921,802)	(35,387,628)
Finance cost paid	(7,224,765)	(391,359,550)
Income tax paid	(1,886,626,031)	(1,282,633,123)
Net cash generated from operating activities	10,124,372,984	6,390,686,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(10,258,602,541)	(8,107,781,282)
Proceeds from sale of property, plant and equipment	2,363,058	1,800,000
Profit on bank deposits	53,998,902	39,434,433
Net cash used in investing activities	(10,202,240,581)	(8,066,546,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term loans	1,479,978,009	1,263,045,017
Net cash generated from financing activities	1,479,978,009	1,263,045,017
Net increase / (decrease) in cash and cash equivalents	1,402,110,412	(412,814,914)
Cash and cash equivalents at the beginning of the year	1,930,782,070	2,343,596,984
Cash and cash equivalents at the end of the year	3,332,892,482	1,930,782,070

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

Saadullah Khan

CHIEF EXECUTIVE OFFICER	CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVE-ACCUMULATED LOSS	TOTAL RESERVES	TOTAL EQUITY
		DEPOSIT FOR SHARES	SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX			
	Rupees					
Balance as at 30 June 2017 - as previously reported	5,798,253,340	20,112,510,939	32,619,786,404	(19,401,317,073)	33,330,980,270	39,129,233,610
Impact of restatement (Note 2.23)	-	-	316,750,689	(295,986)	316,454,703	316,454,703
Balance as at 30 June 2017 - restated	5,798,253,340	20,112,510,939	32,936,537,093	(19,401,613,059)	33,647,434,973	39,445,688,313
Non-cash settlement against deposit for shares	-	(82,345,255)	-	-	(82,345,255)	(82,345,255)
Loss for the year - restated	-	-	-	(27,338,967,905)	(27,338,967,905)	(27,338,967,905)
Other comprehensive income for the year	-	-	-	2,887,419,981	2,887,419,981	2,887,419,981
Total comprehensive loss for the year - restated	-	-	-	(24,451,547,924)	(24,451,547,924)	(24,451,547,924)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of deferred income tax	-	-	(1,200,377,719)	1,200,377,719	-	-
Transfer from surplus on revaluation of operating fixed assets to accumulated loss on disposal of assets	-	-	(134,510)	134,510	-	-
Balance as at 30 June 2018 - restated	5,798,253,340	20,030,165,684	31,736,024,864	(42,652,648,754)	9,113,541,794	14,911,795,134
Non-cash settlement against deposit for shares	-	220,604,412	-	-	220,604,412	220,604,412
Loss for the year	-	-	-	(7,593,385,264)	(7,593,385,264)	(7,593,385,264)
Other comprehensive income for the year	-	-	-	1,428,803,226	1,428,803,226	1,428,803,226
Total comprehensive loss for the year	-	-	-	(6,164,582,038)	(6,164,582,038)	(6,164,582,038)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of deferred income tax	-	-	(1,200,412,719)	1,200,412,719	-	-
Transfer from surplus on revaluation of operating fixed assets to accumulated loss on disposal of assets	-	-	(649,008)	649,008	-	-
Balance as at 30 June 2019	5,798,253,340	20,250,770,096	30,534,963,137	(47,616,169,065)	3,169,564,168	8,967,817,508

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

CHIEF EXECUTIVE OFFICER

Saadullah Khan.

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. THE COMPANY AND ITS OPERATIONS

1.1 Islamabad Electric Supply Company Limited (the Company) is a public limited company incorporated in Pakistan, under the Companies Ordinance, 1984 (now the Companies Act, 2017). 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 25 April 1998 and commenced commercial operations on 01 June 1998.

1.2 The Company is principally engaged in distribution and supply of electricity within defined geographical boundaries. The Company was granted a license on 02 November 2001 by the National Electric Power Regulatory Authority (NEPRA) for electricity distribution. The registered office of the Company is situated at IESCO Headquarters, Street No. 40, G-7/4, Islamabad. While, the Company has various 132-KV grid stations along with other offices located at Islamabad, Rawalpindi, Jhelum, Attock and Chakwal.

1.3 Ministry of Energy vide its S.R.O. 04(I)/2019 dated 01 January 2019 and S.R.O. 666(I)/2019 dated 28 June 2019, has adjusted the tariff of the Company on account of Prior Year Adjustment (PYA). According to these S.R.O.s from Ministry of Energy, the adjustments of Rupees 10.626 billion and Rupees 18.427 billion will be billed to the consumers in the first six months of the next financial year and next fifteen months after June 2019 respectively. These adjustments will enhance the sales of the Company by Rupees 29.053 billion in the next financial years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 **Basis of preparation**

a) 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

b) Accounting convention

These financial statements have been prepared under 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.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in the application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective items of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Provision for obsolete stores, spares and loose tools

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.

Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Staff retirement benefits

Certain actuarial assumptions have been adopted for the determination of present value of staff retirement benefits and fair value of plan assets. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

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.

d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to IFRSs: 2014 – 2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9. These are disclosed in Note 2.8. Most of the other amendments listed above except for IFRS 9 and IFRS 15 (as disclosed in Note 2.17) did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

e) **Amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the 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'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing general purpose financial statements in accordance with IFRS.

Amendments to IAS 19, 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs', relevant to the Company. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: re-introduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore, not detailed in these financial statements.

2.2 Staff retirement benefits

The Company operates funded pension and unfunded 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 30 June 2019.

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.

2.3 Taxation

Current

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

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.4 Functional and presentation currency

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

2.5 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.6 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.7 Property, plant, equipment and depreciation

Owned

Property, plant and equipment 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 of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognized impairment loss.

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

Increases in the carrying amounts arising on revaluation of land, buildings and distribution equipment, are recognized, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to statement of profit or loss over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to statement of profit or loss.

Depreciation

Depreciation on property, plant and equipment is charged to the statement of profit or loss applying the straight-line method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 3.1 Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed of. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant

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De-recognition

An item of property, plant and equipment is de-re ... expected from its use or disposal. Any gain or loss arising c ... loss in the year the asset is de-recognized.

BOARD COMMITTEES FORMUL

Various committees comprising of relevant field of expertise have been . a keen look into the day to day affair

2.8 **IFRS 9 "Financial instruments"**

The Company has adopted IFRS 9 "Financial In ... tion and measurement models for financial assets. A ... n a business model whose objective is to hold assets ... and that are solely principal and interest. A debt inves ... ne if it is held within a business model whose objec ... ch arise on specified dates that are solely principal a ... her financial assets are classified and measured at f ... ble election on initial recognition to present gains a ... pite these requirements, a financial asset may be ir ... s to reduce the effect of, or eliminate, an accounting ... it or loss, the standard requires the portion of the c ... o be presented in other comprehensive income (unless ... nting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i. **Recognition of financial instruments**

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii. **Classification and measurement of financial instruments**

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) **Classification**

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is de-recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

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Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Financial liabilities

a) Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

iii. Impairment of financial assets

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

iv. De-recognition

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

v. Offsetting of financial instruments

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

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vi. Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended 30 June 2019.

vii. Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets (01 July 2018)

	Trade debts categorized as	
	Loans and receivables	Amortized cost
	Rupees	
Opening balance (before reclassification)	84,097,887,276	-
Reclassification of trade debts	(84,097,887,276)	84,097,887,276
Recognition of expected credit losses on trade debts	-	-
Opening balance (after reclassification)	-	84,097,887,276

Reclassifications of financial instruments on adoption of IFRS 9

As on 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees		
Non-current financial assets					
Long term loans	Loans and receivables	Amortized cost	122,417,639	122,417,639	-
Long term deposits	Loans and receivables	Amortized cost	73,736,230	73,736,230	-
Current financial assets					
Trade debts	Loans and receivables	Amortized cost	84,097,887,276	84,097,887,276	-
Interest accrued	Loans and receivables	Amortized cost	6,484,619	6,484,619	-
Other receivables	Loans and receivables	Amortized cost	2,283,636,353	2,283,636,353	-
Receivable from TIBL	Loans and receivables	Amortized cost	30,790,759	30,790,759	-
Cash and bank balances	Loans and receivables	Amortized cost	2,121,684,292	2,121,684,292	-
Non-current financial liabilities					
Long term loans - secured	Amortized cost	Amortized cost	10,533,519,155	10,533,519,155	-
Long term security deposits	Amortized cost	Amortized cost	5,568,091,813	5,568,091,813	-
Current financial liabilities					
Trade and other payables	Amortized cost	Amortized cost	85,997,122,515	85,997,122,515	-
Accrued mark-up	Amortized cost	Amortized cost	9,289,686,928	9,289,686,928	-

2.9 Stores, spare parts 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.

2.10 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days except for receivables form Government. Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985 (I)/2019 dated 02 September 2019, deferred the applicability of the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method till 30 June 2021 in respect of companies holding financial assets due from the Government of Pakistan. The aforementioned exemption is provided on the condition that such companies shall follow relevant requirements of IAS 39, in respect of above referred financial assets during the exemption period.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

2.11 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized 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. Amortization of deferred credit for the year is recognized as income in the statement of profit or loss.

2.12 Borrowings

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.13 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in statement of profit or loss.

2.14 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.16 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.17 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

i) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

Sale of electricity

Revenue from the sale of electricity is recognized on supply of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan in official gazette from time to time. Late payment charges are recognized on accrual basis.

Tariff differential subsidy

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

Rental and service income

Meter rentals are recognized on time proportion basis.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or hourly rate.

Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

ii) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

iii) Customer acquisition costs

Customer acquisition costs are capitalized as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortized on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

iv) Customer fulfillment costs

Customer fulfillment costs are capitalized as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfillment costs are amortized on a straight-line basis over the term of the contract.

v) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

vi) Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

vii) Refund liabilities

Refund liabilities are recognized where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

viii) Impacts of adoption of IFRS 15 on these financial statements as on 01 July 2018

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is Rupees Nil.

2.18 **Derivative financial instruments**

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

2.19 **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.20 **Government grants**

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.21 **Contingent assets**

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.22 **Contingent liabilities**

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.23 **Prior period error**

i. During the year ended 30 June 2016 the Company inadvertently write off freehold land and building on that land. This error had understated operating fixed assets, accumulated depreciation, surplus on revaluation of operating fixed assets and overstated accumulated loss.

Now this error has been rectified and the effect of this restatement 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.

	30 June 2018			30 June 2017		
	As previously reported	Adjustment	Restatement	As previously reported	Adjustment	Restated
	---------------------- Rupees ----------------------					
Effect on statement of financial position						
Operating fixed assets	90,289,028,408	333,300,001	90,622,328,409	85,284,153,718	333,300,001	85,617,453,719
Accumulated depreciation	(7,302,732,879)	(18,891,298)	(7,321,624,177)	(3,049,086,512)	(16,845,298)	(3,065,931,810)
Surplus on revaluation of operating fixed assets	(31,420,481,685)	(315,543,179)	(31,736,024,864)	(32,619,786,404)	(316,750,689)	(32,936,537,093)
Accumulated loss	42,651,514,278	1,134,476	42,652,648,754	19,401,317,073	295,986	19,401,613,059

ii. Previously, the Company inadvertently did not take plan assets into actuarial calculation of pension fund as a result cash and bank balances and staff retirement benefits were overstated. Now this error has been rectified and the effect of this restatement 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.

	30 June 2018			30 June 2017		
	As previously reported	Adjustment	Restatement	As previously reported	Adjustment	Restated
	---------------------- Rupees ----------------------					
Effect on statement of financial position						
Cash and bank balances	2,121,684,292	(190,902,222)	1,930,782,070	2,412,742,341	(69,145,357)	2,343,596,984
Staff retirement benefits	40,123,468,365	(190,902,222)	39,932,566,143	40,080,387,781	(69,145,357)	40,011,242,424

Interest on bank deposit have been netted off against provision for the year 2018 and 2019. It has no impact on retained earnings of the Company.

3 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2019	2018
		Rupees	Rupees
Operating fixed assets	3.1	86,555,236,382	83,300,704,232
Capital work-in-progress	3.2	13,237,476,981	10,670,419,780
		99,792,713,363	93,971,124,012

3.1 Operating fixed assets

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Distribution equipment	Vehicles	Computer and ancillary equipment	Furniture and fixtures	Other plant and equipment	Total
	Rupees									
At 30 June 2017										
Cost	12,888,976,459	4,824,460,000	3,143,647,410	391,963,344	62,874,410,913	704,666,912	127,458,623	75,862,258	252,707,799	85,284,153,718
Accumulated depreciation	-	-	(62,613,494)	(7,397,911)	(2,125,210,301)	(530,840,185)	(124,981,724)	(44,278,518)	(153,764,379)	(3,049,086,512)
Net book value	12,888,976,459	4,824,460,000	3,081,033,916	384,565,433	60,749,200,612	173,826,727	2,476,899	31,583,740	98,943,420	82,235,067,206
Effect of rectification of error (Note 2.23)										
Cost	231,000,000	-	102,300,001	-	-	-	-	-	-	333,300,001
Accumulated depreciation	-	-	(16,845,298)	-	-	-	-	-	-	(16,845,298)
Net book value	231,000,000	-	85,454,703	-	-	-	-	-	-	316,454,703
At 30 June 2017 - Restated										
Cost	13,119,976,459	4,824,460,000	3,245,947,411	391,963,344	62,874,410,913	704,666,912	127,458,623	75,862,258	252,707,799	85,617,453,719
Accumulated depreciation	-	-	(79,458,792)	(7,397,911)	(2,125,210,301)	(530,840,185)	(124,981,724)	(44,278,518)	(153,764,379)	(3,065,931,810)
Net book value	13,119,976,459	4,824,460,000	3,166,488,619	384,565,433	60,749,200,612	173,826,727	2,476,899	31,583,740	98,943,420	82,551,521,909
Year ended 30 June 2018										
Opening net book value	13,119,976,459	4,824,460,000	3,166,488,619	384,565,433	60,749,200,612	173,826,727	2,476,899	31,583,740	98,943,420	82,551,521,909
Additions	-	-	197,538,142	-	4,757,879,776	-	8,110,033	3,123,927	40,136,755	5,006,788,633
Disposals:										
Cost	(135,000)	-	-	-	(1,778,943)	-	-	-	-	(1,913,943)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	(135,000)	-	-	-	(1,778,943)	-	-	-	-	(1,913,943)
Effect of rectification of error (Note 2.23)	-	-	(2,046,000)	-	-	-	-	-	-	(2,046,000)
Depreciation charge	-	-	(82,250,868)	(10,084,768)	(4,106,946,610)	(26,796,100)	(3,822,117)	(5,153,984)	(18,591,920)	(4,253,646,367)
Closing net book value	13,119,841,459	4,824,460,000	3,279,729,893	374,480,665	61,398,354,835	147,030,627	6,764,815	29,553,683	120,488,255	83,300,704,232
At 30 June 2018										
Cost	13,119,841,459	4,824,460,000	3,443,485,553	391,963,344	67,630,511,746	704,666,912	135,568,656	78,986,185	292,844,554	90,622,328,409
Accumulated depreciation	-	-	(163,755,660)	(17,482,679)	(6,232,156,911)	(557,636,285)	(128,803,841)	(49,432,502)	(172,356,299)	(7,321,624,177)
Net book value	13,119,841,459	4,824,460,000	3,279,729,893	374,480,665	61,398,354,835	147,030,627	6,764,815	29,553,683	120,488,255	83,300,704,232
Year ended 30 June 2018										
Opening net book value	13,119,841,459	4,824,460,000	3,279,729,893	374,480,665	61,398,354,835	147,030,627	6,764,815	29,553,683	120,488,255	83,300,704,232
Additions	-	-	226,737,872	-	7,325,722,260	-	298,433,340	3,992,867	119,127,721	7,974,014,060
Loss due to theft										
Cost	-	-	-	-	(12,799,600)	(599,306)	(99,997)	-	-	(13,498,903)
Accumulated depreciation	-	-	-	-	1,337,334	-	-	-	-	1,337,334
	-	-	-	-	(11,462,266)	(599,306)	(99,997)	-	-	(12,161,569)
Disposals:										
Cost	-	-	-	-	(3,000,000)	-	-	-	-	(3,000,000)
Accumulated depreciation	-	-	-	-	636,942	-	-	-	-	636,942
	-	-	-	-	(2,363,058)	-	-	-	-	(2,363,058)
Depreciation charge	-	-	(88,067,011)	(9,906,291)	(4,525,066,556)	(26,963,805)	(22,423,851)	(5,433,171)	(27,096,598)	(4,704,957,283)
Closing net book value	13,119,841,459	4,824,460,000	3,418,400,754	364,574,374	64,185,185,215	119,467,516	282,674,307	28,113,379	212,519,378	86,555,236,382
At 30 June 2019										
Cost	13,119,841,459	4,824,460,000	3,670,223,425	391,963,344	74,940,434,406	704,067,606	433,901,999	82,979,052	411,972,275	98,579,843,566
Accumulated depreciation	-	-	(251,822,671)	(27,388,970)	(10,755,249,191)	(584,600,090)	(151,227,692)	(54,865,673)	(199,452,897)	(12,024,607,184)
Net book value	13,119,841,459	4,824,460,000	3,418,400,754	364,574,374	64,185,185,215	119,467,516	282,674,307	28,113,379	212,519,378	86,555,236,382
Depreciation rate (%) per annum			2%	2%	3.5%	10%	33%	10%	10%	

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3.1.1 The Company's freehold land, leasehold land, buildings thereon and distribution assets 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 30 June 2016 were performed by F.K.S Building Services, independent valuers not related to the Company. Fair valuation of land was performed on 30 June 2014 by the same valuer. F.K.S are on 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 ----------		
2019			
Freehold land	106,989,320	-	106,989,320
Leasehold land	56,887,270	(23,004,920)	33,882,350
Buildings on freehold land	4,433,852,067	(856,881,937)	3,576,970,130
Buildings on leasehold land	466,026,224	(111,449,561)	354,576,663
Distribution equipment	77,524,562,943	(26,343,918,366)	51,180,644,577
	82,588,317,824	(27,335,254,784)	55,253,063,040
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

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

		2019	2018 Restated
		Rupees	Rupees
Administrative expenses	28	84,992,218	79,513,108
Distribution costs	29	4,529,343,369	4,114,405,494
Customer service costs	30	84,992,218	57,724,236
Included in capital work-in-progress		5,629,478	4,049,529
		4,704,957,283	4,255,692,367

3.1.3 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 a buildings on the land. Later on, the Company assumed the ownership of the land, building and grid station, currently having carrying value of Rupees 234.438 million as at 30 June 2019 (2018: Rupees 238.60 million) and recognized these assets in its books of accounts, during the year ended 30 June 2009.

On 24 November 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 license 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 03 July 2012 decided to re-file a writ petition with Islamabad High Courts against the decision of NEPRA to grant distribution license to BTPL, which was filed on 01 September 2012. During the year no hearing was held. However, subsequent to the year end, on 12 October 2019 Court allowed impleading of Privatization Commission of Pakistan as a necessary party to the case at the request of Attorney General. 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 Rupees 234.438 million (2018: Rupees 238.60 million) have not been derecognized in these financial statements.

3.1.4 On 01 March 2019, the Company entered into an Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which Company authorized PHPL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Rawalpindi, Islamabad, Jhelum and Taxila, having combined area of 853 kanal and 19 marla amounting to Rupees 7,215.64 million. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHPL to raise financing through the Sukuk issue. In addition to this agreement, PHPL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates will be issued by PHPL for a period of ten years.

3.1.5 Lands amounting to Rupees 17,713 million are under the possession of the Company but the Company does not have the title of the lands amounting to Rupees 11,971 million, whereas, lands amounting Rupees 8,995 are under the title of WAPDA.

	NOTE	2019 Rupees	2018 Rupees
3.2 Capital work-in-progress			
Civil works		272,816,499	142,572,436
Distribution equipment		6,074,448,663	3,919,239,971
Distribution equipment - deposit		3,951,895,918	4,049,981,045
	3.2.1	10,026,344,581	7,969,221,016
	3.2.2	10,299,161,080	8,111,793,452
Capital stores	3.2.3	2,904,413,899	2,454,251,597
Advances to suppliers		33,902,002	104,374,731
		13,237,476,981	10,670,419,780

3.2.1 Breakup of distribution equipment is as follows:

	2019	2018
Material	5,196,910,305	4,419,002,507
Labour	493,776,239	514,131,353
Overheads:		
Borrowing costs	276,839,242	127,973,473
Other charges	1,295,240,404	1,173,893,194
	1,572,079,646	1,301,866,667
Contract work	2,763,578,391	1,734,220,489
	10,026,344,581	7,969,221,016

3.2.1.1 The capitalization ratio for the year is 15% (2018: 16.12%).

3.2.2 Movement in capital work-in-progress during the year

	2019	2018
Balance at the beginning of the year	8,111,793,452	5,616,045,635
Additions during the year	9,726,002,436	7,451,165,735
Transfers to operating fixed assets during the year:		
- Building on freehold land	(226,737,872)	(197,538,142)
- Distribution equipment	(7,311,896,936)	(4,757,879,776)
	(7,538,634,808)	(4,955,417,918)
Balance at the end of the year	10,299,161,080	8,111,793,452

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

4 INTANGIBLE ASSET UNDER DEVELOPMENT

This represents advance given for Enterprise Resource Planning (ERP) system, which is in the implementation phase.

5 LONG TERM LOANS

	Note	2019	2018
Considered good - secured			
To employees			
- Executives		1,293,728	837,627
- Other employees		157,887,879	121,580,012
Less: Current portion shown under current assets	8	(37,120,736)	(33,278,570)
		122,060,871	89,139,069

5.1 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. Loans are secured by a mortgage of immovable property and hypothecation of vehicles.

	NOTE	2019 Rupees	2018 Rupees
6 STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		1,306,436,232	1,107,570,315
Provision against slow moving /obsolete items		(149,697,698)	(149,697,698)
		1,156,738,534	957,872,617

6.1 Movement in provision against slow moving / obsolete items is as follows:

Balance at the beginning of the year	149,697,698	143,572,897
Charge for the year	-	6,124,801
Balance at the end of the year	149,697,698	149,697,698

7 TRADE DEBTS

	NOTE	2019 Rupees	2018 Rupees
Considered good	7.1, 7.2	96,970,187,670	84,097,887,276
Considered doubtful		565,070,232	565,070,232
		97,535,257,902	84,662,957,508
Less: Allowance for expected credit losses	7.3	(565,070,232)	(565,070,232)
	7.4	96,970,187,670	84,097,887,276

7.1 These include an amount of Rupees 75,751 million (2018: Rupees 67,321 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 Rupees 2.32 per unit which was increased to Rupees 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 Rupees 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 Ministry of Water and Power had decided in a meeting held on 29 May 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 08 December 2015, has formulated a proposal to revise the tariff by increasing up to Rupees 5.79 per unit, with effect from 01 July 2015 which has also been agreed by GoAJK vide letter No. SE/PS/70-82/2016 dated 01 January 2016. However, Ministry of Water and Power is further deliberating on the matter, thus no official notification has been received in this regard. Further, the Company has filed a claim of Rupees 66,610 million representing the AJK receivable balance, as tariff differential, with the Ministry of Water and Power 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.

Ministry of Energy (Power Division) submitted a summary regarding cash and non-cash settlement for power sector @ Rupees 3/KWH subsidy announced by the Prime Minister for the industrial support Package and GoAJK. ECC of the Cabinet in its meeting held on 10 June 2019, considered the summary and approved that adjustment of payable industrial support package and GoAJK subsidy will be made through memorandum authorization by Finance Division. Receivable from GoAJK amounting to Rupees 80,580 million net of charges amounting to Rupees 12,352 million will be settled in cash, non-cash against re-lent loan and equity. However, claims of AJK subsidy beyond 30 June 2019 will be dealt in accordance with the agreement with GoAJK.

Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018.

Accordingly, the management is confident that the remaining amount will be recovered in near future.

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

7.3 Allowance for expected credit losses

	2019 Rupees	2018 Rupees
Balance at the beginning of the year	565,070,232	565,070,232
Write-offs against provision	-	-
Balance at the end of the year	565,070,232	565,070,232

7.4 Bogus receipts were recorded in the consumer accounts at Revenue Office - I, Islamabad with the collusion of some employees. The matter was initially identified during July 2019, subsequent to reporting period, where the employees involved in the matter collected bills from the consumers in cash through bargaining and prepared bogus scrolls for posting of receipts against their clients' accounts (IESCO consumers bargaining for lesser payments against electricity bills). To settle the receipts from such clients, the employees involved prepared bogus bank scrolls, billing stubs, bank statements and other documents on the basis of which bogus receipts were fed to the computer center. The arrangement was designed in a manner that the bank reconciliation process could not reveal the misstatements. Accordingly, bank balance and trade receivables were misstated in the books of accounts of the Company to the extent of amount of fraud.

An internal inquiry committee was constituted vide order No. 6198-94 dated 22 July 2019, subsequent to reporting date, to investigate the matter which submitted its interim inquiry report. According to the inquiry committee's findings the amount of fraud worked out so far was Rupees 207.75 million for the period from July 2018 to June 2019. The committee apprehended that the amount of fraud may increase than the above reported figure through detailed scrutiny of previous periods. Internal auditors of the Company and the Federal Investigation Agency (FIA) are also investigating the matter. Further, we have also been given to understand that the management intends to conduct detailed audit of the matter through an independent firm of Chartered Accountants.

On the basis of preliminary investigation, the management initially identified bogus receipts amounted to Rupees 207.75 million, out of which the management claims that it has recovered amount of Rupees 145.12 million from the consumers. In addition to this, it can also be suspected that the same arrangement of fraud might be in place at other revenue offices. Since, the matter is under investigation the exact amount of fraud cannot be determined at this stage. Accordingly, no adjusting entry has been made in the bank and trade receivable balances as at 30 June 2019.

		NOTE	2019 Rupees	2018 Rupees
8	**ADVANCES**			
	Considered good			
	Suppliers		236,925,272	267,949,782
	Employees against operating expenses		59,984,948	56,843,297
	Current portion of long term loans	5	37,120,736	33,278,570
			334,030,956	358,071,649

9	**RECEIVABLE FROM GOVERNMENT OF PAKISTAN**			
	Balance at the beginning of the year	9.1	5,859,696,963	14,806,782,863
	Subsidy recognized during the year on account of tariff differential subsidy	9.2	16,964,938,061	9,316,374,752
	Adjusted against debit notes received from CPPA of TRS		(16,496,521,535)	(18,263,460,652)
	Balance at the end of the year		6,328,113,489	5,859,696,963

9.1 This includes subsidy recognized of Rupees 2,814.65 million in previous financial years 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 05 August 2013 and SRO No. 914 dated 11 October 2013 and the NEPRA's clarification issued in the case of another distribution company.

In previous 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.

9.2 This represents Tariff Differential Subsidy (TDS) receivable from GoP as a difference between NEPRA rates notified as per "Schedule-I" and "Schedule-II" as notified by Federal Government in S.R.O. 569 (I)/2015 dated 10 June 2015, S.R.O. 377(1)/2018 dated 22 March 2018 and SRO 04/(1)/2019 dated 01 January 2019.

10 SECURITY DEPOSITS

These include deposit related to a court case titled "Ball Bibi vs "IESCO" in which a woman filed case against Company before Civil Judge Rawalpindi regarding compensation of sudden death of her son due to electric shock. The Company filed a civil revision before Lahore High Court Rawalpindi Bench, Rawalpindi and Court vide order dated 03 February 2015 remanded back the case to lower court and further instructed to submit bank guarantee. The Company submitted a bank guarantee of Rupees 40 million. The case was again decided against the Company by additional District and Session judge on 31 January 2017 and reduced the claim amount to Rupees 33.65 million.

The Company filed a civil revision before Lahore High Court Rawalpindi Bench, Rawalpindi, who granted stay order and directed to submit Rupees 16.82 million with registrar High court and furnish bank guarantee of the remaining amount of Rupees 16.82 million. The case is still pending adjudication.

		NOTE	2019 Rupees	2018 Rupees
11	**OTHER RECEIVABLES**			
	Unsecured, considered good			
	Receivable from related parties:			
	- Free electricity and other transactions	11.1	1,684,302,793	809,393,763
	- Pensions	11.2	1,639,882,960	1,429,913,210
	Others		62,129,182	44,329,380
			3,386,314,935	2,283,636,353

11.1 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:

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	2019 Rupees	2018 Rupees
WAPDA	939,765,755	889,633,529
National Transmission and Dispatch Company Limited	710,482,115	(110,424,549)
Quetta Electric Supply Company Limited	12,663,686	10,899,667
Northern Power Generation Company Limited	7,480,121	6,827,660
Central Power Generation Company Limited	5,410,234	4,905,072
Tribal Electric Supply Company Limited	5,350,436	4,660,371
Jamshoro Power Company Limited	1,824,453	1,654,938
Lakhra Power Generation Company Limited	1,325,993	1,237,075
	1,684,302,793	809,393,763

11.2 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:

	NOTE	2019 Rupees	2018 Rupees
WAPDA		1,062,488,159	1,043,636,333
National Transmission and Dispatch Company Limited		308,754,051	201,321,108
Lahore Electric Supply Company Limited		65,093,117	37,998,137
Faisalabad Electric Supply Company Limited		15,798,369	12,099,493
Gujranwala Electric Power Company Limited		37,717,076	11,252,744
Peshawar Electric Supply Company Limited		29,176,176	9,687,005
Multan Electric Power Company Limited		15,975,458	15,174,431
Hyderabad Electric Supply Company Limited		13,365,301	14,747,314
Northern Power Generation Company Limited (GENCO-III)		22,126,475	22,823,618
Central Power Generation Company Limited (GENCO-II)		12,644,472	15,018,540
Quetta Electric Supply Company Limited		28,706,344	16,682,735
Jamshoro Power Company Limited (GENCO-I)		1,544,993	1,173,322
Lakhra Power Generation Company Limited (GENCO-IV)		601,776	489,093
Pakistan Electric Power Company Limited		20,513,295	22,788,207
Tribal Area Electric Supply Company Limited		2,227,898	1,390,002
Sukkur Electric Supply Company Limited		859,278	1,578,135
Power Information Technology Company (Private) Limited		2,047,623	1,971,507
GENCO Holding Company Limited		243,099	81,486
		1,639,882,960	1,429,913,210

11.3 The maximum aggregate amount due from associated undertakings at the end of any month during the year was as follows:

Free electricity		
WAPDA	956,027,619	902,917,386
National Transmission and Dispatch Company Limited	710,482,115	843,195,091
Quetta Electric Supply Company Limited	12,663,686	10,899,667
Northern Power Generation Company Limited	7,480,121	6,827,661
Central Power Generation Company Limited	5,410,234	4,905,072
Tribal Electric Supply Company Limited	5,350,436	4,660,370
Jamshoro Power Company Limited	1,824,453	1,655,303
Lakhra Power Generation Company Limited	1,325,993	1,237,075
Pension		
WAPDA	1,062,488,159	1,043,636,333
National Transmission and Despatch Company Limited	316,440,653	201,321,108
Lahore Electric Supply Company Limited	65,093,117	37,998,137
Faisalabad Electric Supply Company Limited	27,438,266	42,318,955
Gujranwala Electric Power Company Limited	37,717,076	69,799,519
Peshawar Electric Supply Company Limited	29,176,176	23,989,674
Multan Electric Power Company Limited	21,937,032	20,461,652
Hyderabad Electric Supply Company Limited	18,062,701	14,747,314
Northern Power Generation Company Limited (GENCO-III)	24,789,537	24,026,802
Central Power Generation Company Limited (GENCO-II)	15,018,540	16,199,414
Quetta Electric Supply Company Limited	28,706,344	16,682,735
Jamshoro Power Company Limited (GENCO-I)	1,746,536	1,173,322
Lakhra Power Generation Company Limited (GENCO-IV)	601,776	783,008
Pakistan Electric Power Company Limited	22,788,207	24,245,714
Tribal Area Electric Supply Company Limited	2,227,898	1,815,997
Sukkur Electric Supply Company Limited	1,823,119	4,389,987
Power Information Technology Company (Private) Limited	2,047,623	1,971,507
GENCO Holding Company Limited	243,099	135,810

12 RECOVERABLE FROM TAX AUTHORITIES

Sales tax		218,864,930	(92,445,950)
Other receivables from tax authorities	12.1	21,542,093,209	19,605,134,407
Advance income tax		871,668,339	623,966,761
		22,632,626,478	20,136,655,218

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12.1 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.

13 RECEIVABLE FROM TIBL

13.1 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 30 June 2014, under a Settlement Agreement dated 09 April 2014 between the Company and TIBL, the Company recovered an amount of Rupees 2.15 million in cash, and for the remaining principal amount of Rupees 96.68 million and accumulated interest thereon amounting to Rupees 10.29 million, TIBL transferred the possession of certain properties in the name of the Company representing various lands and buildings.

Further, under another separate agreement dated 04 July 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 30 June 2015, and the sales considerations 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 the year 2015, the Company was able to obtain the legal transfer of only one property in its name, having current market value of Rupees 16 million 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 30 June 2016. However during the year ended 30 June 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 the year 2017, another property having value of Rupees 49 million was transferred in the name of the Company. Matter for the remaining settlement is pending with NAB.

An amount of Rupees 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. Provision has not been recognized based on management's view that the amount will be fully recovered.

14 CASH AND BANK BALANCES

	NOTE	2019 Rupees	2018 Rupees
Cash			
In hand:		9,227	9,310
At banks in:			
- Deposit accounts	14.1, 14.2 & 14.3	1,741,936,663	977,699,342
- Deposit work / capital contribution accounts	14.1	166,900,597	-
- Current accounts		1,424,045,995	953,073,418
		3,332,883,255	1,930,772,760
		3,332,892,482	1,930,782,070

14.1 These carry mark-up ranging from 7% to 11.25% per annum (2018: 4% to 7% per annum).

14.2 Included herein is an amount of Rupees 1,095 million (2018: Rupees 692 million) kept in separate bank accounts relating to customers' and employees' security deposits.

14.3 Included herein is an amount of Rupees 520.77 million (2018: Rupees 190.90 million) kept in separate bank accounts relating to employees' pension fund.

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018		2019	2018
----Number of shares----			Rupees	Rupees
1,000	1,000	Ordinary shares of Rupees 10 each, issued for consideration in cash	10,000	10,000
579,824,334	579,824,334	Ordinary shares of Rupees 10 each, issued for consideration other than in cash	5,798,243,340	5,798,243,340
579,825,334	**579,825,334**		5,798,253,340	5,798,253,340

15.1 The President of Pakistan, WAPDA and the IESCO Employees Trust Fund, respectively hold 1,000 (2018: 1,000), 510,245,414 (2018: 510,245,414) and 69,578,920 (2018: 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.

16 DEPOSIT FOR SHARES

This represents Government of Pakistan's investment / equity in the Company channelized through PEPCO / NTDC as a measures taken to clear circular debts prevailing in the power sector, with slight adjustment made during the year.

	NOTE	2019 Rupees	2018 Rupees
17 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX			
Opening balance		31,736,024,864	32,619,786,404
Effect of rectification of error (Note 2.23)		-	316,750,689
Opening balance - restated		31,736,024,864	32,936,537,093
Transfer from surplus on revaluation of operating fixed assets to accumulated loss on disposal of assets		(649,008)	(134,510)
		31,735,375,856	32,936,402,583
Transferred to accumulated loss in respect of incremental depreciation charge during the year		(1,690,722,140)	(1,739,677,853)
Related deferred income tax liability		490,309,421	539,300,134
		(1,200,412,719)	(1,200,377,719)
		30,534,963,137	31,736,024,864

18 LONG TERM LOANS

	NOTE	2019 Rupees	2018 Rupees
From Government of Pakistan			
Asian Development Bank - Tranche I	18.1	920,027,451	2,056,802,452
Asian Development Bank - Tranche II	18.2	1,422,445,365	1,841,115,364
International Bank for Reconstruction and Development	18.3	1,813,122,986	3,687,887,986
Asian Development Bank - Tranche III	18.4	2,240,254,225	1,616,635,201
Earthquake Reconstruction and Rehabilitation Authority	18.5	280,858,259	217,923,729
Asian Development Bank - Tranche IV	18.6	1,933,887,407	1,113,154,423
		8,610,595,693	10,533,519,155
		8,610,595,693	10,533,519,155
Current maturity shown under current liabilities	18.7	(1,557,571,177)	(4,182,882,220)
		7,053,024,516	6,350,636,935

18.1 This represents re-lent portions of the total term finance facility obtained by the Government of Pakistan (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 letter No. 6(9) ADB-I/86 dated 30 March 2009, of the Ministry of Economic Affairs and Statistics (MEAS), against which the Company has utilized US $ 23.31 (2018: 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 US $ 23.31 million via letter No. 5654 from ADB dated 17 July 2013.

The loan is repayable in 26 semi-annual installments, excluding a grace period of 2 years, ending 15 August 2023 with first repayment due on 15 February 2011. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018. As a result, the Company adjusted over due principal and mark-up outstanding till 30 June 2018 amounting to Rupees 1,136.77 million and Rupees 1,728.87 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2019, aggregating to Rupees 167.27 million and Rupees 149.29 million respectively. However, the principal amount 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 $ 172.30 million, an amount of US $ 19.56 million has been allocated to the Company vide ADB letter dated 26 March 2018, against which the Company has utilized US $ 18.33 million (2018: US $ 18.33 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 on 01 December 2030, with a first repayment due on 01 June 2014. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018. As a result, the Company adjusted over due principal and mark-up amounting to Rupees 418.669 million and Rupees 1,064.201 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2019, aggregating to Rupees 121.036 million and Rupees 218.057 million respectively. However, the principal amount due for repayment within 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 16 November 2011 of the MEAS, against which the Company has utilized US $ 40.974 million (2018: 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 $ 40.98 via the letter from World Bank dated 16 July 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 on 15 March 2024 with first repayment due on 15 September 2011. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018. As a result, the Company adjusted over due principal and mark-up outstanding amounting to Rupees 1,874.765 million and Rupees 3,445.091 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2019, aggregating to Rupees 302.187 million and Rupees 301.122 million respectively. However, the principal amount due for repayment within 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 31 December 2013 of the MEAS, against which the Company has utilized US $ 20.221 million (2018: US $ 15.386 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 31 December 2037, with a first repayment due on 01 June 2018. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018. As a result, the Company adjusted over due principal and mark-up amounting to Rupees 35.626 million and Rupees 474.227 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2019, aggregating to Rupees 103.728 million and Rupees 283.498 million respectively. However, the principal amount due and is due for repayment within 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 22 July 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 15 December 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 $ in 60 semi-annual installments, excluding a grace period of 10 years, ending 15 December 2045, with the first repayment due on 15 June 2016. No payment on this loan has yet been made. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018. As a result, the Company adjusted over due principal and mark-up amounting to Rupees 5.635 million and Rupees 14.857 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2019, aggregating to Rupees 14.445 million and Rupees 14.354 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

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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 ADB letter dated 23 February 2017, against which the Company has utilized US $ 16.056 million (2018: US $ 9.978 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 01 June 2018. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans till 30 June 2018. As a result, the Company adjusted over due principal and mark-up amounting to Rupees Nil and Rupees 87.223 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2019, aggregating to Rupees 48.347 million and Rupees 244.110 million respectively. However, the principal amount which has fallen due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

18.7 This includes overdue amount of Rupees 757.02 million.

19 LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers at the time of installation of electricity connections and are refundable / adjustable on disconnection of electricity supply. Rao.

20 STAFF RETIREMENT BENEFITS

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

	Pension obligations		Medical benefits		Free electricity		Compensated absences		Total	Total
	2019	2018 (Restated)	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees									
20.1 The amounts recognized in the statement of financial position										
Present value of defined benefit obligations	35,769,868,850	33,851,557,968	2,700,639,062	3,047,193,495	1,540,786,534	1,646,493,020	1,696,886,232	1,578,223,882	41,708,180,678	40,123,468,365
Fair value of plan assets	(520,770,567)	(190,902,222)	-	-	-	-	-	-	(520,770,567)	(190,902,222)
	35,249,098,283	33,660,655,746	2,700,639,062	3,047,193,495	1,540,786,534	1,646,493,020	1,696,886,232	1,578,223,882	41,187,410,111	39,932,566,143
20.2 Changes in the present value of defined benefit obligations:										
Balance at the beginning of the year	33,660,655,746	35,833,413,425	3,047,193,495	1,522,608,896	1,646,493,020	1,481,757,453	1,578,223,882	1,173,462,650	39,932,566,143	40,011,242,424
Current service cost	675,236,504	841,118,447	55,374,606	58,160,909	40,908,406	37,605,942	214,778,055	534,761,035	986,297,571	1,471,646,333
Interest cost	3,131,448,778	3,315,317,319	375,681,769	143,969,264	202,387,414	139,556,508	-	-	3,709,517,961	3,598,843,091
Benefits paid during the year	(1,570,123,866)	(1,971,976,836)	(10,471,701)	(14,285,923)	(15,457,066)	(25,483,162)	(96,115,705)	(129,999,803)	(1,692,168,338)	(2,141,745,724)
Actuarial (gain) / loss on obligation	(328,118,879)	(4,237,216,609)	(767,139,107)	1,336,740,349	(333,545,240)	13,056,279	-	-	(1,428,803,226)	(2,887,419,981)
Contributions	(320,000,000)	(120,000,000)	-	-	-	-	-	-	(320,000,000)	(120,000,000)
Balance at the end of the year	35,249,098,283	33,660,655,746	2,700,639,062	3,047,193,495	1,540,786,534	1,646,493,020	1,696,886,232	1,578,223,882	41,187,410,111	39,932,566,143
	(0.00)	-	-	-	-	-	-	-		
20.3 Charge for the year:										
Current service cost	675,236,504	841,118,447	55,374,606	58,160,909	40,908,406	37,605,942	214,778,055	534,761,035	986,297,571	1,471,646,333
Interest cost	3,131,448,778	3,315,317,319	375,681,769	143,969,264	202,387,414	139,556,508	-	-	3,709,517,961	3,598,843,091
	3,806,685,282	4,156,435,766	431,056,375	202,130,173	243,295,820	177,162,450	214,778,055	534,761,035	4,695,815,532	5,070,489,424
Charge to other comprehensive income										
Actuarial (gain) / loss	(328,118,879)	(4,237,216,609)	(767,139,107)	1,336,740,349	(333,545,240)	13,056,279	-	-	(1,428,803,226)	(2,887,419,981)
20.4 Significant actuarial assumptions at the reporting date are:										
Discount rate	12.4%	9.50%	12.4%	9.5%	12.4%	9.50%	12.35%	9.50%		
Future salary increase	11.4%	8.50%	0.0%	-	11.4%	0.00%	11.35%	8.50%		
Indexation rate	4.3%	4.25%	0.0%	-	0.0%	0.00%	-	-		
Future medical cost increase	-	-	10.00%	4.25%	-	0.00%	-	-		
Exposure inflation rate	-	-	-	3.00%	10%	4.25%	-	-		
Electricity inflation rate	-	-	-	-	-	0.00%	-	-		

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. Rau.

20.6 Sensitivity analysis

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.

	Present value of defined benefit obligation				
	Pension obligations	Medical benefits	Free electricity	Compensated absences	Total
	Rupees				
Current liability	35,769,568,850	2,700,639,062	1,540,786,534	1,696,886,232	41,707,880,678
Discount rate +1%	32,399,383,699	2,471,621,793	1,354,071,868	1,556,860,162	37,781,937,522
Discount rate -1%	38,889,964,919	2,926,955,692	1,729,303,921	1,860,803,809	45,407,028,341
Salary increase +1%	39,033,044,394	-	1,731,557,447	1,861,482,564	42,626,084,405
Salary decrease -1%	32,474,500,424	-	1,354,184,743	1,529,569,815	35,358,254,982
Pension increase rate +1%	40,650,204,949		-	-	40,650,204,949
Pension decrease rate -1%	3,247,231,440		-	-	3,247,231,440
Medical inflation rate increase +1%	-	2,958,226,323	-	-	2,958,226,323
Medical inflation rate decrease -1%	-	2,454,664,549	-	-	2,454,664,549
Electricity rate +1%	-	-	1,722,749,276	-	1,722,749,276
Electricity rate -1%	-	-	1,364,216,545	-	1,364,216,545
Expected charge to profit and loss account for the next financial year	5,159,634,021	395,304,972	235,498,946	278,171,469	6,068,609,408

	Remeasurement gain recognized in OCI			
	Pension scheme	Medical benefits	Free electricity	Total
	Rupees			
Remeasurement (gain) / loss on Obligation				
- Financial Assumptions	65,623,776	(406,927,034)	160,467,856	(180,835,402)
- Experience Adjustments	(393,742,655)	(360,212,073)	(494,013,096)	(1,247,967,824)
Total Remeasurement gain recognized in OCI	**(328,118,879)**	**(767,139,107)**	**(333,545,240)**	**(1,428,803,226)**

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.

20.7 Plan assets at 30 June 2019 comprise:

	2019	2018
Bank	100%	100%
	100%	100%

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		NOTE	2019 Rupees	2018 Rupees
21	**DEFERRED TAXATION - net**			
	Deferred tax asset	21.1	13,843,051,416	13,565,912,870
	Deferred tax liability	21.2	(13,843,051,416)	(13,565,912,870)
			-	-
21.1	**Movement in deferred tax asset:**			
	Balance at the beginning of the year		13,565,912,870	17,102,161,618
	Charged for the year		277,138,546	(3,536,248,748)
			13,843,051,416	13,565,912,870
21.2	**Movement in deferred tax liability:**			
	Balance at the beginning of the year		(13,565,912,870)	(17,102,161,618)
	Reversal for the year		(277,138,546)	3,536,248,748
			(13,843,051,416)	(13,565,912,870)

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 Rupees 45,001.21 million (2018: Rupees 31,414 million).

Business tax losses aggregating to Rupees 59,616.23 million against which deferred tax asset has not been recognized, will expire as follows:

Tax year	Rupees
2024	34,310,888,757
2025	25,305,339,408
	59,616,228,165

		NOTE	2019 Rupees	2018 Rupees
21.4	**Movement in deferred tax relating to revaluation surplus on operating fixed assets**			
	Deferred tax liability at the beginning of the year		6,771,902,026	7,311,202,160
	Deferred tax liability reversal on incremental depreciation charged during the year		(490,309,421)	(539,300,134)
	Deferred tax liability at the closing of the year		6,281,592,605	6,771,902,026
22	**DEFERRED CREDIT**			
	Balance at the beginning of the year		37,645,419,344	35,062,765,759
	Additions during the year		3,270,871,634	2,582,653,585
			40,916,290,978	37,645,419,344
	Amortization			
	Balance at the beginning of the year		(12,486,683,128)	(11,169,093,451)
	For the year		(1,432,070,184)	(1,317,589,677)
			(13,918,753,312)	(12,486,683,128)
	Balance at the end of the year		26,997,537,666	25,158,736,216
23	**TRADE AND OTHER PAYABLES**			
	Creditors:			
	Associated undertakings - Central Power Purchase Agency (Guarantee) Limited	23.1	103,340,590,475	72,138,389,648
	Others	23.2	805,568,709	1,176,049,545
			104,146,159,184	73,314,439,193
	Other payables:			
	Receipts against deposit works	23.3	9,689,043,685	10,294,031,825
	Advances from customers		747,211,274	1,444,351,901
	Provision for Workers' Profit Participation Fund (WPPF)	23.4	1,179,422,289	1,179,422,289
	Due to related parties on account of:			
	Free electricity	23.5	1,397,489,567	1,372,910,686
	Pension	23.6	644,604,532	410,177,825
			2,042,094,099	1,783,088,511
	Capital contributions awaiting connections		477,494,100	421,864,575
	Accrued liabilities		643,392,067	526,408,902
	Retention money - contractors / suppliers		284,184,104	183,698,411
	Government surcharges payable:			
	- Realized			
	Equalization surcharge	23.7	1,669,139,681	1,668,827,499
	Electricity duty		1,275,142,886	1,048,859,357
	Neelum Jhelum surcharge		2,108,311,840	1,516,516,256
	TV License fee		67,589,019	67,543,699
	Financing cost	23.8	3,232,906,191	1,347,942,772
	Withholding income tax		373,731,575	298,308,378
			8,726,821,192	5,947,997,961
	Carried forward		127,935,821,994	**95,095,303,568**

	NOTE	2019 Rupees	2018 Rupees
Brought forward		127,935,821,994	95,095,303,568
- Unrealized			
Equalization surcharge	23.7	178,689,557	179,574,205
Electricity duty		72,412,008	57,356,133
Neelum Jhelum surcharge		1,260,443,004	1,103,778,226
TV license fee		49,750,497	45,675,894
Tariff rationalization surcharge	23.9	5,857,542,705	5,963,882,992
Financing cost	23.8	2,572,716,642	1,897,336,695
Income tax		110,531,935	97,256,531
Advance income tax		7,133,345	5,539,631
Steel melters income tax		-	458,000
		10,109,219,693	9,350,858,307
Others		92,004,950	64,888,863
		138,137,046,637	104,511,050,738

23.1 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 surcharge payable to CPPA account.

23.2 This represents payable to various suppliers on account of materials purchased.

23.3 These represent amounts received directly by the Company for electrification of villages, colonies and other deposit works, mainly provided through Government funding against which the related works / jobs have not been completed.

23.4 The Company has held payment of its contribution towards Workers' Profit Participation Fund (WPPF) amounting to Rupees 1,179 million, being Company's liability on account of WPPF till 30 June 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.

23.5 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:

	2019 Rupees	2018 Rupees
Lahore Electric Supply Company Limited	897,307,924	895,498,508
Peshawar Electric Supply Company Limited	271,709,835	256,520,670
Multan Electric Power Company Limited	78,203,643	76,827,476
Faisalabad Electric Supply Company Limited	122,278,912	117,203,775
Gujranwala Electric Power Company Limited	21,504,840	19,435,720
Hyderabad Electric Supply Company Limited	2,895,834	2,667,545
Sukkur Electric Power Company	2,522,644	2,378,237
Pakistan Electric Power Company Limited	1,065,935	2,378,755
	1,397,489,567	1,372,910,686

23.6 Payable to associated undertakings 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:

	2019 Rupees	2018 Rupees
Peshawar Electric Supply Company Limited	266,863,635	173,165,797
Gujranwala Electric Power Company Limited	176,417,558	114,576,480
Faisalabad Electric Supply Company Limited	115,354,227	74,363,498
Lahore Electric Supply Company Limited	68,156,364	36,806,392
~~Hyderabad Electric Supply Company Limited~~	~~3,019,782~~	~~1,690,455~~
Multan Electric Power Company Limited	13,307,369	8,552,521
Quetta Electric Supply Company Limited	1,455,252	992,337
Sukkur Electric Power Company Limited	30,345	30,345
	644,604,532	410,177,825

23.7 This represents amounts collected from consumers, during the period from April 2011 to June 2012, pursuant to S.R.O 236(1)2011, dated 15 March 2011, issued by the Ministry of Water and Power. However, the amount was collected from customers 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 16 May 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.

23.8 Financing cost surcharge has been notified by GoP vide SRO.569 (1) / 2015 dated 10 June 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.

23.9 Tariff rationalization surcharge has been notified by GOP vide SRO. 569 (1) / 2015 dated 10 June 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.

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 Rupees 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 Rupees 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 Rupees 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 Rupees 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 Rupees 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 sale tax demand of Rupees 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, Appellant tribunal Inland revenue (ATIR) Islamabad decided the case in favor of the Company, 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 28 October 2015, granted sales tax adjustment of Rupees 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 21 March 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) passed the order in original No of 04/2011 dated 30 October 2013 raising sales tax demand of Rupees 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 AJK, supplies of free electricity to employees and other distribution companies, sales of scrap, demand notices 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 03 September 2012 raising sales tax demand of Rupees 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 14 October 2013 raising sales tax demand of Rupees 7,784 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 notice 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 Rupees 1,224 million on account of unrealized sales tax and Rupees 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 re-consideration. The matter of sales tax on sale of scrap of Rupees 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 24 April 2012 raising sales tax demand of Rupees 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 AJK. In a similar case, the ATIR had declared the supply of electricity to AJK as exempt, vide order No. 65/18/2011 dated 07 September 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 21 March 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.

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24.1.10 Officer Inland Revenue passed an Order-in-Original No.55/2014 dated 14 May 2014 raising sales tax demand of Rupees 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 AJK, 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 27 January 2016 whereby tax demand to the extent of Rupees 6,998 million on the matter of sales tax on demand notes, supply of electricity to AJK and subsidy from GoP has been deleted. The matter of sales tax amounting to Rupees 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 Rupees 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 29 May 2014 raising sales tax demand of Rupees 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 28 January 2015 raising sales tax demand of Rupees 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. DCIR had redetermined the original sales tax demand to Rupees 182 million vide Order in Remand No. 05/14 of 2015. 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 01 January 2016 raising sales tax demand of Rupees 1,042 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 is yet passed by ATIR.

24.1.14 DCIR passed an Order-in-Original No. 11/2016 dated 11 February 2016 raising sales tax demand of Rupees 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. ATIR vide order-in-Appeal No. STA No. 442/IB/2016 dated 2 May 2017 remanded back the case to the original adjudicating authority. The matter is pending adjudication.

24.1.15 The DCIR passed an Order-in-Original No. 149/2017 dated 22 May 2017 raising tax demand of Rupees 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 12 May 2017 raising tax demand of Rupees 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 AJK and others as zero rated. CIR upheld the Order-in-Original. The Company has filed an appeal with ATIR. ATIR vide order No. STA No. 523(IB)2017 dated 8 July 2019 has decided the case in favor of the Company.

24.1.17 The DCIR passed an Order-in-Original No. 05/2017 dated 24 February 2017 raising tax demand of Rupees 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 AJK and others as zero rated. CIR upheld the Order-in-Original. The Company has filed an appeal with ATIR which is pending adjudication.

24.1.18 The DCIR passed an Order-in-Original No. 17-25/2017 dated 02 February 2018 raising tax demand of Rupees 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 AJK 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 14 February 2017 raising tax demand of Rupees 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 company's 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 Government of Pakistan. CIR upheld the Order-in-Original. An appeal against the order has been filled with ATIR. ATIR vide its order No. STA No. 353(IB)/2017 dated 10 July 2019 has deleted that demand.

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 Rupees 2,403 million .The ACIR finalized the audit proceedings by issuing order vide DCR NO.04/02 dated 31 October 2016 u/s 122(1) of the Income Tax Ordinance, 2001. Being 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 Rupees 551 million vide order No. 8/75(u-1) dated 28 April 2016 . The assessment of the Company was amended by disallowing subsidy amounting to Rupees 11,239 million and business losses from tax year 2010 to 2014 amounting to Rupees 72,868 million. CIR(A) upheld the order in original. The Company filed an appeal before ATIR which is pending adjudication.

24.1.22 The DCIR passed Order-in-Original No. 07/2018 dated 30 June 2018 raising demand for Rupees 534 million alleging that the Company has claimed input tax related to items which were not used for business purpose and input tax cannot be adjusted. The Company filed an appeal before CIR (A). The CIR (A) vide Order in Appeal No. 117/2019 dated 28 January 2019 decided case against the Company. The Company has filed an appeal before the ATIR which is pending adjudication.

24.1.23 The DCIR passed Order-in-Original No. 4/2018 dated 26 June 2018 raising demand of Rupees 639 million alleging that the Company has wrongly treated supplies to AJK and others as zero rated. The company has filed an appeal before CIR (A). The CIR (A) vide order in appeal No. ST-25/2018 dated 12 September 2019 reduced the demand to Rupees 346 million. The case is pending at ATIR level.

24.1.24 Deputy Commissioner Inland Revenue has issued order u/s 4B of the Income Tax Ordinance, 2001 raising demand of Rupees 35 million vide order No. 35402660 dated 7 August 2018. Being aggrieved the Company filed an appeal before CIR (Appeal) against the order. CIR (Appeal) vide order in Appeal No. 137/2018 dated 13 September 2018 upheld the order of DCIR. The company has filed appeal before ATIR which is pending adjudication.

24.1.25 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.

24.1.26 In addition to above-mentioned matters, large number of small cases have been filed against the Company, primarily by the Company's employees, customers 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 Books of account of the Company are not in agreement with the records of Central Power Purchasing Agency (Guarantee) Limited (CPPA) in respect of amount payable to CPPA. There is a net difference of Rupees 13,036.88 million between the amount confirmed by CPPA and the amount recorded in the books of the Company as at 30 June 2019. Reconciliation of this difference reveals that there are certain charges levied by CPPA which the management does not acknowledge, unless both the parties do not resolve these differences the amount of liability recognized in the books of the Company cannot be adjusted.

Claims not acknowledged as debts are as follows:

	NOTE	2019 Rupees	2018 Rupees
Loans not acknowledged as debt by the Company	24.2.1	-	25,399,096,471
Interest on syndicated loans	24.2.1	1,329,507,190	974,166,399
Supplemental charges of CPPA	24.2.2	7,395,993,557	7,395,993,557
Advertisement charges - net	24.2.3	459,949,668	459,949,667
O&M Cost of PEPCO	24.2.4	539,349,639	535,350,437
Short cash remittance as per CPPA		13,304,505	121,628,257
Use of system charges	24.2.5	1,580,935,490	1,580,935,490
Others	24.2.6	1,717,838,266	1,693,291,017
		13,036,878,315	12,761,314,824

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). These loans have been withdrawn by CPPA during the year.

Originally, PHPL planned to re-lend the loan to DISCO's through multi-party agreement between Lenders, DISCOs and PHPL with each DISCO jointly and severely 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 14 May 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 re-lending agreement between the Company and PHPL was received on 13 August 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 28 August 2012]. As of June 30, 2014, CPPA has issued advices of loan amounting to Rupees 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 Rupees 17,301 million and Rupees 6,562 million, resulting in total loan allocation of Rupees 34,241 million, along with related accrued mark-up of Rupees 7,716 million.

In 2017, CPPA on direction of MOWP issued one credit note amounting to Rupees 6,703 million and one debit note amounting to Rupees 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 30 June 2019 are Rupees Nil (2018: Rupees 25,399 million) and Rupees 1,329 million (2018: Rupees 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 07 September 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 (Private) Limited vide its letter No. 235-38, dated 21 January 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 mark-up 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 29 February 2016. According, to which late payment charges recovered from consumers on utility bills shall be off set 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 30 June 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 Rupees 459.949 million (2018: Rupees 459.949 million) 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.

24.2.5 In 2017, CPPA has issued a credit note to the Company for an amount of Rupees 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.

24.2.6 These represents 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 adjustment, therefore these have not been recorded in the Company's books.

24.3 Commitments

24.3.1 Inland letters of credit as at 30 June 2019 amounted to Rupees 393 million (2018: Rupees 1,122 million).

	2019 Rupees	2018 Rupees
25 SALE OF ELECTRICITY		
Gross sales	158,167,774,792	112,782,405,480
Sales tax	(29,241,046,759)	(16,585,156,271)
	128,926,728,033	96,197,249,209

25.1 This includes unbilled revenue of Rupees 7,349.003 million (2018: Rupees 6,552 million).

25.2 For the year ended 30 June 2016 and from 01 July 2016 to 22 March 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, 10 June 2015 and recorded revenue accordingly. The Company filed a multiyear tariff petition on 10 October 2015 for determination of its tariff from 2016 to 2020. In response NEPRA through case No. NEPRA/TRF-336 pronounced the tariff determination on 29 February 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 18 May 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 Judgment dated 22 June 2017, the tariff of the Company was re-determined by the Authority on 18 September 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 22 March 2018. Loss sustained by the Company during the year 2017-18 was mainly due to delay in notification of revised tariffs. NEPRA vide its determination letter number NEPRA/TRF/336/13637-13639 dated 31 August 2018 has allowed the Company certain positive tariff adjustments for the year 2017-18 which were notified by GoP through SRO 04/(1)/2019 dated 01 January 2019.

	NOTE	2019 Rupees	2018 Rupees
26 SUBSIDY FROM GOVERNMENT OF PAKISTAN			
Tariff differential subsidy	9.2	16,964,938,061	9,316,374,752
Industrial support program		-	1,864,496,167
		16,964,938,061	11,180,870,919

	2019 Rupees	2018 Rupees
27 COST OF ELECTRICITY		
Central Power Purchase Agency		
Cost of electricity	130,194,895,311	114,487,158,075
Supplementary charges	2,721,445,656	817,070,702
	132,916,340,967	115,304,228,777

27.1 This represents tariff charged by Central Power Purchase 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 29 February 2016, late payment charges recovered from consumers on utility bills shall be off set 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 Rupees 3,102 million (2018: Rupees 817 million), received during the year against the late payment charges billed to consumers amounting to Rupees 1,498 million (2018: Rupees 973 million) during 2018-19.

		NOTE	2019 Rupees	2018 Restated Rupees
28	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	28.1	6,701,770,691	5,779,333,823
	Transportation		129,832,387	138,019,323
	Depreciation	3.1.2	84,992,218	79,513,108
	Market operation fee		36,816,380	92,907,715
	Electricity bill collection charges		133,219,710	119,980,529
	Office supplies and other expenses		59,066,005	63,930,985
	Legal and professional charges		139,483,668	96,894,616
	Repairs and maintenance		4,457,706	5,173,681
	Power, light and water charges		18,236,060	7,842,420
	Postage and telephone		74,015,679	40,357,269
	Insurance expense		28,639,627	24,996,955
	NEPRA fee and charges		36,107,438	27,701,234
	Advertising and publicity		17,282,971	43,853,106
	Auditor's remuneration		1,725,000	1,500,000
	Miscellaneous expenses		17,947,439	15,194,953
			7,483,592,979	6,537,199,717

28.1 This includes a sum of Rupees 4,705 million (2018: Rupees 4,964 million) in respect of staff retirement benefits.

		NOTE	2019 Rupees	2018 Rupees
29	**DISTRIBUTION COSTS**			
	Salaries, wages and other benefits	29.1	6,501,839,752	6,286,330,439
	Depreciation	3.1.2	4,529,343,369	4,114,405,494
	Electricity bill collection charges		25,872	-
	Repairs and maintenance		1,070,992,333	1,303,623,011
	Transportation		496,099,220	449,151,240
	Provision against slow moving stores, spares and loose tools		-	6,124,801
	Office supplies and other expenses		16,070,465	13,475,595
	Rent, rates and taxes		36,550,337	35,699,877
	Legal and professional charges		70,639	15,000
	Power, light and water charges		29,794,864	23,347,413
	Postage and telephone		20,851,551	20,159,098
	Advertising and publicity		108,890	-
	Miscellaneous expenses		70,964,041	67,655,876
			12,772,711,333	12,319,987,844

29.1 This includes a sum of Rupees Nil (2018: Rupees 89 million) in respect of staff retirement benefits.

30	**CUSTOMER SERVICES COSTS**			
	Salaries, wages and other benefits	30.1	501,459,818	489,027,368
	Transportation		28,009,542	29,317,477
	Electricity bill collection charges		60,584,196	53,958,534
	Depreciation	3.1.2	84,992,218	57,724,236
	Office supplies and other expenses		3,714,744	3,617,163
	Rent, rates and taxes		2,081,236	2,298,196
	Power, light and water charges		3,292,155	3,114,738
	Postage and telephone		2,308,347	1,946,603
	Repairs and maintenance		1,520,864	1,258,136
	Advertising and publicity		4,560	-
	Miscellaneous expenses		4,296,562	3,976,401
			692,264,242	646,238,852

30.1 This includes a sum of Rupees Nil (2018: Rupees 19 million) in respect of staff retirement benefits.

	NOTE	2019 Rupees	2018 Rupees

31 OTHER INCOME

Income from financial assets			
Profit on bank deposits		56,130,129	45,018,031
Late payment surcharge		1,498,658,115	973,548,978
		1,554,788,244	1,018,567,009
Income from non-financial assets			
Sale of scrap		71,664,479	42,409,116
Vetting and processing fee		61,963,318	52,525,119
Income from Rest Houses		1,404,740	1,833,704
Operating revenue		308,323,826	502,866,300
		443,356,363	599,634,239
Others			
Public lighting		14,843,143	14,580,240
Commission on collection of electricity duty and PTV license fee		50,905,805	42,168,017
Liquidated damages		39,878,465	45,717,084
Meter / service rent		29,889,742	29,936,670
Reconnection fees		3,692,163	3,361,131
Miscellaneous		106,004,373	111,935,617
		245,213,691	247,698,759
		2,243,358,298	1,865,900,007

32 FINANCE COST

Interest on long term loans		1,580,850,953	1,826,762,704
Bank charges		7,225,383	10,745,738
Exchange loss		68,569,530	30,187,446
		1,656,645,866	1,867,695,888

33 TAXATION

Current			
For the year		1,638,924,453	1,225,226,639
Deferred		-	-
		1,638,924,453	1,225,226,639

33.1 The provision for minimum taxation is calculated @ 1.25% (2018: 1.25%) of the Company's gross revenue and other income under the provisions of the Income Tax Ordinance, 2001.

33.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as taxable income and tax liability are based on minimum tax payable on turnover for the year.

34 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	NOTE	Long term loans Rupees
Balance as at 01 July 2018		10,533,519,155
Proceeds from long term loans		1,479,978,009
Non-cash settlement	7.1	(3,471,471,001)
Exchange loss		68,569,530
Balance as at 30 June 2019		**8,610,595,693**

Rees.

35 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are given below:

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	.... Rupees		....	
Managerial remuneration and allowances	4,735,200	3,130,588	118,081,608	84,275,028
Bonus	172,820	403,545	5,728,680	8,402,560
Retirement benefits	1,771,311	1,171,069	28,535,122	20,365,561
	6,679,331	4,705,202	152,345,410	113,043,149
Number of persons	1	1	44	36

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

The aggregate amount charged in the financial statements for the year as fee to directors is Rupees 5,880,000 (2018: Rupees 8,260,000) for attending Board of Directors and sub-committee meetings.

36 FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. 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, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

a) Market risk

i) Currency risk

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

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 $; 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:

	2019	2018
USD		
Long term loans - secured	1,757,033	1,792,239
Net exposure	1,757,033	1,792,239

The following significant exchange rates were applied during the year:

	2019	2018
Rupees per USD		
Average rate	**135.96**	110.59
Reporting date rate	**160.05**	121.75

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 14.06 million (2018: Rupees 10.91 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) Other price risk

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

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.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
	Rupees	Rupees
Fixed rate instruments		
Financial assets		
Deposit accounts	1,908,837,260	977,699,342
Financial liabilities		
Long term loans	8,610,595,693	10,533,519,155

Fair value sensitivity analysis for fixed rate instruments

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

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

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:

	2019	2018
	Rupees	Rupees
Long term loans	159,181,607	122,417,639
Security deposits	73,736,230	73,736,230
Trade debts	96,970,187,670	84,097,887,276
Interest accrued on bank deposits	8,615,846	6,484,619
Other receivables	3,386,314,935	2,283,636,353
Receivable from TIBL	30,790,759	30,790,759
Bank balances	3,332,883,255	1,930,772,760
	103,961,710,302	88,545,725,636

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The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2019	2018
Public Sector Banks	**Short term**	**Long term**	**Agency**	**Rupees**	**Rupees**
National Bank of Pakistan	A-1+	AAA	PACRA	1,223,184,413	174,650,669
Sindh Bank Limited	A-1	A+	VIS	810,295	513,866
The Bank of Khyber	A-1	A	PACRA	327,621	(195,457)
The Bank of Punjab	A-1+	AA	PACRA	393,204,199	189,552,696
Specialized Banks					
SME Bank Limited	B	CCC	PACRA	(230,990)	19,708
Zarai Taraqiati Bank Limited	A-1+	AAA	VIS	2,671,737	3,632,433
Private Sector Banks					
Allied Bank Limited	A-1+	AAA	PACRA	96,343,226	377,454,906
Askari Bank Limited	A-1+	AA+	PACRA	446,398,832	342,110,045
Bank Alflah Limited	A-1+	AA+	PACRA	18,793,835	14,728,727
Faysal Bank Limited	A-1+	AA	PACRA	418,647	(677,257)
Habib Bank Limited	A-1+	AAA	VIS	40,839,084	100,280,332
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	-	(2,968,596)
JS Bank Limited	A-1+	AA-	PACRA	-	5,565,386
MCB Bank Limited	A-1+	AAA	PACRA	823,618,857	316,580,337
MCB Islamic Bank Limited	A-1	A	PACRA	651,666	369,931
Silkbank Limited	A-2	A-	VIS	331,317	(233,131)
Soneri Bank Limited	A-1+	AA-	PACRA	581,259	183,328
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	2,803,519	3,186,482
Summit Bank Limited	A-3	BBB-	VIS	-	956,406
United Bank Limited	A-1+	AAA	VIS	176,030,684	277,672,341
Other institutions	N/A	N/A	N/A	106,105,054	127,389,608
				3,332,883,255	1,930,772,760

The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 7.

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

c) **Liquidity risk**

Liquidity risk is the risk that 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	-------------	-------------
Non-derivative financial liabilities:					
2019					
Long term loans - secured	8,610,595,693	8,610,595,693	1,557,571,177	3,449,647,312	3,603,377,204
Long term security deposits	6,045,080,129	6,045,080,129	-	-	6,045,080,129
Trade and other payables	107,207,834,404	107,207,834,404	107,207,834,404	-	-
Accrued mark-up	4,332,903,161	4,332,903,161	4,332,903,161	-	-
	126,196,413,387	126,196,413,387	113,098,308,742	3,449,647,312	9,648,457,333
2018					
Long term loans - secured	10,533,519,155	10,533,519,155	4,182,882,220	3,534,335,742	2,816,301,193
Long term security deposits	5,568,091,813	5,568,091,813	-	-	5,568,091,813
Trade and other payables	75,872,523,880	75,872,523,880	75,872,523,880	-	-
Accrued mark-up	9,289,686,928	9,289,686,928	9,289,686,928	-	-
	101,263,821,776	101,263,821,776	89,345,093,028	3,534,335,742	8,384,393,006

36.2 Financial instruments by categories

	2019 Rupees At amortized cost	2018 Rupees Loans and receivables
As at 30 June		
Assets as per statement of financial position		
Long term loans	159,181,607	122,417,639
Long term deposits	73,736,230	73,736,230
Trade debts	96,970,187,670	84,097,887,276
Interest accrued	8,615,846	6,484,619
Other receivables	3,386,314,935	2,283,636,353
Receivable from TIBL	30,790,759	30,790,759
Cash and bank balances	3,332,892,482	1,930,782,070
	103,961,719,529	88,545,734,946

	At amortized cost Rupees	Rupees
Liabilities as per statement of financial position		
Long term loans - secured	8,610,595,693	10,533,519,155
Long term security deposits	6,045,080,129	5,568,091,813
Trade and other payables	107,207,834,404	75,872,523,880
Accrued interest	4,332,903,161	9,289,686,928
	126,196,413,387	101,263,821,776

36.3 Offsetting financial assets and liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

36.4 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern. The Company is not exposed to any external capital requirement. As public interest entity, financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

37 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

38 RECOGNIZED FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS

(i) Fair value hierarchy

The judgments and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2019	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Freehold land	-	13,119,841,459	-	13,119,841,459
Leasehold land	-	4,824,460,000	-	4,824,460,000
Buildings on freehold land	-	3,418,400,754	-	3,418,400,754
Buildings on leasehold land	-	364,574,374	-	364,574,374
Distribution equipment	-	64,185,185,215	-	64,185,185,215
	-	85,912,461,802	-	85,912,461,802

Raco

At 30 June 2018	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Freehold land	-	13,119,841,459	-	13,119,841,459
Leasehold land	-	4,824,460,000	-	4,824,460,000
Buildings on freehold land	-	3,279,729,893	-	3,279,729,893
Buildings on leasehold land	-	374,480,665	-	374,480,665
Distribution equipment	-	61,398,354,835	-	61,398,354,835
	-	82,996,866,852	-	82,996,866,852

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for its property, plant and equipment after regular intervals. The management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery and electric installations is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the replacement value / new purchase of the same plant and machinery and electric installation.

39 RELATED PARTY TRANSACTIONS

WAPDA holds 88% (2018: 88%) shares of the Company, therefore all electricity generation and distribution undertakings of WAPDA as disclosed in note 11 and 23 to the financial statements 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 35 to the financial statements, are as follows:

	2019 Rupees	2018 Rupees
WAPDA		
Net Pension paid on behalf of WAPDA	40,908,639	281,464,577
Related parties		
Free electricity supplied on behalf of related parties	93,387,103	61,985,796
Free electricity supplied on behalf of Company	74,393,433	49,763,336
Pension paid on behalf of related parties	380,132,507	304,265,577
Pension paid on behalf of the Company	426,299,175	334,388,907
Cost of power purchased from CPPA	132,916,340,967	115,304,228,777
Cash remitted to CPPA	107,714,694,930	97,536,988,920
Services provided to the Company	3,126,128,070	12,761,252,687
Government related entities		
Relent loan received during the year	1,479,978,009	1,263,045,017
Adjusted during the year	(3,471,471,001)	-
Markup expense during the year	1,580,850,953	1,826,762,704
Subsidy claimed during the year	16,964,938,061	11,180,870,919
Subsidy received through adjustment of CPPA payable during the year	(16,496,521,535)	(18,263,460,652)

40 NUMBER OF EMPLOYEES

The number of total employees at the year end were 11,179 (2018: 13,521), whereas the average number of employees during the year were 12,350 (2018: 12,905).

41 PROVIDENT FUND

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

42 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 10,789,046,374 (2018: 10,605,862,607) units of electricity to its consumers during the year.

43 BENAZIR EMPLOYEE STOCK OPTION SCHEME

On 14 August 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.

44 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Restatement due to rectification of prior period error described in the note 2.23. Deposit for issue of share capital is classified in equity for better presentation. No other reclassification / rearrangements of corresponding figures have been made except the following:

From	To	Rupees
Advances	Intangible asset under development	43,678,792
Long term deposits	Security deposits	73,736,230

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 06 NOV 2019 by the Board of Directors of the Company.

46 GENERAL

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

CHIEF EXECUTIVE OFFICER

Saadullah Khan

CHAIRMAN