ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Deloitte.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Islamabad Electric Supply Company Limited** (the Company) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except as described in paragraph (a) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our qualified opinion and after due verification, we report that:

(a) as explained in note 9.1 to the financial statements, the Company's trade debts include an amount of Rs. 44,276 million receivable from the Government of Azad Jammu and Kashmir (GoAJK) against supply of electricity, being the difference between electricity amounts billed to the GoAJK, at the tariff rates determined by National Electric Power Regulatory Authority, and notified by the Federal Government, from time to time and the amount paid by the GoAJK at Rs. 2.59 per unit. The Company has claimed this amount from the Government of Pakistan (GoP) based on decision taken as discussed in the above referred note. However, in absence of official notification in this regard, we have not been able to obtain sufficient appropriate audit evidence regarding the recovery of these receivables and consequently, we were unable to determine whether any adjustment to this amount was necessary;

(b) in our opinion, except for the possible effects of the matter described in paragraph (a) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) in our opinion, except for the possible effects of the matter described in paragraph (a) above;

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(d) in our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

(i) as explained in note 11.2 to the financial statements, management has taken up the matter of subsidy receivable from the Government of Pakistan, amounting to Rs. 2,815 million recognized in 2014 on account of non-charging of Fuel Price Adjustment to domestic consumers, for the period from August 2011 to March 2013. The recovery of said amount is dependent on the notification by the Government of Pakistan;

(ii) note 25.2.1, where it has been explained that the Company has not recorded various credit and debit notes received from the Central Power Purchasing Agency (CPPA), relating to the Company's share of borrowings obtained by the Federal Government, in order to settle the matter of circular debt in the country along with the related accrued markup thereon, amounting to Rs. 34,241 million and Rs. 7,716 million, respectively; and

(iii) note 25.1, which describes various matters regarding tax contingencies, the ultimate outcome of which cannot be presently determined; hence pending the resolution thereof, no provision for the same has been made in accompanying financial statements.

Our opinion is not qualified in respect of these matters.

The financial statements of the Company for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who had expressed a qualified opinion in respect of disputed receivable balance from GoAJK against supply of electricity and also added emphasis of matter paragraphs in respect of subsidy receivable from GoP against fuel price adjustment related to consumers having electricity consumption up to the extent of 350 units, amounting to Rs. 2,815 million; non-recording of credit notes received from CPPA relating to the Company's share of borrowings obtained by Federal Government and related accrued markup amounting to Rs. 34,241 million and Rs. 6,159 million respectively; and various tax related contingent matters disclosed in the relevant notes to the financial statements, vide their report dated October 21, 2015.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Shahzad Ali

Dated: 07 NOV 2016
Islamabad

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		-----------Rupees-----------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	86,430,846,482	73,781,355,373
Long-term loans	7	60,020,353	51,374,283
Long-term deposit		1,586,230	41,589,230
		86,492,453,065	73,874,318,886
CURRENT ASSETS			
Stores, spares and loose tools	8	604,712,053	447,668,488
Trade debts	9	55,980,270,195	47,307,925,161
Current portion of long-term loans	7	20,374,089	19,757,113
Short-term advances	10	255,525,824	157,443,063
Interest accrued		784,555	637,891
Receivable from Government of Pakistan	11	7,768,646,740	5,740,308,372
Other receivables	12	9,393,221,327	4,094,101,375
Recoverable from tax authorities	13	13,656,825,360	15,226,450,157
Receivable from TIBL	14	80,681,259	80,681,259
Cash and bank balances	15	1,354,641,206	1,454,324,057
		89,115,682,608	74,529,296,936
NON-CURRENT ASSETS HELD FOR SALE	14	16,000,000	16,000,000
TOTAL ASSETS		175,624,135,673	148,419,615,822
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized capital			
5,000,000,000 (2015: 5,000,000,000) Ordinary shares of Rs. 10/- each		50,000,000,000	50,000,000,000
Issued, subscribed and paid up capital	16	5,798,253,340	5,798,253,340
Revenue reserve			
Accumulated profit		6,086,187,964	21,699,667,115
		11,884,441,304	27,497,920,455
Deposit for shares	17	20,112,510,939	20,112,510,939
SURPLUS ON REVALUATIOIN OF OPERATING FIXED ASSETS - NET OF TAX	18	25,561,479,637	19,462,554,442
NON-CURRENT LIABILITIES			
Long-term loans	19	5,564,263,745	5,490,149,719
Long-term security deposits	20	4,581,775,257	4,245,547,242
Deferred liabilities:			
Staff retirement benefits	21	31,639,179,729	21,069,309,030
Deferred taxation - net	22	-	-
Deferred credit	23	23,079,719,609	21,802,389,603
		64,864,938,340	52,607,395,594
CURRENT LIABILITIES			
Trade and other payables	24	44,122,053,850	19,742,686,634
Interest accrued on long-term loans		6,218,088,444	4,860,004,779
Current portion of long-term loans	19	2,860,623,159	2,295,009,081
Provision for taxation		-	1,841,533,898
		53,200,765,453	28,739,234,392
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		175,624,135,673	148,419,615,822

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30 ,2016

	Note	2016	2015
		-----------Rupees-----------	
Sale of electricity - net	26	**68,326,433,516**	87,828,629,744
Tariff differential subsidy	11	**6,502,411,709**	11,239,577,025
		74,828,845,225	99,068,206,769
Cost of electricity	27	**(72,478,456,439)**	(82,138,901,239)
Gross profit		**2,350,388,786**	16,929,305,530
Amortization of deferred credit	23	**1,155,756,569**	1,070,598,539
		3,506,145,355	17,999,904,069
Operating expenses:			
Administrative expenses	28	**(5,280,695,242)**	(4,600,824,519)
Distribution costs	29	**(7,789,287,333)**	(8,263,659,648)
Customer services costs	30	**(528,085,200)**	(565,680,260)
		(13,598,067,775)	(13,430,164,427)
Operating (loss) / profit		**(10,091,922,420)**	4,569,739,642
Other income	31	**1,222,340,535**	1,164,492,508
		(8,869,581,885)	5,734,232,150
Finance costs	32	**(1,176,155,720)**	(1,149,190,757)
(LOSS) / PROFIT BEFORE TAXATION		**(10,045,737,605)**	4,585,041,393
Taxation			
Current		**(683,264,335)**	(1,841,533,898)
Deferred		**2,983,201,531**	-
	33	**2,299,937,196**	**(1,841,533,898)**
NET (LOSS) / PROFIT FOR THE YEAR		**(7,745,800,409)**	2,743,507,495

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----------Rupees-----------	
Net (loss) / profit for the year	**(7,745,800,409)**	2,743,507,495
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:		
Actuarial loss relating to defined benefit plans	(8,090,282,058)	(3,994,389,071)
Total comprehensive income for the year	**(15,836,082,467)**	(1,250,881,576)

Surplus arising on 'revaluation of operating fixed assets' is presented under a separate head below equity as 'surplus on revaluation of assets' in accordance with the requirements specified by the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and Companies Ordinance, 1984, respectively.

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----------Rupees-----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(10,045,737,605)	4,585,041,393
Adjustment for non-cash items:		
Depreciation	2,045,131,180	1,889,456,717
Write off of distribution equipment	1,166,289	-
Amortization of deferred credit	(1,155,756,569)	(1,070,598,539)
Provision for staff retirement benefits	3,861,114,380	4,352,783,963
Provision for doubtful debts	158,213,049	168,320,733
Provision/(reversal) for obsolete inventory	21,002,427	(30,690,644)
Reversal of accrued interest recorded in non-current assets held-for-sale	-	10,297,841
Profit on bank deposits	(15,264,138)	(2,747,864)
Exchange loss - net	5,476,235	5,330,656
Finance costs	1,170,679,485	1,143,860,101
	(3,953,975,267)	11,051,054,357
Working capital changes:		
(Increase) / decrease in current assets		
Store, spares and loose tools	(178,045,992)	6,805,414
Trade debts	(8,830,558,083)	(7,876,513,481)
Short term advances	(98,082,761)	(9,351,216)
Recoverable from tax authorities	1,772,870,145	(3,669,555,461)
Receivable from Government of Pakistan	(2,028,338,368)	(85,563,033)
Other receivables	(5,299,119,952)	(342,256,914)
Increase / (decrease) in current liabilities		
Trade and other payables	26,812,453,793	5,463,974,965
	12,151,178,782	(6,512,459,726)
Net operating cash flows after working capital changes	8,197,203,515	4,538,594,631
Long-term security deposits	336,228,015	430,687,203
Long-term deposit	40,003,000	(41,500,000)
Staff retirement benefits paid	(1,381,525,739)	(1,185,218,416)
Long-term loans given during the year	(9,263,046)	(5,715,501)
Finance costs paid	(8,608,291)	131,921,991
Income tax paid	(2,728,043,581)	(91,800,727)
Net cash generated from operating activities	4,445,993,873	3,776,969,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(5,195,046,067)	(4,826,754,187)
Profit on bank deposits	15,117,474	3,203,377
Net cash used in investing activities	(5,179,928,593)	(4,823,550,810)

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----------Rupees-----------	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	**634,251,869**	535,157,312
Net cash generated from financing activities	**634,251,869**	535,157,312
Net (decrease) in cash and cash equivalents	**(99,682,851)**	(511,424,317)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,454,324,057**	1,965,748,374
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,354,641,206**	1,454,324,057

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Revenue reserve	
	Issued, subscribed and paid up	Accumulated profit	Total
	Rupees		
Balance as at June 30, 2014	**5,798,253,340**	**22,734,397,645**	**28,532,650,985**
Net profit for the year	-	2,743,507,495	2,743,507,495
Other comprehensive income	-	(3,994,389,071)	(3,994,389,071)
Total comprehensive income for the year	-	**(1,250,881,576)**	**(1,250,881,576)**
Transfer from surplus on revaluation of operating fixed assets recognized directly in equity - net of deferred tax	-	216,151,046	**216,151,046**
Balance as at June 30, 2015	**5,798,253,340**	**21,699,667,115**	**27,497,920,455**
Net profit for the year	-	(7,745,800,409)	(7,745,800,409)
Other comprehensive income	-	(8,090,282,058)	(8,090,282,058)
Total comprehensive income for the year	-	**(15,836,082,467)**	**(15,836,082,467)**
Transfer from surplus on revaluation of operating fixed assets recognized directly in equity - net of deferred tax	-	222,603,316	**222,603,316**
Balance as at June 30, 2016	**5,798,253,340**	**6,086,187,964**	**11,884,441,304**

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

1. The Company and its operations

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

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

2. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

		Effective date (accounting periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015
IAS 27(Revised 2011)	Separate Financial Statements	January 01, 2015
IAS 28(Revised 2011)	Investments in Associates and Joint Ventures	January 01, 2015

Certain annual improvements have also been made to a number of IFRSs.

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

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

	Effective date (accounting periods beginning on or after)
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely. Earlier adoption is permitted.
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 01, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

3. Basis of preparation

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

4. Significant accounting estimates and judgments

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

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

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

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

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

4.2 Provision for obsolete stores, spares and loose 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.

4.3 Provision for doubtful trade debts

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

4.4 Provision for staff retirement benefits

The actuarial valuation of pension, medical benefits, compensated absences plans and free electricty (note 21) requires the use of certain assumptions related to future periods, including increase in future salary / pension / medical costs, inflation rate and the discount rate used to discount future cash flows to present values.

4.5 Provision for taxation

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

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

4.6 Other provisions and contingent liabilities

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

5. Summary of significant accounting policies

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

5.1 Functional and presentation currency

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

5.2 Foreign currency transactions and translations

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

5.3 Borrowings costs

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

5.4 Property, plant and equipment

a) Operating fixed assets

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

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

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

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

b) Surplus on revaluation of operating fixed assets

The surplus arising on revaluation of operating fixed assets is credited to the "Surplus on Revaluation of Operating Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

i. depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation; and

ii. an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profits / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

c) Capital work-in-progress

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

5.5 Impairment of non-financial assets

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

5.6 Stores, spares and loose tools

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

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

5.7 Trade debts

Trade debts are carried at original billed value less an estimate for provision for doubtful debts. Trade debts are written-off when considered irrecoverable. Provision for doubtful debts is calculated as follows:

a) No provision on government arrears;
b) Provision on arrears from private consumers as per the following company policy:

	Active	Disconnected
Up to 1 year	Nil	25%
1-3 years	10%	50%
3-5 years	50%	100%
Above 5 years	100%	100%

5.8 Loans and other receivables

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

5.9 Cash and cash equivalents

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

5.10 Staff retirement benefits

The Company operates unfunded pension, post retirement free electricity, medical benefits and compensated absences schemes for all its permanent employees. Provisions are made in accordance with the actuarial recommendations using the Projected Unit Credit Method as required by IAS-19. The latest valuation was carried out as at June 30, 2016.

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

5.11 Deferred credit

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

5.12 Trade and other payables

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

5.13 Revenue recognition

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

a) Electricity sale

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

b) Tariff differential subsidy

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

c) Rental and service income

Meter rentals are recognized on a time proportionate basis.

d) Interest / mark-up

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

5.14 Borrowings

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

5.15 Provisions

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

5.16 Taxation

a) Current

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

b) Deferred

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

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

5.17 Financial instruments

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

a) Financial assets

Classification and subsequent measurement

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

i. Fair value through profit or loss

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

ii. Loans and receivables

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

Impairment of financial assets

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

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

i. Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liabilities upon initial recognition as being at fair value through profit or loss .

ii. Other financial liabilities

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

c) Offsetting of financial assets and financ!al liabilities

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

5.18 Off-setting of financial assets and financial liabilities

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

6. **PROPERTY, PLANT AND EQUIPMENT**

	Note	2016	2015
		---------Rupees---------	
Operating fixed assets	6.1	**79,888,913,112**	67,555,846,755
Capital work-in-progress	6.2	**6,541,933,370**	6,225,508,618
		86,430,846,482	73,781,355,373

6.1 **Operating fixed assets**

	Cost						Accumulated depreciation					Written down value
	At 01 July	Additions/ transfers	Disposals/write off/adjustments*	Revaluation surplus / (deficit) / (revaluation adjustment)**	At 30 June	Rate	At 01 July	Charge for the year note 6.1.2	Disposals	Revaluation adjustment	At 30 June	At 30 June
	----------Rupees----------						----------Rupees----------					
Description												
2016												
Freehold land	13,119,976,454	4	(231,000,000)	-	12,888,976,458		-	-	-	-	-	12,888,976,458
Leasehold land	4,824,460,000	-	-	-	4,824,460,000	33 years	-	-	-	-	-	4,824,460,000
Buildings on freehold land	3,972,839,352	122,514,562	(102,300,001)	(562,826,333) (383,019,163)	3,047,208,417	2%	317,676,489	80,567,141	(14,799,298)	(383,019,163)	425,169	3,046,783,248
Buildings on leasehold land	553,000,923	46,126,477	-	(153,197,106) (58,636,738)	387,293,556	2%	48,035,371	10,830,246	-	(58,636,738)	228,879	387,064,677
Distribution equipment	53,158,557,519	4,853,521,065	(1,166,289)	10,339,254,184 (9,900,432,722)	58,449,733,757	3.5%	8,031,319,152	1,904,740,208	-	(9,900,432,722)	35,626,638	58,414,107,119
Vehicles	681,817,686	11,947,039	-	-	693,764,725	10%	478,349,386	26,609,507	-	-	504,958,893	188,805,832
Computer and ancillary equipment	121,400,105	3,791,038	-	-	125,191,143	33%	113,501,870	6,668,426	-	-	120,170,296	5,020,847
Furniture and fixtures	61,189,317	9,075,144	-	-	70,264,461	10%	35,005,289	4,351,977	-	-	39,357,266	30,907,195
Other plant and equipment	207,354,112	31,735,546	-	-	239,089,658	10%	120,861,155	15,440,767	-	-	136,301,922	102,787,736
	76,700,595,468	**5,078,710,875**	**(334,466,290)**	**(718,857,878)**	**80,725,982,175**		**9,144,748,712**	**2,049,208,272**	**(14,799,298)**	**(10,342,088,623)**	**837,069,063**	**79,888,913,112**
2015												
Freehold land	13,133,258,951	(13,282,497)	-	-	13,119,976,454		-	-	-	-	-	13,119,976,454
Leasehold land	4,824,460,000	-	-	-	4,824,460,000	33 years	-	-	-	-	-	4,824,460,000
Buildings on freehold land	3,886,058,996	86,780,356	-	-	3,972,839,352	2%	239,388,198	78,288,291	-	-	317,676,489	3,655,162,863
Buildings on leasehold land	507,955,012	45,045,911	-	-	553,000,923	2%	37,795,040	10,240,331	-	-	48,035,371	504,965,552
Distribution equipment	49,292,146,296	3,866,411,223	-	-	53,158,557,519	3.5%	6,273,265,082	1,758,054,070	-	-	8,031,319,152	45,127,238,367
Vehicles	527,072,817	154,744,869	-	-	681,817,686	10%	455,704,120	22,645,266	-	-	478,349,386	203,468,300
Computer and ancillary equipment	118,699,718	2,700,387	-	-	121,400,105	33%	105,853,035	7,648,835	-	-	113,501,870	7,898,235
Furniture and fixtures	56,883,246	4,306,071	-	-	61,189,317	10%	31,070,303	3,934,986	-	-	35,005,289	26,184,028
Other plant and equipment	191,109,901	16,244,211	-	-	207,354,112	10%	107,329,894	13,531,261	-	-	120,861,155	86,492,956
	72,537,644,937	4,162,950,531	-	-	76,700,595,468		7,250,405,672	1,894,343,040	-	-	9,144,748,712	67,555,846,755

* This represents freehold land and building retained by WAPDA over and above the critical requirement of IESCO communicated vide letter no. 437-44 dated January 01, 2009. This land situated at plot I&T center, G-7/1 Islamabad along with the affiliated building thereon was wrongly covered under revaluation exercise in 2014, and recorded in IESCO books, which has been rectified in the IESCO books accordingly.

** Revaluation adjustment represents elimination of accumulated depreciation as at the revaluation date against the gross carrying amount of revalued asset.

6.1.1 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 assets as at June 30, 2016 were performed by F.K.S Building Services, independent valuers not related to the Company. 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 labour 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 assesment 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	----------
2016			
Freehold land	**107,124,318**	**-**	107,124,318
Leasehold land	**56,887,270**	**(23,004,920)**	33,882,350
Buildings on freehold land	**3,913,137,060**	**(608,487,302)**	3,304,649,758
Buildings on leasehold land	**461,356,436**	**(83,631,482)**	377,724,954
Distribution equipment	**61,018,141,037**	**(19,214,447,396)**	41,803,693,641
	65,556,646,121	**(19,929,571,100)**	45,627,075,021
2015			
Freehold land	107,124,314	-	107,124,314
Leasehold land	56,887,270	**(23,004,920)**	33,882,350
Buildings on freehold land	3,892,922,500	**(530,224,561)**	3,362,697,939
Buildings on leasehold land	415,229,959	**(74,404,353)**	340,825,606
Distribution equipment	56,165,786,261	**(17,078,812,460)**	39,086,973,801
	60,637,950,304	**(17,706,446,294)**	42,931,504,010

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

	Note	2016	2015
		----------- Rupees	-----------
Administrative expenses	28	**66,818,909**	63,024,320
Distribution costs	29	**1,911,493,362**	1,763,408,077
Customer service costs	30	**66,818,909**	63,024,320
Included in capital work-in-progress		**4,077,092**	4,886,323
		2,049,208,272	1,894,343,040

6.1.3 In 2002, the Company entered into an agreement with Bahria Town Private Limited (BTPL) for the distribution of electricity to the society. As per the agreement, BTPL transferred 32 Kanals land in the name of the Company and agreed to bear all costs associated with the construction of a grid station and a building on the land. Later on, the Company assumed the ownership of the land, building and grid station, currently having carrying value of Rs. 242.76 million as at 30 June 2016, 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 Bahria Town (Private) Limited (BTPL) for distribution of electricity to licensed locations. The Company considers the territory granted under distribution licensees to BTPL as its inalienable right and any action to withdraw a part thereof would be violation of the Company's right under the NEPRA Act. Accordingly, the Company filed writ petition in Islamabad High Court to challenge NEPRA's decision of granting license to BTPL. In the meantime, BTPL approached Ministry of Water and Power, Government of Pakistan (MOWP) and submitted a request for settlement of the matter through arbitration process. On BTPL's request Secretary MOWP requested the chairman of the Board of Directors of the Company to withdraw the writ petition and settle the matter through arbitration. Shareholders of the Company in their Extra Ordinary General Meeting held on 14 June 2011 resolved to withdraw the writ petition filed in Islamabad High Court and enter into arbitration process with BTPL. However, the arbitration process could not yield the desired results to the Company and subsequent to which Board of Directors of the Company in their meeting held on 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 has been filed on 01 September 2012. During the year no hearing was held and the matter is pending for adjudication.

The management of the Company is confident of a favorable outcome of the writ petition filed with the Honorable Islamabad High Court and accordingly the fixed assets and land received from BTPL, having carrying values in aggregate of Rs. 242.76 million (2015: Rs. 210.49 million) have not been derecognized in these financial statements.

		Note	2016	2015
			------------Rupees------------	
6.2	**Capital work-in-progress**			
	Civil works		**29,929,307**	33,384,457
	Distribution equipment	6.2.2	**4,923,213,721**	5,081,790,080
		6.2.1	**4,953,143,028**	5,115,174,537
	Provision for impairment	6.2.3	**(89,738,197)**	(89,738,197)
			4,863,404,831	5,025,436,340
	Capital stores	6.2.4	**1,538,926,950**	1,136,765,281
	Advances to suppliers		**139,601,589**	63,306,997
			6,541,933,370	6,225,508,618

		2016	2015
6.2.1	**Movement in capital work-in-progress during the year**		
	Balance at the beginning of the year	**5,115,174,537**	4,360,067,523
	Additions during the year	**4,860,130,595**	4,753,344,504
	Transfers to operating fixed assets during the year:		
	- Building on freehold land	**(122,514,562)**	(86,780,356)
	- Building on leasehold land	**(46,126,477)**	(45,045,911)
	- Distribution equipment	**(4,853,521,065)**	(3,866,411,223)
		(5,022,162,104)	(3,998,237,490)
	Balance at the end of the year	**4,953,143,028**	5,115,174,537

	Note	2016	2015
		-----------Rupees-----------	

6.2.2 Breakup of distribution equipment is as follows:

Material	**2,522,572,605**	2,264,427,673
Labour	**379,871,224**	317,840,241
Overheads:		
Borrowing costs	**196,012,471**	139,058,772
Other	**709,147,823**	881,699,688
	905,160,294	1,020,758,460
Contract work	**1,115,609,598**	1,478,763,706
	4,923,213,721	5,081,790,080

6.2.2.1 The capitalization ratio for the year is 16.19% (2015: 16.26%)

6.2.3 This represents costs incurred on various capital projects which are no longer viable and are therefore fully provided for by the Company.

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

7. LONG-TERM LOANS

	2016	2015
	-----------Rupees-----------	
Secured, considered good		
To employees	**80,394,442**	71,131,396
Current portion shown under current assets	**(20,374,089)**	(19,757,113)
	60,020,353	51,374,283

7.1 These represent long-term loans given to employees for purchase of houses, plots, cars and motor cycles. House building and plot loans are repayable in 10 years, car and motor-cycle loans in 5 years and bicycle loans in 4 years. As per the Company's policy, the rate of mark-up charged on these loans is 12%-14% (2015:12%-14%) per annum, which is the same rate as that payable on employees balances in the General Provident Fund. Loans are secured by a mortgage of immovable property and hypothecation of vehicles.

8. STORES, SPARES AND LOOSE TOOLS

	Note	2016	2015
		-----------Rupees-----------	
Stores, spares and loose tools		**707,210,336**	529,164,346
Provision for slow moving/ obsolete items	8.1	**(102,498,283)**	(81,495,858)
		604,712,053	447,668,488

8.1 Movement in provision during the year is as follows:

	2016	2015
Balance at the beginning of the year	**81,495,858**	112,186,502
Charge / (reversal) for the year	**21,002,425**	(30,690,644)
Balance at the end of the year	**102,498,283**	81,495,858

9. TRADE DEBTS

	Note	2016	2015
Considered good	9.1, 9.2 & 26.1	**55,980,270,195**	47,307,925,161
Considered doubtful		**565,070,232**	406,857,183
		56,545,340,427	47,714,782,344
Provision for doubtful debts	9.3	**(565,070,232)**	(406,857,183)
		55,980,270,195	47,307,925,161

9.1 These include an amount of Rs. 44,276 million (2015: Rs. 34,975 million), receivable from the Government of Azad, Jammu and Kashmir (GoAJK), representing the differential of the amount billed to GoAJK on tariff determined by the National Electric Power Regulatory Authority (NEPRA) and the tariff approved by the sub-committee constituted at the time of a presentation given to the Chief Executive of Pakistan, in September 2002, on the Raising of the Mangla Dam. The rate approved by the sub-committee at that time was Rs. 2.32 per unit which was increased to Rs. 2.59 per unit subsequently. However, the Company has a practice to bill electricity supplied to GoAJK, on the basis of tariffs notified by the GoP from time to time, after determination by NEPRA. The GoAJK has been settling its dues at a tariff of Rs. 2.59/unit and contesting the applicability of tariff approved by NEPRA and notified by the GoP by claiming that AJK does not fall under purview of NEPRA.

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 May 29, 2015 to constitute a committee to deliberate the tariff issue with NEPRA and sort out an amicable tariff for all stake-holders. The said committee, in its meeting held on December 8, 2015, has formulated a proposal to revise the tariff by increasing up to Rs. 5.79 KWH, with effect from, July 01, 2015 which has also been agreed by Govt. of AJK vide letter no. SE/PS/70-82/2016 dated: January 01, 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 Rs. 43,510 million representing the AJK receivable balance, as tariff differential, with the Ministry of Water and Power for the period from April 2008 to June 2016, for onward submission to Ministry of Finance, pursuant to the decision made in meeting of such committee. Accordingly, the management is confident that the amount will be recovered as tariff differential subsidy in near future.

9.2 The Company's recievable from non-government consumers are secured to the extent of the consumers' security deposits against electricity connections, as disclosed in note 20.

9.3 Movement in provision for doubtful debts is as follows:

	2016	2015
	------------Rupees------------	
Balance at the beginning of the year	**406,857,183**	238,536,450
Provision during the year	**158,213,049**	168,320,733
Balance at the end of the year	**565,070,232**	406,857,183

10. SHORT-TERM ADVANCES

Considered good

	Note	2016	2015
		------------Rupees------------	
To suppliers		**214,773,135**	117,264,672
To employees against operating expenses		**40,752,689**	40,178,391
		255,525,824	157,443,063

11. RECEIVABLE FROM GOVERNMENT OF PAKISTAN

	Note	2016	2015
Balance at the beginning of the year		**5,740,308,372**	5,654,745,339
Subsidy recognized during the year on account of tariff differential subsidy	11.1	**6,502,411,709**	11,239,577,025
Subsidy received from GoP during the year		**(4,474,073,341)**	(11,154,013,992)
Balance at the end of the year	11.2	**7,768,646,740**	5,740,308,372

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

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

	Note	2016	2015
		------------Rupees------------	
12. OTHER RECEIVABLES			
Unsecured, considered good			
Receivable from related parties:			
Central Power Purchasing Agency		**6,899,554,246**	1,764,464,928
Other related parties on account of:			
Free electricity and other transactions	12.1	**1,376,307,123**	1,286,443,661
Pensions	12.2	**1,104,259,544**	1,019,823,192
Others		**13,100,414**	23,369,594
		9,393,221,327	4,094,101,375

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

	2016	2015
	------------Rupees------------	
WAPDA	**822,511,555**	792,449,881
National Transmission and Dispatch Company Limited	**516,610,062**	462,850,891
Pakistan Electric Power Company Limited	**14,324,697**	11,636,344
Quetta Electric Supply Company Limited	**7,730,345**	6,434,664
Northern Power Generation Company Limited	**5,208,679**	4,357,650
Central Power Generation Company Limited	**3,911,367**	3,419,813
Tribal Electric Supply Company Limited	**3,566,029**	3,114,003
Jamshoro Power Company Limited	**1,403,989**	1,261,224
Lakhra Power Generation Company Limited	**1,040,400**	919,191
	1,376,307,123	1,286,443,661

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

	Note	2016	2015
		------------Rupees------------	
WAPDA		**786,613,319**	749,121,677
National Transmission and Dispatch Company Limited		**161,606,645**	201,971,483
Lahore Electric Supply Company Limited		**16,426,854**	2,374,790
Faisalabad Electric Supply Company Limited		**23,072,862**	4,941,257
Gujranwala Electric Power Company Limited		**36,981,511**	18,782,440
Peshawar Electric Supply Company Limited		**10,222,904**	9,521,982
Multan Electric Power Company Limited		**13,879,029**	5,360,874
Hyderabad Electric Supply Company Limited		**9,461,693**	2,746,462
Northern Power Generation Company Limited (GENCO-III)		**12,436,830**	7,285,563
Central Power Generation Company Limited (GENCO-II)		**8,772,030**	8,651,727
Quetta Electric Supply Company Limited		**6,489,909**	3,632,099
Jamshoro Power Company Limited (GENCO-I)		**1,771,054**	1,184,748
Lakhra Power Generation Company Limited (GENCO-IV)		**131,373**	406,748
Pakistan Electric Power Company Limited		**13,879,411**	1,255,394
Tribal Area Electric Supply Company		**1,402,623**	899,781
Sukkur Electric Supply Company		**1,111,497**	1,686,167
		1,104,259,544	1,019,823,192

	Note	2016	2015
		------------Rupees------------	

13. RECOVERABLE FROM TAX AUTHORITIES

	Note	2016	2015
Sales tax	13.1	**1,316,463,281**	2,665,426,166
Other receivables from tax authorities	13.2	**11,888,477,929**	12,312,385,189
Advance income tax		**451,884,150**	248,638,802
		13,656,825,360	15,226,450,157

13.1 Sales tax

	Note	2016	2015
Excess of input tax over output tax		**1,316,463,281**	359,106,442
Sales tax paid under amnesty scheme on account of adjudication:			
- Government of AJ&K	13.1.1	-	1,269,950,880
- Steel melters and re-rollers litigation	13.1.2	-	1,036,368,844
		-	2,306,319,724
		1,316,463,281	2,665,426,166

13.1.1 Taxation Officer Inland Revenue (TOIR) passed the order against the Company in relation to alleged non-payment of sales tax on electricity supplied to the Government of AJK (GoAJK) involving sales tax demand of Rs. 1,269 million including default surcharge and penalty. This 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 IESCO vide order No. 65/IB/2011 and declared electricity supply to GoAJK as exempt supply by considering the Mangla raising agreement as bilateral treaty between the GoP and GoAJK. Subsequently, ATIR vide order No. 207 dated October 28, 2015, granted sales tax adjustment of Rs. 1,269 million on monthly sales tax return. FBR filed petition in Islamabad High Court (IHC) against the decision of ATIR. The Company also preferred an appeal before the IHC to declare such sales as an export. IHC decided the case against the Company, vide STR No. 265/2011 dated March 21, 2016, declaring the supplies as taxable. The Company has filed review petition in Honorable Supreme Court which is pending. The Company expects favorable decision, hence no provision is booked in these financial statements.

13.1.2 TOIR passed the order against the Company in relation to alleged non-payment of sales tax on electricity supplied by the Company to steel melters and re-rollers mills involving sales tax demand of Rs. 1,036 million along with default surcharge and penalty. Order of the TOIR was upheld by the Commissioner Inland Revenue (CIR) and ATIR. The Company filed an appeal against the judgment of ATIR, before the Honorable Lahore High Court (LHC), however, LHC dismissed the petition on the grounds that it does not relate to the question of law. During the year, DCIR vide order in remand No. 06/18/2015 dated July 06, 2015 allowed adjustment of the said amount in monthly sales tax return.

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

	Note	2016	2015
		------------Rupees------------	
14. RECEIVABLE FROM TIBL	14.1	**80,681,259**	80,681,259

14.1 These represented 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 Rs. 2,149,282 in cash, and for the remaining principal amount of Rs. 96,681,259 and accumulated interest thereon amounting to Rs. 10,297,841, TIBL transferred the possession of certain properties in the name of the Company representing various lands and buildings, having fair values of Rs. 49,890,500 and Rs. 57,088,600, respectively.

Further, under another separate agreement dated 04 July 2014, it was agreed that if the Company would sell or transfers 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, than 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 previous year, the Company was able to obtain the legal transfer of only one property in its name, having current market value of Rs. 16 million, 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 June 30, 2016, BoD, in the light of the fact that TIBL has not honored its commitments under the Separate Agreement mentioned above, resolved not to extend the above mentioned agreement between IESCO and TIBL. The BoD further directed the management to prepare a complete reference to be filed in NAB.

Therefore, an amount of Rs. 80.68 million representing the carrying values of properties not transferred by TIBL so far is being carried as receivable against investments 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.

	Note	2016	2015
		------------Rupees------------	
15. CASH AND BANK BALANCES			
Cash			
In hand		8,581	11,038
At banks in:			
- Deposit accounts	15.1 & 15.2	686,340,092	825,934,138
- Current accounts		668,292,533	628,378,881
		1,354,632,625	1,454,313,019
		1,354,641,206	1,454,324,057

15.1 These carry mark-up ranging from 4% to 7% per annum (2015: 5% to 8.5% per annum).

15.2 Included herein is an amount of Rs. 50.81 million (2015: Rs. 163.17 million) kept in separate bank accounts relating to customers' and employees' security deposits.

16. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		2016	2015
----Number of shares----			------------Rupees------------	
1,000	1,000	Ordinary shares of Rs. 10 each, issued for consideration in cash	10,000	10,000
579,824,334	579,824,334	Ordinary shares of Rs. 10 each, issued for consideration other than in cash	5,798,243,340	5,798,243,340
579,825,334	579,825,334		5,798,253,340	5,798,253,340

16.1 The President of Pakistan, WAPDA and the IESCO Employees Trust Fund, respectively hold 1,000 (2015: 1,000), 510,245,414 (2015: 510,245,414) and 69,578,920 (2015: 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.

	2016	2015
	------------Rupees------------	
17. DEPOSIT FOR SHARES	20,112,510,939	20,112,510,939

17.1 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.

	Note	2016	2015
		------------Rupees------------	
18. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS-NET OF TAX			
Balance at the beginning of the year		22,382,280,273	22,704,893,775
Surplus on revaluation during the year	6.1	9,623,230,745	-
Transfer to unappropriated profit in respect of incremental depreciation		(222,603,316)	(216,151,046)
Related deferred tax liability		(100,010,186)	(106,462,456)
Adjustment	6.1	(318,500,703)	-
		(641,114,205)	(322,613,502)
		31,364,396,813	22,382,280,273
Impact of deferred taxation			
Deferred tax liability at the beginning of the year		(2,919,725,831)	(3,026,188,287)
Charge for the year		(2,983,201,531)	-
Deferred tax liability on incremental depreciation charged during the year		100,010,186	106,462,456
		(5,802,917,176)	(2,919,725,831)
Balance at the end of the year - net of tax		25,561,479,637	19,462,554,442

19. LONG-TERM LOANS

	Note	2016	2015
From Government of Pakistan out of:			
Asian Development Bank - Trench I	19.1	2,056,802,452	2,056,802,452
Asian Development Bank - Trench II	19.2	1,636,996,810	1,605,657,100
International Bank for Reconstruction and Development	19.3	3,687,887,986	3,687,887,986
Asian Development Bank - Trench III	19.4	776,530,034	252,399,196
Earthquake Reconstruction and Rehabilitation Authority	19.5	187,701,155	182,412,066
Asian Development Bank - Trench IV	19.6	78,968,467	-
		8,424,886,904	7,785,158,800
		8,424,886,904	7,785,158,800
Current maturity shown under current liabilities		(2,860,623,159)	(2,295,009,081)
		5,564,263,745	5,490,149,719

19.1 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 a 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 (2015: US $ 23.31 million) up to the year end. The loan carries interest at 17% p.a. inclusive of exchange risk coverage fee of 6% charged both on the principal amount and the interest amount, separately. The initial agreed amount was later revised to a total allocation of 23.3 million via letter number 5654 from ADB dated July 17th, 2013. This closes the loan from ADB-1 as at the year end.

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. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to 30 June 2016, aggregating to Rs. 969,497,341 and Rs. 1,882,493,271 respectively. However, the principal amount which has fallen due and is due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.2 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 an amount of US $ 24.86 million has been allocated to the Company [vide letter No. 1(3) ADB-II/06-A dated 31 March 2011] of the MEAS, against which the Company has utilized US $ 16.50 million (2015: US $ 16.20 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 total amount of this was later revised to a total of 18.56 US $ through letter number 4871 from ADB dated June 06, 2013.

The loan is repayable in 34 semi-annual installments, excluding a grace period of 3 years, ending 01 December 2030, with a first repayment due on 01 June 2014. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to 30 June 2016, aggregating to Rs. 318,548,424 and Rs. 722,662,750 respectively. However, the principal amount which has fallen due and is due for repayment within the next 12 months of the reporting date have been transferred to the current portion.

19.3 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 $ 41.0 million (2015: US $ 41 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 40.98 US Dollars via the letter from World Bank dated July 16, 2015 and this closes the total loan from the World Bank as at June 30, 2016.

The loan is repayable in 26 semi-annual installments, excluding a grace period of 2 years, ending 15 March 2024 with first repayment due on 15 September 2011. Owing to an expected revision in the repayment schedules between the Debt Management Wing of MEAS and ADB, the Company has withheld the principal repayments along with related interest accrued up to 30 June 2016, aggregating to Rs. 1,572,577,394 and Rs. 3,477,264,139 respectively. However, the principal amount, which has fallen due and is due for repayment within the next 12 months of the reporting date, has been transferred to the current portion.

19.4 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 $ 7.54 million (2015: US $ 2.5 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. Since the grace period is yet to end for this loan, there is no amount due to the Economics Affairs Division against this loan until period end.

19.5 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. 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 2017. No payment on this loan has yet been made.

19.6 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 $ 18.58 million has been allocated to the Company [vide letter from EAD dated 07 November 2014] of the MEAS, against which the Company has utilized US $ 0.354 million (2015: US $ 0 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 1 December 2037 with the first payment due on 01 June 2019. Since the grace period is yet to end for this loan, there is no amount due to the Economics Affairs Division against this loan until period end.

	Note	2016	2015
		------------Rupees------------	
20. LONG-TERM SECURITY DEPOSITS			
Consumers' security deposits	20.1	**4,581,775,257**	4,245,547,242

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

21. 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
					Rupees					
21.1 The amounts recognized in the balance sheet										
Present value of defined benefit obligations	24,920,210,832	15,899,135,403	3,314,065,097	2,559,145,940	2,313,500,538	1,824,024,176	1,091,403,262	787,003,511	31,639,179,729	21,069,309,030
21.2 Changes in the present value of defined benefit obligations:										
Balance at the beginning of the year	15,899,135,403	10,840,554,431	2,559,145,940	1,585,076,707	1,824,024,176	911,504,078	787,003,511	570,219,196	21,069,309,030	13,907,354,412
Current service cost	1,256,863,036	2,179,060,021	61,714,678	51,031,073	134,180,446	148,534,936	348,907,581	251,196,359	1,801,665,741	2,629,822,389
Interest cost	1,601,720,554	1,388,361,730	267,989,687	213,431,444	189,738,398	121,168,400	-	-	2,059,448,639	1,722,961,574
Benefits paid during the year	(1,289,307,884)	(1,112,786,929)	(13,726,403)	(8,206,089)	(33,983,622)	(27,920,752)	(44,507,830)	(34,412,044)	(1,381,525,739)	(1,183,325,814)
Actuarial losses on obligation	7,451,799,723	2,605,838,752	438,941,195	717,812,805	199,541,140	670,737,514	-	-	8,090,282,058	3,994,389,071
Contribution from/(Payment for) deputationists	-	(1,892,602)	-	-	-	-	-	-	-	(1,892,602)
Balance at the end of the year	24,920,210,832	15,899,135,403	3,314,065,097	2,559,145,940	2,313,500,538	1,824,024,176	1,091,403,262	787,003,511	31,639,179,729	21,069,309,030
21.3 Charge for the year:										
Current service cost	1,256,863,036	2,179,060,021	61,714,678	51,031,073	134,180,446	148,534,936	348,907,581	251,196,359	1,801,665,741	2,629,822,389
Interest cost	1,601,720,554	1,388,361,730	267,989,687	213,431,444	189,738,398	121,168,400	-	-	2,059,448,639	1,722,961,574
	2,858,583,590	3,567,421,751	329,704,365	264,462,517	323,918,844	269,703,336	348,907,581	251,196,359	3,861,114,380	4,352,783,963
Charge to other comprehensive income										
Actuarial loss	7,451,799,723	2,605,838,752	438,941,195	717,812,805	199,541,140	670,737,514	-	-	8,090,282,058	3,994,389,071
21.4 Significant actuarial assumptions at the balance sheet date are:										
Discount rate	9.0%	10.5%	9.0%	10.5%	9.0%	10.5%	9.0%	10.5%		
Future salary increase	8.0%	9.5%	-	-	-	-	8.0%	9.5%		
Indexation Rate	4.0%	4.0%	-	-	-	-	4.0%	4.0%		
Future medical cost increase	-	-	7.5%	9.0%	-	-	-	-		
Exposure Inflation Rate	-	-	3.0%	3.0%	-	-	-	-		
Electricity Inflation Rate	-	-	-	-	8.0%	9.5%	-	-		

21.5 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.

21.6 Sensitivity analysis

The calculations of the defined benefit obligations is sensitive to the significant actuarial assumptions set out in note 21.4. 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	24,920,210,832	3,314,065,097	2,313,500,538	1,091,403,262	**31,639,179,729**
Discount Rate +1%	21,610,542,396	2,825,082,798	1,943,919,892	984,380,759	**27,363,925,845**
Discount Rate -1%	29,089,431,536	3,951,027,014	2,797,276,079	1,218,239,651	**37,055,974,280**
Salary increase +1%	25,927,379,534	-	2,431,793,200	1,218,239,651	**29,577,412,385**
Salary decrease -1%	24,035,772,742	-	2,211,160,893	982,543,889	**27,229,477,524**
Pension increase rate +1%	26,465,263,904	-	-	-	**26,465,263,904**
Pension decrease rate -1%	23,783,849,218	-	-	-	**23,783,849,218**
Medical Inflation rate increase +1%	-	4,005,710,483	-	-	**4,005,710,483**
Medical Inflation rate decrease -1%	-	2,850,095,983	-	-	**2,850,095,983**
Electricity Rate +1%	-	-	2,634,383,062	-	**2,634,383,062**
Electricity Rate -1%	-	-	2,040,507,474	-	**2,040,507,474**

	Remeasurement (gain) / loss recognized in OCI			
	Pension scheme	Medical benefits	Free electricity	Total
	Rupees			
Remeasurement (gain) / loss on Obligation				
- Financial Assumptions	2,759,140,379	461,654,596	402,062,245	3,622,857,220
- Demographic Assumptions	-	-	-	-
- Experience Adjustments	4,692,659,344	(22,713,401)	(202,521,105)	4,467,424,838
Total Remeasurement (gain) / loss	**7,451,799,723**	**438,941,195**	**199,541,140**	**8,090,282,058**
Total Remeasurement (gain) / loss recognized in OCI	**7,451,799,723**	**438,941,195**	**199,541,140**	**8,090,282,058**

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

	Note	2016	2015
		-----------Rupees-----------	

22. DEFERRED TAXATION - net

	Note	2016	2015
Deferred tax asset	22.1	5,802,917,176	2,919,725,831
Deferred tax liability	22.2	(5,802,917,176)	(2,919,725,831)
		-	-

22.1 Movement in deferred tax asset:

	2016	2015
Balance at the beginning of the year	2,919,725,831	3,026,188,287
Income for the year	2,983,201,531	-
Reversal for the year	(100,010,186)	(106,462,456)
	5,802,917,176	2,919,725,831

22.2 Movement in deferred tax liability:

	2016	2015
Balance at the beginning of the year	(2,919,725,831)	(3,026,188,287)
Charge for the year	(2,983,201,531)	-
Transfer to profit and loss account on account of incremental depreciation	100,010,186	106,462,456
	(5,802,917,176)	(2,919,725,831)

22.3 In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized, the Company has not recognized net deferred tax asset of Rs. 33,029 million (2015: Rs. 39,393 million).

23. DEFERRED CREDIT

	2016	2015
	-----------Rupees-----------	
Balance at the beginning of the year	30,588,529,681	27,856,591,915
Additions during the year	2,433,086,577	2,731,937,766
	33,021,616,258	30,588,529,681
Amortization		
Balance at the beginning of the year	(8,786,140,078)	(7,715,541,539)
For the year	(1,155,756,571)	(1,070,598,539)
	(9,941,896,649)	(8,786,140,078)
Balance at the end of the year	23,079,719,609	21,802,389,603

24. TRADE AND OTHER PAYABLES

	Note	2016	2015
		-----------Rupees-----------	
Creditors:			
Associated undertakings	24.1	53,541,092	70,616,597
Others		1,724,932,645	865,760,594
		1,778,473,737	936,377,191
Other payables:			
Receipts against deposit works		7,370,509,695	7,449,526,343
Advances from customers		1,963,373,173	1,904,237,673
Provision for Workers' Profit Participation Fund (WPPF)	24.2	1,179,422,289	1,179,422,289
Due to related parties on account of:			
- Free electricity	24.3	1,292,523,084	1,257,059,142
- Pension	24.4	283,404,879	181,324,416
		1,575,927,963	1,438,383,558
Capital contributions awaiting connections		564,634,146	500,853,625
C/f		14,432,341,003	13,408,800,679

	Note	2016	2015
		-----------Rupees-----------	
B/f		14,432,341,003	13,408,800,679
Accrued liabilities		272,528,148	325,824,488
Retention money - contractors / suppliers		275,691,294	261,104,455
Government surcharges payable:			
- Realized			
Equalization surcharge	24.5	1,664,815,788	1,634,856,852
Tariff rationalization surcharge	24.6	16,437,319,828	515,205,002
Electricity duty		152,661,590	1,196,629,270
Neelum Jhelum surcharge		784,722,274	153,117,415
TV License fee		59,812,932	57,288,802
Financing cost	24.7	3,981,420,000	286,881,717
Withholding tax		194,641,520	255,166,648
		23,275,393,932	4,099,145,706
- Unrealized			
Equalization surcharge		185,940,628	215,778,995
Electricity duty		52,140,030	53,969,356
Neelum Jhelum surcharge		873,902,078	688,061,609
TV license fee		40,363,191	44,041,234
Tariff rationalization surcharge	24.6	3,720,742,097	67,552,864
Financing cost	24.7	871,163,696	53,663,360
Income tax		71,174,335	74,671,744
General sales tax		-	400,710,120
Advance income tax		6,082,459	1,608,713
Steel melters income tax		103,637	1,518,230
		5,821,612,151	1,601,576,225
Others		44,487,322	46,235,081
		44,122,053,850	19,742,686,634

24.1 Creditors - associated undertakings

	2016	2015
Lahore Electric Supply Company Limited	28,210,161	28,210,161
Peshawar Electric Supply Company Limited	17,798,642	17,798,642
Faisalabad Electric Supply Company Limited	1,058,060	12,885,213
National Transmission and Dispatch Company Limited	6,474,229	6,617,545
Hyderabad Electric Supply Company Limited	-	2,827,761
Sukkur Electric Power Company Limited	-	1,610,450
Quetta Electric Supply Company Limited	-	666,825
	53,541,092	70,616,597

24.2 The Company has held payment of its contribution towards Workers' Profit Participation Fund (WPPF) amounting to Rs. 1,179 million, being Company's liability on account of WPPF till June 30, 2014, which is long outstanding. Further, the Company did not book any provision last year. We have been given to understand that PEPCO has forwarded its recommendation to Ministry of Water and Power 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.

24.3 Due to related parties

This represents the net amounts payable to related parties on account of free electricity provided to the families of IESCO's employees residing within the territorial jurisdiction of these companies. A party wise breakup is as follows:

	2016	2015
	-----------Rupees-----------	
Lahore Electric Supply Company Limited	899,207,055	899,084,355
Peshawar Electric Supply Company Limited	205,856,188	182,962,386
Multan Electric Power Company Limited	75,395,013	74,635,376
Faisalabad Electric Supply Company Limited	92,696,499	82,276,473
Gujranwala Electric Power Company Limited	15,275,937	14,446,240
Hyderabad Electric Supply Company Limited	2,439,008	2,292,857
Sukkur Electric Power Company	1,653,384	1,361,455
	1,292,523,084	1,257,059,142

24.4 Payable to related parties on account of pension

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

	2016	2015
	-----------Rupees-----------	
Peshawar Electric Supply Company Limited	**88,979,220**	56,208,082
Gujranwala Electric Power Company Limited	**93,305,597**	72,585,371
Faisalabad Electric Supply Company Limited	**74,319,325**	46,348,978
Lahore Electric Supply Company Limited	**18,452,563**	3,839,503
Hyderabad Electric Supply Company Limited	**1,268,684**	396,429
Multan Electric Power Company Limited	**6,488,275**	1,825,446
Quetta Electric Supply Company Limited	**591,215**	120,607
	283,404,879	181,324,416

24.5 This represents amounts collected from consumers, during the period from April 2011 to June 2012, pursuant to S.R.O 236(1)2011, dated 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.

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

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

25. CONTINGENCIES AND COMMITMENTS

25.1 Tax and other contingencies

25.1.1 The Additional Commissioner Inland Revenue (ACIR) has amended the assessments of the Company for the Tax Years 2010, 2011 and 2013 by charging minimum tax on distribution margin, earned by the Company inclusive of subsidy; thereby raising an aggregate tax demand of Rs. 190.42 million. The Company filed an appeal with the Commissioner Inland Revenue (CIR) which was decided against the Company. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) which was also decided against the Company. The Company has now preferred an appeal before Islamabad High Court (IHC), which is pending.

25.1.2 The Deputy Commissioner Inland Revenue (DCIR) has issued various orders u/s 124/161/205 of the Income Tax Ordinance, 2001 for the tax years from 2007 to 2012, aggregating to Rs. 2,122 million by treating the Company as taxpayer in default on certain revenue and capital expenditures. CIR and ATIR both upheld the order in original. Now, the Company has preferred an appeal before Islamabad High Court (IHC), which is pending.

25.1.3 DCIR has issued order u/s 161/205 of the Income Tax Ordinance, 2001 for the tax year 2013 raising an income tax demand of Rs. 504.28 million by treating the Company as taxpayer in default on certain revenue and capital expenditures. Company's appeal before the CIR was unsuccessful. The order is currently challenged before the ATIR, which is pending.

25.1.4 DCIR has issued order u/s 161/205 of the Income Tax Ordinance, 2001 for the tax year 2014 raising an income tax demand of Rs. 1,152.43 million by treating the Company as taxpayer in default for short collection of advance tax on electricity consumption from its consumers. The Company appealed before the Commissioner Inland Revenue (CIR) which was unsuccessful. The company filed an appeal before ATIR and ATIR has remanded back the case to ACIR for reconsideration.

25.1.5 Officer Inland Revenue passed an Order-in-Original No.04/2011 dated 30 October 2013 raising sales tax demand of Rs. 1,708 million plus default surcharge and penalty chargeable thereon for the tax period July 2007 to June 2008 on account of supply of electricity to AJK, free supply of electricity to employees and distribution companies, sale of scrap, demand notes for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy, and non-payment of unrealized sales tax. The Company filed an appeal before the CIR which was decided against the Company. The Company has preferred an appeal before ATIR which is pending.

25.1.6 Officer Inland Revenue passed an Order-in-Original No.13/2012 dated 03 September 2012 raising sales tax demand of Rs. 2,454 million plus default surcharge and penalty chargeable thereon for the tax period July 2008 to June 2009 on account of free supply of electricity to employees and distribution companies, sale of scrap, demand notes for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy, and non-payment of unrealized sales tax. The 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 ATIR, for reconsideration.

25.1.7 Officer Inland Revenue passed an Order-in-Original No.02/2013 dated 14 October 2013 raising sales tax demand of Rs.7,784 million plus default surcharge and penalty chargeable thereon for the tax period July 2009 to June 2012 on account of free supply of electricity to employees and distribution companies, sale of scrap, demand notes for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy, and non-payment of unrealized sales tax. The Company preferred an appeal before CIR who dismissed the appeal filed by the Company and upheld the order of the Officer Inland Revenue. The Company preferred an appeal before the ATIR, who deleted the demand to the extent of Rs. 1,224 million on account of unrealized sales tax and Rs. 6,504 million on account of sales tax on subsidy and sales tax on demand notes. Further, the ATIR remanded back the case of sales tax on free electricity to employees and distribution companies for DE novo consideration. The matter of sales tax on sale of scrap has been decided against the Company against which the Company has preferred an appeal before IHC, which is still pending.

25.1.8 Officer Inland Revenue issued an Order-in-Original no. 21/2012 dated April 24, 2012 raising sales tax demand of Rs 1,527 million plus default surcharge and penalty chargeable thereon for the tax period July 2010 to June 2011 on account of non-payment of sales tax on supply of electricity to AJK. In a similar case referred in note 13.1.1 of these financial statements, the ATIR had declared the supply of electricity to AJK as exempt, vide order no. 65/18/2011 dated September 07, 2011 against which FBR filed petition in IHC. The Company also preferred an appeal before the IHC to declare such sales as an export. The IHC decided the case against the Company, vide STR No. 265/2011 dated March 21, 2016, declaring the supplies as taxable. The Company has filed the reference before the Honorable Supreme Court, which is still pending. Since, both the cases are of similar nature, the outcome of these is dependent on the decision of Supreme Court.

25.1.9 Officer Inland Revenue passed an Order-in-Original No.55/2014 dated 14 May 2014 raising sales tax demand of Rs. 8,407 million plus default surcharge and penalty chargeable thereon for the tax year 2012 to 2013 on account of non payment of sales tax on supply of electricity to 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 Rs. 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 Rs. 1,353 million pertaining to miscellaneous receipts has been remanded back to the original adjudicating authority for reconsideration.

25.1.10 The ACIR passed an Order-in-Original No. 57/2014 dated May 29, 2014 raising sales tax demand of Rs. 212 million plus default surcharge and penalty chargeable thereon for the tax periods 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 by CIR. The Company has preferred an appeal before ATIR which is pending.

25.1.11 The ACIR passed an Order-in-Original No. 14/2015 dated January 28, 2015 raising sales tax demand of Rs. 312 million plus default surcharge and penalty chargeable thereon for the tax period 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 Rs. 182 million vide Order in Remand No. 05/14 of 2015. The Company has preferred an appeal before ATIR which is pending.

25.1.12 The ACIR passed an Order-in-Original No. 06/2016 dated January 01, 2016 raising sales tax demand of Rs. 1,042 million plus default surcharge and penalty chargeable thereon for the tax periods 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 by CIR. 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.

25.1.13 ACIR passed an Order-in-Original No. 11/2016 dated February 11, 2016 raising sales tax demand of Rs. 1,948 million plus default surcharge and penalty chargeable thereon for the tax periods 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 is pending.

25.1.14 The Employees' Old age Benefits Institute (EOBI) served a demand notice on the Company under section 12(3) of the Employees' Old Age Benefits Act, 1976 (EOBI Act) for payment of the Company's and its employees' contributions, amounting to Rs. 788 million, for the period from June 1998 to May 2012. The Company contested the case before the adjudicating authority through its legal advisor, however, view of the Company could not prevail and decision was made against the Company on April 04, 2014. The Company also took up matter with the Federal Secretary for Water & Power in February 2014 to request the Economics Co-ordination Committee of the Cabinet to extent IESCO the same exemption granted to WAPDA under section 47 (d) of the EOBI Act. On April, 25 2014, the Company filed a writ petition before the Honorable Islamabad High court and EOBI has been asked to file its comments. Thereafter, the writ petition has been adjourned to date. Further, the Company has also obtained a stay order restraining EOBI for the recovery of the abovementioned demand. The Company and its legal advisor are of the view that the matter will be settled in the favor of the Company and hence, no provision has been made in these financial statements.

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.

25.1.15 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 favour of the Company.

25.2 Claims not acknowledged as debts are as follows:

	Note	2016	2015
		-----------Rupees-----------	
Loans not acknowledged as debt by the Company	25.2.1	34,240,653,319	34,240,653,319
Interest on syndicated loans	25.2.1	7,715,764,337	6,159,579,355
Supplemental charges of CPPA	25.2.2	6,864,324,906	6,849,942,485
Advertisement charges - net	25.2.3	459,949,667	459,949,667
O&M Cost of PEPCO	25.2.4	413,326,849	413,326,849
Short cash remittance as per CPPA		310,849,163	310,849,163
Others	25.2.5	1,869,650,355	1,869,650,355
		17,633,865,277	16,063,297,874

25.2.1 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) which aggregates to Rs. 335,474 million up till last 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 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 relending agreement between the Company and PHPL was received on 13 August 2012. Subsequently, during a joint meeting held at LESCO Head Office on 27 August 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 Ministry of Water & Power vide a letter issued by the LESCO Legal Director [# L-Dir/12150-53 dated 28 August 2012]. As of 30 June 2014, CPPA has issued advices of loan amounting to Rs. 10,377 million representing the facility allocated to the Company by the Ministry.

Last year, MOWP vide its letter dated 19 February 2015, had directed the CPPA to re-allocate the loans obtained by the Federal Government between DISCOs on the basis of energy drawl basis instead of receivable basis. Therefore, CPPA issued two more credit invoices to the Company amounting to Rs. 17,301 million and Rs. 6,562 million, resulting in total loan allocation of Rs. 34,241 million, along with related accrued mark-up of Rs. 6,159 million. During the year, CPPA has issued more debit notes related to accrued mark-up of Rs. 1,556 million.

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 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 the year, Pak Electric Power Company (Pvt.) Limited vide its letter 235-38, dated January 21, 2016, directed the Company to book the debit/credit notes already issued by CPPA in respect of its share in loans and markups thereon. However, the management believes that its obligation under the arrangement will arise once the bilateral relending agreement between the Company and PHPL is finalized, which is still pending. Accordingly, the Company has not accounted for the loan along with the related markup due to non-availability of terms and conditions of the loan and finalization of re-lending agreement between the Company and PHPL. Further, as per the management, NEPRA did not allow the Company to claim the markup cost in its tariff determination in previous years, hence the markup cost has not been recorded in its books. The management also obtained an independent legal opinion last year 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.

25.2.2 This represents supplementary charges invoiced by CPPA to the Company on account of allocation of late payment charges to oil and gas companies. During the year, the matter was discussed in para 43 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-336/IESCO-2015 dated February 29, 2016. According to which late payment charges recovered from consumers on utility bills shall be 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. In response to that company has recorded the invoiced amount of Rs. 741 million, received during the year 2014-15 against the late payment charges billed to consumers amounting to Rs. 692 million during 2015-16. However, matter of invoices raised prior to the year ended June 30, 2015 is still to be resolved and of which management is of the view that invoices should not be recorded until same is allowed by NEPRA in its tariff determination.

25.2.3 CPPA has charged Rs. 459,949,667 (2015: Rs. 459,949,667) to the Company as its share in advertisement carried out by Pakistan Electric Power Company (PEPCO). The management of the Company asserts that these amounts will not be payable to CPPA as they do not relate to the Company and further detail of these amounts have not been received by the Company. Further, the management of the Company asserts that the Company will not be able to claim these amounts from NEPRA through tariff determination. Accordingly these amounts have not been recognized in these financial statements as liability towards CPPA.

25.2.4 The amount was debited by the CPPA during the previous year 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.

25.2.5 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. Management do not agree with these adjustment, therefore these have not been recorded in the Company's books.

25.3 Commitments

25.3.1 Inland letters of credits as at 30 June 2016 amounted to Rs. 746 million (2015: 736 million).

		Note	2016	2015
			-----------Rupees-----------	
26.	**SALE OF ELECTRICITY**			
	Gross sales	26.1	**81,301,547,499**	100,520,312,795
	Sales tax		**(12,975,113,983)**	(12,691,683,051)
			68,326,433,516	87,828,629,744

26.1 This includes unbilled revenue of Rs. 3,956,031,958 (2015: Rs. 5,459,956,943).

27. COST OF ELECTRICITY	Note	2016	2015
		-----------Rupees-----------	
Central Power Purchase Agency			
Cost of electricity	27.1	**71,736,995,041**	82,138,901,239
Supplementary charges	27.2	**741,461,398**	-
		72,478,456,439	82,138,901,239

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 February 29, 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. In response to that, the Company has recorded the invoiced amount of Rs. 741 million, received during the year 2014-15 against the late payment charges billed to consumers amounting to Rs. 692 million during 2015-16.

28. ADMINISTRATIVE EXPENSES	Note	2016	2015
		-----------Rupees-----------	
Salaries, wages and other benefits	28.1	**4,496,135,884**	3,906,542,775
Transportation		**99,135,835**	103,148,455
Depreciation	6.1.2	**66,818,909**	63,024,320
Electricity bill collection charges		**146,019,124**	114,938,305
Provision for doubtful debts	9.3	**158,213,049**	168,320,733
Office supplies and other expenses		**55,504,824**	61,013,109
Rent, rates and taxes		**-**	1,285,550
Legal and professional charges		**55,087,603**	33,780,770
Repairs and maintenance		**6,517,687**	4,359,975
Power, light and water charges		**4,294,243**	5,388,876
Postage and telephone		**35,825,438**	6,564,729
Insurance expense		**28,706,059**	26,497,314
NEPRA fee and charges		**22,699,016**	22,131,361
Advertising and publicity		**45,436,332**	4,900,919
Auditor's remuneration		**1,089,000**	907,500
Miscellaneous expenses		**59,212,239**	78,019,828
		5,280,695,242	4,600,824,519

28.1 This includes a sum of Rs. 3,492 million (2015: Rs. 2,848 million) and Rs. 290 million (2015: Rs. 240 million) in respect of staff retirement benefits and provision of free electricity benefits to employees, respectively.

29. DISTRIBUTION COSTS	Note	2016	2015
		-----------Rupees-----------	
Salaries, wages and other benefits	29.1	**4,533,188,830**	5,173,571,598
Depreciation	6.1.2	**1,911,493,362**	1,763,408,077
Repairs and maintenance		**846,052,690**	866,844,510
Transportation		**389,231,744**	407,305,391
Provision / (Reversal) for slow moving stores, spares and loose tools	8.1	**21,002,427**	(30,690,644)
Office supplies and other expenses		**11,669,387**	10,720,123
Rent, rates and taxes		**33,967,295**	32,653,048
Legal and professional charges		**-**	1,070,871
Power, light and water charges		**22,085,330**	20,172,050
Postage and telephone		**18,045,510**	18,450,457
Miscellaneous expenses		**2,550,758**	154,167
		7,789,287,333	8,263,659,648

29.1 This includes a sum of Rs. 37 million (2015: Rs. 43 million) and Rs. 20 million (2015: Rs. 23 million) in respect of staff retirement benefits and provision of free electricity benefits to employees, respectively.

30. CUSTOMER SERVICES COSTS	Note	2016	2015
		-----------Rupees-----------	
Salaries, wages and other benefits	30.1	**373,939,107**	419,248,833
Transportation		**25,093,686**	23,736,254
Electricity bill collection charges		**46,552,453**	44,792,012
Depreciation	6.1.2	**66,818,909**	63,024,320
Office supplies and other expenses		**3,252,398**	3,437,964
Rent, rates and taxes		**2,564,794**	2,589,920
Power, light and water charges		**2,843,261**	2,884,789
Postage and telephone		**2,006,896**	1,795,914
Repairs and maintenance		**1,098,153**	794,709
Miscellaneous expenses		**3,915,543**	3,375,545
		528,085,200	565,680,260

30.1 This includes a sum of Rs. 7.7 million (2015: Rs. 8.8 million) and Rs. 14 million (2015: Rs. 16 million) in respect of staff retirement benefits and provision of free electricity benefits to employees, respectively.

31. OTHER INCOME	2016	2015
	-----------Rupees-----------	
Income from financial assets		
Profit on bank deposits	**15,264,138**	2,747,864
Late payment surcharge	**692,222,818**	705,312,537
	707,486,956	708,060,401
Income from non-financial assets		
Sale of scrap	**-**	2,094,468
Vetting and processing fee	**43,660,771**	99,911,143
Other operating revenue	**224,046,788**	117,574,239
	267,707,559	219,579,850
Others		
Commission on collection of electricity duty and PTV license fee	**101,233,973**	92,681,149
Liquidated damages on vendors' contracts	**43,032,368**	33,279,994
Miscellaneous	**102,879,679**	110,891,114
	247,146,020	236,852,257
	1,222,340,535	1,164,492,508

32. FINANCE COSTS	2016	2015
	-----------Rupees-----------	
Interest on long-term loans	**1,162,071,179**	1,136,723,321
Bank charges	**8,608,306**	7,136,780
Exchange loss	**5,476,235**	5,330,656
	1,176,155,720	1,149,190,757

33. TAXATION			
Current			
- For the year		**683,264,335**	889,931,223
- Prior year		**-**	951,602,675
	33.1	**683,264,335**	1,841,533,898
Deferred	33.2	**(2,983,201,531)**	-
		(2,299,937,196)	1,841,533,898

33.1 The provision for minimum taxation is calculated @ 1% (2015: Nil) of the Company's gross revenue and other income under the provisions of the Income Tax Ordinance, 2001.

		2016	2015
		-----------Rupees-----------	
33.2	**Charge for deferred tax is as follows:**		
	Charge for the year	2,983,201,531	-
	Reversal of taxable differences relating to incremental depreciation	100,010,186	106,462,456
	Reversal of deductible differences	(100,010,186)	(106,462,456)
		2,983,201,531	-

34. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS

34.1 Remuneration of the Chief Executive

	2016	2015
Managerial remuneration	943,622	826,800
Other allowance	1,676,668	3,281,128
Bonus	344,310	300,089
	2,964,600	4,408,017
Number of persons	1	1

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

34.2 The aggregate amount charged in the financial statements for the year as fees to Directors is Rs. 2,275,000 (2015: Rs.1,336,000) for attending Board of Directors and sub-committee meetings.

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

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

Risk management framework

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

a) Market risk

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

i) Currency risk

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

Exposure to currency risk

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

	2016	2015
	-----------Rupees-----------	
USD		
Long-term loans - secured	187,701,155	182,412,066

The following significant exchange rates were applied during the year:

	2016	2015
Rupees per USD		
Average rate	104.37	100.29
Reporting date rate	104.83	101.78

Sensitivity analysis

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

	2016		2015	
Change in rate	+10%	-10%	+10%	-10%
	----------Rupees----------			
Effect on profit before tax	18,770,116	(18,770,116)	18,241,207	(18,241,207)

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

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

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

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

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

	Level 1	Level 2	Level 3
		-----------Rs------------	
Land	-	17,713,436,458	-
Building	-	-	3,433,847,925
Distribution equipment	-	-	58,414,107,119
As at June 30, 2016	-	17,713,436,458	61,847,955,044
As at June 30, 2015	-	17,944,436,454	49,287,366,782

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

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

iii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments is:

Interest rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for previous year.

Variable rate financial liability	Profit and loss 100 bps Increase	Profit and loss 100 bps Decrease
As at June 30, 2016	84,248,869	84,248,869
As at June 30, 2015	77,851,588	77,851,588

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

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

	2016	2015	2016	2015
	Effective rate (in Percentages)		Carrying amount Rupees	
Financial Assets				
Variable rate instruments:				
Deposit accounts	4 to 7	5 to 8	686,340,092	825,934,138
Financial Liabilities				
Fixed rate instruments:				
Long term loans	15 to 17	15 to 17	8,424,886,904	7,785,158,800

Cash flow sensitivity analysis for the fixed rate instruments

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

iv) **Other price risk**

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

b) **Credit risk**

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

Exposure to credit risk

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

	2016		2015	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	Rupees			
Long-term loans	80,394,442	80,394,442	71,131,396	71,131,396
Long-term deposits	1,586,230	1,586,230	41,589,230	41,589,230
Trade debts	56,545,340,427	56,545,340,427	47,714,782,344	47,714,782,344
Short-term advances	255,525,824	255,525,824	157,443,063	157,443,063
Interest accrued	784,555	784,555	637,891	637,891
Other receivables	9,393,221,327	9,393,221,327	4,094,101,375	4,094,101,375
Receivable from TIBL	80,681,259	80,681,259	80,681,259	80,681,259
Bank balances	1,354,632,625	1,354,632,625	1,454,313,019	1,454,313,019
	67,712,166,689	67,712,166,689	53,614,679,577	53,614,679,577

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

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

	2016	2015
	Rupees	
Government sector	46,757,467,371	38,214,687,831
Private sector	9,787,873,057	9,500,094,513
	56,545,340,428	47,714,782,344

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

	2016	2015
	Rupees	
Electricity consumers	56,545,340,428	47,714,782.344

Ageing

The ageing of trade receivables at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	10,210,312,211	-	10,496,379,795	-
Past due up to 1 year	11,320,882,314	23,577,475	8,434,323,341	-
Past due between				
- 1 to 3 years	472,851,382	28,301,584	641,273,124	166,455,630
- 3 to 5 years	6,398,488,436	513,191,173	5,757,215,312	240,401,553
Over 5 years	28,142,806,084	-	22,385,590,772	-
	56,545,340,427	565,070,232	47,714,782,344	406,857,183

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

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

	Rating Agency	Rating		2016	2015
		Short-term	Long-term	-----------Rupees-----------	
Public Sector Banks					
National Bank of Pakistan	JCR-VIS	A-1+	AAA	**259,835,641**	86,214,464
Sindh Bank Limited	JCR-VIS	A-1+	AA	**1,585,507**	1,276,686
The Bank of Khyber	PACRA	A1	A	**(112,388)**	439,973
The Bank of Punjab	PACRA	A1+	AA	**100,087,279**	62,001,868
Specialized Banks					
SME Bank Limited	PACRA	B	B	**55,356**	15,970
Zarai Taraqiati Bank Limited	JCR-VIS	A-1+	AAA	**14,342,610**	5,524,587
Private Sector Banks					
Allied Bank Limited	PACRA	A1+	AA+	**329,450,394**	355,489,387
Askari Bank Limited	PACRA	A1+	AA+	**385,790,294**	421,256,200
Bank Alflah Limited	PACRA	A1+	AA	**16,611,177**	10,513,997
Faysal Bank Limited	PACRA	A1+	AA	**3,376,319**	4,489,192
Habib Bank Limited	JCR-VIS	A-1+	AAA	**22,593,897**	258,737,432
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	**(1,608,028)**	26,326,874
JS Bank Limited	PACRA	A1+	A+	**1,177,703**	-
MCB Bank Limited	PACRA	A1+	AAA	**35,027,332**	117,849,458
NIB Bank Limited	PACRA	A1+	AA-	**4,889,354**	-
Silk Bank Limited	JCR-VIS	A-2	A-	**(100,318)**	-
Soneri Bank Limited	PACRA	A1+	AA-	**236,181**	552,332
Standard Chartered	PACRA	A1+	AAA	**3,291,531**	1,734,878
Summit Bank	JCR-VIS	A-1	A-	**(14,176,852)**	643,742
United Bank Limited	JCR-VIS	A-1+	AA+	**76,143,323**	54,310,746
Other institutions	N/A	N/A	N/A	**76,332,039**	46,935,233
				1,314,828,351	1,454,313,019

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

c) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
	--------------------	--------------------	Rupees	--------------------	--------------------
2016					
Long-term loans - secured	8,424,886,904	8,424,886,904	2,860,623,159	2,314,936,275	3,249,327,470
Long-term security deposits	4,581,775,257	4,581,775,257	-	-	4,581,775,257
Trade and other payables	11,565,236,835	11,565,236,835	11,565,236,835	-	-
Accrued interest	6,218,088,444	6,218,088,444	6,218,088,444	-	-
	30,789,987,440	30,789,987,440	20,643,948,438	2,314,936,275	7,831,102,727
2015					
Long-term loans - secured	7,785,158,800	7,785,158,800	2,295,099,081	2,292,788,387	3,197,271,332
Long-term security deposits	4,245,547,242	4,245,547,242	-	-	4,245,547,242
Trade and other payables	10,632,480,253	10,632,480,253	10,632,480,240	-	-
Accrued interest	4,860,004,779	4,860,004,779	4,860,004,794	-	-
	27,523,191,074	27,523,191,074	17,787,584,115	2,292,788,387	7,442,818,574

35.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

35.3 Financial instruments by categories

	Loans and receivables		Held-to-maturity	
	2016	2015	2016	2015
	----------	Rupees	----------	
Financial assets as per balance sheet				
Long-term loans	80,394,442	71,131,396	-	-
Long-term deposits	1,586,230	41,589,230	-	-
Trade debts	56,545,340,427	47,714,782,344	-	-
Interest accrued	784,555	637,891	-	-
Receivable from Government of Pakistan	7,768,646,740	5,740,308,372	-	-
Other receivables	9,393,221,327	4,094,101,375	-	-
Receivable from TIBL	80,681,259	80,681,259	-	-
Bank balances	1,354,632,625	1,454,313,019	-	-
	75,225,287,605	59,197,544,886	-	-

	loss		Other financial liabilities	
	2016	2015	2016	2015
	----------	Rupees	----------	
Financial liabilities as per balance sheet				
Long-term loans - secured	-	-	8,424,886,904	7,785,158,800
Long-term security deposits	-	-	4,581,775,257	4,245,547,242
Trade and other payables	-	-	11,565,236,835	10,632,480,253
Accrued interest	-	-	6,218,088,444	4,860,004,779
	-	-	30,789,987,440	27,523,191,074

35.4 **Capital risk management**

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

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

The Company monitors capital using the net debt to total capital ratio, which is total debt of the Company as reduced by cash and cash equivalents, divided by total equity plus the net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at 30 June 2015 and 30 June 2016 were as follows:

	Note	2016	2015
		-----------Rupees-----------	
Long-term loans	19.	**5,564,263,745**	5,490,149,719
Long-term security deposits	20.	**4,581,775,257**	4,245,547,242
Deferred credit	23.	**23,079,719,609**	21,802,389,603
Trade and other payables	24.	**44,122,053,850**	19,742,686,634
Interest accrued on long-term loans		**6,218,088,444**	4,860,004,794
Current portion of long-term loans		**2,860,623,159**	2,295,009,081
Total debt		**86,426,524,064**	58,435,787,073
Cash and bank balances		**(1,354,641,206)**	(1,454,324,057)
Net debt		**85,071,882,858**	56,981,463,016
Equity		**11,884,441,304**	27,497,920,455
Total Capital		**96,956,324,162**	84,479,383,471
Net debt to total equity		**0.88**	0.67

36. **RELATED PARTY TRANSACTIONS**

WAPDA holds 88% (2015: 88%) shares of the Company, therefore all electricity generation and distribution undertakings of WAPDA are related parties of the company. Other related parties comprise of directors, key management personnel, Government of Pakistan and Government owned entities.

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

Balances with related parties have been disclosed in respective notes to the financial statements. Transactions with electricity generation and distribution undertakings of WAPDA, other than remuneration and benefits to the Chief Executive as disclosed in note 33 to the financial statements, are as follows:

	2016	2015
	-----------Rupees-----------	
WAPDA		
Pension paid on behalf of WAPDA	**37,491,642**	30,375,038
Related parties		
Free electricity supplied on behalf of related parties	**55,380,520**	53,022,849
Free electricity supplied on behalf of Company	**47,812,453**	55,607,303
Assets transferred to the Company	**6,389,327**	7,034,733
Electricity duty paid by the Company	**1,416,090,000**	-
Pension paid on behalf of related parties	**46,944,710**	91,701,630
Pension paid on behalf of the Company	**102,080,463**	26,326,774
Cost of power purchased from CPPA	**72,478,456,439**	82,138,901,239
Cash remitted to CPPA	**83,161,238,016**	80,278,479,126
Services provided to the Company	**380,353**	1,382,276
Government related entities		
Relent loan received during the year	**639,728,104**	535,157,311
Markup expense during the year	**1,162,071,179**	1,136,723,321
Subsidy claimed during the year	**6,502,411,709**	11,239,577,026
Subsidy received through adjustment of CPPA		
Payable during the year	**4,474,073,341**	11,154,013,992

37. NUMBER OF EMPLOYEES

The number of total employees at the year end were 13,178 (2015: 13,396), whereas the average number of employees during the year were 13,287 (2015: 13,190).

38. PROVIDENT FUND

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

39. CAPACITY

The Company's capacity of the electricity distribution depends on various factors including supply and demand of electricity, and transmission and distribution losses. The Company distributed 8,773,669,114 (2015: 8,147,082,637) units of electricity to its consumers during the year.

40. BENAZIR EMPLOYEE STOCK OPTION SCHEME

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

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

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

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

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison.

42. DATE OF AUTHORIZATION FOR ISSUE

07 NOV 2016

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

43. GENERAL

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

CHIEF EXECUTIVE

CHAIRMAN