

Riaz Ahmad & Company
Chartered Accountants

**MULTAN ELECTRIC POWER
COMPANY LIMITED**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

30 JUNE 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MULTAN ELECTRIC POWER COMPANY LIMITED** ("the Company") as at 30 June 2017 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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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 misstatement. 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 opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;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 the 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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, 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 part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed 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 30 June 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Riaz Ahmad & Company

Chartered Accountants

We draw attention to the following matters:

- 1) Notes 12.1.2 and 12.1.3 to the financial statements, which state that the Company has not recognized the impact of credit / debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA) for:
 - an amount of Rupees 60,905.37 million against Multi-Partite Agreement for financing between Power Holding (Private) Limited, Government of Pakistan and syndicated banks along with the share of arrangement fee and mark-up payments allocated by CPPA aggregating to Rupees 17,370.51 million and the reclassification of associated loan from payable balance to CPPA; and
 - supplementary charges, being the mark-up charged on CPPA by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 12,446.89 million.
- 2) Note 12.1.4 to the financial statements, interest on workers profit participation fund amounting to Rupees 885.16 million was not accounted for by the Company. Moreover, workers profit participation fund of previous years along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA.
- 3) Note 36 to the financial statements, the Company received financial assistance from USAID under Power Distribution Improvement Program (the USAID Project) in form of tangible assets including distribution equipment, vehicles and computing equipment; intangible assets including ERP and related software; and technical assistance in form of technical trainings and ERP technology implementation. The Company has not recognized these tangible and intangible assets.

Our report is not qualified in respect of above matters.

The financial statements of the Company for the year ended 30 June 2016 were audited by another firm of Chartered Accountants whose report dated 08 October 2016, expressed unmodified opinion with emphasis of matter paragraphs regarding impact of credit / debit notes issued by CPPA and non-recognition of tangible and intangible assets provided under USAID Project.

Riaz Ahmad & Co.
RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Liaqat Ali Panwar

Date: 06 OCT 2017

FAISALABAD

MULTAN ELECTRIC POWER COMPANY LIMITED
BALANCE SHEET AS AT 30 JUNE 2017

	NOTE	2017 RUPEES	2016 RUPEES Restated		NOTE	2017 RUPEES	2016 RUPEES Restated
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorized share capital							
5 000 000 (2016: 5 000 000 000) ordinary shares of Rupees 10 each							
		<u>50,000,000,000</u>	<u>50,000,000,000</u>				
Issued, subscribed and paid up share capital	3	10,823,636,048	10,823,636,048	Property, plant and equipment	13	89,965,517,935	81,680,039,047
Deposit for shares	4	32,508,450,451	32,508,450,451	Long term advances	14	76,206,044	76,643,146
Accumulated loss		<u>(55,970,028,939)</u>	<u>(26,569,100,723)</u>	Long term deposits	15	49,185	49,185
Total equity		<u>(12,637,942,440)</u>	<u>16,762,985,776</u>			<u>90,041,773,164</u>	<u>81,756,731,378</u>
LIABILITIES							
NON-CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	5	9,061,119,049	8,067,695,652	Stores and spare parts	16	3,940,715,238	4,615,538,705
Staff retirement benefits	6	56,593,072,377	43,010,531,974	Trade debts	17	27,545,653,037	19,808,019,606
Long term security deposits	7	7,210,180,701	6,339,486,868	Loans and advances	18	250,430,568	386,193,502
Receipt against deposit works	8	17,419,901,405	14,942,226,573	Other receivables	19	38,758,498,258	29,106,168,469
Deferred audit	9	47,319,824,871	43,891,068,409	Tax refunds due from Government	20	10,142,850,087	12,581,170,106
Deferred work-up		291,904,353	244,386,437	Accrued interest		40,060,925	14,811,240
		<u>137,896,002,756</u>	<u>116,495,395,913</u>	Cash and bank balances	21	8,862,111,274	4,573,085,734
						<u>89,540,319,387</u>	<u>71,084,987,362</u>
CURRENT LIABILITIES							
Trade and other payables	10	44,424,560,439	12,096,001,402				
Accrued work-up	11	6,302,177,109	4,791,934,842				
Current portion of long term financing	5	3,597,294,687	2,695,400,807				
		<u>54,324,032,235</u>	<u>19,583,337,051</u>				
TOTAL LIABILITIES		<u>192,220,034,991</u>	<u>136,078,732,964</u>				
CONTINGENCIES AND COMMITMENTS							
	12						
TOTAL EQUITY AND LIABILITIES		<u>179,582,092,551</u>	<u>152,841,718,740</u>	TOTAL ASSETS		<u>179,582,092,551</u>	<u>152,841,718,740</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


FINANCE DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 RUPEES	2016 RUPEES Restated
SALES OF ELECTRICITY - NET	22	107,599,220,857	101,320,702,972
TARIFF DIFFERENTIAL SUBSIDY	23	31,085,758,277	24,719,647,203
		<u>138,684,979,134</u>	<u>126,040,350,175</u>
COST OF ELECTRICITY	24	<u>(140,019,166,193)</u>	<u>(113,690,211,384)</u>
GROSS (LOSS) / PROFIT		(1,334,187,059)	12,350,138,791
AMORTIZATION OF DEFERRED CREDIT	9	2,213,528,610	2,035,005,476
		<u>879,341,551</u>	<u>14,385,144,267</u>
OPERATING EXPENSES EXCLUDING DEPRECIATION	25	<u>(17,266,228,807)</u>	<u>(18,619,319,274)</u>
DEPRECIATION ON OPERATING FIXED ASSETS	13.3	<u>(3,734,844,871)</u>	<u>(3,414,303,479)</u>
		<u>(21,001,073,678)</u>	<u>(22,033,622,753)</u>
LOSS FROM OPERATIONS		<u>(20,121,732,127)</u>	<u>(7,648,478,486)</u>
OTHER INCOME	26	3,121,283,160	3,705,252,112
FINANCE COST	27	(934,061,591)	(840,118,410)
LOSS BEFORE TAXATION		<u>(17,934,510,558)</u>	<u>(4,783,344,784)</u>
TAXATION	28		
LOSS AFTER TAXATION		<u>(17,934,510,558)</u>	<u>(4,783,344,784)</u>
LOSS PER SHARE - BASIC	29	<u>(16.57)</u>	<u>(4.42)</u>
LOSS PER SHARE - DILUTED	29	<u>(4.14)</u>	<u>(1.10)</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 FINANCE DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017 RUPEES	2016 RUPEES Restated
LOSS AFTER TAXATION	(17,934,510,558)	(4,783,344,784)
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	(11,466,417,658)	(8,043,909,956)
Items that may be reclassified subsequently to profit or loss		
Other comprehensive loss for the year	(11,466,417,658)	(8,043,909,956)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(29,400,928,216)	(12,827,254,740)

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 FINANCE DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 RUPEES	2016 RUPEES Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	7,387,771,253	4,745,639,264
Finance cost paid		(6,856,757)	(9,601,017)
Income tax paid		(10,140,769)	(7,788,637)
Staff retirement benefits paid		(2,814,259,851)	(2,241,489,506)
Net increase in long term advances		(15,531,274)	(19,312,662)
Net cash generated from operating activities		<u>4,540,982,602</u>	<u>2,467,447,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(11,416,409,015)	(10,008,100,508)
Profit on bank deposits received		278,480,939	174,276,879
Net cash used in investing activities		<u>(11,137,928,076)</u>	<u>(9,833,823,629)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,925,956,164	1,752,372,954
Repayment of long term financing		(30,638,887)	(2,583,333)
Consumers' security deposits received-net		870,693,833	409,345,119
Receipt against deposit works-net		8,119,959,904	5,590,095,298
Net cash from financing activities		<u>10,885,971,014</u>	<u>7,749,230,038</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,289,025,540	382,853,851
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,573,085,734	4,190,231,883
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 21)		<u>8,862,111,274</u>	<u>4,573,085,734</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 FINANCE DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	SHARE CAPITAL	DEPOSIT FOR SHARES	ACCUMULATED LOSS	TOTAL EQUITY
	-----RUPEES-----			
Balance as at 30 June 2015	10,823,636,048	32,508,450,451	(13,741,845,983)	29,590,240,516
Loss for the year - restated	-	-	(4,783,344,784)	(4,783,344,784)
Other comprehensive loss for the year	-	-	(8,043,909,956)	(8,043,909,956)
Total comprehensive loss for the year - restated	-	-	(12,827,254,740)	(12,827,254,740)
Balance as at 30 June 2016 - Restated	10,823,636,048	32,508,450,451	(26,569,100,723)	16,762,985,776
Loss for the year	-	-	(17,934,510,558)	(17,934,510,558)
Other comprehensive loss for the year	-	-	(11,466,417,658)	(11,466,417,658)
Total comprehensive loss for the year	-	-	(29,400,928,216)	(29,400,928,216)
Balance as at 30 June 2017	<u>10,823,636,048</u>	<u>32,508,450,451</u>	<u>(55,970,028,939)</u>	<u>(12,637,942,440)</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 FINANCE DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. THE COMPANY AND ITS ACTIVITIES

Multan Electric Power Company Limited (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was established to takeover all the properties, rights, assets, obligations and liabilities of Multan Area Electricity Board ("MAEB") owned by Pakistan Water and Power Development Authority ("WAPDA") and such other assets and liabilities as agreed. The Company was incorporated on 14 May 1998 and commenced operation on 01 July 1998. Its registered office is situated at Shahra-e-Quaid-e-Azam, WAPDA House, Lahore. The principal place of business of the Company is located at Khanewal Road, Multan. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. Securities and Exchange Commission of Pakistan (SECP) vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

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

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

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

Provision for obsolescence of stores and spare parts

The Company reviews the carrying amount of stores and spare parts on regular basis and provision for obsolescence is made if there is any change in usage pattern and physical form of stores and spare parts.

Taxation

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

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in Note 6 to the financial statements for determination of present value of staff retirement benefits. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

d) Implication of revised IFRS 2 'Share-based Payment'

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs), including the Company and Non-State Owned Enterprises (Non-SOEs), where the 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 payment to employees on retirement or termination based on the price of shares of respective entities. To administer the Scheme, the Government shall transfer 12 percent of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a trust deed, created for the purpose by each such entity. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and 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 of non-listed entities. The shares relating to the surrendered units would be transferred back to the GoP.

The Scheme also provides that 50 percent of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holding employees. The balance 50 percent 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 the Government. The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs 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 SECP, on receiving representations from some of entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated 07 June 2011 to such entities from the application of IFRS 2 to the Scheme.

e) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to all parts of the financial statements, and even when a standard requires a 'specific'

disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments) 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not likely to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

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

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.3 Staff retirement benefits

The Company provides funded pension scheme, an unfunded free electricity scheme and an unfunded free medical facility scheme for all its employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement upto maximum limit of 365 days. The Company's obligations under these schemes are determined through actuarial valuation carried under Projected Unit Credit Method. Latest actuarial valuations have been carried on 30 June 2017. Past service cost is recognized immediately in profit or loss. Remeasurement changes which comprise actuarial gains or losses are recognized immediately in other comprehensive income except for the compensated absences which are recognized in the year of occurrence in the profit and loss account.

2.3.1 General / Employees' Provident Fund

For General / Employees' Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA. The provident fund related disclosure required by the repealed Companies Ordinance, 1984 is not shown in these financial statements as General / Employees' Provident Fund established by WAPDA includes the employees of other power distribution and generation companies and the figures related to the Company cannot be segregated from the whole General / Employees' Provident Fund.

2.4 Taxation

Current

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

Deferred

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

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

2.5 Property, plant and equipment

2.5.1 Operating fixed assets and depreciation

a) Cost

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at cost less any identified impairment loss and leasehold land which is stated at cost less accumulated depreciation and any identified impairment loss.

Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

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

b) Depreciation

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 13.2. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to profit and loss account except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

c) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any recognized impairment loss. This includes all costs connected with specific assets incurred during installation and construction period. These are transferred to specific assets as and when these assets are available for use.

2.6 Stores and spare parts

Usable stores and spare parts except for items in transit are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items-in-transit are stated at invoice amount plus other charges paid thereon.

2.7 Cash and cash equivalents

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

2.8 Revenue recognition

Following specific recognition criteria must be met before revenue is recognized:

Sale of electricity

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

Tariff differential subsidy

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

Rental and service income

Meter rentals are recognized on time proportion basis.

Interest income

Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

Sale of scrap

Revenue from sale of scrap is recognized on dispatch of goods.

2.9 Financial instruments

Financial instruments carried on the balance sheet include deposits, trade debts, loans and advances, accrued interest, other receivables, cash and bank balances, long term financing, accrued mark-up and trade and other payables. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.10 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network. Amortization of deferred credit for the year is recognized as income in profit and loss account.

2.11 Borrowings

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

2.12 Borrowing cost

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

2.13 Trade debts

Trade debts are carried at original billed value less an estimate of provision for doubtful debts.

Provision for doubtful debts is made as follows:

- No provision on Government arrears and Agency balances;
- Fifty percent provision on permanently disconnected consumers; and
- Provision on arrears from private consumers and deferred arrears at the rates approved.

The percentage rates for creating provision against doubtful debts is as follows:

Permanently Disconnected Connections	50%
Deferred arrears:	
More than 1 year and up to 2 years	20%
More than 2 year and up to 3 years	30%
More than 3 year and up to 4 years	35%
More than 4 year and up to 5 years	40%
More than 5 years	50%
Arrears:	
More than 3 months and up to 6 months	5%
More than 6 months and up to 1 year	10%
More than 1 year and up to 2 years	25%
More than 2 years and up to 3 years	35%
More than 3 years and up to 4 years	50%
More than 4 years and up to 5 years	75%

2.14 Loans, advances, deposits and receivables

These are recognized at cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end.

2.15 Trade and other payables

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

2.16 Impairment

a) Financial assets

At each balance sheet date, the Company reviews the carrying amount of financial assets to assess whether there is any indication that such financial assets have been suffered an impairment loss. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made. However provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.18 Offsetting

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

2.19 Earnings / (loss) per share

The Company presents basic and diluted earnings / (loss) per share data for its ordinary shares. Basic earnings / (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings / (loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2017 NUMBER OF SHARES	2016 NUMBER OF SHARES		2017 RUPEES	2016 RUPEES
1 000	1 000	Ordinary shares of Rupees 10 each fully paid in cash to Government of Pakistan (GoP) and its nominee directors	10,000	10,000
1 082 362 604	1 082 362 604	Ordinary shares of Rupees 10 each fully paid issued for consideration other than in cash to WAPDA	10,823,626,048	10,823,626,048
<u>1 082 363 604</u>	<u>1 082 363 604</u>		<u>10,823,636,048</u>	<u>10,823,636,048</u>

4. DEPOSIT FOR SHARES

This represents credit of Rupees 32,508,450,451 (2016: Rupees 32,508,450,451) received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA) in pursuance of letter No. F.1(5) CF-1/2012-13/1017 dated 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 341 billion. Hence this has been treated as GoP equity investment in the Company.

	2017 RUPEES	2016 RUPEES
5. LONG TERM FINANCING		
Loans from related party		
Secured		
From GoP (foreign re-lent) out of:		
International Bank for Reconstruction and Development (Note 5.1)	3,849,036,226	3,849,036,226
Asian Development Bank - Tranche I (Note 5.2)	1,354,866,393	1,354,866,393
Asian Development Bank - Tranche II (Note 5.3)	2,122,162,370	2,081,118,329
Asian Development Bank - Tranche III (Note 5.4)	2,505,075,911	1,887,666,450
Asian Development Bank - Tranche IV (Note 5.5)	1,857,445,058	586,142,394
	<u>11,688,585,958</u>	<u>9,758,829,792</u>
Unsecured		
Cash Development Loan from GoP (Note 5.6)	797,050,000	797,050,000
	<u>12,485,635,958</u>	<u>10,555,879,792</u>
Other loans - unsecured (Note 5.7, 5.8, 5.9, 5.10 and 5.11)	172,777,778	207,216,667
	<u>12,658,413,736</u>	<u>10,763,096,459</u>
Less:		
Current portion shown under current liabilities	736,004,248	799,976,801
Overdue portion shown under current liabilities	2,861,290,439	1,895,424,006
	<u>3,597,294,687</u>	<u>2,695,400,807</u>
	<u>9,061,119,049</u>	<u>8,067,695,652</u>

5.1 This represents re-lent portion of loan obtained by the GoP from International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission improvement project which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% per annum which comprises of re-lending interest of 11% per annum and exchange risk cover of 6% per annum payable on half yearly basis. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from September 2011. The overdue amount of principal and mark-up aggregate to Rupees 1,604.87 million (2016: Rupees 1,284.27 million) and Rupees 2,837.18 million (2016: Rupees 2,533.81 million) respectively.

- 5.2 This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk cover fee of 6% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amount of principal and mark-up aggregate to Rupees 825.03 million (2016: Rupees 392.57 million) and Rupees 779.24 million (2016: Rupees 684.37 million) respectively.
- 5.3 This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 41.044 million (2016: Rupees 33.139 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 17 years excluding grace period of 3 years starting from June 2014. The overdue amount of principal and mark-up aggregate to Rupees 398.56 million (2016: Rupees 272.59 million) and Rupees 1,098.03 million (2016: Rupees 834.83 million) respectively.
- 5.4 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 617.409 million (2016: Rupees 1,064.690 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal will be started from June 2018 and will be repaid on half yearly basis within maximum period of 25 years including grace period of 5 years.
- 5.5 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 1,271.303 million (2016: 586.142 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal will be started from June 2019 and will be repaid on half yearly basis within maximum period of 25 years including grace period of 5 years.
- 5.6 This represents a loan obtained from the GoP under "Prime Minister's Southern Punjab Development Package" for construction of new grid stations and laying transmission lines. The limit of the loan facility is Rupees 1,228 million. As per instructions of the Finance Division of GoP for loan disbursements, the interest shall be chargeable at a prevailing rate of interest for respective year, which has been assessed as 17% per annum by the Company. Repayment of principal has to be made on yearly basis within maximum period of 20 years including grace period of 5 years starting from June 2015. The overdue amount of principal and mark-up aggregate to Rupees 159.41 million (2016: Rupees 106.27 million) and Rupees 691.45 million (2016: Rupees 555.96 million) respectively.
- 5.7 These include Rupees 80.56 million (2016: Rupees 100 million) interest free loan from RYK Mills Limited under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation 2013 (Bagasse/Biomass). The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 21 March 2015.
- 5.8 These include Rupees 17.22 million (2016: Rupees 28.41 million) interest free loan from JDW Sugar Mills Limited under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation 2013 (Bagasse/Biomass). The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 12 June 2014. The overdue amount of principal aggregate to Rupees 1.72 million (2016: Rupees 2.50 million).
- 5.9 These include Rupees 20 million (2016: Rupees 20 million) interest free loan from Hamza Sugar Mills Limited under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation 2013 (Bagasse/Biomass). The loan is repayable in 36 equal monthly installments commencing after 36 months of commercial operation date of the project which has not yet been assessed.
- 5.10 These include Rupees 55 million (2016: Rupees 58.8 million) interest free loan from The Thal Industries Corporation Limited under an agreement to meet expenses for grid interconnection and framework for Power Co-Generation 2013 (Bagasse/Biomass). The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which has not yet been assessed.
- 5.11 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of the loans given in Notes 5.7 to Note 5.10 is not considered material and hence not recognized.

6. STAFF RETIREMENT BENEFITS

Free medical benefits (Note 6.1)
Pension (Note 6.1)
Free electricity benefits (Note 6.1)
Compensated absences (Note 6.1)

RUPEES
RUPEES

3,364,973,045 2,590,161,447
47,278,337,451 35,519,209,613
3,364,975,998 2,850,264,762
2,584,785,883 2,050,896,152

6.1 Balance sheet reconciliation:

56,593,072,377 43,010,531,974

30 June 2017				
Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2016	2,590,161,447	35,519,209,613	2,850,264,762	43,010,531,974
Charge for the year (Note 6.2)	322,586,343	3,569,226,484	336,740,278	4,930,382,596
Remeasurement recognized in statement of comprehensive income (Note 6.3)	463,636,398	10,740,884,240	261,897,020	11,466,417,658
Benefits paid	(11,411,143)	(2,197,853,781)	(83,926,062)	(2,461,130,746)
Fund contribution		(353,129,105)		(353,129,105)
Balance as at 30 June 2017	3,364,973,045	47,278,337,451	3,364,975,998	56,593,072,377

Balance as at 01 July 2016
Charge for the year (Note 6.2)
Remeasurement recognized in statement of comprehensive income (Note 6.3)
Benefits paid
Fund contribution

30 June 2016				
Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2015	1,883,031,024	24,608,307,733	1,906,856,545	29,880,745,468
Charge for the year (Note 6.2)	275,645,335	6,095,578,106	255,435,653	7,327,366,056
Remeasurement recognized in statement of comprehensive income (Note 6.3)	443,123,973	6,834,840,531	765,945,452	8,043,909,956
Benefits paid	(11,638,885)	(1,912,516,757)	(77,972,888)	(2,134,489,506)
Fund contribution		(107,000,000)		(107,000,000)
Balance as at 30 June 2016	2,590,161,447	35,519,209,613	2,850,264,762	43,010,531,974

Balance as at 01 July 2015
Charge for the year (Note 6.2)
Remeasurement recognized in statement of comprehensive income (Note 6.3)
Benefits paid
Fund contribution

6.2 Charge for the year recognized in profit and loss account:

30 June 2017				
Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	89,985,314	487,291,848	83,993,122	700,621,423
Interest cost	232,601,029	3,081,934,636	252,747,156	3,744,306,185
Actuarial losses			485,454,988	485,454,988
	322,586,343	3,569,226,484	336,740,278	4,930,382,596

Current service cost
Interest cost
Actuarial losses

30 June 2016				
Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	78,538,119	645,863,294	59,309,292	794,676,491
Interest cost	197,107,216	2,483,465,182	196,126,361	3,025,417,575
Past service cost		2,966,249,630		2,966,249,630
Actuarial losses			541,022,360	541,022,360
	275,645,335	6,095,578,106	255,435,653	7,327,366,056

Current service cost
Interest cost
Past service cost
Actuarial losses

6.3 Remeasurement recognized in statement of comprehensive income:

30 June 2017				
Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Experience adjustments	463,636,398	10,740,884,240	261,897,020	11,466,417,658

Experience adjustments

30 June 2016				
Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Experience adjustments	443,123,973	6,834,840,531	765,945,452	8,043,909,956

Experience adjustments

6.4 Reconciliation of present value of defined benefit obligations:

	30 June 2017				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2016	2,590,161,447	35,519,209,613	2,850,264,762	2,050,896,152	43,010,531,974
Current service cost	89,985,314	487,291,848	83,993,122	39,351,139	700,621,423
Interest cost	232,601,029	3,081,934,636	252,747,156	177,023,364	3,744,306,185
Benefits paid during the year	(11,411,143)	(2,197,853,781)	(83,926,062)	(167,939,760)	(2,461,130,746)
Remeasurement	463,636,398	10,740,884,240	261,897,020	485,454,988	11,466,417,658
Actuarial losses	-	(353,129,105)	-	-	(353,129,105)
Fund contribution	-	-	-	-	-
Balance as at 30 June 2017	3,364,973,045	47,278,337,451	3,364,975,998	2,584,785,883	56,593,072,377

	30 June 2016				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2015	1,883,031,024	24,608,307,733	1,906,856,545	1,482,550,166	29,880,745,468
Current service cost	78,538,119	645,863,294	59,309,292	10,965,786	794,676,491
Interest cost	197,107,216	2,483,465,182	196,126,361	148,718,816	3,025,417,575
Past service cost	-	2,966,249,630	-	-	2,966,249,630
Benefits paid during the year	(11,638,885)	(1,912,516,757)	(77,972,888)	(132,360,976)	(2,134,489,506)
Remeasurement	443,123,973	6,834,840,531	765,945,452	541,022,360	8,043,909,956
Actuarial losses	-	(107,000,000)	-	-	(107,000,000)
Fund contribution	-	-	-	-	-
Balance as at 30 June 2016	2,590,161,447	35,519,209,613	2,850,264,762	2,050,896,152	43,010,531,974

6.5 Principal actuarial assumptions used:

	30 June 2017			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	9.25%	9.25%	9.25%	9.25%
Inflation rate	-	-	7.25%	-
Annual medical claim - Rupees	9,000	-	-	8.25%
Salary increase rate used for year end obligation (per annum)	-	8.25%	-	8.25%
Weighted average duration of the benefit	13 Years	13 Years	13 Years	13 Years
Medical / pension / electricity indexation rate	9.25%	2.50%	-	-
Medical exposure rate (per annum)	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Mortality rates	Low	Low	Low	Low
Withdrawal rates	-	-	-	-
Expected charge to profit and loss account for the next financial year (Rupees)	405,082,329	5,119,532,692	366,021,801	273,853,442

	30 June 2016			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	9.00%	9.00%	9.00%	9.00%
Inflation rate	-	-	7.00%	-
Annual medical claim - Rupees	10,000	-	-	7.00%
Salary increase rate used for year end obligation (per annum)	-	7.00%	-	7.00%
Average duration of the benefit	12 Years	12 Years	12 Years	12 Years
Medical / pension / electricity indexation rate	7.00%	2.00%	-	-
Medical exposure rate (per annum)	7.00%	-	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Withdrawal rates	Low	Low	Low	Low
Expected charge to profit and loss account for the next financial year (Rupees)	294,265,969	3,776,457,967	377,079,585	244,571,179

6.6 Sensitivity analysis for actuarial assumptions:

The sensitivity of the staff retirement benefits as at reporting date to changes in the weighted principal assumption is:

	30 June 2017			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(589,515,891)	(5,084,885,068)	(523,700,684)	(190,192,536)
Decrease in assumption (Rupees)	790,204,064	6,642,459,570	688,518,481	220,048,537
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	505,307,340	-	-	-
Decrease in assumption (Rupees)	(411,238,607)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	505,307,340	-	-	-
Decrease in assumption (Rupees)	(411,238,607)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(5,474,401)	148,333,903	(1,893,499)	3,109,277
Decrease in assumption (Rupees)	5,514,231	195,392,934	1,905,542	(3,128,356)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	2,460,489,780	-	232,697,624
Decrease in assumption (Rupees)	-	(1,842,719,692)	-	(204,282,790)
Indexation rate	-	1.00%	1.00%	-
Increase in assumption (Rupees)	-	4,573,859,012	515,223,480	-
Decrease in assumption (Rupees)	-	(3,580,970,927)	(415,325,455)	-
Mortality setback	1 year	1 year	1 year	1 year
Increase in assumption (Rupees)	4,654,792	208,860,283	(3,499,134)	(2,269,087)
Decrease in assumption (Rupees)	(4,593,402)	136,925,199	3,481,828	2,259,231

	30 June 2016			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(370,307,739)	(3,570,169,867)	(431,243,545)	(153,875,715)
Decrease in assumption (Rupees)	503,132,781	4,863,996,363	536,205,738	178,485,931
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	168,598,832	-	-	-
Decrease in assumption (Rupees)	(144,659,701)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	326,537,512	-	-	-
Decrease in assumption (Rupees)	(256,330,601)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(3,488,613)	211,548,854	(3,047,237)	2,690,777
Decrease in assumption (Rupees)	3,514,689	241,027,328	3,069,701	(2,707,605)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	1,888,459,994	-	188,573,065
Decrease in assumption (Rupees)	-	(1,239,710,750)	-	(165,125,726)
Indexation rate	-	1.00%	1.00%	-
Increase in assumption (Rupees)	-	3,389,239,905	550,640,837	-
Decrease in assumption (Rupees)	-	(2,494,630,080)	(447,284,809)	-
Mortality setback	1 year	1 year	1 year	1 year
Increase in assumption (Rupees)	2,649,039	208,860,283	(3,368,917)	(1,580,633)
Decrease in assumption (Rupees)	(2,611,702)	136,925,199	3,352,509	1,935,946

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the staff retirement benefits to significant actuarial assumptions, the same method (present value of the staff retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis were changed as compared to the previous year due to downward trend in interest rate structure and increase in inflationary expectations.

6.7 Amounts for the current and previous four years:

	2017 RUPEES	2016 RUPEES	2015 RUPEES	2014 RUPEES	2013 RUPEES
Present value of defined benefit obligation of :					
Free medical benefits	3,364,973,045	2,590,161,447	1,883,031,024	1,410,759,220	1,175,254,411
Pension	47,278,337,451	35,519,209,613	24,608,307,733	19,811,698,219	8,226,328,971
Free electricity benefits	3,364,975,998	2,850,264,762	1,906,856,545	1,606,475,611	1,632,119,962
Compensated absences	2,584,785,883	2,050,896,152	1,482,550,166	1,271,506,881	1,014,224,642
Remeasurement loss / (gain) on obligation of:					
Free medical benefits	463,636,398	443,123,973	58,179,514	44,183,755	
Pension	10,740,884,240	6,834,840,531	1,148,182,436	1,971,882,592	627,109,403
Free electricity benefits	261,897,020	765,945,452	(85,664,673)	(281,334,056)	18,044,366
Compensated absences	485,454,988	541,022,360	39,383,961		

6.8 Risks associated with staff retirement benefits

Investment risks

The risk arises when actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

7. LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers on account of electricity connections. These are refundable / adjustable on disconnection of electricity supply.

	2017 RUPEES	2016 RUPEES
8. RECEIPT AGAINST DEPOSIT WORKS		
Consumers demand notices awaiting connections (Note 8.1)	1,683,910,520	956,462,783
Funds received against deposit works (Note 8.2)	15,735,990,885	13,985,763,790
	<u>17,419,901,405</u>	<u>14,942,226,573</u>

8.1 These represent amounts received from consumers through demand notices against which the related works / jobs have not been completed..

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

9. DEFERRED CREDIT

Balance as at 01 July	61,177,065,020	56,606,043,777
Addition during the year	5,642,285,072	4,571,021,243
	66,819,350,092	61,177,065,020
Less: Amortization		
Balance as at 01 July	17,285,996,611	15,250,991,135
Amortization for the year	2,213,528,610	2,035,005,476
	19,499,525,221	17,285,996,611
Balance as at 30 June	<u>47,319,824,871</u>	<u>43,891,066,409</u>

9.1 This represents the capital contributions received from consumers and the Government against which assets are constructed by the Company.

	2017 RUPEES	2016 RUPEES Restated
10. TRADE AND OTHER PAYABLES		
Creditors	1,584,031,062	1,392,958,088
Equalization surcharge payable	2,224,023,230	2,218,267,935
Due to associated undertakings (Note 10.1)	32,564,705,776	864,004,477
Accrued liabilities	493,881,354	594,709,967
Retention money payable	614,602,026	443,774,039
Electricity duty payable	104,102,843	93,933,688
Neelum Jhelum surcharge payable	252,638,133	274,857,050
T.V. license fees payable	110,611,870	111,136,056
Financing cost surcharge	1,260,766,310	1,386,276,195
Tariff rationalization surcharge	1,637,898,803	1,391,314,697
Compact Fluorescent Lamps cost payable (Note 10.2)	807,373,696	807,373,696
Workers' profit participation fund (Note 10.3)	1,692,118,856	1,692,118,856
Other liabilities	1,077,806,480	825,276,658
	<u>44,424,560,439</u>	<u>12,096,001,402</u>

10.1 Due to associated undertakings

Central Power Purchasing Agency (Guarantee) Limited (CPPA)	32,494,625,486	837,906,554
Hyderabad Electric Supply Company Limited (HESCO)	-	4,328,830
Gujranwala Electric Power Company Limited (GEPCO)	20,604,261	14,564,186
Sukkur Electric Power Company Limited (SEPCO)	-	7,204,907
Faisalabad Electric Supply Company Limited (FESCO)	49,476,029	-
	<u>32,564,705,776</u>	<u>864,004,477</u>

10.2 During financial year 2013-14, the Company had received Compact Fluorescent Lamps (CFLs) from Pakistan Electric Power Company (PEPCO) under the Clean Development Mechanism (CDM) Program of activities - "National CFL Project - Pakistan". CFLs cost will have to be borne by the Company from its distribution margin.

10.3 The Company has not made payment of its contribution towards Works' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 uptill 30 June 2015. This matter is pending for decision with Economic Coordination Committee (ECC) upon recommendation submitted by WAPDA to exempt the undertakings established under the umbrella of WAPDA from compliance with the requirements of Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC no provision for mark-up is made as required under Companies Profit (Workers' Participation) Act, 1968. However, the Company has shown the mark-up as contingent liability under Note 12.1.4 to the financial statements.

10.4 The figure of trade and other payables has been restated on account of decrease of Rupees 6,448.71 million in payable to CPPA in consequence of credit notes received from CPPA as explained in Note 24.2 to the financial statements.

	2017 RUPEES	2016 RUPEES
11. ACCRUED MARK-UP		
Foreign re-lent loans	188,610,605	9,077,220
Cash development loan	135,498,500	135,498,500
Overdue mark-up on foreign re-lent loans	5,978,068,004	4,647,359,122
	<u>6,302,177,109</u>	<u>4,791,934,842</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims amounting to Rupees 46.16 million (2016: Rupees 68.15 million) relating to disconnections, detection bills and overbillings against the Company not acknowledged as debt.

12.1.2 In order to reduce "Circular Debt" on mark-up basis, the Central Power Purchasing Agency (Guarantee) Limited (CPPA) has entered into Multi-Partite Agreement for financing of Rupees 335 billion under various agreements executed between Power Holding (Private) Limited (PHPL), Government of Pakistan (GoP) and syndicated banks during financial years 2012, 2013, 2014 and 2015. These financing arrangements were executed for funding the repayment of liabilities of Distribution Companies (DISCOs) against cost of electricity purchased. Consequently, this amount was transferred to the Company by CPPA on energy drawl basis and the Company has received credit notes uptill 30 June 2017 aggregating to Rupees 60,905.37 million (2016: Rupees 55,646.07 million) from CPPA to recognize this amount as loan. Moreover, the Company has also received debit notes from CPPA in respect of the mark-up and arrangement fee on these loans in current and prior years aggregating to Rupees 17,370.51 million (2016: Rupees 11,591.31 million).

The management is of the view that these financing arrangements have been made between CPPA, PHPL and GoP and as such the Company was not a party to these arrangements. This matter is still under consideration of the management of the Company for settlement of terms and conditions in respect of such financing arrangements and various options are being deliberated. Therefore, the Company has not yet recognized the impact of said credit / debit notes in its books of account.

12.1.3 The Company has received various invoices from CPPA representing late payment charges (supplementary charges) being the share of the Company in the mark-up charged to CPPA by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 12,446.89 million (2016: Rupees 11,930.09 million).

As mentioned in Para 18 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-283/MEPCO-2014/4264-4266 dated 27 March 2015 and Para 8.10 and 20 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-332/MEPCO-2015/2697-2699 dated 29 February 2016, it was mutually agreed by the representatives of CPPA and distribution companies that, as per clause 9.3(d) of electricity supply agreement dated 29 June 1998 between DISCOs and NTDC, the DISCOs are obliged to pay late payment charges (supplementary charges) to CPPA on account of delay payments of invoices.

NEPRA has decided that the late payment charges (supplementary charges) recovered from consumers on utility bills shall be offset against the late payment charges (supplementary charges) invoices raised by CPPA and CPPA cannot account for late payment charges (supplementary charges) over and above what is calculated as per agreement. Therefore, no provision for late payment charges (supplementary charges) of Rupees 12,446.89 million have been recognized in these financial statements as the management is of the view that supplementary charges have not been allowed as expense by NEPRA in tariff determination.

12.1.4 The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the workers profit participation fund within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, no provision for interest aggregating to Rupees 885.16 million (2016: Rupees 688.74 million) on unpaid amount has been recognized by the Company in these financial statements.

12.1.5 Income Tax

- (i) Additional Commissioner Inland Revenue (ACIR) amended the deemed assessments under section 122(5A) of the Income Tax Ordinance 2001 (the Ordinance) on the ground that the minimum tax liability under section 113 was not discharged. He passed the orders vide DCR No. 10/07 dated 02 February 2015 and 19/18 dated 14 April 2015 for tax years 2010 and 2013 and created a demand of Rupees 5.63 million for the Tax Year 2010 and Rupees 109.82 million for the Tax Year 2013. Being aggrieved from the impugned orders, the Company filed appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) and the same was upheld by the Learned CIR(A). Appeal against the orders of CIR(A) has been filed with the Appellate Tribunal Inland Revenue (ATIR) which is pending for adjudication.

- (ii) Inland Revenue Audit Officer (IRAO) issued an order on 28 April 2014 under section 161 and 205 of the Ordinance raising a demand aggregating to Rupees 307 million for tax year 2013, on grounds that the Company has made a tax deduction under section 235 of the Ordinance on sales of electricity without including sales tax. The same was upheld by the Learned Commissioner Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue (ATIR). A written petition was filed with the Honourable Lahore High Court against the said orders.
- (iii) Inland Revenue Audit Officer (IRAO) passed an order for the tax year 2007 under Section 161 and 205 of the Ordinance creating a demand amounting to Rupees 10.22 million as default surcharges on grounds that withholding tax was not timely deducted by the Company on payments to certain parties. The same was upheld by the Learned Commissioner Inland Revenue (Appeals). The matter is pending for adjudication before Appellate Tribunal Inland Revenue (ATIR).
- (iv) Additional Commissioner Inland Revenue (ACIR) passed the orders under Section 113 of the Ordinance and charged minimum tax amounting to Rupees 9.9 million for the Tax Year 2007 and amounting to Rupees 2 million for the Tax Year 2008 on turnover. Being aggrieved from the impugned orders, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) and the same was upheld by the Learned CIR(A). Subsequently appeal against the orders of CIR(A) was filed with the Appellate Tribunal Inland Revenue (ATIR) which is pending for adjudication.

No provision of Rupees 444.57 million regarding the matters stated in paragraphs 2.1.5(i) to 2.1.5(iv) has been incorporated in these financial statements because, in tax advisor opinion, no adverse inference is expected.

- (v) Additional Commissioner Inland Revenue (ACIR) amended the deemed assessment under section 122(5A) for the tax year 2014 vide order number DCR-09 dated 03 November 2014 on ground that the minimum tax liability under section 113 was not discharged and thereby raised a demand of Rupees 1,736 million. An appeal was filed with Commissioner Inland Revenue (Appeals) who upheld the said order and subsequently another appeal has been filed with Appellate Tribunal Inland Revenue (ATIR) which is pending for adjudication.
- (vi) In 2015 Taxation Officer made an assessment under sections 124 and 162(1) of the Ordinance for Tax Year 2010, 2011 and 2012 wherein he raised demand amounting to Rupees 52.906 million treating service fee for the collection of PTV license fees as commission rather than as service fee. In this regard, an appeal has been filed before the Learned Commissioner Inland Revenue (Appeals) who remanded back the proceedings to the concerned Taxation Officer with direction to recalculate the service fee according to the agreement between WAPDA and PTV. The said appeal is pending for adjudication before the Learned Taxation Officer.
- (vii) Taxation Officer passed an order vide order number 01/54 dated 12 November 2007 under sections 161 and 205 of the ordinance on the ground that withholding tax was not deducted by the Company while making payments to certain parties and assessed tax of Rupees 8.5 million along with the default surcharge of Rupees 0.98 million. The same was upheld by the Learned Commissioner Inland Revenue (Appeals). The matter is currently pending for adjudication before Appellate Tribunal Inland Revenue (ATIR).
- (viii) Additional Commissioner Inland Revenue (ACIR) passed the order for tax year 2015 that the Company was liable to pay Rupees 893 million being higher of minimum tax under section 113 and 113 (C) of the Income Tax Ordinance, 2001 (the Ordinance). The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 120(1) of the Ordinance. Being aggrieved from the impugned order, the Company filed appeal before the Commissioner Inland Revenue (Appeals)(CIR(A)) and same was upheld by the learned CIR(A). Appeals against the orders of CIR(A) has been file with the Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication.
- (ix) Assistant Commissioner Inland Revenue (ACIR) passed the order under section 122(1) dated 22 June 2017 for the tax year 2011 that the Company was liable to pay Rupees 226 million due to violation of certain provisions of the Income Tax Ordinance, 2001 (the Ordinance). Being aggrieved from the impugned order, the Company filed appeal before the Commissioner Inland Revenue (Appeals)(CIR(A)) which is pending for adjudication.

Aggregate provision of Rupees. 2,917.39 million regarding the cases stated in paragraph numbers 2.1.5(v) to 2.1.5(ix) has not been accounted for in the books of account of the Company as in the opinion of tax advisor, the favourable outcome of these cases is expected.

Sales Tax:

- (x) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 19 December 2012 by treating the "Subsidy" aggregating to Rupees 24,739.75 million during the period from July 2010 to June 2011 as taxable supplies under the Sales Tax Act 1990 (the Act) and also taxed unexplained differences amounting to Rupees 925.29 million and raised a demand of Rupees 4,363.05 million. Being aggrieved by the decision, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the order of DCIR, afterwards appeal was filed before the Appellate Tribunal Inland Revenue (ATIR) and vide its order number STA 247/LB/2013 dated 19 December 2014 the point of unexplained income was remanded back to DCIR and matter of subsidy was upheld against which the Company filed an appeal before Honorable Lahore High Court who remanded back the case to ATIR for the full bench to decide the case which is still pending for adjudication.
- (xi) The Deputy Commissioner Inland Revenue (DCIR) Audit Unit-01 Special Zone RTO Multan passed the orders thereby alleging that the Company has paid less the amount of sales tax withheld of Rupees 691.82 million for tax periods July 2014, August 2014, January 2015 and April 2015 in violation of sections 3(1)(A) of the Sales Tax Act, 1990 (the Act). Against the said order of DCIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is currently pending for adjudication.
- (xii) The Deputy Commissioner Inland Revenue (DCIR) Special Zone RTO Multan has passed the Orders alleging that the Company has not charged and paid sales tax amounting Rupees 22.27 million from retailers during the tax periods of July 2014 and August 2014 and has directed the Company to deposit the same along with default surcharge and penalty of Rupees 1.11 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) against the said orders of DCIR and CIR(A) has confirmed the orders of DCIR. Being aggrieved the Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending for adjudication.
- (xiii) The Deputy Commissioner Inland Revenue (DCIR) Special Zone RTO Multan has passed the order alleging that the Company has not charged and paid sales tax amounting Rupees 23 million from retailers during the month of October 2015 and has directed it to deposit the same along with default surcharge and penalty of Rupees 1.16 million. Against the orders of DCIR an appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) and CIR(A) has confirmed the orders of DCIR. Being aggrieved the Company has filed an appeal before Appellate Tribunal Inland Revenue which is currently pending for adjudication.
- (xiv) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 31 March 2014 on the grounds that the Company has shortly paid further tax amounting Rupees 36.8 million and extra tax of Rupees 23.5 million for the tax period July 2013 to October 2013. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the order of DCIR. Afterwards an appeal was filed before Appellate Tribunal Inland Revenue (ATIR) for which decision is awaited.
- (xv) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 15 February 2015 on the grounds that the Company has supplied electricity to unregistered during the period July 2014 to June 2015 without payment of sales tax amounting Rupees 476 million leviable thereon. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the order of DCIR. Afterwards an appeal was filed before Appellate Tribunal Inland Revenue (ATIR) for which decision is awaited.
- (xvi) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 02 February 2015 on the grounds that the Company has made taxable supplies to three steel melters / rerollers but declared lesser quantity of electricity sold amounting Rupees 199 million during the period July 2011 to June 2015. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the order of DCIR. Afterwards an appeal was filed before Appellate Tribunal Inland Revenue (ATIR) for which decision is awaited.
- (xvii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order No. 05/2016 dated 24 November 2016 on the grounds that the Company is required to pay sales tax on various heads amounting to Rupees 10,088.25 million. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) for which decision is pending.
- (xviii) The Assistant Commissioner Inland Revenue (ACIR) has passed the order No. 95/2017 dated 27 April 2017 on the grounds that the Company is required to pay sales tax on various heads amounting to Rupees 17,185.81 million. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) for which decision is pending.

Aggregate provision of Rupees 33,111.77 million relating to the above stated paragraph numbers 2.1.5(x) to 2.1.5 (xviii) has not been recorded in the books of accounts of the Company on the advice of tax advisor of the Company.

12.2 Commitments

Letters of credit for capital expenditure and other than capital expenditure are of Rupees 1,683.91 million (2016: Rupees 3,904.83 million). Keeping in view the nature of Company's business, segregation of capital expenditure and other than capital expenditure is not possible at this stage.

	2017 RUPEES	2016 RUPEES
13. PROPERTY, PLANT AND EQUIPMENT		
Capital work-in-progress (Note 13.1)	8,779,337,950	10,717,222,108
Operating fixed assets (Note 13.2)	81,186,179,985	70,962,816,939
	<u>89,965,517,935</u>	<u>81,680,039,047</u>
13.1 Capital work-in-progress		
Civil works	288,284,800	222,129,177
Project directorate constructions	6,897,483,301	5,812,637,430
Grid station constructions (Note 13.1.2)	1,593,569,849	4,682,455,501
	<u>8,779,337,950</u>	<u>10,717,222,108</u>
13.1.1 Movement in capital work-in-progress		
Balance at 01 July	10,717,222,108	9,234,254,360
Add: Additions during the year	7,795,041,688	5,390,518,822
	18,512,263,796	14,624,773,182
Less:		
Transferred to operating fixed assets	9,706,285,241	3,825,402,824
Impairment charged during the year (Note 25)	26,640,605	82,148,250
	9,732,925,846	3,907,551,074
Balance as at 30 June	<u>8,779,337,950</u>	<u>10,717,222,108</u>

13.1.2 This includes borrowing cost of Rupees 630.56 million (2016: Rupees 460.54 million) incurred specifically to finance the construction of grid station projects. The capitalization rate used was 15.557 (2016: 15.557) percent per annum.

13.1.3 Depreciation capitalized related to capital work-in-progress was Rupees 2.372 million (2016: Rupees 2.853 million). Moreover operating expenses of Rupees 311.847 million (2016: Rupees 330.792 million) have also been included in capital work-in-progress.

13.2 OPERATING FIXED ASSETS

	Land -Freehold	Land -Leasehold	Buildings on freehold land	Office equipment	Distribution equipment	Other plant and equipment	Vehicles	Total
(RUPEES)								
At 30 June 2015								
Cost	213,920,755	2,277,338	2,812,904,395	196,875,952	91,281,980,888	343,325,070	933,708,257	95,784,992,655
Accumulated depreciation	-	(790,164)	(785,832,517)	(115,826,724)	(28,230,284,763)	(245,684,459)	(640,884,709)	(30,019,303,336)
Net book value	<u>213,920,755</u>	<u>1,487,174</u>	<u>2,027,071,878</u>	<u>81,049,228</u>	<u>63,051,696,125</u>	<u>97,640,611</u>	<u>292,823,548</u>	<u>65,765,689,319</u>
Year ended 30 June 2016								
Opening net book value	213,920,755	1,487,174	2,027,071,878	81,049,228	63,051,696,125	97,640,611	292,823,548	65,765,689,319
Additions	114,552,096	-	278,249,653	12,818,580	8,150,642,074	17,221,393	40,800,000	8,614,283,796
Depreciation charge	-	-	(57,773,496)	(11,825,695)	(3,285,545,014)	(19,268,980)	(42,742,991)	(3,417,156,176)
Closing net book value	<u>328,472,851</u>	<u>1,487,174</u>	<u>2,247,548,035</u>	<u>82,042,113</u>	<u>67,916,793,185</u>	<u>95,593,024</u>	<u>290,880,557</u>	<u>70,962,816,939</u>
At 30 June 2016								
Cost	328,472,851	2,277,338	3,091,154,048	209,694,532	99,432,622,962	360,546,463	974,508,257	104,399,276,451
Accumulated depreciation	-	(790,164)	(843,606,013)	(127,652,419)	(31,515,829,777)	(264,953,439)	(683,627,700)	(33,436,459,512)
Net book value	<u>328,472,851</u>	<u>1,487,174</u>	<u>2,247,548,035</u>	<u>82,042,113</u>	<u>67,916,793,185</u>	<u>95,593,024</u>	<u>290,880,557</u>	<u>70,962,816,939</u>
Year ended 30 June 2017								
Opening net book value	328,472,851	1,487,174	2,247,548,035	82,042,113	67,916,793,185	95,593,024	290,880,557	70,962,816,939
Additions	25,130,151	-	621,246,132	7,863,688	13,228,991,764	71,059,000	6,288,698	13,960,579,433
Depreciation charge	-	-	(64,598,289)	(11,882,308)	(3,597,894,797)	(19,355,234)	(43,485,759)	(3,737,216,387)
Closing net book value	<u>353,603,002</u>	<u>1,487,174</u>	<u>2,804,195,878</u>	<u>78,023,493</u>	<u>77,547,890,152</u>	<u>147,296,790</u>	<u>253,683,496</u>	<u>81,186,179,985</u>
At 30 June 2017								
Cost	353,603,002	2,277,338	3,712,400,180	217,558,220	112,661,614,726	431,605,463	980,796,955	118,359,855,884
Accumulated depreciation	-	(790,164)	(908,204,302)	(139,534,727)	(35,113,724,574)	(284,308,673)	(727,113,459)	(37,173,675,899)
Net book value	<u>353,603,002</u>	<u>1,487,174</u>	<u>2,804,195,878</u>	<u>78,023,493</u>	<u>77,547,890,152</u>	<u>147,296,790</u>	<u>253,683,496</u>	<u>81,186,179,985</u>
Annual rate of depreciation (%)			2	10	3.5	10	10	

13.2.1 The property and rights in the above assets were transferred to the Company on 01 July 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement (BTA) executed between WAPDA and the Company.

13.2.2 Furniture and fixture have been included in other plant and equipment and computers have been clubbed in office equipment.

13.2.3 Title of some of freehold land has not been transferred with the name of Company. Book value of such freehold land is not available separately.

	2017 RUPEES	2016 RUPEES
13.3 Depreciation charge for the year has been allocated as follows:		
Operating cost	3,734,844,871	3,414,303,479
Capital work-in-progress (Note 13.1.3)	2,371,516	2,852,697
	<u>3,737,216,387</u>	<u>3,417,156,176</u>
14. LONG TERM LOANS AND ADVANCES		
Considered good - secured:		
House building / purchase of plots	83,717,442	68,359,361
Vehicles	24,729,062	24,555,869
	<u>108,446,504</u>	<u>92,915,230</u>
Less: Current portion shown under current assets (Note 18)	32,240,460	16,272,084
	<u>76,206,044</u>	<u>76,643,146</u>
14.1 Loans for house building and purchase of plot are repayable in ten years, car and motor cycle loans in five years and bicycle loans in four years. As per Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 11.30 percent (2016: 11.10 percent) per annum. The principal amount is recoverable in equal monthly instalments and interest is recoverable in lump sum at the time of final settlement of loans. These loans are secured by mortgage of immovable property and hypothecation of vehicles.		
15. LONG TERM DEPOSITS		
These represent security deposits with utility companies against connections:		
16. STORES AND SPARE PARTS		
Stores	3,827,867,208	4,542,841,420
Spare parts	249,037,471	208,886,726
	<u>4,076,904,679</u>	<u>4,751,728,146</u>
Less: Provision for slow moving and obsolete items of stores and spare parts (Note 16.1)	136,189,441	136,189,441
	<u>3,940,715,238</u>	<u>4,615,538,705</u>
16.1 Provision for slow moving and obsolete items of stores and spare parts		
Balance as at 01 July	136,189,441	78,586,098
Provision made during the year (Note 25)		57,603,343
Balance as at 30 June	<u>136,189,441</u>	<u>136,189,441</u>
17. TRADE DEBTS		
Partially secured:		
Considered good	<u>27,545,653,037</u>	<u>19,808,019,606</u>
Considered doubtful	3,885,816,914	4,622,678,668
Less: Provision for doubtful debts (Note 17.1)	<u>(3,885,816,914)</u>	<u>(4,622,678,668)</u>

	2017 RUPEES	2016 RUPEES
17.1 Provision for doubtful debts		
Balance as at 01 July	4,622,678,668	6,848,373,825
Less:		
Provision reversed during the year	554,552,056	2,224,076,720
Trade debts written off against provision for doubtful debts	182,309,698	1,618,437
	736,861,754	2,225,695,157
Balance as at 30 June	<u>3,885,816,914</u>	<u>4,622,678,668</u>

17.2 Trade debts are partially secured to the extent of corresponding consumers' security deposits and trade debts as at the balance sheet date are classified into domestic, commercial, agriculture, public lights, residential colonies and others.

17.3 As at 30 June, ageing analysis of these trade debts is as follows:

Not past due yet	4,037,980,476	1,004,999,218
Due upto 2 months	3,770,320,469	3,990,316,249
2 to 3 months	396,968,756	223,352,550
3 to 6 months	984,649,165	368,592,628
6 months to 1 year	1,035,976,105	908,870,721
1 year to 3 years	1,196,450,931	8,714,160,449
3 years and above	1,564,373,155	1,725,591,268
Agency balances (1 year to 3 years)	8,568,469,622	4,608,247,978
Deferred balances (1 year to 3 years)	9,876,281,272	2,886,567,213
	<u>31,431,469,951</u>	<u>24,430,698,274</u>
Less: Provision for doubtful debts	3,885,816,914	4,622,678,668
	<u>27,545,653,037</u>	<u>19,808,019,606</u>

17.4 As at 30 June 2017, trade debts of Rupees 3,885.817 million (2016: Rupees 4,622.679 million) were impaired and provided for. The related provision has been made keeping in view the criteria mentioned in Note 2.13.

18. LOANS AND ADVANCES

Considered good:

Employees against expenses	52,818,415	52,069,477
Advances to suppliers (Note 18.1)	165,371,693	317,851,941
Current portion of long term loans and advances (Note 14)	32,240,460	16,272,084
	<u>250,430,568</u>	<u>386,193,502</u>

18.1 These include an amount of Rupees Nil (2016: Rupees 4.60 million) due from Chief Resident Representative WAPDA, a related party for acting as an agent for import of goods.

19. OTHER RECEIVABLES

Considered good:

Due from associated companies / undertakings (Note 19.1)	3,134,354,482	2,870,422,102
Sales tax receivable from consumers	6,828,286,614	5,360,361,499
Agriculture subsidy receivable from Government of Punjab	150,006,763	755,157,238
Tariff differential subsidy receivable from Government of Pakistan	27,373,355,262	19,567,764,650
Duties, charges and taxes (Note 19.2)		
Receivable against damaged items during warranty period	30,669,955	37,835,616
Others	1,241,825,182	514,627,364
	<u>38,758,498,258</u>	<u>29,106,168,469</u>

	2017 RUPEES	2016 RUPEES
19.1 Due from associated companies / undertakings		
Jamshoro Power Generation Company Limited (GENCO-I)	993,606	2,277,583
Central Power Generation Company Limited (GENCO-II)	173,978,031	128,682,259
Northern Power Generation Company Limited (GENCO-III)	857,754,321	680,739,689
Lakhra Power Generation Company Limited (GENCO-IV)	464,731	516,687
Lahore Electric Supply Company Limited (LESCO)	435,680,905	424,923,830
Faisalabad Electric Supply Company Limited (FESCO)		11,966,842
Quetta Electric Supply Company Limited (QESCO)	38,803,985	30,042,200
Islamabad Electric Supply Company Limited (IESCO)	68,150,047	70,176,224
Peshawar Electric Supply Company Limited (PESCO)	439,098,933	444,808,454
Hyderabad Electric Supply Company Limited (HESCO)	252,847	
Sukkur Electric Power Company Limited (SEPCO)	5,430,038	
National Transmission and Despatch Company Limited (NTDC)	123,792,349	86,435,049
WAPDA Current Account	772,167,608	782,468,635
WAPDA Welfare Fund	216,295,572	207,384,650
Power Information Technology Company (Private) Limited	1,491,509	
	<u>3,134,354,482</u>	<u>2,870,422,102</u>

19.2 Duties, charges and taxes

Receivables not yet realized:

Electricity duty	214,163,537	278,451,882
Income tax	204,971,624	178,102,195
Other taxes	24,078,768	39,639,824
Neelum Jhelum surcharge	185,682,772	255,940,434
Debt service surcharge	715,764,903	789,205,896
Universal obligation surcharge	663,229,184	731,598,160
T.V. license fee	125,982,929	111,884,511
Equalization surcharge	20,974,918	28,426,196
	<u>2,154,848,635</u>	<u>2,413,249,098</u>

Payables not yet realized:

Electricity duty	(214,163,537)	(278,451,882)
Income tax	(204,971,624)	(178,102,195)
Other taxes	(24,078,768)	(39,639,824)
Neelum Jhelum surcharge	(185,682,772)	(255,940,434)
Debt service surcharge	(715,764,903)	(789,205,896)
Universal obligation surcharge	(663,229,184)	(731,598,160)
T.V. license fee	(125,982,929)	(111,884,511)
Equalization surcharge	(20,974,918)	(28,426,196)
	<u>(2,154,848,635)</u>	<u>(2,413,249,098)</u>

19.2.1 These represent the amounts billed to the customers on behalf of the respective authorities and are receivable at year end which have been netted off against their respective payables.

	2017 RUPEES	2016 RUPEES Restated
20. TAX REFUNDS DUE FROM GOVERNMENT		
Income tax	167,690,233	157,549,464
Sales tax	9,975,159,854	12,423,620,642
	<u>10,142,850,087</u>	<u>12,581,170,106</u>
21. CASH AND BANK BALANCES		
With banks on:		
Current accounts	224,612,468	288,635,652
Deposit accounts (Note 21.1)	1,305,498,079	3,034,439,511
Term deposit receipts (Note 21.2)	7,332,000,000	1,250,000,000
	<u>8,862,110,547</u>	<u>4,573,075,163</u>
Cash in hand	727	10,571
	<u>8,862,111,274</u>	<u>4,573,085,734</u>

- 21.1 Rate of profit on deposit accounts ranges from 3.75 percent to 5.50 percent (2016: 3.75 percent to 6.50 percent) per annum.
- 21.2 These represents term deposits placed in local currency with different banks having maturity period of one to three months (2016: one to three months) at profit rates ranging from 5.70 percent to 6.75 percent (2016: 5.70 percent to 6.50 percent) per annum.

	2017 RUPEES	2016 RUPEES
22. SALES OF ELECTRICITY		
Gross sales	126,533,155,430	118,978,410,261
Less: Sales tax	18,933,934,573	17,657,707,289
	<u>107,599,220,857</u>	<u>101,320,702,972</u>

23. TARIFF DIFFERENTIAL SUBSIDY

This represents the tariff subsidy claimed from the Government of Pakistan as the difference between rates determined by National Electric Power Regulatory Authority (NEPRA) and rates charged to the consumers as notified by the Government of Pakistan from time to time.

24. COST OF ELECTRICITY

24.1 The Company purchased electricity from CPPA and other private power producers. The electricity purchased during the year has been accounted for according to invoices issued by CPPA and adjusted in accordance with monthly fuel price adjustment determined and notified by National Electric Power Regulatory Authority (NEPRA).

24.2 The corresponding figure of cost of electricity has been restated on account of credit notes numbers CPPAG/CEO/2017/Taxation/1703 dated 25 March 2017 and CPPAG/CEO/2017/Taxation/26684 dated 29 June 2017 of amount aggregating to Rupees 6,448.71 million received by the Company from CPPA as a result of revision of sales tax returns by CPPA for periods from July 2015 to November 2015 and December 2015 to June 2016. CPPA filed petition of condonation of the revision of sales tax returns of above mentioned periods to Commissioner Inland Revenue, Corporate Regional Tax Office, Lahore who has granted the condonation of revision of sales tax returns of above mentioned periods.

This prior period error has been corrected retrospectively in these financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Consequently, loss after taxation, tax refunds due from Government and trade and other payables have been decreased by Rupees 5,511.719 million, Rupees 936.992 million and Rupees 6,448.711 million respectively. Basic loss per share and diluted loss per share have been decreased by Rupees 5.09 and Rupees 1.27 per share respectively.

25. OPERATING EXPENSES EXCLUDING DEPRECIATION

Salaries, wages and other benefits	7,407,930,997	6,889,568,414
Staff retirement benefits (Note 6.2)	4,930,382,596	7,327,366,056
Repair and maintenance	1,887,661,606	1,685,734,588
Travelling and conveyance	775,279,084	719,643,444
Electricity bills collection charges	404,706,201	391,706,186
Transportation	307,601,320	335,890,252
Advertising and publicity	55,932,863	31,705,594
Office supplies and other expenses	159,920,967	146,620,247
Legal and professional fees	43,508,812	42,694,091
Auditors' remuneration (Note 25.1)	1,000,000	1,180,000
Power, light and water	71,193,367	66,740,551
Computer and outside services	145,079,166	155,614,795
Telephone and postage	74,631,909	41,834,733
Management fees	610,619,424	32,414,531
Rent, rates and taxes	21,534,043	18,278,824
Insurance	33,070,929	27,509,005
Impairment of capital work in progress (Note 13.1.1)	26,640,605	82,148,250
Provision for slow moving and obsolete items of stores and spare parts (Note 16.1)	57,603,343	57,603,343
Other charges (Note 25.2)	621,382,249	895,938,480
	<u>17,578,076,138</u>	<u>18,950,111,384</u>
Less: Charged to capital work-in-progress (Note 13.1.3)	311,847,331	330,792,110
	<u>17,266,228,807</u>	<u>18,619,319,274</u>

**Riaz Ahmad and
Company**

**Deloitte Yousuf
Adil**

25.1 Auditors' remuneration

Audit fee	850,000	850,000
Reimbursable expenses	150,000	250,000
	<u>1,000,000</u>	<u>1,100,000</u>

25.2 These include supplemental charges of Rupees Nil (2016: Rupees 825.066 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA on the basis of average outstanding balance.

	2017 RUPEES	2016 RUPEES
26. OTHER INCOME		
Income from financial assets		
Profit on deposits with banks	303,730,624	176,895,498
Reversal of provision for doubtful debts	554,552,056	2,224,076,720
Late payment surcharge	1,841,399,142	825,065,511
Exchange gain	5,617,168	
	<u>2,705,298,990</u>	<u>3,226,037,729</u>
Income from non-financial assets		
T.V. license fee services	25,390,669	120,632,611
Meter / service rent	43,182,583	43,565,399
Miscellaneous service charges	36,682,435	45,015,512
Reconnection fees	31,853,027	23,180,761
Sale of scrap	2,428,312	4,098,131
Miscellaneous	276,447,144	242,721,969
	<u>415,984,170</u>	<u>479,214,383</u>
	<u>3,121,283,160</u>	<u>3,705,252,112</u>
27. FINANCE COST		
Mark-up on long term financing	927,204,834	830,517,393
Bank charges and commission	6,856,757	9,601,017
	<u>934,061,591</u>	<u>840,118,410</u>

28. TAXATION

28.1 Current

Provision for current taxation is not made due to available tax losses and brought forward tax credit for non-equity investment in plant and machinery under section 65B of Income Tax Ordinance, 2001. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company.

28.2 Deferred

Deferred income tax effect due to:

Accelerated tax depreciation	15,020,560,840	15,033,389,060
Provision for doubtful debts	(1,165,745,074)	(1,433,030,387)
Provision for slow moving and obsolete items of stores and spare parts	(40,856,832)	(42,218,727)
Staff retirement benefits	(16,977,921,713)	(13,366,434,912)
Unused tax losses and credit	(108,713,206,158)	(102,382,644,780)
Net deferred income tax asset	<u>(111,877,168,937)</u>	<u>(102,190,939,746)</u>
Unrecognized deferred income tax asset (Note 28.3)	111,877,168,937	102,190,939,746

28.3 Deferred income tax asset has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.

		2017	2016
29. LOSS PER SHARE			
Basic loss per share			
Loss after taxation	(Rupees)	<u>(17,934,510,558)</u>	<u>(4,783,344,784)</u>
Weighted average number of ordinary shares	(Numbers)	<u>1 082 363 604</u>	<u>1 082 363 604</u>
Loss per share - Basic	(Rupees)	<u>(16.57)</u>	<u>(4.42)</u>
Diluted loss per share			
Loss after taxation	(Rupees)	<u>(17,934,510,558)</u>	<u>(4,783,344,784)</u>
Weighted average number of ordinary shares including deposit for shares	(Numbers)	<u>4 333 208 649</u>	<u>4 333 208 649</u>
Loss per share - Diluted	(Rupees)	<u>(4.14)</u>	<u>(1.10)</u>

	2017 RUPEES	2016 RUPEES Restated
30. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(17,934,510,558)	(4,783,344,784)
Adjustments for non-cash charges and other items:		
Depreciation	3,734,844,871	3,414,303,479
Provision for staff retirement benefits	4,930,382,596	7,327,366,056
Amortization of deferred credit	(2,213,528,610)	(2,035,005,476)
Provision for doubtful debts reversed during the year	(554,552,056)	(2,224,076,720)
Provision for slow moving and obsolete items of stores and spare parts		57,603,343
Impairment of capital work-in-progress	26,640,605	82,148,250
Profit on bank deposits	(303,730,624)	(176,895,498)
Finance cost	934,061,591	840,118,410
Working capital changes (Note 32.1)	18,768,163,438	2,243,422,204
	<u>7,387,771,253</u>	<u>4,745,639,264</u>

30.1 Working capital changes

Decrease / (increase) in current assets

Stores and spare parts	674,823,467	(750,019,310)
Trade debts	(7,183,081,375)	(1,310,964,195)
Loans and advances	151,731,310	27,116,476
Other receivables	(9,652,329,789)	5,223,874,450
Tax refunds due from Government	2,448,460,788	2,854,936,112
	<u>(13,560,395,599)</u>	<u>6,044,943,533</u>
Increase / (decrease) in trade and other payables	32,328,559,037	(3,801,521,329)
	<u>18,768,163,438</u>	<u>2,243,422,204</u>

31. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

Aggregate amount charged in these financial statements in respect of remuneration including all benefits to the Chief Executive Officer of the Company are as follows:

	2017 RUPEES	2016 RUPEES
Managerial remuneration	<u>2,972,378</u>	<u>2,879,903</u>
Number of persons	<u>1</u>	<u>1</u>

31.1 The Chief Executive Officer is provided unfurnished accommodation, free electricity, free use of Company's maintained vehicle and telephone facility as per the Company's rules.

31.2 Aggregate amount charged in the financial statements for meeting fee to 7 (2016: 7) directors was Rupees 13.83 million (2016: Rupees 3.60 million).

31.3 No remuneration was paid to any Director of the Company.

32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2017 RUPEES	2016 RUPEES
Associated companies / undertakings:		
Purchase of electricity	140,019,166,193	113,690,211,384
Free supply of electricity provided to employees of associated companies	148,817,188	152,853,053
Free supply of electricity received by employees of the Company	32,684,181	30,313,998
Electricity bills of the Company received by associated companies	456,291	309,821
Electricity bills of associated companies received by the Company	798,681	735,128
Pension paid to employees of associated companies	574,558,813	523,785,498
Pension received by employees of the Company from associated companies	139,572,526	117,597,591
Finance cost	927,204,834	830,517,393

33. NUMBER OF EMPLOYEES

	2017	2016
Number of employees as on 30 June	17 598	17 446
Average number of employees during the year	17 205	16 963

34. FINANCIAL RISK MANAGEMENT

34.1 Financial risk factors

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

Risk management is carried out by the Company's Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Chinese Yuan (CNY). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2017	2016
Trade and other payables - USD	(1,253,089)	
Loans and advances - CNY	64,465	52,354
Loans and advances - USD	281,006	1,435,762
Net exposure - USD	(972,083)	1,435,762
Net exposure - CNY	64,465	52,354

Following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	104.90	104.60
Reporting date rate	105.00	104.50

Rupees per Chinese Yuan

Average rate	15.74	16.07
Reporting date rate	15.70	15.78

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and CNY with all other variables held constant, the impact on loss after taxation for the year would have been by Rupees 5.103 million higher (2016: Rupees 7.502 million lower) and Rupees 0.051 million (2016: Rupees 0.041 million) lower / higher respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, long term advances and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2017 RUPEES	2016 RUPEES
Fixed rate instruments		
Financial assets		
Long term advances	108,446,504	92,915,230
Financial liabilities		
Long term financing	12,485,635,958	10,555,879,792
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	1,305,498,079	3,034,439,511
Term deposit receipts	7,332,000,000	1,250,000,000

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 86.374 million (2016: Rupees 42.844 million) lower / higher, mainly as a result of higher / lower interest income on floating rate financial instruments. This analysis is prepared assuming amounts of financial instruments outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Trade debts	27,545,653,037	19,808,019,606
Loans and advances	108,446,504	92,915,230
Accrued interest	40,060,925	14,811,240
Deposits	49,185	49,185
Other receivables	11,235,136,233	8,783,246,581
Bank balances	8,862,110,547	4,573,075,163
	<u>47,791,456,431</u>	<u>33,272,117,005</u>

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

	Rating			2017	2016
	Short term	Long term	Agency	(RUPEES)	
Banks					
Allied Bank Limited	A1+	AA+	PACRA	2,603,729,495	1,994,550,446
United Bank Limited	A-1+	AAA	JCR-VIS	1,297,899,145	599,662,064
MCB Bank Limited	A1+	AAA	PACRA	96,038,949	48,713,436
Habib Bank Limited	A-1+	AAA	JCR-VIS	239,419,175	567,241,096
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,655,309,007	478,159,526
The Bank of Punjab	A1+	AA	PACRA	251,805,586	201,899,623
Bank Alfalah Limited	A1+	AA+	PACRA	2,737,710	6,821,536
		Sub total:-		<u>7,146,939,157</u>	<u>3,897,057,727</u>

	Rating			2017	2016
	Short term	Long term	Agency	(RUPEES)	
Bank Al-Habib Limited	A1+	AA+	PACRA	8,255,304	63,380,624
Meezan Bank Limited	A-1+	AA	JCR-VIS		43,873
Soneri Bank Limited	A1+	AA-	PACRA	659,957,571	186,295,613
Askari Bank Limited	A1+	AA+	PACRA	51,492	200,432
Faysal Bank Limited	A1+	AA	PACRA	702,354,859	102,047,639
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,802,258	41,789,992
Zarai Taraqati Bank Limited	A-1+	AAA	JCR-VIS	28,119,510	55,181,568
Summit Bank Limited	A-1	A-	JCR-VIS	101,460	665,973
JS Bank Limited	A1+	AA-	PACRA	16,392,220	1,274,766
Silkbank Limited	A-2	A-	JCR-VIS	893,854	753,510
First Women Bank Limited	A2	A-	PACRA	103	99
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	1,397,011	2,894,311
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS	221,589	454,643
The Bank of Khyber	A1	A	PACRA	472,716	1,330,736
Trust Investment Bank Limited*	N/A	N/A	N/A	214,373,418	214,373,418
The Punjab Provincial Cooperative Bank Limited**	N/A	N/A	N/A	80,778,025	5,330,239
Sub total:-				1,715,171,390	676,017,436
Grand total:-				8,852,110,547	4,573,075,163

* PACRA has withdrawn the credit ratings of the Bank since 19 November 2012 on the request of the Bank's management as SECP has not renewed Bank's license to operate investment finance services.

** State Bank of Pakistan has exempted the Bank from credit rating requirements till the completion of its restructuring process.

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The cash management has not yet been delegated to the Company and WAPDA disburses funds to the Company as and when needed. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Following are the contractual maturities of financial liabilities as at 30 June 2017:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
(RUPEES)					
Non-derivative financial liabilities:					
Long term financing	12,658,413,736	31,068,416,527	3,229,292,563	368,002,124	2,208,012,744
Long term security deposits	7,210,180,701	7,210,180,701	-	-	7,210,180,701
Trade and other payables	44,424,560,439	44,424,560,439	44,424,560,439	-	-
Accrued mark-up	6,594,081,462	6,594,081,462	6,302,177,109	-	291,904,353
	70,887,236,338	89,297,239,129	53,956,030,111	368,002,124	2,499,917,097
					32,473,289,797

Following are the contractual maturities of financial liabilities as at 30 June 2016:

Carrying amount	Contractual cash flows	6 months or less	Less than 1 year	1-3 years	More than 3 years
(RUPEES)					
Non-derivative financial liabilities:					
Long term financing	10,763,096,459	29,820,076,625	2,376,852,837	318,547,971	1,941,939,678
Long term security deposits	6,339,486,868	6,339,486,868	-	-	6,339,486,868
Trade and other payables	12,096,001,402	12,096,001,402	12,096,001,402	-	-
Accrued mark-up	5,036,321,279	5,036,321,279	4,791,934,842	-	244,386,437
	34,234,906,008	53,291,886,174	19,264,789,081	318,547,971	2,186,326,115
					31,522,223,007

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 5 to these financial statements.

(d) Capital risk management

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

34.2 Financial instruments by categories

As at 30 June

Financial assets

Trade debts
Loans and advances
Accrued interest
Deposits
Other receivables
Cash and bank balances

2017 RUPEES	2016 RUPEES
----------------	----------------

Loans and receivables

27,545,653,037	19,808,019,606
108,446,504	92,915,230
40,060,925	14,811,240
49,185	49,185
11,235,136,233	8,783,246,581
8,862,111,274	4,573,085,734

47,791,457,158 33,272,127,576

At amortized cost

Financial liabilities

Long term financing
Long term security deposits
Trade and other payables
Accrued mark-up

12,658,413,736	10,763,096,459
7,210,180,701	6,339,486,868
44,424,560,439	12,096,001,402
6,594,081,462	5,036,321,279

70,887,236,338 34,234,906,008

34.3 Offsetting financial assets and financial liabilities

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

35. RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

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

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

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

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

36. USAID POWER DISTRIBUTION IMPROVEMENT PROGRAM

The Company has received technical and financial assistance from Power Distribution Improvement Program ("the USAID Project") of the United States Agency for International Development (USAID) and the USAID Program concluded in September 2015. Under the USAID Project the Company received financial assistance in the form of tangible assets including distribution equipment, vehicles, computing equipment; intangible assets including ERP and related software; and technical assistance in the form of trainings and Enterprises Resource Planning (ERP) technology implementation.

The USAID Project was completed during September 2015, however the USAID Project team have not shared details of the assets transferred to the Company including technical specifications and associated monetary values. Consequently, the related tangible and intangible assets transferred to the Company, under the USAID Project, have not been recognized in these financial statements. Management is pursuing this matter with the various stakeholders including USAID Project team and is of the view that this matter will be resolved and assets would be recognized by the Company after receiving from USAID and conducting a comprehensive exercise to reconcile the quantities and monetary values of the assets transferred to the Company under the USAID Project.

37. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 06 OCT 2017 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified for better presentation, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except following:

PARTICULARS	RECLASSIFICATION		RUPEES
	FROM	TO	
Short term loans and advances	Loans, advance, deposits, prepayments and other receivables	Loans and advances	386,193,502
Other receivables	Loans, advance, deposits, prepayments and other receivables	Other receivables	29,106,168,469
Income tax and general sales tax refunds due from Government	Loans, advance, deposits, prepayments and other receivables	Tax refunds due from Government	12,581,170,106
Accrued interest on bank deposits	Loans, advance, deposits, prepayments and other receivables	Accrued interest	14,811,240
Capital work-in-progress	Capital work-in-progress	Property, plant and equipment	10,717,222,108
Supplementary charges comprises mark-up on late payments to IPPs by CPPA	Other expense	Operating expenses excluding depreciation	825,065,511
Pension fund contribution	Cash and bank balances	Staff retirement benefits	107,000,000
Advance given to NTDC	Loans, advance, deposits, prepayments and other receivables	Other receivables	106,830,793
Withholding taxes payable	Loans, advance, deposits, prepayments and other receivables	Trade and other payables	65,476,914

39. GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.


CHIEF EXECUTIVE OFFICER


DIRECTOR


FINANCE DIRECTOR