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FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EY Ford Rhodes
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Faisalabad Electric Supply 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 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 accounts have been kept by the Company as required by the 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 Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied; except as mentioned in Note 5.1 with which we concur;

   (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 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 income, 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).

Emphasis of matter paragraphs

We draw attention to the contents of:

(i) note 26.1.1.1, where it has been explained that the Company has not recorded various credit notes received from the Central Power Purchasing Authority (CPPA), relating to the Company's share of borrowings obtained by the Federal Government, in order to settle the matter of circular debt in the country along with the related accrued mark-up thereon, amounting to Rs. 25,557 million (2016: Rs. 42,596 million) and Rs. 3,621 million (2016: Rs. 8,824 million) respectively;

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(ii) note 26.1.1.2, where it has been explained that the Company has not recorded supplementary charges, amounting to Rs. 6,719 million (2016: Rs. 6,618 million), invoiced by CPPA to the Company on account of allocation of late payment charges to oil and gas companies;

(iii) note 26.1.3, which describe various tax contingencies, arising from the matters discussed in the accompanying financial statements, and related amounts recovered by the tax authorities. The ultimate outcome of these matters cannot presently be determined, and hence, pending the resolution thereof, no provision for the same has been made in these financial statements; and

(iv) note 27.1 where it has been explained that the Company has used the tariff and tariff differential subsidy relating to financial year 2014-15 notified vide GoP notifications SRO 570(I)/2015 dated 10 June 2015 for financial year 2015-2016 and 2016-2017 as the tariff for these financial years have not yet notified by GoP.

Our opinion is not qualified in respect of the above matters.

Chartered Accountants

Audit Engagement Partner's Name: Naseem Akbar

Lahore: 28 December 2017

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
BALANCE SHEET
AS AT 30 JUNE 2017

	Note	2017	2016
		---Rupees---	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**90,340,388,120**	85,569,432,875
Intangible assets	7	**112,122,135**	-
Long-term loans	8	**91,874,613**	107,138,141
Long-term deposits		**2,551,165**	2,321,915
		90,546,936,033	85,678,892,931
Current assets			
Stores, spares and loose tools	9	**2,915,774,603**	995,825,281
Trade debts	10	**13,153,825,481**	9,335,703,636
Current portion of long-term loans	8	**56,080,099**	50,519,854
Short-term advances	11	**57,996,030**	52,780,163
Interest accrued		**90,199,023**	21,023,720
Other receivables	12	**17,994,653,931**	43,592,806,184
Tax refunds due from the Government	13	**7,994,129,008**	7,966,205,211
Receivable from Government of Pakistan	14	**-**	-
Short-term investments	15	**4,970,000,000**	5,000,000,000
Bank balances	16	**7,094,601,316**	2,795,104,061
		54,327,259,490	69,809,968,110
TOTAL ASSETS		**144,874,195,524**	155,488,861,041
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital			
Authorized capital			
5,000,000,000 (2016: 5,000,000,000) ordinary shares of Rupees 10/- each		**50,000,000,000**	50,000,000,000
Issued, subscribed and paid-up capital	17	**10,000**	10,000
Revenue reserve			
Accumulated profit		**(15,968,581,731)**	1,920,232,569
		(15,968,571,731)	1,920,242,569
Deposit for shares	18	**18,676,382,028**	18,676,382,028
Surplus on revaluation of operating fixed assets	19	**27,005,273,210**	27,591,499,820
Non-current liabilities			
Long-term financing	20	**4,035,327,177**	2,510,877,433
Long-term security deposits	21	**5,948,744,106**	5,153,440,140
Deferred liabilities			
Staff retirement benefits	22	**51,362,899,956**	45,539,299,728
Deferred taxation - net	23	**-**	-
Deferred credit	24	**31,621,519,828**	27,936,560,880
		92,968,491,066	81,140,178,181
Current liabilities			
Trade and other payables	25	**21,226,946,617**	25,289,169,837
Interest accrued on long-term financing		**745,392,291**	555,597,449
Current portion of long-term financing	20	**220,282,042**	315,791,157
		22,192,620,951	26,160,558,443
CONTINGENCIES AND COMMITMENTS	26	**-**	-
TOTAL EQUITY AND LIABILITIES		**144,874,195,524**	155,488,861,041

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		------------Rupees------------	
Sale of electricity - net	27	**96,447,395,173**	88,195,353,199
Tariff differential subsidy	14	**13,756,204,780**	10,660,951,472
		110,203,599,953	98,856,304,671
Cost of electricity	28	**110,041,130,006**	100,426,665,223
Gross profit / (loss)		**162,469,947**	(1,570,360,552)
Amortization of deferred credit	24	**1,258,327,190**	1,164,093,324
		1,420,797,137	(406,267,228)
Distribution costs	29	**13,472,539,976**	11,969,209,605
Administrative expenses	30	**2,095,870,317**	2,070,064,756
Customer services costs	31	**1,454,035,055**	1,434,598,145
Provision / (Reversal) for doubtful debts		**67,928,134**	(648,066,965)
		17,090,373,482	14,825,805,541
Other income	32	**2,162,979,772**	2,154,232,786
Operating loss		**(13,506,596,572)**	**(13,077,839,983)**
Finance costs	33	**150,138,225**	187,013,971
Loss before taxation		**(13,656,734,797)**	**(13,264,853,954)**
Taxation	34	**563,137,720**	44,580,700
Loss for the year		**(14,219,872,517)**	(13,309,434,654)

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		------------Rupees------------	
Loss for the year		**(14,219,872,517)**	(13,309,434,654)
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:			
Actuarial loss relating to defined benefit plans	22.4	**(4,292,281,899)**	(8,772,135,172)
Total comprehensive loss for the year		**(18,512,154,416)**	(22,081,569,826)

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

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		------------Rupees------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**9,102,595,597**	5,525,524,299
Long-term security deposits received		**795,303,966**	698,419,163
Long-term deposits given		**(229,250)**	(181,330)
Employee benefits paid		**(3,420,112,214)**	(2,318,973,690)
Long-term loans recovered		**9,703,283**	2,314,251
Finance cost paid		**(342,974,459)**	(46,605,201)
Income tax paid		**(573,773,221)**	22,207,854
Net cash generated from operating activities		**5,570,513,701**	3,882,705,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(8,033,767,060)**	(6,621,481,419)
Sale proceeds from disposal of fixed assets		**-**	-
Deferred credit received		**4,943,286,138**	2,967,782,293
Profit on bank deposits and short-term investments		**360,523,847**	294,256,897
Net cash generated from investing activities		**(2,729,957,075)**	(3,359,442,229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Re-payment of long-term loans		**(236,610,891)**	(19,943,756)
Receipt of long-term loans		**1,665,551,520**	1,410,334,939
Net cash generated from financing activities		**1,428,940,629**	1,390,391,183
Net (decrease) / increase in cash and cash equivalents		**4,269,497,255**	1,913,654,300
Cash and cash equivalents at the beginning of the year		**7,795,104,061**	5,881,449,761
Cash and cash equivalents at the end of the year	36	**12,064,601,316**	7,795,104,061

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Share capital	Revenue reserve	Total
	Issued, subscribed and paid up	Accumulated profit / (loss)	
	-----------------------------	Rupees	-----------------------------
Balance as at 01 July 2015	10,000	23,384,874,905	23,384,884,905
Loss for the year	-	(13,309,434,654)	(13,309,434,654)
Other comprehensive loss	-	(8,772,135,172)	(8,772,135,172)
Total comprehensive loss for the year	-	(22,081,569,826)	(22,081,569,826)
Transfer from surplus on revaluation of operating assets recognized directly in equity-net of deferred tax	-	616,927,490	616,927,490
Balance as at 30 June 2016	**10,000**	**1,920,232,569**	**1,920,242,569**
Loss for the year	**-**	**(14,219,872,517)**	**(14,219,872,517)**
Other comprehensive income	**-**	**(4,292,281,899)**	**(4,292,281,899)**
Total comprehensive loss for the year	**-**	**(18,512,154,416)**	**(18,512,154,416)**
Transfer from surplus on revaluation of operating assets recognized directly in equity-net of deferred tax	**-**	**623,340,116**	**623,340,116**
Balance as at 30 June 2017	**10,000**	**(15,968,581,731)**	**(15,968,571,731)**

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. THE COMPANY AND ITS OPERATIONS

Faisalabad Electric Supply Company Limited is a public limited company incorporated on March 21,1998 under the provisions of the Companies Ordinance, 1984. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Faisalabad Area Electricity Board (FAEB) owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The principal activity of the company is distribution and supply of electricity to public within defined geographical territory.

The Company took over certain properties, assets, rights, obligations and liabilities relating to distribution of electricity from WAPDA under Business Transfer Agreement (BTA) dated June 29, 1998. The details of assets, liabilities and related matters as provided under clause 1.1 of the BTA have been finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).

The registered office of the Company is situated at West Canal Road, Abdullahpur, Faisalabad.

2. STATEMENT OF COMPLIANCE

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Hence, these financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under historical cost convention, except for freehold land, building and distribution equipment measured at revalued amounts, certain employee benefits at present value and the financial instruments carried at fair value.

3.2 Functional and Presentation Currency

The financial statements are prepared in Pak Rupees which is the functional and presentation currency of the company.

4. Significant accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires 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, including expectation of future events that are believed to be reasonable under the circumstances.

These estimates / judgments and associated assumptions are reviewed on an ongoing basis. A revision to the accounting estimates is recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

4.1 Useful lives and residual values of property, plant and equipment (Note 5.2)

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

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

4.2 Provision for slow moving stores, spares and loose tools (Note 5.7)

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

4.3 Provision for doubtful debts (Note 5.8)

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

4.4 Staff Retirement Benefits (Note 5.11)

Staff retirement benefits are provided to regular employees of the Company. Calculation of provision for staff retirement benefits requires assumptions to be made of the future outcomes, the principle ones being in respect of increase in remuneration, discount rate, average working life, inflation rate etc. used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

4.5 Taxation (Note 5.17)

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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

4.6 Provisions (Note 5.16)

The assessment of provisions inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the values of contingent assets and liabilities which may differ on the occurrence / non-occurrence of uncertain future events. Based on the expected outcomes and lawyers' judgments, appropriate disclosure or provision is made in the financial statements. ۱۸

4.7 Impairment (Note 5.5)

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognized in the 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. The increase 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.

5. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years for which financial information is presented in these financial statements, except as stated in note 5.1 below.

5.1 New, amended standards and interpretations become effective

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements-Accounting for Acquisition of Interest in Joint Operation (Amendment)

IFRS 12 – Disclosure of Interests in Other Entities

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed

IAS 19 – Employee Benefits - Discount rate: regional market issue

IAS 34 – Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements

5.2 Property Plant and equipment

a) Operating fixed assets

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use. Major renewals and improvements are capitalized. Minor replacement, repairs and maintenance are charged to profit and loss account.

Depreciation is charged to profit and loss account on the straight-line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 6.1 Depreciation on assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Depreciation provided on construction equipment and vehicles during the period of construction of fixed assets is capitalized as part of the cost of fixed assets.

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

5.3 b) Surplus on revaluation of operating fixed assets

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

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

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

iii. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

c) Capital work in progress

Capital work-in-progress is stated at cost on applicable overheads less impairment if any.

5.4 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss, if any. Intangible assets are amortized using the straight line method over a period of five years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.5 Impairment of non-financial assets

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

5.6 Borrowing Cost

Borrowing costs incurred on financing of a qualifying asset are capitalized up to the commissioning of the related asset acquired. All other borrowing costs are charged to the profit and loss account.

5.7 Stores and spares and loose tools

These are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis, comprising invoice values and the related charges incurred up to the date of the balance sheet. Provision is made for slow moving and obsolete items, where considered necessary.

5.8 Trade debts

These are stated initially at fair value and subsequently measured at amortized cost, less the provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts are written-off when considered irrecoverable.

5.9 Long term loans and other receivables

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

5.10 Cash and cash equivalents

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

5.11 Staff retirement benefits

The Company provides unfunded pension, post-retirement medical, free electricity benefits and compensated absences to all its regular employees. Liabilities for these benefits are determined on the basis of an actuarial valuation carried out by using the Projected Unit Credit Method as required by IAS-19.

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

5.12 Deferred credit

Amounts received from consumers and the Government as contributions towards the cost of extension of the electricity distribution network, and for providing service connections, is deferred and amortized over the estimated useful lives of related assets. Amortization for the year is included in the profit and loss account.

5.13 Trade and other payables

Liabilities for trade and other payable are carried at amortized cost, which approximates the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.14 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. The specific accounting policies are:

a) Electricity sale

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

b) Tariff Differential Subsidy

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

c) Rental and service income

Meter rentals are recognized on time proportionate basis.

d) Interest/Markup

Interest on bank deposits is recognized using effective interest method.

5.15 Borrowings

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

5.16 Provisions

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

5.17 Taxation

Current

Income tax assets and liabilities in respect of current taxation are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws, as applicable in Pakistan, used to compute the amount are those that are enacted or substantively enacted, at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit and loss account. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred

Deferred tax is recognized using the liability method, on all major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and/or carry forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

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

5.18 Financial instruments

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

a) Financial assets

Classification and subsequent measurement

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

i Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets, designated upon initial recognition, at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the financial statements at their fair values, with changes therein recognized in the income for the year. Assets in this category are classified as current assets.

ii Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity, when the Company has the positive intention and ability to hold these assets to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment, if any.

iii Loans and receivables

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

iv Available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category, or not classified in any of the other categories. These are included in non-current assets, unless management intends to dispose them off within twelve months of the date of the balance sheet.

After initial measurement, available for sale financial investments are measured at fair value, with unrealized gains or losses recognized as other comprehensive income, until the investment is derecognized, at which time the cumulative gain or loss is recognized in income for the year.

The Company does not recognize any asset as available for sale in its financial statements, at the end of the year.

Impairment of financial assets

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

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

i Fair value through profit or loss

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

ii Other financial liabilities

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

c) Offsetting of financial assets and financial liabilities

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

5.19 Foreign currency transactions

Transactions in foreign currencies are recorded into local currency at the rates of exchange prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Exchange differences are included in the profit and loss account.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

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

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2017	2016
		----------Rupees----------	
Operating fixed assets	6.1	79,642,071,361	77,430,263,163
Capital work-in-progress	6.2	10,698,316,759	8,139,169,712
		90,340,388,120	85,569,432,875

6.1 Operating fixed assets - Owned

Description	Note	COST / REVALUED AMOUNT				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at 01 July	Additions/ Transfers	Deletions	As at 30 June	%	As at 01 July	For the year	Deletions	As at 30 June	As at 30 June
		------Rupees------					------Rupees------				
2017											
Freehold land	6.1.1	12,750,002,284			12,750,002,284	-	-		-	-	12,750,002,284
Building on freehold land		1,790,044,277	359,796,424		2,149,840,701	2	279,991,971	36,400,525	-	316,392,496	1,833,448,205
Feeders (up to 11 kv)		66,685,569,364	4,804,044,344	151,881,518	71,337,732,190	3.5	17,799,356,118	2,382,107,776	52,063,159	20,129,400,735	51,208,331,455
Grids and equipment		18,514,996,394	143,196,794		18,658,193,188	3.5	4,679,582,450	648,900,985	-	5,328,483,435	13,329,709,753
Vehicles		864,511,364	-		864,511,364	10	624,654,596	39,958,800	-	664,613,396	199,897,968
Furniture, fixtures and office equipment		553,608,320	164,361,647	1,130	717,968,837	10-33.33	344,883,705	52,404,566	1,130	397,287,141	320,681,696
		101,158,732,003	5,471,399,209	151,882,648	106,478,248,564		23,728,468,840	3,159,772,652	52,064,289	26,836,177,203	79,642,071,361
2016											
Freehold land		12,750,002,284	-	-	12,750,002,284	-	-	-	-	-	12,750,002,284
Building on freehold land		1,597,821,081	192,223,196	-	1,790,044,277	2	246,758,217	33,233,754	-	279,991,971	1,510,052,306
Feeders (up to 11 kv)		63,542,055,252	3,143,514,112	-	66,685,569,364	3.5	15,531,567,353	2,267,788,765	-	17,799,356,118	48,886,213,246
Grids and equipment		17,913,913,277	601,083,117	-	18,514,996,394	3.5	4,042,166,153	637,416,297	-	4,679,582,450	13,835,413,944
Vehicles		832,768,310	31,743,054	-	864,511,364	10	585,053,084	39,601,512	-	624,654,596	239,856,768
Furniture, fixtures and office equipment		485,514,682	68,093,638	-	553,608,320	10-33.33	305,165,222	39,718,483	-	344,883,705	208,724,615
		97,122,074,886	4,036,657,117	-	101,158,732,003		20,710,710,029	3,017,758,811	-	23,728,468,840	77,430,263,163

6.1.1 As explained in note 1, the property and rights in the above assets were transferred to the Company on 29 June 1998 by WAPDA in accordance with terms and conditions of Business Transfer Agreement between WAPDA and the Company. Title of land valuing Rs. 4.3 billion is in the name of WAPDA and title of land having value of Rs. 1.1 billion has neither been transferred in the name of WAPDA nor in the name of Company.

6.1.2 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets would have been as follows:

	2017			2016		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
	------Rupees------					
Land - freehold	622,474,784	-	622,474,784	622,474,784	-	622,474,784
Building on freehold land	2,330,437,257	565,796,737	1,764,640,520	1,970,640,833	525,784,281	1,444,856,552
Feeders (up to 11 kv)	53,013,339,655	18,257,402,684	34,755,936,971	48,361,176,829	15,875,294,908	32,485,881,921
Grids and equipment	11,436,933,948	4,347,854,224	7,089,079,724	11,293,737,154	3,698,953,239	7,594,783,915
	67,403,185,644	23,171,053,645	44,232,131,999	62,248,029,600	20,100,032,428	42,147,997,172

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

	Note	2017	2016
		----------Rupees----------	
Distribution costs	29	3,080,069,116	2,887,661,979
Administrative expenses	30	52,379,032	60,159,625
Customer services costs	31	740,562	60,159,625
Included in capital work-in-progress		26,583,942	9,777,582
		3,159,772,652	3,017,758,811

6.1.4 Building on free hold land, Feeders (up to 11 kv) and Grids and equipment were revalued at 30 June 2013 by an independent valuer M/s FKS Building services and resulted in a surplus of Rs. 31,606 million over the written down value of Rs. 40,710 million.

		Note	2017	2016
			----------Rupees----------	
6.2	**Capital work in progress**			
	Civil works		**66,017,450**	260,909,023
	Distribution equipment	6.2.1	**9,111,570,829**	6,360,520,475
		6.2.2	**9,177,588,278**	6,621,429,498
	Cost of implementation of Enterprise Resource Planning		-	175,596,186
	Mobilization advance to suppliers / contractors		**556,049,902**	207,266,858
	Capital stores	6.2.3	**964,678,578**	1,134,877,170
			10,698,316,759	8,139,169,712

6.2.1 Breakup of distribution equipment is as follows:

	Note	2017	2016
Material		**5,075,196,793**	4,200,910,310
Overheads		**949,919,878**	773,737,004
Contract		**759,439,268**	560,037,250
Other	6.2.1.1	**1,944,383,814**	682,115,196
Borrowing costs	6.2.1.2	**382,631,076**	143,720,715
		9,111,570,829	6,360,520,475

6.2.1.1 These turnkey projects have been awarded for construction of 132 KV Grid Station at various locations of Faisalabad region.

6.2.1.2 This represents borrowing costs incurred specifically to finance the construction of grid station projects.

6.2.2 Movement in capital work-in-progress during the year:

	2017	2016
Balance at the beginning of the year	**6,621,429,498**	4,257,651,080
Additions during the year	**4,881,470,648**	4,576,269,615
Transfers to operating fixed assets during the year:		
- Building on freehold land	**(359,796,424)**	(142,694,566)
- Feeders, grids and equipment	**(1,965,515,444)**	(2,069,796,631)
	(2,325,311,868)	(2,212,491,197)
Balance at the end of the year	**9,177,588,278**	6,621,429,498

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

7. INTANGIBLE ASSETS

	Note	2017	2016
Net carrying value basis:			
Opening net book value		-	-
Additions		**140,152,669**	-
Amortization charge	7.1	**(28,030,534)**	-
		112,122,135	-
Gross carrying value basis:			
Cost		-	-
Additions		**140,152,669**	-
Accumulated amortization		**(28,030,534)**	-
		112,122,135	-
Rate of amortization		**20%**	-

7.1 Amortization charge for the year has been allocated to administrative expenses.

		Note	2017	2016
8.	**LONG-TERM LOANS**		------------Rupees------------	
	Secured, considered good:			
	To employees			
	House building / purchase of plot		**144,751,397**	154,121,789
	Vehicles / motor cycles		**3,203,315**	3,536,206
		8.1	**147,954,712**	157,657,995
	Less: current portion of long term loans		**(56,080,099)**	(50,519,854)
			91,874,613	107,138,141

8.1 House building / purchase of plot loans are repayable in 5 years (2016: 10 years), car and motor-cycle loans in 3 years (2016: 3 years) and bicycle loans in 2 years (2016: 2 years). As per the Company's policy, the rate of mark-up charged on these loans ranges from 11.30% to 14% (2016:11.75% to 14%) per annum, which is the same rate as that payable on employees balances in the General Provident Fund. Loans are secured by a mortgage of immovable property and hypothecation of vehicles.

9. STORES, SPARES AND LOOSE TOOLS

	Note	2017	2016
Stores, spares and loose tools		**2,931,947,919**	1,006,400,509
Provision for slow moving / obsolete items	9.1	**(16,173,316)**	(10,575,228)
		2,915,774,603	995,825,281

9.1 Movement in provision during the year is as follows:

	Note	2017	2016
Balance at the beginning of the year		**10,575,228**	13,003,817
Provision of / (reversal) against slow moving / obsolete it	30	**5,598,088**	(2,428,589)
Balance at the end of the year		**16,173,316**	10,575,228

10. TRADE DEBTS

	Note	2017	2016
Considered good		**13,153,825,481**	9,335,703,636
Considered doubtful		**728,053,767**	660,125,633
	10.1	**13,881,879,249**	9,995,829,269
Less : Provision for doubtful debts	10.2	**(728,053,767)**	(660,125,633)
		13,153,825,481	9,335,703,636

10.1 This includes recievable from private consumers which are secured to the extent of the consumers' security deposits against electricity connections, as disclosed in note 21.

10.2 Movement in provision for doubtful debts is as follows:

	2017	2016
Balance at the beginning of the year	**660,125,633**	1,308,192,598
(Reversal against) / provision of doubtful debts	**67,928,134**	(648,066,965)
Balance at the end of the year	**728,053,767**	660,125,633

11. SHORT-TERM ADVANCES

	2017	2016
Considered good - unsecured		
- to suppliers	**42,261,506**	41,487,323
- to employees against operating expenses	**15,295,857**	10,368,404
- for sports	**438,666**	924,436
	57,996,030	52,780,163

		Note	2017	2016
12.	**OTHER RECEIVABLES**		------------Rupees------------	
	Due from energy debtors	12.1	**5,752,626,988**	5,525,417,661
	Receivables from suppliers against guarantee / warranty material		**139,423,360**	138,478,976
	Unsecured, considered good:			
	From related parties			
	Central Power Purchasing Agency		**7,643,188,582**	33,850,712,008
	Other related parties on account of:			
	- Free electricity	12.2	**1,050,876,680**	916,862,161
	- Pensions	12.3	**3,391,228,972**	3,132,412,652
			4,442,105,652	4,049,274,813
	Others	12.4	**17,309,348**	28,922,726
			17,994,653,931	43,592,806,184

		Note	2017	2016
12.1	**Due from energy debtors:**			
	General sales tax		**4,763,690,782**	4,412,295,784
	Income tax		**105,425,984**	107,910,138
	Tariff Realization Surcharge	12.1.1	**443,825,278**	566,008,019
	Finance Cost Surcharge		**218,798,407**	234,542,975
	Electricity duty		**65,059,961**	53,642,768
	Equalization Surcharge	12.1.2	**922,510**	1,559,260
	Extra / Further sales tax		**54,483,599**	42,199,914
	PTV License fee		**45,894,584**	42,875,693
	Nelum Jhelum surcharge		**54,525,884**	64,383,110
			5,752,626,988	5,525,417,661

12.1.1 This represents Tariff Realization Surcharge receivable from the consumers pursuant to S.R.O 568(1)/2015, dated 10 June 2015 issued by the Ministry of Water and Power, GoP.

12.1.2 This represents Equalization Surcharge receivable from consumers pursuant to S.R.O 236(1)2011, dated 15 March 2011 issued by the Ministry of Water and Power, GoP.

12.2 This represents the net amount receivable from WAPDA and other related parties on account of free electricity provided to the employees of these companies residing within the Company's territorial jurisdiction as disclosed below:

	2017	2016
Northern Power Generation Company Limited - Genco III	**344,111,823**	307,671,020
National Transmission & Dispatch Company Limited	**216,402,497**	188,777,654
Water and Power Development Authority	**266,591,091**	212,733,345
Islamabad Electric Supply Company Limited	**114,607,205**	107,570,459
Peshawar Electric Supply Company Limited	**58,547,083**	54,680,711
Gujranwala Electric Power Company Limited	**26,673,601**	24,758,903
Quetta Electric Supply Company Limited	**13,651,103**	11,488,077
Central Power Generation Company Limited - Genco II	**3,921,863**	3,252,670
Hyderabad Electric Supply Company Limited	**2,957,737**	2,730,318
Lakhra Power Generation Company Limited - Genco IV	**1,630,182**	1,477,476
Tribal Area Electric Supply Company Limited	**1,005,465**	865,956
Jamshoro Power Company Limited - Genco I	**777,030**	692,645
Sukkur Electric Power Company Limited	**-**	162,927
	1,050,876,680	916,862,161

12.3 This represents the amount receivable from WAPDA and other related parties on account of pension paid to the retired employees of these companies residing within the Company's territorial jurisdiction as disclosed below:

	Note	2017	2016
		------------Rupees------------	
Water and Power Development Authority	12.3.1	**2,503,983,379**	2,413,025,449
National Transmission & Dispatch Company Limited		**288,324,887**	350,446,245
Multan Electric Power Company Limited		**167,151,330**	110,964,022
Islamabad Electric Supply Company Limited		**80,268,632**	70,015,691
Northern Power Generation Company Limited - Genco III		**194,335,498**	107,020,426
Gujranwala Electric Power Company Limited		**38,006,141**	31,563,797
Hyderabad Electric Supply Company Limited		**14,045,308**	12,356,778
Central Power Generation Company Limited - Genco II		**19,626,585**	17,912,635
Quetta Electric Supply Company Limited		**13,493,953**	10,739,389
Sukkur Electric Power Company Limited		**7,561,318**	4,464,547
Pakistan Electric Power Company Limited		**-**	-
Jamshoro Power Company Limited - Genco I		**2,579,409**	2,291,235
Peshawar Electric Supply Company Limited		**3,833,443**	-
Lahore Electric Supply Company Limited		**56,475,466**	-
Lakhra Power Generation Company Limited - Genco IV		**1,264,292**	985,321
Tribal Area Electric Supply Company Limited		**279,331**	627,117
		3,391,228,972	3,132,412,652

12.3.1 This includes receivable from WAPDA amounting to Rs. 1,100 million (2016: Rs.1,100 million) on account of monthly pension payments to retired WAPDA employees who retired on or before 30 June 1998 (ex-WAPDA pensioners). The settlement of the receivable has been contested between the Company and PEPCO since 2009, and upon a request raised by PEPCO in the past, the Ministry of Water and Power referred the matter to NEPRA. NEPRA in its tariff determination dated 10 March 2015 has decided that above amount is receivable from the WAPDA.

12.4 This includes an amount of Rs. 17 million (2016: Rs. 22 million) receivable against shortage and/or theft.

13. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2017	2016
		------------Rupees------------	
Sales tax refundable	13.1	**7,771,370,049**	7,754,081,753
Income tax		**222,758,959**	212,123,458
		7,994,129,008	7,966,205,211

13.1 During the current and prior years, the tax authorities have recovered these amounts against various sales tax demands, disclosed in note 26.1.3.2 to the financial statements. Based on the legal opinion provided by the tax advisor of the Company, the management is confident that said amount is fully recoverable from the sales tax authorities

			2017	2016
14.	**RECEIVABLE FROM GOVERNMENT OF PAKISTAN**	**Note**	**------------Rupees------------**	
	Balance at the beginning of the year		-	8,863,504,084
	Tariff Differential Subsidy recognized during the year	14.1	**13,756,204,780**	10,660,951,472
	Adjusted against balance with CPPA	14.2	**(13,756,204,780)**	(19,524,455,556)
	Balance at the end of the year		-	-

14.1 This represents Tariff Differential Subsidy receivable from GoP as a difference between rates determined by NEPRA under different tariff determinations and rates notified by the Government which are charged to the consumers.

14.2 This has been adjusted against receivable from Government of Pakistan on account of tariff differentail subsidy invoices as allowed by Ministry of Water and Power vide SRO No 189(I) dated 5th March, 2015.

15. SHORT-TERM INVESTMENTS

Held to maturity investments			
- Term Deposit Receipts (TDRs)	15.1	**4,970,000,000**	5,000,000,000

15.1 These represent term deposits placed in local currency with different banks having maturity of three months (2016: three months) at rates ranging from 6.0% to 6.50% (2016: 5.65% to 7.00%) per annum.

16. BANK BALANCES

Current accounts		**1,122,275,035**	707,540,551
Deposit accounts	16.1 & 16.2	**5,972,326,281**	1,998,705,157
		7,094,601,316	2,706,245,708
Cash in transit		-	88,858,353
		7,094,601,316	2,795,104,061

16.1 These carry mark-up ranging from 3% to 4% (2016: 3% to 4%) per annum.

16.2 Included herein is an amount of Rs.2,204.63 million (2016: Rs. 215.33 million) kept in separate bank accounts relating to customers' security deposits.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016		2017	2016
----Number of shares----			**------------Rupees------------**	
1,000	1,000	Ordinary shares of Rs. 10 each, issued for consideration in cash	**10,000**	10,000

17.1 These represent shares which are held by the Government of Pakistan and its nominees.

	Note	2017	2016
		------------Rupees------------	
18. DEPOSIT FOR SHARES			
Incorporation expenses incurred by WAPDA	18.1	**219,427,350**	219,427,350
Debt service liability paid by WAPDA	18.2	**72,146,536**	72,146,536
Transfer of assets after incorporation	18.3	**1,396,405,187**	1,396,405,187
Transfer on account of clearance of circular debt	18.4	**16,988,402,955**	16,988,402,955
		18,676,382,028	18,676,382,028

18.1 This represents the Company's incorporation expenses and reversal of provision for doubtful debts relating to pre-incorporation period incurred by WAPDA against which shares will be issued by the Company.

18.2 In prior years, GoP / WAPDA paid debt service liability, amounting to Rs. 2,134 million, on behalf of the Company relating to foreign relent and Cash Development loans. The amount has been adjusted against the liability assumed by the Company on account of 1,234 EX-WAPDA pensioners. The Company is of the view that post retirement benefit obligation was not accounted for by GoP/WAPDA during the assets valuation transferred under BTA.

18.3 This represents reallocation of loans against assets constructed by National Transmission and Dispatch Company Limited (NTDC) and transferred to the Company during 01 July 2000 to 30 June 2007 through WAPDA against which the Company will issue shares.

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

	Note	2017	2016
		------------Rupees------------	
19. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - net of tax			
Balance at the beginning of the year		**34,539,081,587**	35,710,349,721
Transfer to accumulated profit in respect of incremental depreciation		**(890,485,880)**	(894,097,812)
Related deferred tax liability		**(267,145,764)**	(277,170,322)
		(1,157,631,645)	(1,171,268,134)
		33,381,449,942	34,539,081,587
Impact of deferred taxation			
Deferred tax liability at the beginning of the year		**(6,947,581,767)**	(7,546,503,111)
Deferred tax liability on incremental depreciation charged during the year		**267,145,764**	277,170,322
Reduction in deferred tax liability	19.1	**304,259,270**	321,751,022
		(6,376,176,733)	(6,947,581,767)
Balance at the end of the year - net of tax		**27,005,273,210**	27,591,499,820

19.1 This reduction resulted from change in applicable rate from 31% to 30%.

20. LONG-TERM FINANCING SECURED	Note	2017	2016
		------------Rupees------------	
From Government of Pakistan out of Asian Development Bank			
- Trench I	20.1.1	**832,226,140**	1,058,969,258
- Trench II	20.1.2	**918,650,180**	304,833,149
- Trench III	20.1.3	**1,197,197,281**	623,732,899
- Trench IV	20.1.4	**1,307,535,618**	839,133,284
	20.1	**4,255,609,219**	2,826,668,590
Less: Current portion shown under current liabilities		**(220,282,042)**	(315,791,157)
		4,035,327,177	2,510,877,433

20.1 Asian Development Bank

These loans have been granted by Asian Development Bank (ADB) to GoP which have been relent to the Company on account of Power Distribution Enhancement Investment Program. These loans have been secured against the guarantee provided by GoP. Salient features of the loans are as follows:

20.1.1 Trench I:

This facility has been extended with sanctioned limit of US dollar 17.654 million (2016: 17.654 million). The repayment of loan started in February 2011 and entire loan would be repaid in 26 equal half yearly installments. The Company shall pay interest at the rate of 17% per annum which includes Exchange Risk Component (ERC) at 6% per annum.

20.1.2 Trench II:

This facility has been extended with sanctioned limit of US dollar 11.230 million (2016: 11.230 million). During the year company has obtained loan amounting to US dollar 5.956 million under the santioned limit US dollar 11.230 million, However the repayment of loan started in June 2014 and entire loan would be repaid in 34 equal half yearly installments. The Company shall pay interest at the rate of 15% per annum which includes Exchange Risk Component (ERC) at 6.8% per annum.

20.1.3 Trench III:

ADB has extended this facility with sanctioned limit of US dollar 24.11 million (2016: 24.11 million). The repayment of loan would start in June 2018 and entire loan would be repaid in 40 equal half yearly installments. The Company shall pay interest at the rate of 15% per annum which includes Exchange Risk Component at 6.8% per annum and commitment charges are at the rate of 0.15% per annum net of loan amount.

20.1.4 Trench IV:

ADB has extended this facility with sanctioned limit of US dollar 15.86 million. The repayment of loan would start in June 2019 and entire loan would be repaid in 40 equal half yearly installments. The Company shall pay interest at the rate of 15% per annum which includes Exchange Risk Component at 6.8% per annum and commitment charges are at the rate of 0.15% per annum net of loan amount.

21. LONG-TERM SECURITY DEPOSITS

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

22. STAFF RETIREMENT BENEFITS

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

	Note	Pension obligations - unfunded 2017	Pension obligations - unfunded 2016	Medical benefits 2017	Medical benefits 2016	Free electricity 2017	Free electricity 2016	Compensated absences 2017	Compensated absences 2016	Total 2017	Total 2016
		Rupees		Rupees		Rupees		Rupees		Rupees	
22.1 The amounts recognized in the balance sheet											
Present value of defined benefit obligations		**38,987,127,180**	36,213,253,879	**4,459,258,363**	2,710,440,379	**4,769,110,992**	3,872,396,781	**3,147,403,421**	2,743,208,689	**51,362,899,956**	45,539,299,728
22.2 Changes in the present value of defined benefit obligations:											
Balance at the beginning of the year		**36,213,253,879**	24,565,795,724	**2,710,440,379**	2,083,453,731	**3,872,396,781**	2,424,242,199	**2,743,208,689**	2,125,833,700	**45,539,299,728**	31,199,325,354
Current service cost		**518,560,481**	780,703,766	**53,356,008**	60,125,602	**54,802,531**	76,992,481	**79,638,373**	93,947,172	**706,357,393**	1,011,769,021
Past service cost-due to restoration		**-**	3,256,355,385	**-**	-		-		-	**-**	3,256,355,385
Interest cost		**3,133,345,562**	2,482,348,406	**231,558,536**	208,152,063	**342,432,170**	248,665,032	**237,295,658**	215,017,542	**3,944,631,926**	3,154,183,043
WAPDA Pensioners' liability		**-**	-		-		-		-	**-**	-
Benefits paid during the year		**(2,796,606,379)**	(1,848,764,671)	**(275,135,519)**	(202,106,252)	**(135,189,793)**	(112,007,599)	**(213,180,523)**	(156,095,168)	**(3,420,112,214)**	(2,318,973,690)
Actuarial loss / (gain) on obligation	22.4	**1,918,573,637**	6,976,815,269	**1,739,038,959**	560,815,235	**634,669,303**	1,234,504,668	**300,441,224**	464,505,443	**4,592,723,123**	9,236,640,615
Balance at the end of the year		**38,987,127,180**	36,213,253,879	**4,459,258,363**	2,710,440,379	**4,769,110,992**	3,872,396,781	**3,147,403,421**	2,743,208,689	**51,362,899,956**	45,539,299,728

	Note	Pension obligations - unfunded 2017	Pension obligations - unfunded 2016	Medical benefits 2017	Medical benefits 2016	Free electricity 2017	Free electricity 2016	Compensated absences 2017	Compensated absences 2016	Total 2017	Total 2016
		Rupees		Rupees		Rupees		Rupees		Rupees	
22.3 Charge to profit and loss											
Current service cost		**518,560,481**	780,703,766	**53,356,008**	60,125,602	**54,802,531**	76,992,481	**79,638,373**	93,947,172	**706,357,393**	1,011,769,021
Interest cost		**3,133,345,562**	2,482,348,406	**231,558,536**	208,152,063	**342,432,170**	248,665,032	**237,295,658**	215,017,542	**3,944,631,926**	3,154,183,043
Actuarial loss / (gain)		**-**	-	**-**	-	**-**	-	**300,441,224**	464,505,443	**300,441,224**	464,505,443
		3,651,906,043	3,263,052,172	**284,914,544**	268,277,665	**397,234,701**	325,657,513	**617,375,255**	773,470,157	**4,951,430,543**	4,630,457,507
22.4 Charge to other comprehensive income											
Actuarial loss / (gain)	22.4.1	**1,918,573,637**	6,976,815,269	**1,739,038,959**	560,815,235	**634,669,303**	1,234,504,668	**-**	-	**4,292,281,899**	8,772,135,172
22.4.1 Break-up of actuarial loss / (gain)											
Financial assumptions		**(154,252,745)**	4,624,132,225	**1,240,421,708**	330,229,919	**768,101,429**	(381,953,902)	**-**	-	**1,854,270,392**	4,572,408,242
Experience adjustments		**2,072,826,382**	2,352,683,044	**498,617,251**	230,585,316	**(133,432,126)**	1,616,458,570	**-**	-	**2,438,011,507**	4,199,726,930
		1,918,573,637	6,976,815,269	**1,739,038,959**	560,815,235	**634,669,303**	1,234,504,668	**-**	-	**4,292,281,899**	8,772,135,172
22.5 Significant actuarial assumptions at the balance sheet date are:											
Discount rate (per annum)		**9.25%**	9.0%	**9.25%**	9.0%	**9.25%**	9.0%	**9.25%**	9.0%		
Future salary increase (per annum)		**8.25%**	8.0%	**8.25%**	8.0%	**-**	-	**8.25%**	8.0%		
Indexation rate (per annum)		**3.25%**	3.0%	**-**	-	**-**	-	**-**	-		
Exposure Inflation rate (per annum)		-	-	-	0.0%	-	-	-	-		
Medical Inflation rate Facility		-	-	7.25%	7.0%	-	-	-	-		
Medical Inflation rate allowance		-	-	2.25%	2.0%	-	-	-	-		
Medical take-up rate of allowances-in Service		-	-	50.0%	50.0%	-	-	-	-		
Take up rate of allowance - retirees		-	-	0.0%	0.0%	-	-	-	-		
Electricity Inflation rate (per annum)		-	-	-	-	**7.0%**	7.0%	-	-		
Withdraw rate		**Low**	Low	**Low**	Low	**Low**	Low	**Low**	Low		
Mortality rate		**Adjusted SLIC 2001-2005**	Adjusted SLIC 2001-2005	**Adjusted SLIC 2001-2005**	Adjusted SLIC 2001-2005	**Adjusted SLIC 2001-2005**	Adjusted SLIC 2001-2005	**Adjusted SLIC 2001-2005**	Adjusted SLIC 2001-2005		

22.6 Sensitivity analysis:

	Pension obligations - unfunded		Medical benefits		Free electricity		Compensated absences	
	%	Amount	%	Amount	%	Amount	%	Amount
2017:								
Effect of change in discount rate								
1% increase	**10.25%**	**33,449,174,097**	**10.25%**	**3,825,839,964**	**10.25%**	**4,091,679,367**	**10.25%**	**2,700,328,354**
1% decrease	**8.25%**	**46,973,749,254**	**8.25%**	**5,372,749,911**	**8.25%**	**5,746,076,721**	**8.25%**	**3,792,157,817**
Effect of change in salary increase rate								
1% increase	**9.25%**	**42,961,021,684**	-	-	-	-	**9.25%**	**3,468,213,136**
1% decrease	**7.25%**	**36,160,560,458**	-	-	-	-	**7.25%**	**2,919,216,672**
Effect of change in medical inflation rate								
1% increase	-	-	**8.25%**	**4,860,227,096**	-	-	-	-
1% decrease	-	-	**6.25%**	**4,180,554,713**	-	-	-	-
2016:								
Effect of change in discount rate								
1% increase	10.0%	32,002,934,865	10.0%	2,417,726,704	10.0%	3,305,814,972	10.0%	2,510,023,790
1% decrease	8.0%	41,425,541,850	8.0%	3,077,717,079	8.0%	4,601,672,129	8.0%	3,020,437,629
Effect of change in salary increase rate								
1% increase	9.0%	38,071,248,540	-	-	-	-	9.0%	3,034,035,939
1% decrease	7.0%	34,563,666,756	-	-	-	-	7.0%	2,494,751,992
Effect of change in medical inflation rate								
1% increase	-	-	**8.0%**	2,942,401,360	-	-	-	-
1% decrease	-	-	**6.0%**	2,511,793,097	-	-	-	-

22.7 Description of risks to the Company

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

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what was assumed.

Withdrawal risk

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risk

The risk that the actual mortality experience is different. Similar to the Withdrawal risk, the effect depends on the beneficiaries' service/age distribution and the benefit.

Medical escalation risk

The risk that the cost of post retirement medical benefits will increase.

	Note	2017	2016
		------------Rupees------------	
23. DEFERRED TAXATION - net			
Deferred tax asset	23.1	**14,912,939,015**	15,484,344,049
Deferred tax liability	23.2	**(14,912,939,015)**	(15,484,344,049)
		-	-

		2017	2016
23.1	**Movement in deferred tax asset:**		
	Balance at the beginning of the year	**15,484,344,049**	16,083,265,393
	Reversal for the year		
	Related to reversal of liability on account of incremental depreciation	**(267,145,764)**	(277,170,322)
	Reduction in deferred tax asset	**(304,259,270)**	(321,751,022)
		14,912,939,015	15,484,344,049

		2017	2016
23.2	**Movement in deferred tax liability:**		
	Balance at the beginning of the year	**(15,484,344,049)**	(16,083,265,393)
	Transfer to profit and loss on account of incremental depreciation	**267,145,764**	277,170,322
	Reduction in deferred tax liability on revaluation reserve	**304,259,270**	321,751,022
		(14,912,939,015)	(15,484,344,049)

	Note	2017	2016
24. DEFERRED CREDIT			
Contributions against connections installed / deposit works:			
Balance as at 01 July		**33,259,809,252**	31,351,146,682
Additions during the year		**2,692,396,167**	1,908,662,570
		35,952,205,419	33,259,809,252
Amortization			
Balance at the beginning of the year		**10,624,348,822**	9,460,255,498
For the year		**1,258,327,190**	1,164,093,324
		11,882,676,012	10,624,348,822
Receipts against deposit works and connections waiting account	24.1	**7,551,990,421**	5,301,100,450
Closing Balance for the year		**31,621,519,828**	27,936,560,880

24.1 This represents the capital contribution received from the consumers and Government against which assets are being / (to be) constructed by the Company.

25. TRADE AND OTHER PAYABLES	Note	2017	2016
		------------Rupees------------	
Creditors		**1,501,651,000**	797,713,491
Other payables:			
Excess receipt against deposit work		**271,387,982**	200,896,598
Provision for Workers' Profit Participation Fund	25.1	**110,185,918**	110,185,918
Due to related parties on account of:			
- Free electricity	25.2	**877,263,368**	888,991,410
- Pension	25.3	-	38,846,134
		877,263,368	927,837,544
Billing related payables	25.4	**16,938,108,956**	22,076,028,134
Excess of output over input tax		**322,106,338**	322,106,338
Accrued liabilities		**160,834,997**	614,601,706
Retention from contractors		**45,007,355**	79,244,643
Others		**1,000,400,703**	160,555,465
		21,226,946,617	25,289,169,837

25.1 The Company has held payment of its contribution towards Workers' Profit Participation Fund (WPPF) relating to profit for the years ended 30 June 2004 and 30 June 2005. The matter is pending for decision with the Economic Coordination Committee upon a recommendation submitted by WAPDA to exempt the corporatized entities under its umbrella from the requirements of the Companies Profit (Workers' Participation) Act, 1968. Further, the Company has not made provision against WPPF amounting to Rs. 2,839 million in respect of 2015 and no provision for current and prior year has been made since the Company has not earned profit.

25.2 Due to related parties on account of free electricity - net

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

Multan Electric Power Company Limited	**87,533,755**	96,131,828
Lahore Electric Supply Company Limited	**653,151,265**	660,617,481
Pakistan Electric Power Company Limited	**136,369,687**	132,242,101
Sukkur Electric Power Company Limited	**208,661**	-
	877,263,368	888,991,410

25.3 Due to related parties on account of pension - net

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

Lahore Electric Supply Company Limited	-	12,593,283
Peshawar Electric Supply Company Limited	-	26,252,851
	-	38,846,134

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		Note	2017	2016
25.4	**Billing related payables**		------------Rupees------------	
	Fuel price adjustment payable to consumers		**2,812,466,237**	3,808,700,359
	Withholding tax		**26,135,485**	105,961,325
	Realized:			
	Equalization surcharge payable	25.4.1	**2,207,128,017**	2,211,083,758
	Electricity duty payable		**110,382,767**	10,080,420
	TV License fee payable		**87,352,511**	86,282,831
	Neelum Jhelum surcharge		**114,849,844**	143,460,451
	Extra / further tax		**23,281,489**	19,759,032
	Financing cost / debt servicing surcharge payable		**1,009,488,207**	5,887,710,766
	Tariff realization / universal obligation surcharge payable		**7,149,902,590**	6,496,669,026
	General sales tax		**99,105,272**	53,676,075
	Unrealized:			
	Financing cost / debt servicing surcharge payable		**218,798,403**	234,542,974
	Tariff realization / universal obligation surcharge payable		**443,825,280**	566,008,018
	Electricity duty		**65,059,960**	53,642,768
	General sales tax		**2,309,080,342**	2,139,522,213
	Income tax		**105,425,981**	107,910,138
	TV license fee		**45,894,580**	42,875,693
	Equalization surcharge payable		**922,509**	1,559,262
	Extra / further tax		**54,483,596**	42,199,914
	Neelum Jhelum surcharge	24.4.2	**54,525,886**	64,383,111
			16,938,108,956	22,076,028,134

25.4.1 This represents amounts collected from consumers pursuant to S.R.O 236(1) 2011, dated 15 March 2011, issued by the Ministry of Water and Power. However, the amount was collected from customers during the period from April 2011 to May 2012 but further collection was discontinued on account of a subsequent S.R.O 506(1) 2012, dated 16 May 2012. This amount has not yet paid to Government of Pakistan (GoP) as payment mechanism has not been conveyed to the Company by the GoP.

24.4.2 This represents the amount collected from the consumers pursuant to S.R.O 575(1)/2015, dated 10 June 2015 issued by the Ministry of Water and Power, GoP. The said surcharge was levied till 31 December 2015 and to be kept in the Escrow account of Neelum Jhelum Company for exclusive use for the Neelum Jhelum Hydro Power project. Further, the said surcharge was extended to 30 June 2018 through Letter no. F-NO.P-I-4(18)/2014-15 issued by the Ministry of Water and Power.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Claims against the Company not acknowledged as debt are as follows:

Loans not acknowledged as debt by the Company	26.1.1.1	**25,556,572,532**	42,595,897,936
Interest on syndicated loan	26.1.1.1	**3,621,233,411**	8,824,436,071
Supplementary charges	26.1.1.2	**6,719,272,285**	6,618,439,759
		35,897,078,228	58,038,773,766

26.1.1.1 In order to curb the circular debt in the country, the Federal Government, through Power Holding Private Limited (PHPL) has injected money from time to time through borrowings from commercial banks. The amount was ultimately transferred to Distribution Companies on the basis of outstanding payables towards Central Power Purchasing Agency (CPPA) which aggregates to Rs. 270,474 million up till last year.

Originally, PHPL planned to re-lend the loan to DISCO's through multi-partite agreement between Lenders, DISCOs and PHPL with each DISCO jointly and severely liable in-case of default. The management of DISCOs objected to this arrangement and based on their observations the proposed mechanism of extending the loan was revised in a joint meeting held at the Ministry of Water and Power on 14 May 2012, whereby a bilateral agreement was proposed to be signed between each DISCO and PHPL with all DICSOs being severally liable. The Board of Directors of the Company accorded its approval in its 100th and 101st meeting subject to certain reservations. The draft of the relending agreement between the Company and PHPL was received on 13 August 2012. Subsequently, during a joint meeting held at LESCO Head Office on 27 August 2012, it was agreed among DISCOs that the relending agreement will be effective from the date it is signed by the respective DISCOs and the same was communicated to Ministry of Water & Power vide a letter issued by the LESCO Legal Director [# L-Dir/12150-53 dated 28 August 2012]. As of 30 June 2017, CPPA has issued advices of loan amounting to Rs. 25,557 million representing the facility allocated to the Company by the Ministry.

During the year, CPPA has issued Debit invoices to the Company amounting to Rs. 17,039 million (2016: 3,059 million), resulting in total loan allocation of Rs. 25,557 million (2016: 42,596), along with related accrued mark-up of Rs. 3,621 million (2016:8,824).

NEPRA being the power sector regulator have also raised certain concerns on the structure of the transaction which have been forwarded to the Ministry of Water and Power vide [letter No. 1970-73 dated 07 September 2012]. Pending resolution of matters raised by the NEPRA, the relending agreement between PHPL and the Company were not finalized. The Management of the Company believes that the Company's obligation under the arrangement will arise once the relending agreement between the Company and PHPL is finalized. Accordingly the loan and related liabilities have not been recorded in these financial statements.

26.1.1.2 This represents supplementary charges invoiced by CPPA to the Company on account of allocation of late payment charges to oil and gas companies which are accumulating over the years amounting to Rs. 6,719 (2016: Rs. 6,618 million) million. However, NEPRA has disallowed CPPA to invoice such amount to distribution companies as part of tariff and accordingly, the Company has not acknowledged this amount as its liability.

26.1.2 In addition to above-mentioned matters, large number of small cases have been filed against the Company, primarily by the Company's employees, customers and vendors, the quantum of which cannot be estimated reliably. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability of the Company against such cases.

26.1.3 Taxation

26.1.3.1 Income tax

Tax authorities have raised income tax demand aggregating to Rs. 253 million, in respect of alleged short payment of withholding on PTV fee / advance tax, in respect of tax years 2007 to 2014 and 2017, under various sections of the Income Tax Ordinance, 2001. The matters relating to said tax years are pending before different tax fora.

Tax authorities have raised demand of Rs. 3,215 Million, in respect of turnover tax and tax credit under section 65 B of the income tax ordinance 2001 for tax years 2009 to 2011, 2014 and 2015. These matters are pending at various tax fora.

No provision has been recognised in these financial statements in respect of above notices and appeals as management is confident that the outcome of these appeals will be in favor of the Company.

26.1.3.2 Sales Tax

In respect of financial year 2009 tax authorities raised a show cause notice for Rs. 4,696 million in respect of revenue from non-utility operation, pending connections, repair, testing and inspection fee, re-connections and, disallowed input tax. Similar show cause of Rs. 6,767 million has also been issued for financial year 2010. The Company has obtained a stay order form Lahore High Court against these show cause notices. Currently these matters are pending with Honorable Lahore High Court. Further a similar show cause notice has been issued for Rs. 6,842 for financial year 2014. The case is pending before Tax authorities.

In respect of financial year 2009, tax authorities have also raised a demand of Rs. 6,888 million on the issue of subsidy, non utility operation, new connections awaiting installation / deffered, work in progress. repair, testing and inspection fee, reconnections, input claim / adjusted against suspended registration and black listed parties, unlawful input tax claims. However, ATIR has decided the case in favor of the Company and tax authorities have filed an appeal with Honorable High Court, which is pending.

Tax authorities have raised a demand of Rs. 187 million for financial year 2013, in respect of difference between sale and purchase of electricity unit. The case is at the level of Appellate Tribunal Inland Revenue (ATIR).

Tax authorities have also raised a demand of Rs. 138 million on account of non charging of provincial sales tax on services.

No provision has been recognised in these financial statements in respect of above notices and appeals as management is confident that the outcome of these appeals will be in favor of the Company.

		Note	2017	2016
			------------Rupees------------	
26.2	**Commitments**			
26.2.1	Commitments in respect of capital expenditure		**1,128,044,187**	1,491,355,754
26.2.2	Commitments against inland letter of credit		**431,336,842**	1,401,298,026

27. SALE OF ELECTRICITY - NET

Gross sales		**112,860,142,639**	103,216,659,936
Sales tax		**(16,412,747,466)**	(15,021,306,737)
		96,447,395,173	88,195,353,199

27.1 The Company filed multiyear tariff petition for FY 2015-2016 to 2019-2020 for determination on 07 August 2015 which was determined by NEPRA on 31 December 2015. The Company filed "Motion for Leave for Review" vide letter no. 566-67 on 19 January 2016. NEPRA decided the Review Motion on 11 May 2016 and rejected the relief sought by the Company. The Company filed a writ petition in the Honorable Islamabad High Court (IHC) on 27 August 2016 against the decision of NEPRA. IHC decided the case on 12 July 2017 giving another opportunity of hearing to Federal Government as well as DISCOs. NEPRA re-determined the tariff on 18 September 2017 which is pending for notification. Accordingly, the Company has used tariff notified on 10 June 2015 for FY 2015-2016 and 2016-17.

28. COST OF ELECTRICITY

28.1 Electricity purchased from Central Power Purchasing Agency (CPPA) during the year has been invoiced at the average rate of Rs. 8.558 / KWH (2016: Rs. 8.274 / KWH).

29. DISTRIBUTION COSTS

	Note	2017	2016
Salaries, wages and other benefits	29.1	**9,877,967,552**	8,484,254,446
Depreciation	6.1.3	**3,080,069,116**	2,887,661,979
Repair and maintenance		**278,881,910**	430,744,048
Rent, rates and taxes		**19,039,311**	15,439,980
Postage and telephone		**18,241,350**	17,093,853
Power, light and water		**20,296,304**	18,369,422
Office supplies and other expenses		**9,740,278**	15,046,241
Travelling and conveyance		**220,166,897**	200,584,011
Professional fee		**14,707,343**	13,058,113
Transportation		**182,871,706**	183,497,340
Advertisement charges		**363,080**	5,597,567
Other charges		**134,186,401**	28,170,918
		13,856,531,247	12,299,517,918
Less: Transfer to capital / deposit work-in-progress		**383,991,271**	330,308,313
		13,472,539,976	11,969,209,605

29.1 This includes a sum of Rs. 3,116 million (2016: Rs. 2,447 million), Rs. 243 million (2016: Rs. 201 million), Rs. 339 million (2016: Rs. 244 million) and Rs. 527 million (2016: Rs. 580 million) in respect of pension, medical, free electricity and compensated absences benefits to employees, respectively.

30. ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries, wages and other benefits	30.1	**1,461,989,895**	1,706,074,909
Depreciation	6.1.3	**52,379,032**	60,159,625
Amortization of intangible asset	7.	**28,030,534**	-
Repair and maintenance		**54,197,207**	38,917,496
Power, light and water		**23,401,535**	19,928,757
Office supplies and other expenses		**90,275,395**	51,851,323
Travelling and conveyance		**42,049,494**	41,920,040
Professional fee		**64,272,151**	52,464,079
Audit fee		**1,735,000**	1,664,950
Transportation		**49,595,071**	43,036,607
Management fees		**161,874,424**	27,685,231
Postage and telephone		**10,757,315**	8,778,825
Bank charges		**10,248,555**	11,548,849
Provision / (reversal) for slow moving items	9.1	**5,598,088**	(2,428,589)
Other charges		**39,466,621**	8,462,654
		2,095,870,317	2,070,064,756

30.1 This includes a sum of Rs. 330 million (2016: Rs. 571 million), Rs. 26 million (2016: Rs. 47 million), Rs. 36 million (2016: Rs. 57 million) and Rs. 56 million (2016: Rs. 135 million) in respect of pension, medical, free electricity and compensated absences benefits to employees, respectively.

31. CUSTOMER SERVICES COSTS

	Note	2017	2016
		Rupees	
Salaries, wages and other benefits	31.1	**1,104,767,655**	1,077,561,627
Depreciation	6.1.3	**740,562**	60,159,625
Electricity bills collection charges		**301,949,804**	255,199,534
Travelling and conveyance		**26,004,096**	24,608,458
Repair and maintenance		**455,223**	372,761
Rent, rates and taxes		**3,375,573**	2,548,933
Postage and telephone		**2,376,316**	1,808,797
Power, light and water		**4,319,684**	3,151,708
Office supplies and other expenses		**5,242,117**	6,061,801
Transportation		**2,674,841**	3,023,941
Other charges		**2,129,183**	100,960
		1,454,035,055	1,434,598,145

31.1 This includes a sum of Rs.206 million (2016: Rs. 245 million), Rs. 16 million (2016: Rs. 20 million), Rs. 22 million (2016: Rs. 24 million) and Rs. 35 million (2016: Rs. 58 million) in respect of pension, medical, free electricity and compensated absences benefits to employees, respectively.

32. OTHER INCOME

	Note	2017	2016
Income from financial assets			
Profit on bank deposits and short-term investment		**429,699,150**	285,136,550
Late payment surcharge		**1,069,161,806**	1,111,854,111
		1,498,860,956	1,396,990,661
Income from non-financial assets			
Gain on installation of new connection		**385,977,409**	321,465,916
Repair, testing and inspection fee		**11,093,914**	15,900,062
Recovery of late delivery charges		**70,907,698**	73,535,109
Non-utility operations	32.1	**62,182,007**	18,354,694
		530,161,028	429,255,781
Others			
Meter / service rent		**49,529,161**	48,882,024
Reconnection fees		**18,492,266**	20,488,898
Excess deposit work receipts written back		**6,856,062**	118,497,934
Service charges on collection of PTV Fee & electricity duty		**57,432,876**	135,035,217
FESCO colonies quarterly rent		**1,647,423**	5,082,271
		133,957,788	327,986,344
		2,162,979,772	2,154,232,786

32.1 It represents tender fee, community van fee, registration fee of contractors, sale of scrap, and interest on employee advance .

33. FINANCE COSTS

		2017	2016
Interest on Long term financing		**150,138,225**	187,013,971

34. TAXATION

	Note	2017	2016
Current	34.1	**(526,024,214)**	-
Deferred	34.2	**(37,113,506)**	(44,580,700)
		(563,137,720)	(44,580,700)

34.1 In view of the available tax losses, no provision for taxation has been made during the current year.

During the current year (tax year 2017), as a result of expiry of SRO 171/(I/2008), the Company is liable to pay minimum tax on its turnover without excluding purchase price of electricity. However for the purpose of calculating minimum tax under section 113 of the income tax ordinance 2001, subsidy income receivable from Government of Pakistan is to be excluded from turnover of the Company as it constitutes exempt income. Consequently, exclusion of same results in gross loss to the Company on which minimum tax is not applicable. Furthermore, the provisions of section 113 (C) relating to "Alternate Corporate Tax" are also not applicable for reasons of accounting loss during the year.

34.2 Deferred tax asset has not been recognized in the financial statements as the management does not expect future taxable profits.

	Note	2017	2016
		-----------Rupees-----------	
34.2 Charge for deferred tax is as follows:			
Reversal of taxable differences relating to incremental depreciation		**267,145,764**	277,170,322
Reversal of taxable differences		**-**	-
Reversal of deductible differences		**-**	-
Reduction in deferred tax asset		**(304,259,270)**	(321,751,022)
		(37,113,506)	(44,580,700)

35. CASH GENERATED FROM OPERATIONS

	Note	2017	2016
(Loss) / Profit before taxation		**(13,656,734,797)**	(13,264,853,954)
Adjustments for non-cash charges and other items:			
Depreciation of operating fixed assets		**3,159,772,652**	3,017,758,811
Amortization		**28,030,534**	-
Provision for employee benefits		**4,951,430,543**	4,630,457,507
Amortization of deferred credit		**(1,258,327,190)**	(1,164,093,324)
Finance costs		**532,769,301**	330,734,686
Provision / (reversal) for doubtful debts		**67,928,134**	(648,066,965)
Bad debts written off		**-**	398,919
Profit on bank deposits and short-term investment		**(429,699,150)**	(285,136,550)
Provision / (reversal) for slow moving / obsolete items		**5,598,088**	(2,428,589)
		7,057,502,911	5,879,624,495
Working capital changes			
(Increase)/decrease in current assets:			
Stores and spares		**(1,925,547,410)**	(56,789,969)
Trade debts		**(3,886,049,979)**	1,117,242,945
Short-term advances		**(5,215,867)**	(9,611,820)
Recoverable from tax authorities - sales tax		**(17,288,296)**	3,298,163,110
Receivable from Government of Pakistan		**-**	8,863,504,084
Other receivables		**25,598,152,253**	(10,593,283,782)
Increase/(decrease) in current liabilities:			
Trade and other payables		**(4,062,223,220)**	10,291,529,190
		15,701,827,482	12,910,753,758
Net operating cash flows after working capital changes		**9,102,595,597**	5,525,524,299

36. CASH AND CASH EQUIVALENTS

	Note	2017	2016
Short-term investments	15	**4,970,000,000**	5,000,000,000
Bank balances	16	**7,094,601,316**	2,795,104,061
		12,064,601,316	7,795,104,061

37. TRANSACTION WITH RELATED PARTIES

The related parties comprise associated companies, directors of the Company, companies with common directorship and key management personnel. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows :

	2017	2016
	-----------Rupees-----------	
Nature of transactions		
Cost of Electricity	**110,041,130,006**	100,426,665,223
Management Fee	**161,874,424**	27,685,231
Purchase of materials	**16,558,600**	11,687,715
Sale of materials	**10,600,000**	2,459,925

37.1 The transactions with the key management under the terms of employment are disclosed in note 38.

	2017	2016
38. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS	-----------Rupees-----------	

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive and Directors of the Company is as follows:

	Chief Executive Officer		Directors	
	2017	2016	2017	2016
	Rupees			
Basic Salary	**1,675,170**	1,313,810	-	-
Other benefits	**5,014,362**	5,213,364	-	-
Fee for attending meetings	-	-	2,950,000	2,491,350
	6,689,532	**6,527,174**	**2,950,000**	**2,491,350**
	1	1	10	10

In addition, Chief Executive Officer is also provided with the Company's maintained vehicle and free accommodation.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

Risk management framework

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

a) Market risk

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

i) Currency risk

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

Exposure to currency risk

The company has taken foreign currency loans, denominated in US dollars, from Asian Development Bank through Government of Pakistan (GoP). However, the receipt of loan and repayment of loan to GoP is in Pak rupees, Further, Exchange Risk Component is also being paid as part of its financing arrangement with GoP; consequently, it is not subject to currency risk on this financial instrument.

ii) Interest rate risk

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

	Note	2017	2016
Fixed rate instruments		-----------Rupees-----------	
Financial assets			
Long-term loans	7	**147,954,712**	157,657,995
Short-term investments	14	**4,970,000,000**	5,000,000,000
Bank balances - deposit accounts	15	**5,972,326,281**	1,998,705,157
		11,090,280,994	7,156,363,152
Financial liabilities			
Long-term financing	19	**4,255,609,219**	2,826,668,590

Sensitivity analysis

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.

iii) Other price risk

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

b) Credit risk

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

Exposure to credit risk

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

	2017		2016	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	----------Rupees----------			
Long-term loans	**147,954,712**	**147,954,712**	157,657,995	157,657,995
Long-term deposits	**2,551,165**	**2,551,165**	2,321,915	2,321,915
Trade debts	**13,881,879,249**	**13,881,879,249**	9,995,829,269	9,995,829,269
Interest accrued	**90,199,023**	**90,199,023**	21,023,720	21,023,720
Other receivables	**17,994,653,931**	**17,994,653,931**	43,592,806,184	43,592,806,184
Short term investments	**4,970,000,000**	**4,970,000,000**	5,000,000,000	5,000,000,000
Bank balances	**7,094,601,316**	**7,094,601,316**	2,795,104,061	2,795,104,061
	44,181,839,396	**44,181,839,396**	61,564,743,144	61,564,743,144

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

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

	2017	2016
Type of consumer	-----Rupees-----	
Domestic	**5,254,086,724**	4,678,066,425
Commercial	**786,346,306**	679,885,914
Industrial	**5,396,303,607**	1,928,421,065
Agricultural	**2,433,753,361**	2,585,865,926
Others	**11,389,251**	123,589,939
	13,881,879,249	9,995,829,269

	2017		2016	
	Gross	Impairment	Gross	Impairment
The aging of trade debtors at the reporting date was:	----------Rupees----------			
Less than one year	**13,344,716,533**	**245,344,406**	9,564,284,831	250,800,285
Over 1 and up to 3 year	**291,731,238**	**240,090,604**	243,398,148	222,337,615
Over 3 year	**245,431,478**	**242,618,757**	188,146,290	186,987,733
	13,881,879,249	**728,053,767**	9,995,829,269	660,125,633

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

	Rating Agency	Rating Short-term	Rating Long-term	2017 Rupees	2016 Rupees
Public Sector Banks					
National Bank of Pakistan	PACRA	A1+	AA	**2,779,688,589**	636,342,420
The Bank of Khyber	PACRA	A1	A	**371,089**	-
The Bank of Punjab	PACRA	A1+	AA	**137,444,242**	94,949,746
Specialized Banks					
Zarai Taraqiati Bank Ltd	JCR-VIS	A1+	AAA	**5,800,540**	15,703,481
Private Sector Banks					
Allied Bank Limited	PACRA	A1+	AA+	**1,343,953,172**	226,805,427
Askari Bank Limited	PACRA	A1+	AA+	**6,686,284**	52,717,303
Bank Alflah Limited	PACRA	A1+	AA+	**48,352,414**	102,175,855
Faysal Bank Limited	PACRA	A1+	AA	**2,340,114**	2,409,607
Habib Bank Limited	JCR-VIS	A1+	AAA	**294,521,021**	290,872,158
Habib Metro Politan Bank Limited	PACRA	A1+	AA+	**820,947**	-
JS Bank Limited	PACRA	A1+	AA-	**319,221**	584,443
MCB Bank Limited	PACRA	A1+	AAA	**456,085,625**	532,408,542
Punjab Provisional Co-operative bank	JCR-VIS	B	BB+	**4,304,054**	-
First Women Bank	PACRA	A2	A-	**(181,140)**	-
NIB Bank Limited	PACRA	A1+	AAA	**9,253,246**	84,668,992
Tameer Microfinance Bank Limited	PACRA	A1	A+	**127,282,496**	45,019,831
Silk Bank Limited	JCR-VIS	A2	A-	**(106,188)**	130,846
Soneri Bank Limited	PACRA	A1+	AA-	**(195,038)**	124,964
Standard Chartered Bank (Pakistan) Ltd	PACRA	A1+	AAA	**10,417**	-
Summit Bank	JCR-VIS	A1	A-	**321,668**	-
United Bank Limited	JCR-VIS	A-1+	AAA	**1,388,650,039**	378,232,614

	Rating Agency	Rating Short-term	Rating Long-term	2017 Rupees	2016 Rupees
Islamic Banks					
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A	**49,169,159**	2,164,824
Dubai Islamic Bank Ltd	JCR-VIS	A1	AA	**(61,457)**	73,251
Mezan Bank Limited	JCR-VIS	A1+	AA	**3,755,031**	3,668,973
Bank Islami Limited	PACRA	A1	A+	**395,608**	42,157
Burj Bank	PACRA	A1+	A	**(34,444)**	16,783.00
Balance with other institutions:					
Other institutions	N/A	N/A	N/A	**435,654,609**	325,991,844
				7,094,601,316	2,795,104,061

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

c) **Liquidity risk**

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

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
2017	Rupees				
Long-term financing	**4,255,609,219**	-			
Long-term security deposits	**5,948,744,106**	**5,948,744,106**	-	-	**5,948,744,106**
Trade and other payables	**11,408,535,826**	**11,408,535,826**	**11,408,535,826**	-	-
Interest accrued on long-term financing	**745,392,291**	**745,392,291**	**745,392,291**	-	-
	22,358,281,442	**18,102,672,223**	**12,153,928,117**	-	**5,948,744,106**
2016					
Long-term loans	2,826,668,590	2,826,668,590	315,791,157	573,415,937	1,937,461,496
Long-term security deposits	5,153,440,140	5,153,440,140	-	-	5,153,440,140
Trade and other payables	8,081,949,897	8,081,949,897	8,081,949,897	-	-
Interest accrued on long-term financing	555,597,449	555,597,449	555,597,449	-	-
	16,617,656,076	16,617,656,076	8,953,338,503	573,415,937	7,090,901,636

39.2 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

Fair value hierarchy

The Lahore Electric Supply Company Limited uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2017, Faisalabad Electric Supply Company Limited did not hold any financial instruments carried at fair value.

39.3 Financial instruments by categories

	Loans and receivables		Held-to-maturity	
	2017	2016	2017	2016
	Rupees			
Financial assets as per balance sheet				
Long-term loans	**147,954,712**	157,657,995	-	-
Long-term deposits	**2,551,165**	2,321,915	-	-
Trade debts	**13,881,879,249**	9,995,829,269	-	-
Interest accrued	**90,199,023**	21,023,720	-	-
Receivable from Government of Pakistan	-	-	-	-
Other receivables	**17,994,653,931**	43,592,806,184	-	-
Short-term investments	-	-	**4,970,000,000**	5,000,000,000
Bank balances	**7,094,601,316**	2,795,104,061	-	-
	39,211,839,396	56,564,743,144	**4,970,000,000**	5,000,000,000

Financial liabilities as per balance sheet	Liabilities at fair value through profit and loss		Other financial liabilities	
	2017	2016	2017	2016
	--------------------------Rupees--------------------------			
Long-term loans - secured	-	-	**4,255,609,219**	2,826,668,590
Long-term security deposits	-	-	**5,948,744,106**	5,153,440,140
Trade and other payables	-	-	**11,408,535,826**	8,081,949,897
Accrued interest	-	-	**745,392,291**	555,597,449
	-	-	**22,358,281,442**	16,617,656,076

39.4 Capital risk management

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

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

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

	Note	2017	2016
		-----------Rupees-----------	
Long-term financing	20	**4,035,327,177**	2,510,877,433
Long-term security deposits	21	**5,948,744,106**	5,153,440,140
Deferred credit	24	**31,621,519,828**	27,936,560,880
Trade and other payables	25	**21,226,946,617**	25,289,169,837
Interest accrued on long-term financing		**745,392,291**	555,597,449
Current portion of long-term financing	20	**220,282,042**	315,791,157
Total debt		**63,798,212,061**	61,761,436,896
Equity		**(15,968,571,731)**	1,920,242,569
Total Capital		**47,829,640,330**	**63,681,679,465**
Net debt to total equity		**133%**	**97%**

40. PROVIDENT FUND

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

41. BENAZIR EMPLOYEE STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs), including Faisalabad Electric Supply Company Limited, and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). 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 a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. 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 for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GOP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Company, under the provisions of revised International Financial Reporting Standard-2, "Share - based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan (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 June 07, 2011 to such entities from the application of IFRS 2 to the Scheme.

Owing to the fact that GoP still holds 100% shares of the Company and has not transferred shares to the trust in accordance with BESOS, the financial impact on these financial statements could not be estimated.

42. NUMBER OF EMPLOYEES

The Company has employed following number of persons including permanent and contractual staff:

	2017	2016
- As at 30 June	**16,634**	15,737
- Average number of employees	**16,318**	15,421

43. CAPACITY

The Company's capacity of the electricity distribution depends on various factors including supply and demand of electricity, and transmission and distribution losses. The Company distributed 11,498,760,383 (2016:10,700,287,500) units of electricity to its consumers during the year.

44 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, where necessary for better presentation. However, no significant reclassification or rearrangement has been made in these financial statements.

45. DATE OF AUTHORIZATION FOR ISSUE

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

46. GENERAL

Figures in these financial statements have been rounded off to the nearest Pakistani Rupee, unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR