



FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

Phone No. 041-9220242
Fax No. 041-9220217

OFFICE OF THE
CHIEF EXECUTIVE OFFICER
FESCO FAISALABAD

No 8463-64 CFO/FESCO/CPC

Dated 11 / 12 / 2019

The Registrar, NEPRA,
NEPRA Tower, G-5/1,
Islamabad.

Subject: Annual Adjustments/ Indexation for the FY 2019-20 and Prior Year Adjustment under Multiyear Tariff (MYT) Regime

Dear Sir,

Pursuant to NEPRA's letter No NEPRA/SAT-II/TRF-100/XWDISCOs/ 24253-55 dated November 14, 2019, please find enclosed the desired information is as under;

- Break-up of costs in terms of distribution and supply functions
- Audited Financial Statements for the FY 2017-18 and FY 2018-19
- Amount of Post-retirement benefits allowed and the amount actually paid
- States of Post-retirement benefits Fund
- Status of write offs
- Sales Mix Variance calculations

The adjustment already submitted vide letter No. 7875-76 dated 07-08-2019 shall stand amended accordingly please.

We shall be thankful if the Authority shall allow the above Adjustments. The adjustments are supported with all requisite data and supporting material.

In case any further clarification is required, please feel free to intimate.

DA/As above.

(SHAFIQ-UL-HASSAN)
Chief Executive Officer

C.c. to:

⇒ Section Officer (Tariff), Ministry of Energy (Power Division), Islamabad.

Senior Advisor Tariff-1

Dy No: 10451

Date: 13-12-19

REGISTRAR

Dy No: 13257

Date: 12-12-19

For information & reply

ADGT - SAT-II
Sub:

18/12 - SA (Tech)
- DG (MSD) - ADG (LH)
- LA (LH) - MF

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c: chairman
vc
M(T)
M(CA) - m(t)

ADGT 2029
Dy No: 16-12-19
Date:

BEFORE THE

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

ANNUAL ADJUSTMENT/INDEXATION FOR THE FY 2019-20
AND PRIOR YEAR ADJUSTMENT(PYA) FOR THE FY 2018-19
WITH SEGREGATION INTO DISTRIBUTION AND SUPPLY
FUNCTIONS UNDER MULTI YEAR TARIFF (MYT) REGIME

December 09, 2019

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED



FESCO, HEADQUARTER WEST CANAL ROAD, ABDULLAH PUR, FAISALABAD

PHONE # : 92-41-9220184

FAX # : 92-41-9220233

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1. Applicant

- 1.1. Faisalabad Electricity Supply Company Limited (FESCO) is an ex-WAPDA Distribution Company (DISCO) owned by the Government of Pakistan (GOP) and incorporated as a Public Limited Company on March 21, 1998 vide company registration No. L09460 of 1997-98 under section 32 of the then Companies Ordinance 1984 (now Companies Act, 2017).
- 1.2. Principal business of FESCO is to provide electricity to the consumers of Civil Districts of Faisalabad, Chiniot, Jhang, Toba Tek Singh, Bhakkar, Sargodha, Khushab and Mianwali in the province of Punjab under Distribution License No. 02/DL/2002 granted by NEPRA (the Distribution License).

2. Background

- 2.1 FESCO filed its 3rd & 4th Quarter Power Purchase Price (PPP) adjustment, Prior Year Adjustment (PYA) for the FY 2018-19 and adjustment/indexation of Distribution Margin (DM) for the Financial Year 2019-20 under multiyear tariff regime vide No. 7875-76/CFO/FESCO/CPC dated 07-08-2019. The hearing was held on September 25, 2019 at NEPRA Headquarter, Islamabad.
- 2.2 NEPRA determined the 3rd and 4th Quarter PPP adjustments for the FY 2018-19 and allowed provisional adjustment/indexation of Distribution Margin for the FY 2019-20 on the data submitted by Ministry of Energy (Power Division) in two separate decisions vide No. NEPRA/R/TRF-100/XWDISCOs/17864-17866 and No. NEPRA/R/TRF-100/XWDISCOs/17883-17885 respectively, both dated September 27, 2019. The adjustments were notified by the Federal Government vide SRO No. 1169(I)/2019 dated September 30, 2019.
- 2.3 NEPRA in Para 15 of its interim decision regarding annual adjustments/indexation of Distribution Margin for XWDISCOs under MYT including FESCO mentioned that the adjustments prescribed in their tariff determinations are to be allowed based on audited Financial Statements and verifiable documentary evidences. In Para 17 of the said determination, the Authority acknowledged filing of adjustment requests of XWDISCOs under MYT including FESCO but stated that the same have not been substantiated with the required documentary evidences e.g. details of write offs, audited financial statements etc.
- 2.4 It is submitted that FESCO has filed the requisite adjustments data in accordance with NEPRA guidelines for determination of consumer end tariff (Methodology and Process), 2015 notified vide SRO 34(1)/2015 on 16 January, 2015, Para 41 of the determination in the matter of FESCO's multi-year tariff determination dated December 31, 2015, Para 15.13 of the FESCO's motion for leave for review dated May 11, 2016 and Para 20 of the re-determination in the matter of request for re-consideration filed by GoP, dated September 18, 2017, with the required documentary evidences and workings.
- 2.5 Furthermore, as per Para 20 (VIII), Page No.38 & 39 of the said re-determination of FESCO MYT, the time lines for adjustment/indexation of the different DM cost components are 7th July every year. Keeping in view this time line, submission of audited Financial Statements of the previous year (ended on June 30) with the adjustment/indexation is not possible in any manner.



2.6 Apart from above, annual adjustments/indexations with costs break up into distribution and supply function in line with the amended NEPRA Act, have been demanded vide Letter No. NEPRA/SAT-II/TRF-100/XWDISCOs/24253-55, dated November 14, 2019 received on November 19, 2019. In the letter under reference NEPRA demanded the following information.

- i. Break-up of costs in terms of distribution and supply functions;
- ii. Audited Financial Statements for the FY 2017-18 and FY 2018-19;
- iii. Amount of Post-retirement benefits allowed and the amount actually paid;
- iv. Amount of Post-retirement benefits deposited in the Fund along with documentary evidence;
- v. Amount of actual write offs made since FY 2015-16 with relevant details thereof;
- vi. Sales Mix Variance Calculations on the format already provided.

The information is summarized below.

i. Break-up of costs in terms of distribution and supply functions:

Break-up of costs into distribution and supply functions is given in the succeeding paras 3 to 5.

ii. Audited Financial Statements for the FY 2017-18 and FY 2018-19:

Audited Financial Statements for the FY 2017-18 were already submitted to NEPRA. However, a copy of the same is again attached along-with audited Financial Statements ended June 30, 2019 as well.

iii. Amount of Post-retirement benefits allowed and the amount actually paid:

The summary of post-retirement benefits allowed and the amount actually period from FY 2015-16 till 2018-19 is given below;

PKR Millions		
Financial Year	Amount allowed	Amount paid
2015-16	3,242	2,319
2016-17	4,952	3,420
2017-18	5,447	4,001
2018-19	5,447	4,957

iv. Amount of Post-retirement benefits deposited in the Fund along with documentary evidence FESCO hired the services of a lawyer for registration of FESCO employees' Pension Funds Trust which is at final stage. Registrar of Joint Staff Companies referred the case to Home Department (Internal Security) Govt. of Punjab for verification of antecedents. The latter visited FESCO HQ on October 16, 2019 and collected the required information from FESCO. After receipt of report, the case will be processed by Registration Office as intimated vide his letter No.818, dated 05.10.2019. The deposits in the fund shall be made after its registration and opening of Fund Account.

v. Amount of actual write offs made since FY 2015-16 with relevant details thereof:

The case of write offs is under process and shall be submitted upon its approval.

vi. Sales Mix Variance Calculations on the format already provided:

Sales Mix Variance for the FY 2016-17, 2017-18 and 2018-19 is attached as Annexure- B, C & D respectively (Para 3.1.3).



2.7 The following adjustments/indexations are submitted again with all supporting documents/evidences for consideration of NEPRA. The adjustment data for the period from July to December 2018 is based on reference Tariff notified vide S.R.O. 376(I)/2018 dated March 22, 2018 and for the period from January to June, 2019 on the reference Tariff notified vide S.R.O. 03(I)/2019 dated January 01, 2019.

2.7.1 Prior Year Adjustment (PYA) for the FY 2018-19 and the leftover adjustments prior to 2018-19.

2.7.2 Adjustment/ Indexation of Distribution Margin for the FY2019-20

3. Adjustments/Indexations Data:

3.1 Prior Year Adjustment:

3.1.1 Prior Year Adjustment 2016-17:

3.1.1.1. FESCO was allowed Prior Year Adjustment (PYA) amounting to Rs. 7,184 for the FY 2016-17 in the Re-determination of Tariff vide No. NEPRA/TRF-329/FESCO-2015/15608-15610 dated September 18, 2017. The GoP notified the same vide SRO # 376(I)/2018 dated March 22, 2018 and said Tariff remained applicable from March 22, 2018 to December 31, 2018. FESCO recovered an amount of Rs. 7,725 Million. Thus an amount of Rs. 541 Million excess recovered. Summary is given below;

(Table-1) (PKR Millions)	
Description	FY 2017-18
PYA to be recovered during FY 2018-19 pertaining to FY 2016-17	7,184
Less: PYA recovered during 2018-19 on notified tariff	7,725
PYA excess recovered	(541)

Working attached as (Annexure-A)

3.1.2 Operation & Maintenance (O&M) Cost:

3.1.2.1 The Operation & Maintenance (O&M) Cost determined by NEPRA for the FY 2017-18 was Rs. 15,337 Million after excluding the cost charged to Assets Under Construction (AUC). The actual O&M Cost as per audited accounts for the said year remained Rs. 16,860 after netting off the cost charged to AUC. In this way an amount of Rs. 1,523 Million less determined. Detail is give below.



(Table-2)

Description	2017-18 (PKR Millions)		
	Actual	Determined	Under/(Over)
Pay & Allowances	8,600	7,985	615
Retirement Benefits	6,745	5,447	1,598
Repair & Maintenance	429	456	(27)
Other Expenses	1,529	1,449	80
Total	17,303	15,337	1,966
Less: Allocation to AUC	(443)	-	(443)
Net Total	16,860	15,337	1,523

3.1.3 Consumer Mix Variance:

- 3.1.3.1 NEPRA assessed a negative Sales Mix of Rs. (1,495) Million for the FY 2016-17 vide No. NEPRA/TRF-339/13632-13634 dated August 31, 2018. As per FESCO's calculations already submitted to NEPRA vide No.3708/CFO/FESCO/CPC dated March 01, 2018, the negative Sales Mix comes to Rs. (600) Million based on category wise standard sales in actual mix (working attached as **Annexure-B**). Thus, an amount of Rs. (895) Million had been over assessed. The Authority is requested to re-visit the calculations and the amount of Rs. (895) Million over assessed may be adjusted in the Prior Year Adjustments of FY 2018-19.
- 3.1.3.2 Negative Consumer Mix variance for FY 2017-18 amounting to Rs. (2,796) Million (**Annexure-C**) has not been considered by the Authority in para 25.2 of determination dated August 31, 2018 due to non-availability of Audited Financial Statement for FY 2017-18 which has now been provided.
- 3.1.3.3 The Sales Mix for FY 2018-19 also remained negative for Rs. (3,546) (**Annexure-D**). The sales mix has been calculated in accordance with reference Tariff notified vide S.R.O. 376(I)/2018 dated March 22, 2018 (applicable upto December 31, 2018) and Tariff notified vide S.R.O. 03(I)/2019 dated January 01, 2019 (for the period from January to June, 2019).

3.1.4 Depreciation Expense of Rs.221 Million for the FY 2015-16

- 3.1.4.1 PYA determination of FY 2015-16 the actual Depreciation Expense has been taken as 1,904 Million instead Rs.2,125 Million at the original Cost of Property, Plant & Equipment (PPE) which resulted into an amount of Rs. 221 Million (Rs.2,125 Million – Rs.1,904 Million) under assessed . This was occurred due to calculation mistake in Depreciation Expense and the corresponding Accumulated Depreciation of the Asset Class "Grids & Equipment" Note 6.1.2 to the Financial Statements ended June 30, 2016.
- 3.1.4.2 FESCO taken the issue with NEPRA and the latter in para 21.5 of its determination dated August 31, 2018 directed the former to re-submit its request with the required evidence corresponding restated Financial Statements in future adjustments.
- 3.1.4.3 In compliance of the direction, FESCO got re-stated the depreciation in the Audited Financial Statement ended June 30, 2018 in Note 4.1.2.1.



3.1.4.4 The Authority is requested to allow the said under assessed actual depreciation expenses for the FY 2015-16 in the PYA for FY 2018-19.

3.1.5 Other Income above determined

3.1.5.1 NEPRA assessed an amount of Rs. 2,525 Million excluding Late Payment Surcharge (LPS) as Other Income for the FY 2017-18. As per audited financial statements ended June 30, 2018 the actual other income was Rs. 2,971 Million. Therefore, an amount of Rs.546 Million stayed in excess than the assessed as summarized below.

(Table-3)			(PKR Millions)
FY	Determined	Act./ Audited	Under/(Over)
2017-18	2,425	2,971	(546)

3.1.6 Minimum Tax Paid during FY 2018-19

3.1.6.1 FESCO has been allowed a post-tax cost of debt. Any tax paid by the company shall be passed on to the consumers on actual basis as prior year adjustment after submission of documentary proof to NEPRA.

3.1.6.2 Previously, companies declaring gross loss were not required to pay minimum tax in terms of the provisions contained in the proviso to section 113 of the Income Tax Ordinance 2001. Now under sub-sections (4AA) and 6(A) of Section 147. The said proviso has been deleted from the Ordinance through Finance Act, 2017 onwards and resultantly, such companies shall now be obliged to pay minimum tax irrespective of whether they declare gross profit or loss. Hence such companies also required to pay advance tax.

3.1.6.3 Pursuant to above, Faisalabad Electric Supply Company (FESCO) paid minimum tax of Rs.1,225 Million for the FY 2018-19 as per detail given hereunder;

(Table-4)		
Tax Paid (PKR Mln)	CPR No.	Date
150	IT-20180731-0559-1273316	July 31, 2018
110	IT-20180928-0559-1305336	September 28, 2018
100	IT-20181130-0559-1357398	November 30, 2018
150	IT-20181231-0559-1336236	December 31, 2018
60	IT-20190131-0559-1310041	January 31, 2019
100	IT-20190228-0559-1312155	February 28, 2019
200	IT-20190329-0559-1288988	March 29, 2019
25	IT-20190430-0559-1278587	April 30, 2019
50	IT-20190531-0559-1281698	May 31, 2019
165	IT-20190628-0559-1358848	June 28, 2019
55	IT-20190628-0559-1358611	June 28, 2019
60	IT-20190628-0559-1358690	June 28, 2019
1,225	Total	

(Copies of CPRs attached as Annexure-E).

3.1.7 Under Recovered Distribution Margin (DM) for the FY 2018-19

- 3.1.7.1 FESCO has been allowed a Distribution Margin (DM) of Rs. 21,244 Million for the FY 2018-19. The recovery of Distribution Margin at notified rates during FY 2018-19 remained Rs. 17,704 Million. This resulted into an under recovered DM of Rs. 3,540 Million (Working attached as
- 3.1.7.2 The Authority is requested to allow the un-recovered DM of Rs. 3,540 Million as PYA in the Tariff of the FY 2019-20.

3.1.8 Supplemental Charges of Rs. 448 Million paid by Ministry of Finance

The Economic Coordination Committee of the Cabinet considered the following summaries submitted by Ministry of Water and Power;

- 3.1.8.1 Summary dated 7th July, 2015 titled "Issuance of Sovereign Guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs. 7.487 Billion for the Power Sector" (**Annexure-F/1**).
- 3.1.8.2 Summary dated 9th April, 2016 titled "Issuance of Sovereign Guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs. 25 Billion for the Power Sector" (**Annexure-F/2**).
- 3.1.8.3 Summary dated 7th February, 2017 titled "Issuance of Sovereign Guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs. 30 Billion for the Power Sector" (**Annexure-F/3**).
- 3.1.8.4 The purpose was swapping the DISCO's liability for non-payment of Power Purchase Price towards IPP's by arranging loans from commercial Banks through the issuance of the sovereign guarantees.
- 3.1.8.5 Finance Division vide Letter No. F.1(17) CF-1/2011-12/948 dated 13.09.2018 (**Annexure-F/4**) addressed to Joint Secretary (PF) Ministry of Energy (Power Division) intimated mark-up payment of Rs. 9,347.699 Million released to PHPL till 30.06.2018 against the said STFFs and requested for allocation of the said amount among the DISCOs and its subsequent booking with documentary evidence from the DISCOs.
- 3.1.8.6 The share allocated to FESCO is Rs. 448 Million as intimated vide CPPA-G Letter No. 26492-02, dated 17.09.2018 (**Annexure-F/5**).
- 3.1.8.7 Ministry of Energy (Power Division) vide letter No. PF.5(4)/2012-Vol.X, dated March 22, 2019 (**Annexure-F/6**) also requested to convene the BOD meeting and approve the equity injection of Rs. 448 Million and send a certificate.
- 3.1.8.8 CPPA-G vide letter No. CPPAG/DGM(CA&T)/MF/(B&R)/10180-89, dated May 08, 2019 (**Annexure-F/7**) clarified to book the mark up as Debit to supplemental charges and credit for injection of Equity and issued Debit and Credit Notes respectively (**Annexure-F/8**).
- 3.1.8.9 The CPPA-G also advised vide said letter to approach NEPRA for inclusion of the said mark-up payments in its revenue requirements.
- 3.1.9.2 Foregoing above, the Authority is requested to allow the amount of Rs. 448 Million as Supplemental Charges in the PYA of 2018-19.



3.1.9 Excess Supplemental Charges of Rs. 484 Million than LPS

3.1.9.1 Central Power Purchasing Agency Guarantee Limited (CPPA-G) billed supplemental charges to the extent of Rs.1,890 Million to FESCO, on account of late Payments to IPPs/Power generators during the FY 2018-19. The Late Payment Surcharge (LPS) collected by FESCO from consumers during the said year remained Rs.1,406 Million. Thus an amount of Rs.484 Million above the amount of LPS collected by FESCO had been billed by CPPA-G. Month wise invoices raised by CPPA-G are given below.

(Table-5)

Sr #	Invoice No.	Period	PKR Million
1	LPS/18-19/FESCO-1st Qtr	Jul-2018 to Sep-2018	263
2	LPS/Oct-18/FESCO	Oct-18	80
3	LPS/Nov-18/FESCO	Nov-18	170
4	LPS/Dec-18/FESCO-R	Dec-18	78
5	LPS/Jan-19/FESCO	Jan-19	182
6	LPS/Feb-19/FESCO	Feb-19	35
7	LPS/Mar-19/FESCO	Mar-19	298
8	LPS/Apr-19/FESCO	Apr-19	209
9	LPS/May-19/FESCO	May-19	338
10	LPS/Jun-19/FESCO	Jun-19	237
Total			1,890
Less; LPS Collected during FY 2018-19			1,406
Excess Supplemental Charges billed by CPPA-G			484

(Copies of invoices attached as Annexure-G)

3.1.9.2 The Authority is requested to allow the amount of Rs. 484 Million as Supplemental Charges in the PYA of 2018-19.

3.2 Prior Year Adjustment Summary:

3.2.1 The break up of Prior Year Adjustment till June, 2019 into Distribution and Supply of Electric Power after taking into account the preceding paras is summarized below.

(Table-6)

Description	PKR Million		
	Distribution	Supply	Total
A Excess recovered PYA 2016-17 during FY 2018-19	-	(541)	(541)
B Other Components Adjustment:			
O&M Cost for the FY 2017-18 under-assessed	1,168	355	1,523
Excess Consumer Mix Variance for the FY 2016-17	-	895	895
Consumer Mix Variance for the FY 2017-18	-	(2,796)	(2,796)
Consumer Mix Variance for the FY 2018-19	-	(3,546)	(3,546)
Depreciation Expense for FY 2015-16 under assessed	221	-	221

Impact of excess other Income for the FY 2017-18	(546)	-	(546)
Minimum Tax paid for the FY 2018-19	-	1,225	1,225
DM for the FY 2018-19 under recovered	2,999	541	3,540
Supplemental Charges	-	932	932
Total Other Components	3,842	(2,394)	1,448
C Total Prior Year Adjustment (A + B)	3,842	(2,935)	907

4. Distribution Margin (DM)

The summary of projected DM for the FY 2019-20 with breakup into Distribution and Supply of Electric Power functions is given below;

(Table-7)		(PKR Millions)		
DM Component	2018-19	2019-20		
	Determined	Adjusted/Indexed		
		Distribution	Supply	Total
Operating & Maintenance Cost (O&M)	16,462	15,316	4,784	20,100
Return on Regulatory Asset Base (RORB)	3,455	5,251	74	5,325
Depreciation Expense	3,751	3,851	19	3,870
Gross Distribution Margin (DM)	23,669	24,418	4,877	29,295
Less: Other Income	2,425	4,903	1,354	6,257
Net Distribution Margin (DM)	21,244	19,515	3,523	23,038
Units Sold	14,211	14,200	14,200	14,200
Rs./kWh	1.49	1.37	0.25	1.62

The assumptions, not exhaustive, in support of the different components of Distribution Margin (DM) pertaining to Distribution and Supply functions are given in the paras hereunder;

4.1 Operation & Maintenance (O&M) Cost:

- 4.2.1 O&M Cost of Operation Divisions, sub Divisions, Grid System Operation (GSO) offices is included in the Distribution function.
- 4.1.2 Customer Services offices including commercial directorate and MIS department operation and maintenance (O&M) cost have been included in the Supply function. Pay and Allowances of Meter Readers and Bill Distributors attached with the operation Sub Divisions/distribution business are also included in the Supply functions based on their job descriptions (JDs).
- 4.1.3 The O&M cost of supervisory offices i.e. Chief Executive Officer, Chief Financial Officer, Chief of Audit, Regional Training Centre is allocated in the ratio of distribution and supply cost of offices mentioned above .
- 4.1.4. According to said MYT mechanism, the O&M cost which is part of FESCO's Distribution Margin (DM) shall be indexed with Consumer Price Index (CPI) subject to adjustment for efficiency

gains (X factor).. Accordingly, the O&M cost will be indexed every year according to the following formula:-

$$O\&M_{(Rev)} = O\&M_{(Ref)} \times [1 + (\Delta CPI - X)]$$

Where;

$O\&M_{(Rev)}$ = Revised O&M expense for the Current Year

$O\&M_{(Ref)}$ = Reference O&M expense for the Ref Year

ΔCPI = Change in CPI published by Pakistan Bureau of Statistic latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage (%)

X = Efficiency factor kept at zero % for the first two years and then 4.9% if 30% of CPI increase in any year is more than 4.9%. If 30% of CPI increase in any year is less than 4.9%, then the X factor would be 30% of the increase in CPI in any year, during the control period.

4.1.5 On the request of FESCO to allow GoP increases regarding salaries & wages for the future period, being beyond FESCO's control, NEPRA allowed the impact of increase in Salaries & Wages, as announced by GoP for the respective year, till the time, FESCO remains in the Public Sector.

4.1.6 Based on the above mechanism, the projected O&M Cost for the FY 2019-20 for Distribution of Electric Power Rs.15,316 Million and Supply of Electric Power comes to Rs.4,784 Million (Total Rs.20,100 Million) as elaborated below.

(Table-8)				(Rs. in Million)
A/c Head	Distn.	Supply	Total	Remarks
Salaries, wages & other benefits	7,822	2,356	10,178	Increase of 5/10% in salaries by GoP over reference cost.
Retirement Benefits	6,488	1,673	8,161	Increase in pension @10% by GoP over reference cost
Repair & Maintenance	481	36	517	CPI increase @ 8.9% over reference budget
Other O&M	925	719	1,644	
Total O&M Cost	15,716	4,784	20,500	
Less: Transfer to Assets Under Construction (AUC)	400	-	400	Average of last Five Years (2015-2019)
Net Total	15,316	4,784	20,100	

Working attached as (Annexure-H).

4.2 Return on Rate Base (RORB) Adjustment:

4.2.1 As per MYT guidelines and FESCO's determination for the FY 2015-16, the RORB assessment will be made in accordance with the following formula/mechanism:

$$RORB_{(Rev)} = RORB_{(Ref)} * RAB_{(Rev)} / RAB_{(Ref)}$$

Where:

$RORB_{(Rev)}$ = Revised Return on Rate Base for the Current Year

$ROR_{(Ref)}$ = Reference Return on Rate Base for the Reference Year

$RAB_{(Rev)}$ = Revised Rate Base for the Current Year

$RAB_{(Ref)}$ = Reference Rate Base for the Reference Year

- 4.2.2 The adjusted RORB for the FY 2018-19 based on the actual investment of Rs. 7,624 Million is given below;

$$RORB (Adj.) = RORB_{(Ref)} * RAB_{(Act.)} / RAB_{(Ref)}$$

$$RORB (Adj.) = 3,455 * 29,308 / 29,203 = 3,467$$

- 4.2.3 As per mechanism the 3-Month KIBOR is to be adjusted/indexed bi-annually in accordance with the decision given in the tariff determination of FY 2015-16. The 7.01% cost of debt based on 3-Month KIBOR allowed by authority in the determination of FY 2018-19 has been adjusted/replaced with 3-Month KIBOR as on 2nd July, 2019 which is 12.97%. after taking into account the said KIBOR and all other factors kept constant the adjusted WACC will be as under;

WACC for the FY 2019-20

The post-tax adjusted cost of debt is = 3-Months KIBOR + Spread

$$12.97\% * 2.75\% = 15.72\%$$

$$WACC = [k_e \times (E/V)] + [k_d \times (D/V)]$$

$$\text{Adjusted WACC} = \{16.67\% \times 30\%\} + \{15.72\% \times 70\%\} = 16.01\%$$

*Note: Rate of 3 months KIBOR is 12.97% as on 02-07-2019

- 4.2.4 **Thus RORB For FY 2019-20 based on projected investment of Rs. 9,256 Million is as under:-**

$$RORB_{(Rev)} = RORB_{(Ref/Adj.)} * RAB_{(Rev)} / RAB_{(Ref)}$$

$$RORB_{(Rev)} = 3,467 * 33,258 / 29,308 = 3,935$$

$$RORB_{(Rev)} \text{ on adjusted WACC} = 3,935 * 16.01\% / 11.83\%$$

$$= 5,325 \text{ Million}$$

The supporting calculations for RAB and RORB is given below.

(Table-9)		PKR Million	
Description	2018-19	2019-20	
	Actual	Adjusted	
Gross Fixed Assets in Operation - Opening Balance	75,004	82,605	
Add: Addition/Transfer in Fixed Assets (Net)	7,600	10,325	
Fixed Assets in Operation – Closing Balance	82,604	92,930	
Less: Accumulated Depreciation	28,225	31,350	
Net Fixed Assets in Operation	54,380	61,580	
Add: Assets Under Construction(AUC) - Closing Balance	11,815	10,746	
Total Fixed Assets	66,195	72,326	
Less: Deferred Credits	35,141	36,862	



Regulatory Assets Base	31,054	35,464
Average Regulatory Assets Base (RAB)	29,309	33,259
WACC	11.83%	16.01%
RORB = RAB * WACC	3,467	5,325

4.2.5 Break up of RAB and RORB for the FY 2019-20 into Distribution and Supply is as under;

(Table-10)

Description	2019-20 (Adjusted/Indexed)		
	Distribution	Supply	Total
Gross Fixed Assets in Operation - Opening Balance	81,939	666	82,605
Add: Addition in Fixed Assets (Net)	10,264	60	10,325
Fixed Assets in Operation – Closing Balance	92,203	726	92,930
Less: Accumulated Depreciation	31,110	240	31,350
Net Fixed Assets in Operation	61,093	486	61,580
Add: Assets Under Construction(AUC) - Closing Balance	10,746	-	10,746
Total Fixed Assets	71,839	486	72,326
Less: Deferred Credits	36,862	-	36,862
Regulatory Assets Base	34,977	486	35,464
Average Regulatory Assets Base	32,799	460	33,259
WACC	16.01%	16.01%	16.01%
RORB = RAB * WACC	5,251	74	5,325

4.3 Depreciation:

4.3.1. As per MYT guidelines and FESCO's determination for the FY 2015-16, Depreciation expense for future years will be assessed in accordance with the following formula/mechanism:

$$DEP_{(Rev)} = DEP_{(Ref)} * GFAIO_{(Rev)} / GFAIO_{(Ref)}$$

Where:

$DEP_{(Rev)}$ = Revised Depreciation Expense for the Current Year

$DEP_{(Ref)}$ = Reference Depreciation Expense for the Reference Year

$GFAIO_{(Rev)}$ = Revised Gross Fixed Assets in Operation for the Current Year

$GFAIO_{(Ref)}$ = Reference Gross Fixed Assets in Operation for the Reference Year

4. The adjusted Depreciation Expense for the FY 2018-19 based on the actual investment of Rs. 7,624 Million is given below;

$$DEP_{(Adj)} = DEP_{(Ref)} * GFAIO_{(Act/Prov)} / GFAIO_{(Ref)}$$

Where;

$$DEP_{(Ref)} = 3,751$$

$$GFAIO_{(Act.)} = 105,609$$

$$GFAIO_{(Ref)} = 112,370$$

$$DEP_{(Adj)} = 3,751 * 105,609 / 112,370 = 3,525$$

4.3.3. For FY 2019-20 based on projected investment of Rs. 9,256 (PKR Millions)

$$DEP_{(Rev)} = DEP_{(Ref)} * GFAIO_{(Rev)} / GFAIO_{(Ref)}$$

$$DEP_{(Rev)} = 3,525 * 115,935 / 105,609 = 3,870 \text{ Million}$$

4.3.4. Break up of Depreciation for the FY 2019-20 into Distribution and Supply is as under;

(Table-11) PKR Million				
Description	2018-19	2019-20		
	Actual	Indexed		
		Distribution	Supply	Total
Gross Fixed Assets in Operation (GFAIO) – Opening Balance	111,504	118,276	616	118,892
Add: Addition/Transfer/Deletion in Fixed Assets (Net)	7,388	10,255	70	10,325
Fixed Assets in Operation – Closing Balance	118,892	128,531	686	129,217
Less; Value of Land	13,283	13,283	-	13,283
GFAIO excluding Land	105,609	115,248	686	115,934
Depreciation Expense	3,525	3,851	19	3,870

4.4. Other Income:

4.4.1. As per the mechanism provided in the MYT guidelines and determination for the FY 2015-16, the other income will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + \{OI_{(1)} - OI_{(0)}\}$$

Where;

$OI_{(Rev)}$ = Revised Other Income for the Current Year

$OI_{(1)}$ = Actual Other Income as per latest Financial Statements.

$OI_{(0)}$ = Actual/Assessed Other Income used in the previous year.

4.4.2. Other Income for the FY 2019-20 as per above mechanism is assessed as under;

$$OI_{(Rev)} = OI_{(1)} + \{OI_{(1)} - OI_{(0)}\}$$

$OI_{(1)}$ = 4,341 (Actual Other Income for the FY 2018-19)

$OI_{(0)}$ = 2,425 (Assessed Other Income for the FY 2018-19)

$$OI_{(Rev)} = 4,341 + (4,341 - 2,425)$$

$$OI_{(Rev)} = 4,341 + 1,916 = 6,257$$

4.4.3. Break up of Other Income for the FY 2019-20 into Distribution and Supply is as under

Description	(Table-12)			(PKR Million)		
	2018-19 (Actual)			2019-20 (Assessed)		
	Dist:	Supply	Total	Dist:	Supply	Total
Profit on Bank Deposits	832	704	1536	1,496	1,134	2,630
Meter / Service Rent	-	50	50	-	49	49
Reconnection Fees	-	21	21	-	23	23
Gain on New Connections	990	-	990	1,582	-	1,582
Testing and Inspection Fees	13	-	13	15	-	15
Recovery of LD Charges	68	-	68	62	-	62
Service Fee	-	81	81		103	103
Other Misc Income	98	23	121	124	45	169
Amortization of Def. Credit	1,461		1,461	1,624	-	1,624
Total	3,462	879	4,341	4,903	1,354	6,257

5. Revenue Requirement

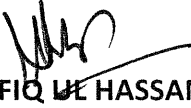
5.1. Based on the information given in the preceding paragraphs the estimated Revenue Requirement (RR) for the FY 2019-20 on projected Sales of **14,200 M kWh** is as under;

(Table-13)				PKR Millions		
Description	Dist:	Rs./kWh	Supply	Rs./kWh	Total	Rs./kWh
A-Power Purchase Price (Notified)						
Energy Charges	-		70,577		70,577	
Capacity Charges	-		87,445		87,445	
UoSC & MOF	-		5,432		5,432	
Total	-		163,454	11.51	163,454	11.51
B-Dist. Margin						
O&M Cost	15,316		4,784		20,100	
RORB	5,251		74		5,325	
Depreciation	3,851		19		3,870	
Total	24,418		4,877		29,295	
C-Less: Other Income	4,903		1,354		6,257	
D-Net Dist. Margin	19,515	1.37	3,532	0.25	23,047	1.62
E- Prior Year Adj	3,842	0.27	(2,935)	(0.21)	907	0.06
F- Total (A+B+C+D)	23,357	1.64	164,051	11.55	187,408	13.19

6. Prayer/ Request

- 6.1. The Authority is requested to allow the Prior Year Adjustments for the FY 2018-19 along with left over amounts pertaining to previous years and adjustment/indexation of Distribution Margin for the FY 2019-20.
- 6.2. Any other appropriate order deems fit by the honorable Authority may also be passed.

With best regards,


(SHAFIQ UL HASSAN)
Chief Executive Officer
FESCO, Faisalabad

DETAIL OF PRIOR YEAR ADJUSTMENT RS.7184 FOR THE FY 2016-17
ALLOWED BY THE AUTHORITY IN THE MATTER OF SUO MOTOR PROCEEDINGS
VIDE No.NEPRA/TRF-339/17402-17404 dated 23-10-2017

Allowed PYA per kwh	0.7036
Allowed T&D Losses	10.24%

DESCRIPTION	Mar-18 (New)	April-18 (New)	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Total
Standard Units Sold (MkWh)	100	1,005	1,351	1,363	1,531	1,589	1,396	1,053	795	795	-	-	-	10,879
Actual Units Purchased (MkWh)	111.00	1,120	1,505	1,518	1,706	1,771	1,555	1,173	886	886				12,120
Ref Units Purchase (MkWh)	805	844	1,119	1,144	1,083	1,140	1,049	1,014	892	810	685	789	805	11,374
Ref units Sale (MkWh)	-	758	1,004	1,027	972	1,023	942	910	801	727	615	708	723	10,209
Allowed PYA Rs. Million	-	533	707	723	684	720	663	640	563	512	433	498	508	7,184
Recovered PYA Rs. Million	70	707	951	959	1,078	1,118	982	741	560	560	-	-	-	7,725
Prior Year Adjustment Rs. Million (Over)/under recovery	(70)	(174)	(244)	(236)	(394)	(398)	(320)	(100)	4	(48)	433	498	508	(541)



FESCO
Consumer Mix variance for FY 2016-17

Annex-B

Description	Revenue S-I DISCOS			Revenue S-I NEPRA			Consumer Mix Variance		
	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Residential									
Up to 50 Units	-	1,024,469,259	1,024,469,259	-	1,671,239,811	1,671,239,811	-	(646,770,551)	(646,770,551)
For peak load requirement less than 5 kW	-	-	-	-	-	-	-	-	-
01-100 Units	-	21,074,975,892	21,074,975,892	-	20,603,732,572	20,603,732,572	-	471,243,320	471,243,320
101-200 Units	-	10,586,112,626	10,586,112,626	-	9,088,953,430	9,088,953,430	-	1,497,159,196	1,497,159,196
201-300 Units	-	12,431,721,964	12,431,721,964	-	9,078,013,420	9,078,013,420	-	3,353,708,544	3,353,708,544
301-700 Units	-	8,571,047,352	8,571,047,352	-	6,316,355,253	6,316,355,253	-	2,254,692,099	2,254,692,099
Above 700 Units	-	2,006,669,184	2,006,669,184	-	1,831,679,567	1,831,679,567	-	174,989,617	174,989,617
For peak load requirement 5 kW & above	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Peak	-	318,238,992	318,238,992	-	62,263,409	62,263,409	-	255,975,583	255,975,583
Time of Use (TOU) - Off-Peak	-	971,984,470	971,984,470	-	204,848,782	204,848,782	-	767,135,688	767,135,688
Temporary Supply	-	6,161,024	6,161,024	-	-	-	-	6,161,024	6,161,024
Total Residential	-	56,991,380,763	56,991,380,763	-	48,857,086,244	48,857,086,244	-	8,134,294,519	8,134,294,519
Commercial									
For peak load requirement less than 5 kW	-	5,311,312,005	5,311,312,005	-	5,423,417,635	5,423,417,635	-	(112,105,630)	(112,105,630)
For peak load requirement 5 kW & above	-	-	-	-	-	-	-	-	-
Regular	5,034,744	41,715,485	46,750,229	22,081,680	208,023,782	230,105,462	(17,046,936)	(166,308,297)	(183,355,233)
Time of Use (TOU) - Peak	-	784,785,552	784,785,552	-	776,405,176	776,405,176	-	8,380,376	8,380,376
Time of Use (TOU) - Off-Peak	543,486,728	2,361,740,840	2,905,227,568	387,844,281	2,034,571,057	2,422,415,338	155,642,447	327,169,783	482,812,230
Temporary Supply	-	235,552,815	235,552,815	-	-	-	-	235,552,815	235,552,815
Total Commercial	548,521,472	8,735,106,697	9,283,628,169	409,925,961	8,442,417,650	8,852,343,611	138,595,511	292,689,047	431,284,558
Industrial									
B1 (07)	-	1,319,715,930	1,319,715,930	-	4,312,286,197	4,312,286,197	-	(2,992,570,267)	(2,992,570,267)
B1 (08)	-	18,122	18,122	-	-	-	-	18,122	18,122
B1 Peak	-	860,622,576	860,622,576	-	509,931,569	509,931,569	-	350,691,007	350,691,007
B1 Off Peak	-	3,137,987,460	3,137,987,460	-	1,837,753,634	1,837,753,634	-	1,300,233,826	1,300,233,826
B2	9,413,608	98,769,313	108,182,921	159,015,203	1,632,390,441	1,791,405,644	(149,601,595)	(1,533,621,128)	(1,683,222,723)
B2 - TOU (Peak)	-	4,350,919,936	4,350,919,936	-	3,958,376,244	3,958,376,244	-	392,543,692	392,543,692
B2 - TOU (Off-peak)	2,521,555,504	15,247,105,277	17,768,660,781	2,850,113,921	13,703,720,932	16,553,834,853	(328,558,417)	1,543,384,345	1,214,825,928
B3 - TOU (Peak)	-	1,870,239,840	1,870,239,840	-	2,330,438,351	2,330,438,351	-	(460,198,511)	(460,198,511)
B3 - TOU (Off-peak)	1,033,594,178	7,942,414,162	8,976,008,340	1,035,188,568	9,007,007,483	10,042,196,051	(1,594,390)	(1,064,593,321)	(1,066,187,719)
B4 - TOU (Peak)	-	1,230,335,040	1,230,335,040	-	1,705,415,151	1,705,415,151	-	(475,080,111)	(475,080,111)
B4 - TOU (Off-peak)	499,317,149	4,445,680,650	4,944,997,799	648,737,978	6,664,781,935	7,313,519,913	(149,420,829)	(2,219,101,285)	(2,368,522,114)
Temporary Supply	-	62,801,973	62,801,973	-	-	-	-	62,801,973	62,801,973
Total Industrial	4,063,880,439	40,566,610,278	44,630,490,718	4,893,055,669	45,662,101,936	50,355,157,606	(629,175,230)	(5,095,491,650)	(5,724,666,868)
Single Point Supply									
C1(a) Supply at 400 Volts less than 5 kW	-	3,233,925	3,233,925	-	5,229,705	5,229,705	-	(1,995,780)	(1,995,780)
C1(b) Supply at 400 Volts - 5 kW &	3,488,000	21,451,859	24,939,859	9,352,834	106,510,077	115,862,912	(5,864,834)	(85,058,218)	(90,923,053)
Time of Use (TOU) - Peak	-	54,603,152	54,603,152	-	36,447,234	36,447,234	-	18,155,918	18,155,918
Time of Use (TOU) - Off-Peak	24,516,000	158,609,200	183,125,200	14,349,063	102,918,275	117,267,338	10,166,937	55,690,925	65,857,862
C2 Supply at 11 kV	2,055,800	12,765,312	14,821,112	89,694,677	1,102,772,450	1,192,467,127	(67,638,677)	(1,090,007,138)	(1,177,646,015)
Time of Use (TOU) - Peak	-	351,640,496	351,640,496	-	130,549,294	130,549,294	-	221,091,202	221,091,202
Time of Use (TOU) - Off-Peak	119,815,535	989,363,674	1,109,179,209	48,930,311	372,859,396	421,789,707	70,885,224	616,504,277	687,389,501
C3 Supply above 11 kV	32,901,120	70,728,332	103,629,452	48,817,810	842,320,125	891,137,935	(15,916,690)	(771,591,793)	(787,508,483)
Time of Use (TOU) - Peak	-	510,704,640	510,704,640	-	397,113,342	397,113,342	-	113,591,298	113,591,298
Time of Use (TOU) - Off-Peak	121,046,400	1,486,940,760	1,607,987,160	107,841,717	1,156,106,021	1,263,947,738	13,204,683	330,834,739	344,039,422
Total Single Point Supply	303,822,855	3,660,041,350	3,963,864,205	318,986,413	4,252,825,920	4,571,812,332	(15,163,557)	(592,784,570)	(607,948,128)
Agricultural Tube-wells									
Scarp	-	181,148,565	181,148,565	-	810,580,601	810,580,601	-	(629,432,036)	(629,432,036)
Time of Use (TOU) - Peak	-	47,344,080	47,344,080	-	52,736,640	52,736,640	-	(5,392,560)	(5,392,560)
Time of Use (TOU) - Off-Peak	35,521,536	296,767,033	332,288,569	26,954,040	360,100,621	387,054,662	8,567,496	(63,333,589)	(54,766,093)
Agricultural Tube-wells	7,649,152	75,234,600	82,883,752	11,649,501	239,178,827	250,828,328	(4,000,349)	(163,944,227)	(167,944,576)
Time of Use (TOU) - Peak	-	2,228,299,886	2,228,299,886	-	2,401,414,451	2,401,414,451	-	(173,114,564)	(172,850,604)
Time of Use (TOU) - Off-Peak	1,336,988,670	6,997,230,196	8,334,218,866	622,415,584	8,315,348,449	9,937,764,033	714,573,086	(1,318,118,253)	(603,545,168)
Total Agricultural	1,380,423,318	9,826,024,359	11,206,447,677	661,019,126	12,179,359,589	12,840,378,715	719,404,192	(2,353,335,229)	(1,633,931,037)
Public Lighting - Tariff G	-	155,243,698	155,243,698	-	129,113,297	129,113,297	-	26,130,401	26,130,401
Residential Colonies	-	59,054,974	59,054,974	-	83,453,944	83,453,944	-	(24,398,970)	(24,398,970)
Railway Traction	-	-	-	-	-	-	-	-	-
Tariff K - AJK	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Peak	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Off-Peak	-	-	-	-	-	-	-	-	-
Tariff K - Rawat Lab	-	-	-	-	-	-	-	-	-
Total Others	-	214,298,671	214,298,671	-	212,567,240	212,567,240	-	1,731,431	1,731,431
Grand Total	6,296,648,084	119,993,462,119	126,290,110,203	6,082,987,169	119,606,358,579	125,689,345,748	213,660,915	387,103,540	600,764,455

FESCO

Consumer Mix variance for FY 2017-18

Description	Revenue S-I DISCOS			Revenue S-I NEPRA			Consumer Mix Variance		
	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Residential									
Up to 50 Units	-	837,613,976	837,613,976	-	1,767,488,590	1,767,488,590	-	(929,874,614)	(929,874,614)
For peak load requirement less than 5 kW	-	-	-	-	-	-	-	-	-
01-100 Units	-	23,594,136,535	23,594,136,535	-	24,115,344,917	24,115,344,917	-	(521,208,382)	(521,208,382)
101-200 Units	-	13,206,941,539	13,206,941,539	-	11,513,010,104	11,513,010,104	-	1,693,931,435	1,693,931,435
201-300 Units	-	18,545,109,687	18,545,109,687	-	12,653,750,882	12,653,750,882	-	5,891,358,805	5,891,358,805
301-700 Units	-	11,270,065,530	11,270,065,530	-	7,793,896,642	7,793,896,642	-	3,476,168,887	3,476,168,887
Above 700 Units	-	2,335,377,248	2,335,377,248	-	2,112,324,247	2,112,324,247	-	223,053,001	223,053,001
For peak load requirement 5 kW & above	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Peak	-	405,110,909	405,110,909	-	131,198,570	131,198,570	-	273,912,339	273,912,339
Time of Use (TOU) - Off-Peak	-	1,210,211,966	1,210,211,966	-	380,018,690	380,018,690	-	830,193,276	830,193,276
Temporary Supply	-	8,673,833	8,673,833	-	1,607,375	1,607,375	-	7,066,458	7,066,458
Total Residential	-	71,413,241,222	71,413,241,222	-	60,468,640,016	60,468,640,016	-	10,944,601,205	10,944,601,205
Commercial									
For peak load requirement less than 5 kW	-	5,922,981,108	5,922,981,108	-	6,031,780,006	6,031,780,006	-	(108,798,898)	(108,798,898)
For peak load requirement 5 kW & above	-	-	-	-	-	-	-	-	-
Regular	3,796,000	38,428,312	42,224,312	20,266,890	183,962,934	204,229,824	(16,470,890)	(145,534,622)	(162,005,512)
Time of Use (TOU) - Peak	-	957,137,299	957,137,299	-	860,018,022	860,018,022	-	97,119,277	97,119,277
Time of Use (TOU) - Off-Peak	586,097,824	2,609,631,553	3,195,729,377	475,611,541	2,250,195,747	2,725,807,288	110,486,283	359,435,805	469,922,088
Temporary Supply	-	286,195,650	286,195,650	-	66,688,104	66,688,104	-	219,507,546	219,507,546
Total Commercial	589,893,824	9,814,373,922	10,404,267,746	495,878,431	9,392,644,812	9,888,523,243	94,015,393	421,729,109	515,744,502
Industrial									
B1 (07)	-	1,107,837,799	1,107,837,799	-	3,970,934,437	3,970,934,437	-	(2,863,096,637)	(2,863,096,637)
B1 (08)	-	-	-	-	-	-	-	-	-
B1 Peak	-	873,707,218	873,707,218	-	662,768,003	662,768,003	-	210,939,214	210,939,214
B1 Off Peak	-	2,991,039,707	2,991,039,707	-	2,286,944,808	2,286,944,808	-	704,094,899	704,094,899
B2	2,894,400	28,240,709	31,135,109	134,796,326	1,377,094,323	1,511,890,649	(131,901,926)	(1,348,853,614)	(1,480,755,540)
B2 - TOU (Peak)	-	4,948,507,727	4,948,507,727	-	4,412,844,525	4,412,844,525	-	535,663,202	535,663,202
B2 - TOU (Off-peak)	2,628,175,120	15,862,659,109	18,490,834,229	3,122,526,887	15,163,490,994	18,286,017,881	(494,351,767)	699,168,115	204,816,348
B3 - TOU (Peak)	-	2,587,986,040	2,587,986,040	-	2,499,239,223	2,499,239,223	-	88,746,817	88,746,817
B3 - TOU (Off-peak)	1,188,604,196	10,259,278,311	11,447,882,508	1,243,142,391	10,234,913,386	11,478,055,776	(54,538,194)	24,364,926	(30,173,269)
B4 - TOU (Peak)	-	1,248,131,567	1,248,131,567	-	1,836,005,331	1,836,005,331	-	(587,873,764)	(587,873,764)
B4 - TOU (Off-peak)	511,907,760	3,454,266,352	3,966,164,112	712,159,514	7,009,462,208	7,721,621,722	(200,251,754)	(3,555,205,856)	(3,755,457,610)
Temporary Supply	-	42,239,660	42,239,660	-	588,598	588,598	-	41,651,062	41,651,062
Total Industrial	4,331,581,476	43,403,884,200	47,735,465,676	5,212,625,118	49,454,285,835	54,666,910,953	(881,043,641)	(6,050,401,636)	(6,931,445,277)
Single Point Supply									
C1(a) Supply at 400 Volts less than 5 kW	-	4,114,131	4,114,131	-	5,126,425	5,126,425	-	(1,012,294)	(1,012,294)
C1(b) Supply at 400 Volts- 5 kW &	3,979,600	24,133,377	28,112,977	8,706,134	93,274,664	101,980,798	(4,726,534)	(69,141,287)	(73,867,821)
Time of Use (TOU) - Peak	-	59,701,584	59,701,584	-	45,532,321	45,532,321	-	14,169,263	14,169,263
Time of Use (TOU) - Off-Peak	25,370,520	167,569,353	192,939,873	20,221,893	121,126,692	141,348,585	5,148,627	46,442,661	51,591,288
C2 Supply at 11 kv	975,460	6,814,869	7,790,329	73,904,940	908,691,235	982,596,175	(72,929,480)	(901,876,365)	(974,805,846)
Time of Use (TOU) - Peak	-	309,015,256	309,015,256	-	203,323,098	203,323,098	-	105,692,158	105,692,158
Time of Use (TOU) - Off-Peak	111,109,393	859,710,784	970,820,177	76,704,482	558,111,023	634,815,505	34,404,911	301,599,761	336,004,672
C3 Supply above 11 kv	55,435,680	59,233,324	114,669,004	53,948,264	770,186,649	824,134,913	1,487,416	(710,953,324)	(709,465,909)
Time of Use (TOU) - Peak	-	552,495,937	552,495,937	-	510,445,616	510,445,616	-	42,050,322	42,050,322
Time of Use (TOU) - Off-Peak	137,272,320	1,491,959,338	1,629,231,658	130,076,178	1,411,925,117	1,542,001,296	7,196,142	80,034,221	87,230,362
Total Single Point Supply	334,142,973	3,534,747,953	3,868,890,927	363,561,892	4,627,742,840	4,991,304,732	(29,418,919)	(1,092,994,887)	(1,122,413,806)
Agricultural Tube-wells									
Scarp	-	153,039,803	153,039,803	-	703,409,314	703,409,314	-	(550,369,511)	(550,369,511)
Time of Use (TOU) - Peak	-	44,990,118	44,990,118	-	73,532,679	73,532,679	-	(28,542,561)	(28,542,561)
Time of Use (TOU) - Off-Peak	26,537,802	249,951,614	276,489,416	32,595,275	364,842,059	397,437,334	(6,057,473)	(114,890,445)	(120,947,918)
Agricultural Tube-wells	8,047,966	87,962,447	96,010,433	12,120,569	217,149,148	229,269,717	(4,072,583)	(129,186,701)	(133,259,283)
Time of Use (TOU) - Peak	-	2,428,503,050	2,428,503,050	-	2,610,788,565	2,610,788,565	-	(182,285,515)	(182,285,515)
Time of Use (TOU) - Off-Peak	1,510,554,680	7,986,431,349	9,496,986,029	928,268,784	8,484,628,759	9,412,897,543	582,285,896	(498,197,410)	84,088,486
Total Agricultural	1,545,140,468	10,950,878,381	12,496,018,849	972,984,628	12,454,350,524	13,427,335,151	572,155,840	(1,503,472,143)	(931,316,302)
Public Lighting - Tariff G	-	169,165,887	169,165,887	-	137,977,245	137,977,245	-	31,188,641	31,188,641
Residential Colonies	-	67,065,204	67,065,204	-	87,175,805	87,175,805	-	(20,110,601)	(20,110,601)
Railway Traction	-	-	-	-	-	-	-	-	-
Tariff K - AJK	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Peak	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Off-Peak	-	-	-	-	-	-	-	-	-
Tariff K - Rawat Lab	-	-	-	-	-	-	-	-	-
A-3A (66)	-	512,926,583	512,926,583	-	203,414,458	203,414,458	-	309,512,124	309,512,124
Total Others	-	749,157,674	749,157,674	-	428,567,509	428,567,509	-	320,590,165	320,590,165
Grand Total	6,800,758,742	139,866,283,351	146,667,042,093	7,045,050,069	136,826,231,537	143,871,281,605	(244,291,327)	3,040,051,814	2,795,760,487

Sale Mix for FY 2018-19

Description	Revenue S-I DISCOS			Revenue S-I NEPRA			Consumer Mix Variance		
	Fixed Charge Rupees	Variable Charge Rupees	Total Rupees	Fixed Charge Rupees	Variable Charge Rupees	Total Rupees	Fixed Charge Rupees	Variable Charge Rupees	Total Rupees
Residential									
Up to 50 Units	-	68,885,152.00	68,885,152.00	-	1,255,676,752.45	1,255,676,752.45	-	1,186,791,600.45	1,186,791,600.45
For peak load requirement less than 5 kW	-	-	-	-	-	-	-	-	-
01-100 Units	-	26,724,301,143.84	26,724,301,143.84	-	27,096,373,979.30	27,096,373,979.30	-	372,072,835.46	372,072,835.46
101-200 Units	-	25,837,542,930.15	25,837,542,930.15	-	22,521,810,922.63	22,521,810,922.63	-	3,315,732,007.52	3,315,732,007.52
201-300 Units	-	24,588,771,190.40	24,588,771,190.40	-	22,310,016,556.11	22,310,016,556.11	-	2,278,754,634.29	2,278,754,634.29
301-700 Units	-	12,108,881,628.19	12,108,881,628.19	-	11,295,253,593.52	11,295,253,593.52	-	813,628,034.67	813,628,034.67
Above 700 Units	-	2,191,392,153.32	2,191,392,153.32	-	2,603,202,552.94	2,603,202,552.94	-	411,810,399.62	411,810,399.62
For peak load requirement 5 kW & above	-	-	-	-	-	-	-	-	-
Time of Use (TOU) - Peak	-	384,828,823.80	384,828,823.80	-	376,951,895.08	376,951,895.08	-	7,876,928.72	7,876,928.72
Time of Use (TOU) - Off-Peak	-	1,115,027,558.82	1,115,027,558.82	-	1,192,371,295.76	1,192,371,295.76	-	77,343,736.94	77,343,736.94
Temporary Supply	-	9,630,153.90	9,630,153.90	-	-	-	-	9,630,153.90	9,630,153.90
Total Residential	-	93,029,260,734	93,029,260,734	-	88,651,657,548	88,651,657,548	-	4,377,603,187	4,377,603,187
Commercial	-	-	-	-	-	-	-	-	-
For peak load requirement less than 5 kW	-	6,313,947,582.75	6,313,947,582.75	-	5,626,593,302.18	5,626,593,302.18	-	687,354,280.57	687,354,280.57
For peak load requirement 5 kW & above	-	-	-	-	-	-	-	-	-
Regular	2,834,800.00	39,869,201.57	42,704,001.57	8,077,371.83	55,896,271.71	63,973,643.54	5,242,571.83	16,027,070.14	21,269,641.97
Time of Use (TOU) - Peak	-	1,120,950,673.98	1,120,950,673.98	-	1,007,821,782.82	1,007,821,782.82	-	113,128,891.16	113,128,891.16
Time of Use (TOU) - Off-Peak	598,056,460.00	3,045,225,958.56	3,643,282,418.56	642,834,045.53	2,875,275,514.58	3,518,109,560.11	44,777,585.53	169,950,443.98	125,172,858.45
Temporary Supply	-	321,786,072.74	321,786,072.74	-	295,791,637.48	295,791,637.48	-	25,994,435.26	25,994,435.26
Total Commercial	600,891,260	10,841,779,490	11,442,670,750	650,911,417	9,861,378,509	10,512,289,926	(50,020,157)	980,400,981	930,380,823
Industrial	-	-	-	-	-	-	-	-	-
B1 (07)	-	1,257,448,018.55	1,257,448,018.55	-	1,736,199,586.04	1,736,199,586.04	-	478,751,567.49	478,751,567.49
B1 (08)	-	-	-	-	-	-	-	-	-
B1 Peak	-	945,435,175.58	945,435,175.58	-	1,016,820,990.73	1,016,820,990.73	-	71,385,815.15	71,385,815.15
B1 Off Peak	-	3,107,727,448.56	3,107,727,448.56	-	3,380,261,144.79	3,380,261,144.79	-	272,533,696.23	272,533,696.23
B2	1,361,600.00	15,619,800.15	16,981,400.15	14,126,865.39	136,358,859.38	150,485,724.77	12,765,265.39	120,739,059.23	133,504,324.62
B2 - TOU (Peak)	-	5,618,748,487.48	5,618,748,487.48	-	5,286,478,323.34	5,286,478,323.34	-	332,270,164.14	332,270,164.14
B2 - TOU (Off-peak)	2,614,451,612.00	18,576,808,107.88	21,191,259,719.88	3,051,343,069.76	18,838,136,340.35	21,889,479,410.10	436,891,457.76	261,328,232.47	698,219,690.22
B3 - TOU (Peak)	-	4,004,673,464.01	4,004,673,464.01	-	2,711,966,808.00	2,711,966,808.00	-	1,292,706,656.01	1,292,706,656.01
B3 - TOU (Off-peak)	1,393,429,486.00	14,687,995,687.56	16,081,425,173.56	1,453,823,294.93	12,919,394,830.11	14,373,218,125.04	60,393,808.93	1,768,600,857.45	1,708,207,048.52
B4 - TOU (Peak)	-	1,373,436,605.72	1,373,436,605.72	-	1,639,138,555.12	1,639,138,555.12	-	265,701,949.40	265,701,949.40
B4 - TOU (Off-peak)	531,171,360.00	5,102,673,714.00	5,633,845,074.00	568,172,195.04	5,680,932,314.06	6,249,104,509.09	37,000,835.04	578,258,600.06	615,259,435.09
Temporary Supply	-	92,876,302.63	92,876,302.63	-	20,703,668.44	20,703,668.44	-	72,172,634.19	72,172,634.19
Total Industrial	4,540,414,058	54,783,442,812	59,323,856,870	5,087,465,425	53,366,391,420	58,453,856,845	(547,051,367)	1,417,051,392	870,000,025
Single Point Supply	-	-	-	-	-	-	-	-	-
C1(a) Supply at 400 Volts-less than 5 kW	-	3,346,118.08	3,346,118.08	-	-	-	-	3,346,118.08	3,346,118.08
C1(b) Supply at 400 Volts- 5 kW &	3,947,200.00	26,693,082.57	30,640,282.57	4,223,526.11	29,465,952.07	33,689,478.18	276,326.11	2,772,869.50	3,049,195.61
Time of Use (TOU) - Peak	-	59,654,627.58	59,654,627.58	-	73,476,159.18	73,476,159.18	-	13,821,531.60	13,821,531.60
Time of Use (TOU) - Off-Peak	23,058,152.00	175,571,258.46	198,629,410.46	33,615,329.19	198,548,029.79	232,163,358.98	10,557,177.19	22,976,771.33	33,533,948.52
C2 Supply at 11 kV	-	866,942.85	866,942.85	3,047,181.32	37,571,745.64	40,618,926.96	3,047,181.32	36,704,802.79	39,751,984.11
Time of Use (TOU) - Peak	-	320,689,740.82	320,689,740.82	-	392,108,672.27	392,108,672.27	-	71,418,931.45	71,418,931.45
Time of Use (TOU) - Off-Peak	106,952,140.00	944,110,588.52	1,051,062,728.52	129,383,265.93	1,180,282,724.06	1,289,665,989.99	22,431,125.93	216,172,135.54	238,603,261.47
C3 Supply above 11 kV	22,693,600.00	58,250,236.64	80,943,836.64	35,177,192.36	226,301,676.18	261,478,868.54	12,483,512.36	168,051,439.54	180,534,951.90
Time of Use (TOU) - Peak	-	406,140,541.38	406,140,541.38	-	685,309,165.20	685,309,165.20	-	279,168,623.82	279,168,623.82
Time of Use (TOU) - Off-Peak	134,058,240.00	1,087,883,289.82	1,221,941,529.82	145,136,079.59	1,933,792,936.05	2,078,929,015.64	11,077,839.59	845,909,646.23	856,987,485.82
Total Single Point Supply	290,709,412.00	3,083,206,427	3,373,915,839	350,582,575	4,736,857,060	5,087,439,635	(59,873,163)	(1,653,650,634)	(1,713,523,796)
Agricultural Tube-wells	-	-	-	-	-	-	-	-	-
Scarp	-	162,472,114.51	162,472,114.51	-	178,043,898.86	178,043,898.86	-	15,571,784.35	15,571,784.35
Time of Use (TOU) - Peak	-	22,327,116.17	22,327,116.17	-	60,701,054.67	60,701,054.67	-	38,373,938.51	38,373,938.51
Time of Use (TOU) - Off-Peak	6,498,936.00	167,707,046.28	174,205,982.28	39,416,405.30	373,684,500.30	413,100,905.60	32,917,469.30	205,976,854.02	238,894,323.32
Agricultural Tube-wells	7,613,026.00	113,118,148.00	120,731,174.00	9,376,252.55	93,694,979.14	103,071,231.69	1,763,226.55	19,423,168.86	17,659,942.31
Time of Use (TOU) - Peak	-	2,759,225,505.32	2,759,225,505.32	-	2,818,786,350.33	2,818,786,350.33	-	59,560,845.01	59,560,845.01
Time of Use (TOU) - Off-Peak	1,024,438,752.00	9,480,134,604.12	10,504,573,356.12	1,672,248,322.84	8,869,988,747.04	10,541,337,069.87	647,809,570.84	611,045,857.08	36,763,713.75
05. TOTAL AGRI. T/WELL	1,038,550,714	12,704,985,134	13,743,535,848	1,721,040,981	12,393,999,530	14,115,040,511	(682,490,267)	310,985,604	(371,504,663)
PUBLIC LIGHT PVT G (72,73)	-	141,430,340.98	141,430,340.98	-	164,824,897.40	164,824,897.40	-	23,394,556.42	23,394,556.42
RESIDENTIAL COLONIES H(76,79)	-	69,919,787.26	69,919,787.26	-	73,845,541.26	73,845,541.26	-	3,925,754.00	3,925,754.00
TOTAL OTHERS	-	211,350,128.24	211,350,128.24	-	238,670,438.66	238,670,438.66	-	(27,320,310.42)	(27,320,310.42)
A-3A (66)	-	2,901,636,409.08	2,901,636,409.08	-	3,421,295,785.31	3,421,295,785.31	-	519,659,376.23	519,659,376.23
Grand Total	6,470,565,444	177,555,661,135	184,026,226,579	7,810,000,398	172,670,250,292	180,480,250,689	1,339,434,954	4,885,410,843	3,545,975,889

(ANNEX-E)

Detail of Turnover/Minimum Tax Paid during 2018-19

Payment Month	Tax Paid
Jul-18	150,000,000
Sep-18	110,000,000
Nov-18	100,000,000
Dec-18	150,000,000
Jan-19	60,000,000
Feb-19	100,000,000
Mar-19	200,000,000
Apr-19	25,000,000
May-19	50,000,000
Jun-19	280,000,000
TOTAL	1,225,000,000

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INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20180731-0559-1273316

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 31-Jul-2018

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Taxpayer/Business :

Status : CO

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 150,000,000

Amount of Tax in Words : One Hundred Fifty Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	150,000,000	31-Jul-2018	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20180731-0559-1273316

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20180928-0559-1305336

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 28-Sep-2018

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 110,000,000

Amount of Tax in Words : One Hundred Ten Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	110,000,000	28-Sep-2018	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20180928-0559-1305336

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20181130-0559-1357398

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 30-Nov-2018

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 100,000,000

Amount of Tax in Words : One Hundred Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	100,000,000	30-Nov-2018	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20181130-0559-1357398

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20181231-0559-1336236

Payment Date : 31-Dec-2018

Payment Section : 147 - Advance Income Tax - 9202

RTO/LTU : RTO FAISALABAD

Nature of Payment : Advance Income Tax

Tax Period : 2019

Account Head(NAM) : B01105

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR ,
CANAL ROAD**

Tax Amount : 150,000,000

Amount of Tax in Words : One Hundred Fifty Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	150,000,000	31-Dec-2018	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20181231-0559-1336236

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190131-0559-1310041

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 31-Jan-2019

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Taxpayer/Business :

Status : CO

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 60,000,000

Amount of Tax in Words : Sixty Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	60,000,000	31-Jan-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190131-0559-1310041

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190228-0559-1312155

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 28-Feb-2019

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer


NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD

Tax Amount : 100,000,000

 **Amount of Tax in Words** : One Hundred Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	100,000,000	28-Feb-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190228-0559-1312155

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190329-0559-1288988

Payment Date : 29-Mar-2019

Payment Section : 147 - Advance Income Tax - 9202

RTO/LTU : RTO FAISALABAD

Nature of Payment : Advance Income Tax

Tax Period : 2019

Account Head(NAM) : B01105

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 200,000,000

Amount of Tax in Words : Two Hundred Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	200,000,000	29-Mar-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190329-0559-1288988

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190430-0559-1278587

Payment Date : 30-Apr-2019

Payment Section : 147 - Advance Income Tax - 9202

RTO/LTU : RTO FAISALABAD

Nature of Payment : Advance Income Tax

Tax Period : 2019

Account Head(NAM) : B01105

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 25,000,000

Amount of Tax in Words : Twenty Five Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	25,000,000	30-Apr-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190430-0559-1278587

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190531-0559-1281698

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 31-May-2019

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 50,000,000

Amount of Tax in Words : Fifty Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	50,000,000	30-May-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



Sana Islam

IT-20190531-0559-1281698

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190628-0559-1358848

Payment Date : 28-Jun-2019

Payment Section : 147 - Advance Income Tax - 9202

RTO/LTU : RTO FAISALABAD

Nature of Payment : Advance Income Tax

Tax Period : 2019

Account Head(NAM) : B01105

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 165,000,000

Amount of Tax in Words : One Hundred Sixty Five Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	165,000,000	28-Jun-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190628-0559-1358848

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190628-0559-1358611

Payment Date : 28-Jun-2019

Payment Section : 147 - Advance Income Tax - 9202

RTO/LTU : RTO FAISALABAD

Nature of Payment : Advance Income Tax

Tax Period : 2019

Account Head(NAM) : B01105

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business :

**Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR
CANAL ROAD**

Tax Amount : 55,000,000

Amount of Tax in Words : Fifty Five Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	55,000,000	28-Jun-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190628-0559-1358611

Sana Islam

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT
COMPUTERIZED PAYMENT RECEIPT (CPR - IT)



NATIONAL BANK OF PAKISTAN

ABDULLAHPUR BRANCH, FAISALABAD (0559) : FAISALABAD

CPR No : IT-20190628-0559-1358690

Payment Section : 147 - Advance Income Tax - 9202

Nature of Payment : Advance Income Tax

Account Head(NAM) : B01105

Payment Date : 28-Jun-2019

RTO/LTU : RTO FAISALABAD

Tax Period : 2019

Details of Tax Payer

NTN / CNIC : 3048930-0 / 0038923

Status : CO

Taxpayer/Business Name & Address : FAISALABAD ELECTRIC SUPPLY COMPANY , FINANCE DIRECTOR OFFICE ABDULLAHPUR CANAL ROAD

Tax Amount : 60,000,000

Amount of Tax in Words : Sixty Million Rupees And No Paisas Only

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	60,000,000	28-Jun-2019	1410-1	NATIONAL BANK OF PAKISTAN , ABDULLAHPUR BRANCH, FAISALABAD , FAISALABAD



IT-20190628-0559-1358690

Sana Islam

Signature & Stamp of Manager / Authorized officer

SECRET

Government of Pakistan
Ministry of Water and Power
Power Coordination, Policy and Finance Wing

No. 5(G-PHPL)/12- PF

Islamabad, the 24th August 2015

Subject : ISSUANCE OF SOVEREIGN GUARANTEE BY MINISTRY OF FINANCE IN RESPECT OF SYNDICATED TERM FINANCE FACILITY AMOUNTING TO RS.7.487 BILLION FOR THE POWER SECTOR

The undersigned is directed to state that a Summary on 'Issuance of sovereign guarantee by Ministry of Finance in respect of syndicated term finance facility amounting to Rs.7.487 billion for the power sector' was forwarded to the ECC of the Cabinet for consideration / approval. ECC of the Cabinet in its meeting held on 12th August 2015 considered the Summary. Relevant paras of the Summary and decision of the ECC of the Cabinet is reproduced as under

2 Para "5" of summary submitted to the ECC of the Cabinet on 07.07.2015

5 Power Holding (Private) Limited is a public sector entity without assets and is responsible for arranging loan amounting to Rs.7.487 billion for power sector companies. The Ministry of Finance will provide government guarantee for repayment of loan as well interest for the facility amounting to Rs.7.487 billion arranged through a consortium of local banks. The servicing of mark-up, principal repayments and all other amounts becoming due and payable in respect of the subject facility shall be the responsibility of Finance Division.

3 ECC of the Cabinet decision No.ECC-110/14/2015 -dated 12.08.2015 - Issuance of sovereign guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs.7.487 billion for the Power Sector

The ECC of the Cabinet considered the Summary dated 7th July 2015 submitted by Ministry of Water & Power regarding "Issuance of sovereign guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs.7.487 billion for the Power Sector" and approved, ex-post facto, the proposal contained in para 5 of the summary

4. The decision of the ECC of the Cabinet is hereby communicated for information and further necessary action. Further you are required to submit implementation report to this Ministry at the earliest.

(Muhammad Soulat Ali)
Section Officer (PF)
Tele 9209213

✓ The Chief Executive Officer,
Power Holding Private Limited
Islamabad.

For information:

The Secretary-Finance Division Islamabad

CC:

1. PSO to Secretary Ministry of Water and Power.
2. PS to Additional Secretary, Ministry of Water & Power
3. PA to Joint Secretary (PF), Ministry of Water and Power

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Add Item No I
Case No. ECC-49/8/2016
Dated: 11th April 2016

SETTLEMENT OF POWER SECTOR SUBSIDY CLAIMS.

DECISION

The Economic Coordination Committee of the Cabinet considered the Summary, dated 6th April 2016, submitted by the Ministry of Water and Power titled "Settlement of Power Sector Subsidy Claims" and approved the proposals contained in Para-3 of the Summary

Add Item No II

Case No. ECC-50/8/2016
Dated: 11th April 2016

ISSUANCE OF SOVEREIGN GUARANTEE BY MINISTRY OF FINANCE IN RESPECT OF SYNDICATED TERM FINANCE FACILITY AMOUNTING TO RS.25.0 BILLION FOR THE POWER SECTOR.

DECISION

The Economic Coordination Committee of the Cabinet considered the Summary, dated 9th April 2016, submitted by the Ministry of Water and Power titled "Issuance of Sovereign Guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs.25.0 billion for the Power Sector" and approved the proposal in Para-4 of the Summary with the modification that servicing of the facility and repayment shall be the responsibility of the Government of Punjab. At such time, MOF will provide the necessary support for the same.

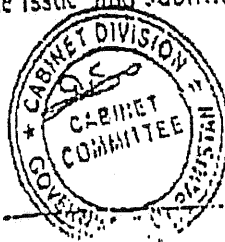
Add Item No. III

Case No. ECC-51/8/2016
Dated: 11th April 2016

CHANGES IN GST RATE AND ITS IMPACT FOR IPPS.

DECISION

The Economic Coordination Committee of the Cabinet deferred consideration of the Summary, dated 8th April 2016, submitted by the Ministry of Water and Power titled "Change in GST rate and its impact for IPPs" and directed the Secretary, Ministry of Water & Power and Chairman, Federal Board of Revenue to further deliberate on the issue and submit its outcome to the ECC of the Cabinet for consideration.



Government of Pakistan
Ministry of Water & Power
Power Coordination, Policy and Finance Wing

No.PF-05(06)2015-16

Islamabad the, 24th February 2017

Subject: ISSUANCE OF SOVEREIGN GUARANTEE BY MINISTRY OF FINANCE IN RESPECT OF SYNDICATED TERM FINANCE FACILITY AMOUNTING TO Rs. 30.0 BILLION FOR THE POWER SECTOR

I am directed to state that a Summary on "Issuance of sovereign guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs. 30.0 Billion for the Power Sector" was forwarded to the ECC of the Cabinet for consideration / approval. ECC of the Cabinet in its meeting held on 13th February 2017 considered the Summary and approved the proposal contained in para 5 of the summary. Relevant paras of the summary and decision of ECC of the Cabinet is reproduced as under:

2. Para "5" of Summary submitted to the ECC of the Cabinet on 07.01.2017

- 5 Power Holding (Private) Limited is a public sector entity without assets and will be responsible for arranging loan amounting to Rs.30 billion. The amount will be utilized for the purposes of funding the repayment liabilities of the Distribution Companies. Ministry of Finance will provide government guarantee for repayment of loan as well as interest, for the facility amounting to Rs.30 billion, arranged through a consortium of local banks. The servicing of mark-up, principal repayments and all other amounts becoming due and payable in respect of the subject facility shall be the responsibility of Finance Division.

ECC of the Cabinet decision No.ECC-19/06/2017 -dated 13.02.2017

The ECC of the Cabinet considered the Summary dated 07th February 2017 submitted by Ministry of Water & Power regarding "issuance of sovereign guarantee by Ministry of Finance in respect of Syndicated Term Finance Facility amounting to Rs. 30.0 Billion for the Power Sector" and approved the proposal contained in para 5 of the Summary.

3. The decision of the ECC of the Cabinet is hereby communicated for information and further necessary action. Further you are required to submit implementation report to this Ministry at the earliest

(Muhammad Farhat)
Section Officer (PF)
Ph: 9209213

✓ The Chief Executive Officer
Power Holding Private Limited,
Islamabad

For information:

- The Secretary Finance Division Islamabad
- The Chief Executive Officer Central Power Purchasing Agency, Guarantee Ltd. Islamabad

Most Immediate/Fax Message
By Special Messenger

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(CF. WING)

No.F.1(17)CF-I/2011-12/948

Islamabad, the 13th September, 2018

OFFICE MEMORANDUM

Subject: EQUITY INJECTION AGAINST PAYMENT OF MARKUP ETC. IN
RESPECT OF STFFs OF PKR 7.487 BILLION, RS. 25 BILLION AND
RS. 30 BILLION TO POWER-HOLDING (PRIVATE) LIMITED DURING
FY 2015-16, FY 2016-17 & FY 2017-18.

The undersigned is directed to refer to Power Division's O.M No. PF.05(06)/2012 dated 12.09.2018 on the subject noted above and to say that mark-up payment has been allocated equivalent to Rs.5,917.757 million among the DISCOs whereas the actual payment of Rs.9,347.699 million have been released to PHPL till 30.06.2018 against the followings STFFs as per details noted against each: -

(Rs. in million)

FY	STFF Rs.7.487 billion	STFF Rs.25 billion	STFF Rs.30 billion	Total
2015-16	490.800	-	-	490.800
2016-17	609.406	903.716	71.799	1,584.921
2017-18	2,463.403	1,878.589	2,929.986	7,271.978
Total	3,563.609	2,782.305	3,001.785	9,347.699

2. Foregoing in view, Power Division is requested to allocate balance amount of Rs.3,429.942 million among the DISCOs and provide the requisite documentary evidence from DISCOs of equivalent amount of Rs.9,347.699 million so that pending payments may be processed accordingly. Since, the FA's Organization (Finance), Establishment Division has declined to sanction the mark-up related releases for want of confirmation from Power Division/DISCOs, therefore, pending provision of requisite documents, Power Division may arrange mark-up payments before due dates to avail the rebate.

(Muhammad Bilal)
Section Officer (CF.I)
Tele # 051-9205976

Secretary (PF),
Ministry of Energy (Power Division),
Islamabad.

SPS to Secretary, Ministry of Energy (Power Division), Islamabad
SPS to AFS (CF)
SPS to Sr. JS (CF-II)
CFO, CPPA-G, Islamabad.

DGMF I	
DGMF-II	
DGMF-III	
DGHR&A	



Central Power Purchasing Agency Guarantee Limited
A Company of Government of Pakistan



No: CPPAG/DGM(CA&T)/MF(B&R)/26472-62

Dated: 17-Sep-2018

Chief Executive Officer
FESCO
Faisalabad.

Subject: - EQUITY INJECTION AGAINST PAYMENT OF MARK UP ETC IN RESPECT OF STFFs OF PKR 7.487 BILLION, RS 25 BILLION AND RS 30 BILLION TO POWER HOLDING (PRIVATE) LIMITED DURING FY 2015-16, FY 2016-17 & FY 2017-18.

GOP has swapped the payable to IPPs with the loan from banks. The debt service of these loans is being made by way of F.C. surcharge being collected from consumers. However, the debt servicing against Rs.62, 487 million loans (7.487+25+30) was the responsibility of GOP on behalf of DISCOs. The GOP has released the actual payment of Rs. 9,347.699/- million till June 30th 2018 to PHPL as referred vide its Letter No F.I (17) CF-1/2011-12/948 Dated 13-09-2018(Copy attached) against the following STFFs as per details noted against each.

(Rs. In Million)				
Financial Year	STFF Rs 7.487 Billion	STFF Rs 25 Billion	STFF Rs 30 Billion	Total
2015-16	490.800	-	-	490.800
2016-17	609.406	903.716	71.990	1,585.112
2017-18	2,463.403	1,878.589	2,929.986	7,271.978
Total	3,563.609	2,782.305	3,001.785	9,347.699

We have already issued allocation of Rs 5,918 Million vide CPPA-G Letter No 25294-95/CFO/DGMF/(CA&T) B&R /Rec Dated 07-09-2018 wherein share of your company works out Rs 283,553,987, whereas your revised share comes to Rs 447,902,359 after addition of Rs 164,348,372 and same is tabulated hereunder

DISCOs	Mark Up already booked as Equity (5,917 Mln)	Mark Up to be booked as Equity (3,439 Mln)	Total Mark Up to be booked as Equity (9,345 Mln)
FESCO	283,553,987	164,348,372	447,902,359


Chief Financial Officer

CC: Joint Secretary (PF), Power Division, Ministry of Energy, Islamabad.

ANNEX - F/16

No.PF.5(4)/2012-Vol.X
Government of Pakistan
Ministry of Energy
(Power Division)

CHARTER NO 17089
DATED 25-3-2019
HEADQUARTERS FESCO
Faisalabad
Islamabad, March 22, 2019

The Chairman,
Board of Directors, FESCO,
Faisalabad

Subject: EQUITY INJECTION AGAINST PAYMENT OF MARK UP ETC. IN
RESPECT OF STFFS OF PKR 7.487 BILLION, RS. 25 BILLION AND RS 30
BILLION BY MINISTRY OF FINANCE.

The Government of Pakistan has provided credit covers to the IPPs by issuing sovereign Guarantee to cover the non-payment of power purchase price by the DISCO's. The Government of Pakistan provides the financial assistance to DISCO's by paying the liability of the DISCO's towards IPP's. The mode adopted by Government of Pakistan includes the direct equity injection to DISCO's equivalent to the amount paid to the IPP's or arranging the loans from commercial banks swapping the DISCO's liability toward IPP's. The liability toward IPPs is subject to financial charge ranging from 3 to 6-month KIBOR plus 2% to 4.5%. Therefore, the loans arrangement does not involve any additional financial burden.

2. In case of the subject loans, the financial charge was decided to be paid by the Ministry of Finance and amount paid up till June 30, 2018 was Rs 9,347,649 Million. As per decision of the Ministry of Finance, since this amount has been paid on behalf of the DISCO's, therefore each DISCO is required to acknowledge the expense incurred and book the same as the equity. The share of FESCO has been allocated at Rs 447,902,359. The non-compliance of the Government of Pakistan decision has held the release of further financial assistance as the FA's Organization (Finance) Establishment Division is requiring the confirmation of DISCO's about booking of equity.

3. The amount stuck with Ministry of Finance has now jumped to Rs 10.820 Billion. Resultantly the liquidity position due to less remittances for DISCO's has further been weakened. The legitimate expense incurred by the shareholder has to be booked in the corporate entity as per decision of the majority shareholders. The Board of Director is competent to follow the direction of Ministry Of Finance/Ministry Of Energy as FESCO is the fully state owned corporate entity.

4. In the light of above, you are requested to immediately convene the BOD meeting and approve the equity injection of Rs 447,902,359 and send a certificate so that the stuck amount of Rs 10.820 Billion may be got release from Ministry of Finance.

(Rao M. Rizwan Ahsan)
Section Officer (PF)
Tele: 051-9209213

CC:

- 1- CEO, FESCO Faisalabad.
2- CFO CPPA Islamabad



FAISALABAD ELECTRIC SUPPLY

Ph: # 041-9220242

Fax # 041-9220217

COMPANY LIMITED

OFFICE OF THE
CHIEF FINANCIAL OFFICER
FESCO FAISALABAD

No. 2989 /FD/FESCO/

Dated: 14/11/18

Chief Financial Officer,
CPPA (G) Ltd, Shaheen Plaza,
Plat No.73, West Blue Area Islamabad.

Subject: EQUITY INJECTION AGAINST PAYMENT OF MARK-UP ETC IN RESPECT OF STFFs OF RS. ~~748.74~~ BILLION, RS. ~~25~~ BILLION, RS. ~~30~~ BILLION TO POWER HOLDING (PVT) LIMITED DURING FY ~~2015-16~~, FY ~~2016-17~~ & FY ~~2017-18~~.

Ref:- Your office letter No.25292-311 dated 07-09-2018 followed by letter No. 26492-02 dated 17-09-2018, No.105-128 dated 11-10-2018, No.147-149 dated 18-10-2018 & Letter No158-169 dated 07-11-2018.

It is apprised that matter regarding booking of debit of Rs.447.902 Million by FESCO on account of mark up would impact the Profit & Loss Account in current Financial Year 2018-19. The matter was earlier taken up with your office vide letter No.2539 dated 11.06.2018 for advice especially regarding corresponding debit enabling us to incorporate the equity in our books of accounts as per decision of ECC (F/A).

It is further added that your good self have also approached to Dy: Secretary (Power Finance) Ministry of Energy Islamabad vide letter No.90/82-84 dated 13.07.2018 that as per ECC decisions such expenditures are the responsibility of Ministry of Finance and any payment against expenditure cannot be claimed as equity injection in other entity (F/B).

It is worth mentioning that Ministry of Water & Power has notified DSS/Finance Cost Surcharge vide SRO.908(1)/2014 dated 03-10-2014 to discharge the liabilities of power producers. During FY 2017-18, FESCO has remitted DSS/FCS of ~~RS.4390~~ Million which may be adjusted against Share of Mark-up allocated to FESCO on these TFC loans.

Keeping in view the above, it is again requested to intimate proper entry especially the corresponding debit enabling us to incorporate the equity in our books of accounts as per decision of ECC.

(Nazir Ahmad)

CHIEF FINANCIAL OFFICER

CC To:-

1. Section Officer (PF), Power Division, Ministry of Energy, Islamabad.
2. SO to Chief Executive Officer FESCO Faisalabad for information.
3. Master File.



Central Power Purchasing Agency Guarantee Limited
A Company of Government of Pakistan



ANNEX - F/7

No: CPPAG/DGM(CA&T)/MF(B&R)/ 10180-88

Dated: 08 May-2019

Finance Director
All DISCO

10/5

Subject: EQUITY INJECTION AGAINST PAYMENT OF MARKUP IN RESPECT OF STEFs OF PKR 7,487 Bn, 25 Bn & 30 Bn TO PHPL

Reference to meeting held by CFO CPPA-G with CFO's/FD's of GEPCO, IESCO, LESCO, FESCO and MEPCO. The prevailing position is further clarified as under

1- GOP has financed the shortfall of recovery from DISCOs by making payments to IPPs through banks' loans. The debt servicing of these loans is being recovered via F.C Surcharge except three syndicated term finance facilities (Rupees 7,487 Bn, 25 Bn and 30 Bn), whose mark-up and other servicing payments is the responsibility of GOP (Finance Division) till the imposition of FC surcharge as per ECC decisions (copy enclosed). These loans were arranged by the PHPL and paid to the CPPA for immediate disbursement to the power generators in even dates (details attached as Annex-A) Since these loans were arranged on behalf of DISCOs, Finance Division directed that mark-up payments amounting to Rupees 9,347.699 Mn till 30 June 2018, shall be booked in DISCOs as GOP Equity, i.e. GOP, being shareholder of DISCO, has incurred the mark-up on behalf of DISCO and it must be considered as equity against such amount.

Routing of Funds

2- As explained above that servicing of Mark Up in respect of the subject facilities was the responsibility of Finance Division as per ECC decision (Annex-B). Accordingly, an amount of Rs 9,437.699 Million has been released by Finance Division to PHPL for servicing the subject facilities directly. It is mentioned that these facilities were availed by PHPL at KIBOR+2% (With the option of 1% rebate in case of making payment with due date) to avoid late payment mark up to IPPs ranging between KIBOR + 2% to KIBOR +4.5%. Resultantly the supplementary charges were reduced due to this swap. The above-mentioned debt was arranged to pay the outstanding liabilities to Power Producers arisen due to lesser recovery from DISCOs. Hence, these loans are a swapped arrangement of the outstanding liabilities of DISCOs against energy payables. In case such amounts were not paid to IPPs it will attract the supplementary charges.

10/5/19




Central Power Purchasing Agency Guarantee Limited
A Company of Government of Pakistan



(420)

Allocation of the share of interest to DISCO.

- 3- The proportionate share each DISCO in the mark-up payments of Rs 9,348 Million is worked out based on receivable of each DISCO in books of accounts of CPPA as on 30 June 2018. The details of the working are attached as (Annex-C).
- 4- We have already sent allocation of Rs 5,918 Million vide CPPA-G Letter No 25292-311/CFO/DGMF/(CA&T) B&R /Rec Dated 07-09-2018, Allocation of Rs 3,430 Million vide CPPA-G/DGM (CA&T) MF (B & R) 26492-02 Dated 17-Sep-2018 and The allocation of the actual payment of Rs. 9,347,699/- million till June 30th, 2018 to PHPL as referred vide its Letter No F.I (17) CF-1/2011-12/948 Dated 13-09-2018.
- 5- As desired, although not necessarily required in the presence of letter of Ministry of Finance, the Debit/Credit Settlement notes have attached herewith (Annex-D) showing the Debit for supplemental charges and credit for injection of Equity
- 6- DISCO's should approach NEPRA for inclusion of the said mark-up payments in its revenue requirements with reference to the GOP (Finance Division) directions.
- 7- Feel free to communicate for any further queries.


Chief Financial Officer

CC:

- Joint Secretary (PF), M/o Energy, Power Division, Islamabad
- PA to CEO, CPPA-G

(42)

No.	Facility Nature	Facility Amount	Outstanding Amount	Lender	Tenor	Pricing	Disbursement Date	Responsibility	Servicing
1	7.487 Bln STFF	7,487,000,000	3,743,083,333	Consortium of 14 Banks	5 Years	3MK + 2.00%	02/07/2015	Finance Division	Finance Division
2	25.00 Bln Islamic STFF	25,000,000,000	25,000,000,000	Consortium of 03 Banks	7 years	6MK + 2.00% (1.15% rebate on payment within 30 days)	29/04/2016	Finance Division	
3	30.00 Bln (Islamic & Conventional)	30,000,000,000	30,000,000,000	Consortium of 02 Banks	5 Years	6MK + 2.00% (1.30% rebate on payment within 30 days)	09/03/2017	Finance Division	

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Allocation of Equity Injection in DISCO on basis of Receivable as on 30-06-18

Description	Amount PESCO	Amount GEPCO	Amount HESCO	Amount IESCO	Amount LESCO	Amount MEPCO	Amount PESCO	Amount QESCO	Amount SEPCO	Amount TESCO	Total
Receivable Balance as on 30-06-18	73,507,532,092	2,682,791,741	247,563,515,114	98,061,997,717	145,894,645,219	122,646,295,188	243,871,988,210	277,680,693,362	202,511,992,750	18,514,018,843	1,533,989,857,837
Allocation of Loan on basis of Receivables as on 30-06-18 (5,917 mln)	263,553,987	11,119,600	955,039,470	388,812,812	560,896,915	473,139,239	1,325,802,313	1,071,069,765	781,741,645	75,280,301	5,917,757,000
Allocation of Loan on basis of Receivables as on 30-06-18 (8,490 mln)	164,348,372	6,164,939	553,542,478	220,604,411	325,096,804	274,237,308	788,437,271	620,797,853	452,808,283	42,622,591	3,429,942,000
Allocation of Loan on basis of Receivables as on 30-06-18 (9,328 mln)	447,902,359	17,164,538	1,309,581,078	601,218,224	885,993,719	747,371,545	2,014,239,564	1,691,862,618	1,234,050,620	118,912,895	9,947,699,000



Central Power Purchasing Agency Guarantee Limited
A Company of Government of Pakistan



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CREDIT NOTE SETTLEMENT

ISSUING OFFICE Manager Finance (B&R) CPPA PPA-217/FESCO-25
Effective Date 30.06.2018
RECEIVING OFFICE: FINANCE DIRECTOR,
FESCO, FAISALABAD. Issue Date: 07.05.2019

Your account has been credited for the amount Rs 447,902,359.00

Four Hundred Forty Seven Million Nine Hundred Two Thousand Three Hundred Fifty Nine Rupees and Zero Paise

Being the Credit afforded on account of GoP Equity Injection against supplemental charges paid by GoP against 62.487 bln loans (7.487+25+30) for Rs.3,917.757 min and Rs.3,429.942 min as per Finance Divn letter No.F.1(17)CF-4/2011-12/ 948 dated.13.09.2018 and this office letter No.26492-02 dated.17.09.2018 and complete working attached herewith.

ACCOUNT CODE	DESCRIPTION	DEBIT	CREDIT
1212100	Account Receivable/Settlement advice		447,902,359.00
TOTAL			447,902,359.00

PREPARED BY

CHECKED BY

MANAGER (B&R)

ANNEX - G



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750


Name and Address

Faisalabad Electric 18-19ly Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Billing Year	Jul-2018 to Sep-2018
Advice No	LPS/18-19/FESCO-1st Qtr
Issue Date	19/10/2018

Description	Amount (Rs.)
Supplemental Charges for First Quarter of Financial Year 2018-19	262,838,230


Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited
A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750


Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Billing Month	October-2018
Advice No	LPS/Oct-18/FESCO
Issue Date	20/11/2018

Description	Amount (Rs.)
Supplemental Charges for Oct-18	79,703,959


Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750

Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Billing Month	November-2018
Advice No	LPS/Nov-18/FESCO
Issue Date	18/12/2018

Description	Amount (Rs.)
Supplemental Charges for Nov-18	170,144,305

Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750

Name and Address


Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Revised

Billing Month	December-2018
Advice No	LPS/Dec-18/FESCO-R
Issue Date	25/01/2019

Description	Amount (Rs.)
Supplemental Charges for Dec-18	78,300,938


Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750

Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad.
GST No 24-00-2716-001-19

Billing Month	January-2019
Advice No	LPS/Jan-19/FESCO
Issue Date	18/02/2019

Description	Amount (Rs.)
Supplemental Charges for Jan-2019	181,990,775

M. Aslam
Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750

Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad
GST No 24-00-2716-001-19

Billing Month	February-2019
Advice No	LPS/Feb-19/FESCO
Issue Date	23/03/2019

Description	Amount (Rs.)
Supplemental Charges for Feb-2019	34,632,137

M. Ashim

Manager Finance (Billing & Recovery)

Shahen Plaza, Plot no. 73-West, Fazal-e-Haq road, Blue Area, Islamabad Tel # 051-9216960, Fax # 051-9216949 Email: billing@cpa.gov.pk

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Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1

CPPA-GST No. 3277876113750

Name and Address

Faisalabad Elecrtic Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Billing Month	March-2019
Advice No	LPS/Mar-19/FESCO
Issue Date	23/04/2019

Description	Amount (Rs.)
Supplemental Charges for Mar-2019	298,159,425

Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice


CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750

Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad
GST No 24-00-2716-001-19

Billing Month	April-2019
Advice No	LPS/Apr-19/FESCO
Issue Date	21/05/2019

Description	Amount (Rs.)
Supplemental Charges for Apr-2019	208,648,965


Manager Finance (Billing & Recovery)

**Central Power Purchasing Agency (Guarantee) Limited**

A Company of Government of Pakistan

**Delayed Payment Charges Advice**

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750

Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Billing Month	May-2019
Advice No	LPS/May-19/FESCO
Issue Date	24/06/2019

Description	Amount (Rs.)
Supplemental Charges for May-2019	337,862,958

Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



Delayed Payment Charges Advice

CPPA-NTN: 4401241-1
CPPA-GST No. 3277876113750


Name and Address

Faisalabad Electric Supply Company (FESCO)
West Canal Road, Abdullah Pur, Faisalabad

GST No 24-00-2716-001-19

Billing Month	June-2019
Advice No	LPS/Jun-19/FESCO
Issue Date	30/07/2019

Description	Amount (Rs.)
Supplemental Charges for June-2019	237,554,952


Dy Manager Finance (Billing & Recovery)

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

O & M BUDGET FOR FY 2019-20 (PROPOSED)

(Rs: in Million)

Sr. No.	Description	FY 2019-20			Remarks
		Distribution	Supply	Total	
1	Salaries, Wages & Other Benefits	7,822	2,356	10,178	Increase of 5%/10% in salaries announced by GoP over reference cost
	Sub-Total (1)	7,822	2,356	10,178	
2	Retirement Benefits	6,488	1,673	8,161	Increase in pension @10% announced by GoP over reference cost
	Sub-Total (1 + 2)	14,310	4,029	18,339	
3	Repair & Maintenance	481	36	517	CPI increase @8.9% over reference budget
	Sub-Total (3)	481	36	517	
4	Travelling Expenses	279	83	362	
	Transportation	276	13	289	
	Telephone	25	8	34	
	NEPRA Fee	33	11	45	
	Collection Charges	-	343	343	
	Stationery	18	121	138	
	Misc	289	138	427	
	Bank Charges	5	2	7	
4	Sub-Total (4)	925	719	1,644	
	TOTAL (1+2+3+4)	15,716	4,784	20,500	
5	Less: Transfer to Assets Under Construction (AUC)	400	-	400	Average of last Five Years (2015-2019)
	NET TOTAL	15,316	4,784	20,100	



FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

O&M BUDGET FOR FY 2019-20 (PROPOSED)

(Rs: In Thousands)

A/c Head	Description	FY 2019-20		
		Proposed Budget		
		Distribution	Supply	Total
8030000	Basic Pay	3,564,514	1,401,495	4,966,009
8030001	Cash Medical Allowance	218,358	16,210	234,569
8030002	Conveyance Allowance	404,716	52,601	457,317
8030003	Deputation Pay	303	99	402
8030004	Dual Charge Allowance	1,990	848	2,838
8030005	Entertainment Allowance	217	58	275
8030006	Group Life Insurance	4,802	405	5,207
8030007	House Rent Allowance	355,397	44,581	399,978
8030008	Job Allowance	353,323	12,172	365,495
8030009	Livery Allowance	9,556	258	9,814
8030010	Local Compensatory/ WAPDA Allowance	37,152	8,109	45,260
8030011	Officiating/Personal Special Pay	7,986	1,155	9,141
8030012	H/Q Allowances	37,819	19,350	57,168
8030013	Off Day Wages	275,723	7,271	282,993
8030014	Personal Allowance/Eng Allow	21,961	3,311	25,272
8030015	Qualification Pay/Technical Pay	2,029	247	2,276
8030016	Senior Post Allowance	40	12	52
8030017	Shift Allowance	8,680	106	8,786
8030018	Special Pay	6,271	975	7,246
8030020	Washing Allowance	104,296	2,859	107,155
8030022	Overtime Pay	6,878	1,029	7,906
8030023	Daily Wage Labour	9,978	68	10,047
8030024	Misc. Allowance	13,749	4,697	18,446
8030025	Bonus	291,999	84,678	376,677
8030040	Meter Reading Allowance Beyond Yardstick	-	220,320	220,320
8030207	10% Adhoc Relief-2016	335,784	37,436	373,220
8030208	10% Adhoc Relief-2017	438,236	49,437	487,672
8030209	10% Adhoc Relief-2018	438,244	49,428	487,672
8030210	Adhoc Relief-2019	370,820	103,325	474,145
	SUB TOTAL	7,320,832	2,122,538	9,443,370
	EMPLOYEE BENEFIT			
8030301	Free Supply FESCO-CP91	362,699	101,062	463,760
8030303	Free Supply-Other Companies-Dr. Notes	17,378	4,842	22,220
8030305	Bereavement-Funerals	5,475	323	5,798
8030306	Sports and Recreation	11,572	3,944	15,516
8030308	Medical and Hospitalization Expenses	35,361	5,613	40,974
8030309	Medical and Hospitalization Expenses-Others	233	1,724	1,957
8030310	Education and Training Expenses-Outsourced	13,805	4,371	18,175
8030311	Education and Training Expenses-Employees	48,592	2,670	51,262
8030312	Residential Telephone	895	32	927
8030313	Incentive	414	108,171	108,585
8030314	Standard Rent	4,835	613	5,449
	SUB TOTAL	501,265	233,365	734,630
	TOTAL SALARIES, WAGES & EMPLOYEE BENEFITS	7,822,097	2,355,903	10,178,000
	SHARE IN FUND CONTRIBUTION			
8030317	Pension Fund Expenses	4,811,963	1,212,649	6,024,612



(Rs: In Thousands)

A/c Head	Description	FY 2019-20		
		Proposed Budget		
		Distribution	Supply	Total
8030318	Leave Encashment Benefits	680,029	181,910	861,938
8030319	Medical Facilities to Retired Employees	479,060	119,991	599,051
8030320	Free Electy: Supply to Retired Employees	516,589	158,809	675,398
	TOTAL RETIREMENT BENEFITS	6,487,640	1,673,360	8,161,000
	R&M OF BUILDING CIVIL WORKS			
8040001	R&M-Offices-Ordinary	24,369	8,301	32,670
8040005	R&M-Other Building (Operating)-Ordinary	487	166	653
8040006	R&M-Other Building (Operating)-Special	3,249	1,107	4,356
	SUB TOTAL	28,105	9,574	37,680
	R&M OTHER PHY: PROPERTY			
8040009	R&M-Hospitals Repair - Ordinary	702	239	941
8040010	R&M-Hospitals Repair - Special	1,249	426	1,675
8040011	R&M-Residential Building Repair - Ordinary	38,173	13,011	51,184
8040013	R&M-Rest Houses Repair - Ordinary	812	277	1,089
8040017	R&M-Mosque Repair - Ordinary	4,782	1,630	6,412
	SUB TOTAL	45,717	15,582	61,300
	R & M OF GENERAL PLANT			
8040050	R&M-Computers	2,359	10,170	12,529
8040051	R&M-Office Equipments	694	487	1,180
8040052	R&M-Tonners, Ribbons, Cartidges	629	92	721
8040070	R&M-Furniture and Fixtures	894	277	1,171
8040071	R&M-Maint-Store Equipment-Without Quotation	40	-	40
8040100	R&M-Construction Equipments	14	-	14
8040111	R&M-Comm.Equipment-W/O Quotation	5	-	5
8040113	R&M-Comm.Equipment-Others	17	-	17
8040131	R&M-Arms & Ammunition-W/O Quotation	106	-	106
8040133	R&M-Arms & Ammunition-Others	162	-	162
8040141	R&M-MiscEquipment-Without Quotation	862	209	1,070
8040142	R&M-MiscEquipment-Spare Parts	81	-	81
8040143	R&M-MiscEquipment-Others	2,127	-	2,127
8040144	R&M-MiscEquipment-Overhauling	117	-	117
8040152	R&M-Fire Safety Equip-Spare Parts	84	-	84
8040153	R&M-Fire Safety Equip-Others	97	-	97
	SUB TOTAL	8,288	11,234	19,522
	R&M OF DISTRIBUTION PLANT			
8040201	R&M-Dist. Transformers	23,800	-	23,800
8040211	R&M-Grid Stations Equipments-132KV	164,640	-	164,640
8040212	R&M-Grid Stations Equipments-66KV	24,675	-	24,675
8040221	R&M-Transmission Lines-132KV	69,500	-	69,500
8040222	R&M-Transmission Lines-66KV	17,009	-	17,009
8040223	R&M-Distribution Lines-11KV	36,987	-	36,987
8040225	R&M-Low Tension Lines-440KV	6,876	-	6,876
8040226	R&M-Low Tension Lines-220KV	5,281	-	5,281
8040231	R&M-Meters	3,386	-	3,386
8040241	R&M-Service Drops	9,186	-	9,186
8040251	R&M-Capacitors	1,560	-	1,560
8040281	Line T&P Consumeables	35,598	-	35,598
	SUB TOTAL	398,499	-	398,499
	TOTAL REPAIR & MAINTENANCE	480,609	36,391	517,000
	RENT RATES & TAXES			
8060100	Rent Expenses	26,392	2,673	29,065
8060200	Taxes and Licenses	155	30	185

(Rs: In Thousands)

A/c Head	Description	FY 2019-20		
		Proposed Budget		
		Distribution	Supply	Total
	SUB TOTAL	26,547	2,703	29,250
	POWER, LIGHT & WATER			
8070100	Power & Light	47,760	13,786	61,546
8070200	Hot/Cold Weather Charges	1,050	254	1,304
	SUB TOTAL	48,810	14,040	62,850
	COMMUNICATION			
8070300	Telephone Expenses	23,514	7,795	31,309
8070400	Postage and Courier	1,437	482	1,920
8070401	Purchashe of Postage Stamps	305	59	365
	SUB TOTAL	25,257	8,337	33,594
	OFFICE SUPPLIES (STATIONERY)			
8080101	MIS Consumeable Material	-	114,064	114,064
8080125	Stationery Expenses-With Quotation	1,814	-	1,814
8080126	Stationery Expenses-Without Quotation	6,599	2,223	8,822
8080127	Printing Charges	113	331	444
8080128	Copying and Translation Charges	9,102	3,880	12,982
8080129	Binding Work Expenses	81	82	163
8080130	Stationery Contingent Expenses	107	27	134
	SUB TOTAL	17,816	120,607	138,423
8090100	Stores Handling Expenses	-	170	170
8090200	Advertising and Publicity	12,692	4,309	17,000
8090403	Other Expenses	4,913	1,272	6,185
8090404	Entertainment Expense	545	186	731
8100101	Daily News Papers & Periodicals	972	209	1,181
	TRAVELLING EXPENSES			
8110100	Travelling Expenses	250,293	79,775	330,069
8110200	Transfer/Retirement TA/DA	14,001	2,590	16,591
8110300	Sports Travelling Allowance-Players	15,150	496	15,646
8110400	Hotel Charges TA/DA	10	6	16
	SUB TOTAL	279,455	82,867	362,322
8120200	Legal Fee	19,867	1,409	21,276
8120300	Audit Fee	1,526	517	2,042
8120400	Consultancy Fee	4,843	8,343	13,186
8120500	Software License fee	3,887	52,515	56,402
	SUB TOTAL	30,122	62,784	92,906
	VEHICLE EXPENSES			
8130100	Vehicle Expenses-Repairs	29,947	3,204	33,150
8130150	Vehicle Expenses-Purchase of Tyres & Tubes	7,111	287	7,397
8130200	Vehicle Expenses-Fuel and Oil	237,242	9,212	246,455
8130300	Vehicle Expenses-Licenses and Insurance	1,867	133	2,000
	SUB TOTAL	276,166	12,836	289,002
8137000	NEPRA Fee	33,188	11,312	44,500
8140200	Bank Charges	4,778	1,747	6,525
8150000	Directors' Fee	3,989	1,360	5,349
8150200	Bills Collection Expenses	-	343,073	343,073
8150400	Insurance Expenses	10,939	-	10,939
8030316	Prorata Medical Expenses	149,160	50,840	200,000
	TOTAL OTHER O&M	925,350	718,650	1,644,000
	GRAND TOTAL	15,715,696	4,784,304	20,500,000
	Less: Transfer to Assets Under Consideration (AUC)	400,000	-	400,000
	NET TOTAL	15,315,696	4,784,304	20,100,000



**FAISALABAD ELECTRIC SUPPLY
COMPANY LIMITED**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

30 JUNE 2019

Riaz Ahmad & Company

Chartered Accountants

560-F, Raja Road, Gulistan Colony
Faisalabad 38000, Pakistan
T: +92 (41) 886 10 42, 886 36 44
F: +92 (41) 886 36 11
racofsd@racopk.com
www.racopk.com

INDEPENDENT AUDITOR'S REPORT

To the members of Faisalabad Electric Supply Company Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Faisalabad Electric Supply Company Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

Except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company's accounting policy of property, plant and equipment as given in Note 2.5 states that freehold land, buildings thereon and distribution equipment shall be taken at revalued amounts. Moreover the revaluation shall be made after regular intervals. However these items of property, plant and equipment were last revalued by an independent valuer on 30 June 2013 and not revalued again after the span of six years. In the absence of latest valuation, we remained unable to determine the financial impact on the financial statements in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the *Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other

Riaz Ahmad & Company

Chartered Accountants

ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the following matters:

Notes 14.1.1 and 14.1.2 to the financial statements, which state that the Company has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for:

- a) an amount of Rupees 260.54 million regarding the share of mark-up allocated by CPPA-G related to loan of Rupees 41 billion against financing Agreement executed between Power Holding (Private) Limited and syndicated banks with the guarantee of Government of Pakistan.
- b) supplementary charges, being the mark-up charged on CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 6,821.91 million.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, revaluation of property, plant and equipment has not been carried out. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal

Riaz Ahmad & Company

Chartered Accountants

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Except for the effects of matter described in *Basis of Qualified Opinion* section of our report, based on our audit, we further report that in our opinion:

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

Other Matter

The financial statements of the Company for the year ended 30 June 2018 were audited by another firm of Chartered Accountants whose report dated 26 February 2019, expressed qualified opinion regarding revaluation of property, plant and equipment with emphasis of matter paragraphs regarding impact of debit notes issued by CPPA-G and the use of tariff rate related to financial year 2014-15.

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

Riaz Ahmad & Co.
RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date: 04 NOV 2019

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

NOTE	2019 RUPEES	2018 RUPEES Restated	2017 RUPEES Restated		NOTE	2019 RUPEES	2018 RUPEES	2017 RUPEES
EQUITY AND LIABILITIES				ASSETS				
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS				
Authorized share capital								
5 000 000 000 (2018: 5 000 000 000)								
ordinary shares of Rupees 10 each								
	50,000,000,000	50,000,000,000	50,000,000,000	Property, plant and equipment	15	97,759,504,183	94,451,032,772	90,340,388,120
Issued, subscribed and paid up share capital	3	10,000	10,000	Intangible assets	16	111,734,528	153,979,563	112,122,136
Deposit for shares	4	19,859,074,629	19,411,172,270	Long term advances	17	130,393,614	124,719,556	91,874,613
Surplus on revaluation of property, plant and equipment - net of deferred income tax	5	25,928,656,216	26,637,954,507	Long term deposits	18	3,009,006	2,795,165	2,551,165
Accumulated loss		(88,349,670,044)	(72,377,507,961)					
Total equity		(42,561,929,200)	(26,328,371,184)			98,004,641,331	94,732,527,057	90,546,936,034
LIABILITIES								
NON-CURRENT LIABILITIES				CURRENT ASSETS				
Long term financing	6	4,485,835,507	4,561,229,855	Stores, spares and loose tools	19	3,131,729,876	2,709,681,081	2,915,774,603
Staff retirement benefits	7	84,240,901,708	69,196,939,795	Trade debts	20	19,750,260,310	18,378,733,724	13,153,825,481
Long term security deposits	8	7,958,478,777	7,082,383,461	Loans and advances	21	59,726,977	55,091,903	114,076,128
Receipt against deposit works	9	8,096,357,282	9,288,804,563	Other receivables	22	11,088,874,356	9,668,539,189	19,662,263,282
Deferred credit	10	27,044,728,463	25,033,173,490	Tax refunds due from the Government	23	8,485,870,057	8,513,573,767	7,994,129,008
Deferred income tax liability	11	5,637,080,744	5,926,794,130	Receivable from the Government of Pakistan	24	11,870,189,429	2,806,427,483	-
		137,463,382,481	121,089,325,294	Accrued interest		158,971,171	60,620,106	90,199,023
CURRENT LIABILITIES				Cash and bank balances	25	20,879,447,558	17,104,567,841	12,064,601,316
Trade and other payables	12	75,082,120,250	57,089,825,541			75,425,069,734	59,297,235,094	55,994,868,841
Accrued mark-up	13	2,390,693,262	1,525,338,182					
Current portion of long term financing	6	1,055,444,272	653,644,318					
		78,528,257,784	59,268,808,041					
TOTAL LIABILITIES		215,991,640,265	180,358,133,335					
CONTINGENCIES AND COMMITMENTS	14							
TOTAL EQUITY AND LIABILITIES		173,429,711,065	154,029,762,151	TOTAL ASSETS		173,429,711,065	154,029,762,151	146,541,804,875
			146,541,804,875					

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

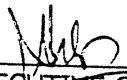
CHIEF EXECUTIVE OFFICER

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 RUPEES	2018 RUPEES Restated
SALE OF ELECTRICITY - NET	26	148,742,330,349	116,391,973,408
TARIFF DIFFERENTIAL SUBSIDY	27	41,038,912,061	20,132,058,251
		<u>189,781,242,410</u>	<u>136,524,031,659</u>
COST OF ELECTRICITY	28	(176,516,757,734)	(155,042,442,309)
GROSS PROFIT / (LOSS)		<u>13,264,484,676</u>	<u>(18,518,410,650)</u>
AMORTIZATION OF DEFERRED CREDIT	10	1,460,436,524	1,338,916,821
		<u>14,724,921,200</u>	<u>(17,179,493,829)</u>
DISTRIBUTION COST	29	(20,240,339,809)	(16,086,341,945)
ADMINISTRATIVE EXPENSES	30	(3,408,934,500)	(2,428,655,374)
CUSTOMER SERVICES COSTS	31	(2,136,982,132)	(1,723,512,764)
		<u>(25,786,256,442)</u>	<u>(20,238,510,083)</u>
LOSS FROM OPERATIONS		<u>(11,061,335,242)</u>	<u>(37,418,003,912)</u>
OTHER INCOME	32	4,287,434,490	2,912,671,989
FINANCE COST	33	(309,181,237)	(154,165,555)
LOSS BEFORE TAXATION		<u>(7,083,081,989)</u>	<u>(34,659,497,478)</u>
TAXATION	34	(973,642,838)	(792,730,486)
LOSS AFTER TAXATION		<u>(8,056,724,827)</u>	<u>(35,452,227,964)</u>

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


 CHIEF EXECUTIVE OFFICER

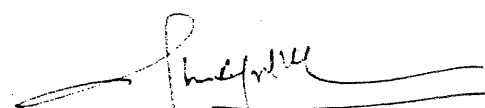

 DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 RUPEES	2018 RUPEES Restated
LOSS AFTER TAXATION	(8,056,724,827)	(35,452,227,964)
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligations	(8,624,735,548)	(12,921,151,906)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	(8,624,735,548)	(12,921,151,906)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(16,681,460,375)</u>	<u>(48,373,379,870)</u>

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

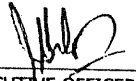

 CHIEF EXECUTIVE OFFICER

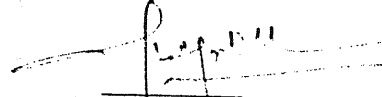

 DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	SHARE CAPITAL	DEPOSIT FOR SHARES	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX	ACCUMULATED LOSS	TOTAL EQUITY
	RUPEES				
Balance as at 30 June 2017	10,000	20,244,758,340	27,272,418,974	(18,404,376,982)	29,112,810,332
Impact of restatement of surplus on revaluation of property, plant and equipment (Note 5.2)	-	-	(96,784,912)	96,784,912	-
Impact of restatement of deferred income tax on surplus on revaluation of property, plant and equipment (Note 5.2)	-	-	-	(6,449,188,527)	(6,449,188,527)
Balance as at 30 June 2017 - restated	10,000	20,244,758,340	27,175,634,062	(24,756,780,597)	22,663,621,805
Non-cash settlement against deposit for shares	-	(833,586,070)	-	-	(833,586,070)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax - restated (Note 5.2)	-	-	(623,824,943)	623,824,943	-
Transfer from surplus on revaluation of property, plant and equipment on account of transfer of property, plant and equipment - net of deferred income tax - restated (Note 5.2)	-	-	(128,827,563)	128,827,563	-
Adjustment of deferred income tax liability due to re-assessment at year end - restated (Note 11)	-	-	214,972,951	-	214,972,951
Loss for the year - restated	-	-	-	(35,452,227,964)	(35,452,227,964)
Other comprehensive loss for the year - restated	-	-	-	(12,921,151,906)	(12,921,151,906)
Total comprehensive loss for the year - restated	-	-	-	(48,373,379,870)	(48,373,379,870)
Balance as at 30 June 2018 - restated	10,000	19,411,172,270	26,637,954,507	(72,377,507,961)	(26,328,371,184)
Non-cash settlement against deposit for shares (Note 4)	-	447,902,359	-	-	447,902,359
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	(618,547,569)	618,547,569	-
Transfer from surplus on revaluation of property, plant and equipment on account of transfer of property, plant and equipment - net of deferred income tax	-	-	(90,750,722)	90,750,722	-
Loss for the year	-	-	-	(8,056,724,827)	(8,056,724,827)
Other comprehensive loss for the year	-	-	-	(8,624,735,548)	(8,624,735,548)
Total comprehensive loss for the year	-	-	-	(16,681,460,375)	(16,681,460,375)
Balance as at 30 June 2019	10,000	19,859,074,629	25,928,656,216	(88,349,670,044)	(42,561,929,200)

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

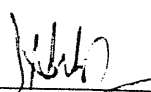

 CHIEF EXECUTIVE OFFICER


 DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 RUPEES	2018 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	11,444,592,394	10,156,853,077
Income tax paid		(1,374,294,528)	(1,156,866,457)
Finance cost paid		(6,524,839)	(7,194,417)
Staff retirement benefits paid		(4,957,155,438)	(4,000,505,819)
Net increase in long term advances		(7,615,431)	(8,697,347)
Net increase in long term deposits		(213,841)	(244,000)
Net cash generated from operating activities		<u>5,098,788,316</u>	<u>4,983,345,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(6,244,348,509)	(6,784,468,400)
Capital expenditure on intangible assets		-	(71,072,504)
Profit on bank deposits received		1,438,394,771	779,883,037
Net cash used in investing activities		<u>(4,805,953,738)</u>	<u>(6,075,657,867)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		326,405,606	959,264,954
Consumers' security deposits received		876,095,316	1,133,639,355
Receipt against deposit works-net		2,279,544,216	4,039,375,046
Net cash from financing activities		<u>3,482,045,138</u>	<u>6,132,279,355</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>3,774,879,716</u>	<u>5,039,966,525</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		17,104,567,841	12,064,601,316
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 25)		<u><u>20,879,447,558</u></u>	<u><u>17,104,567,841</u></u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. LEGAL STATUS AND OPERATIONS

- 1.1** Faisalabad Electric Supply Company Limited (the Company) is a public limited company incorporated on 21 March 1998 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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 registered office of the Company is located at West Canal Road, Abdullahpur, Faisalabad. While the Company has various 132-KV and 66-KV grid stations along with other offices located in 08 districts of Central Punjab including Faisalabad, Jhang, Toba Tek Singh, Chiniot, Sargodha, Mianwali, Khushab and Bhakkar. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.
- 1.2** The Council of Common Interest (CCI) in its meeting held on 12 September 1993 approved the privatization of thermal power generation units (GENCOs) and power distribution companies (DISCOs) in a phased program. Cabinet Committee on Privatization (CCOP) in its meeting held on 17 February 2009 approved privatization of certain GENCOs and DISCOs, this decision was ratified by Federal Cabinet in its meeting, held on 06 January 2010. President and Prime Minister of Pakistan also approved privatization of GENCOs and DISCOs including the Company during a presentation given to them by Ministry of Privatization on 22 November 2010. Decision of President and Prime Minister has also been subsequently ratified by the CCI during its meeting held on 28 April 2011. Since October 2013, the CCOP approved 68 Public Sector Enterprises (PSEs) for inclusion in the privatization program. The Company has been approved by CCOP for early implementation. The Privatization Commission (PC) on behalf of the Government of Pakistan (GoP) invited Expression of Interest (EOI) from prospective private sector strategic partner(s) to acquire seventy-four percent (74%) shareholding in the Company, currently owned by the GoP, together with management control on 02 November 2015. However, protests against privatization were started by the opposition parties and by labour unions. In order to give the union a chance to perform, the GoP has reconsidered the privatization mode of the power sector by shifting it from strategic sale to divestment through capital markets. CCOP in its meeting held on 14 July 2016 considered proposals regarding divestment of Power Sector Entities and PC to initiate process for listing of shares of the Company on the stock exchange through Initial Public Offering (IPO). It was also decided that GoP would retain the control of FESCO as well as management. The PC in its meeting held on 02 October 2017, had discussion on volume of circular debt and nature of losses being accrued in GENCOs and DISCOs and decided that the PC would seek approval of the Government to privatize the Company as strategic sale. The matter is now with the GoP.
- 1.3** Ministry of Energy vide its S.R.O. 03(I)/2019 dated 01 January 2019, S.R.O. 662(I)/2019 dated 28 June 2019 and S.R.O. 1169(I)/2019 dated 30 September 2019 has adjusted the tariff of the Company on account of Prior Year Adjustment (PYA). According to these S.R.O.s from Ministry of Energy, the adjustments of Rupees 20.664 billion will be billed to the consumers in the first six months of the next financial year while Rupees 26.894 billion and Rupees 2.639 billion will be billed to the consumers in next fifteen months after June 2019. These adjustments will enhance the sales of the Company by Rupees 50.197 billion in the next financial years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

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

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

b) Accounting convention

These financial statements have been prepared under historical cost convention, except for freehold land, buildings thereon and distribution equipment which are measured at revalued amounts and staff retirement benefits which are measured at present value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires management to use certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments of property, plant, equipment and intangible assets

The estimates for revalued amounts of different classes of property, plant and equipment are based on revaluation performed by external professional valuer and recommendations of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant, equipment and intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

Provision for obsolescence of stores, spares and loose tools

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

Taxation

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years

Staff retirement benefits

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

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

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

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

The Scheme also provides that 50 percent of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holding employees. The balance 50 percent dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by the Government. The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and 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 07 June 2011 to such entities from the application of IFRS 2 to the Scheme. Further, as per the Ministry of Privatization letter dated 08 May 2019, Ministry has advised to initiate case for winding up of the Scheme. In response to this letter trustees of the Scheme have requested the parent ministry for directions of winding up.

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

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

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

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9. These are disclosed in Note 2.10. Most of the other amendments listed above except for IFRS 9 and IFRS 15 (as stated in Note 2.9) did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 Functional and presentation currency along with foreign currency transactions and translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.3 Staff retirement benefits

The Company provides unfunded pension scheme, an unfunded free electricity scheme and an unfunded free medical facility scheme for all its regular employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement upto maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2019. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. Past service cost is recognized immediately in the statement of profit or loss.

Remeasurement of the net defined benefit liability (except for compensated absences), which comprises actuarial gains and losses are recognized immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plan is recognized in profit or loss. Remeasurement related to the compensated absences is recognized in the year of occurrence in the statement of profit or loss.

2.3.1 General / Employees' Provident Fund

For General / Employees' Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA. The provident fund related disclosure required by the Companies Act, 2017 is not shown in these financial statements as General / Employees' Provident Fund established by WAPDA includes the employees of other power distribution and generation companies and the figures related to the Company cannot be segregated from the whole General / Employees' Provident Fund.

2.4 Taxation

Current

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

Deferred

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

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

2.5 Property, plant and equipment

2.5.1 Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at revalued amount less any identified impairment loss and buildings on freehold land, feeders, grids and related equipment which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

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

Increases in the carrying amounts arising on revaluation of operating fixed assets are recognized, net of deferred income tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of deferred income tax, is reclassified from surplus on revaluation of operating fixed assets to accumulated loss. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Depreciation

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 15.1. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

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

2.5.2 Capital work-in-progress

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

2.6 Intangible assets and amortization

Intangible assets represent the cost of computer softwares acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to the statement of profit or loss on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. Intangible assets are amortized over a period of five years.

2.7 Stores, spare parts and loose tools

Stores, spare parts and loose tools 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 that have been incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of the business less all estimated costs of completion and estimated costs necessary to be incurred in order to make the sale.

2.8 Cash and cash equivalents

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

2.9 Revenue from contracts with customers

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

i) Revenue recognition

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

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

Sale of electricity

Revenue from the sale of electricity is recognized on transmission of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan in official gazette from time to time.

Tariff differential subsidy

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

Rental and service income

Meter rentals are recognized on time proportion basis.

Interest income

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

Late payment surcharge

Surcharge on late payment is accounted for after the due date of payment has passed.

Fuel price adjustment

Fuel price adjustment is recognized on the basis of rates notified by the NEPRA on accrual basis.

Gain on installation of new connections

Gain / loss on installation of new connections / deposit works is recognized up to 10% of variation between receipts against deposit works and actual expenditure incurred on the project.

Service charges on collection of Pakistan Television (PTV) license fee and electricity duty

Service charges on collection of PTV license fee and electricity duty is recognized on the basis of actual billing collections from consumers.

Other revenue

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

ii) Contract assets

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

iii) Contract liabilities

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

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

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the application of IFRS 15 does not have any impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of accumulated loss in the year of initial application is Rupees Nil.

2.10 IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt instrument shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'Expected Credit Loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measure expected credit losses using a lifetime expected loss allowance is available.

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

i) Recognition of financial instruments

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

ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, Fair Value Through Profit or Loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, FVTPL and Fair Value Through Other Comprehensive Income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 July 2018, the Company classifies and measures its financial assets at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments at amortized cost. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

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

Financial liabilities

Classification and measurement

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities, and therefore no change in the classification and measurement of financial liabilities.

iii) Impairment of financial assets

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

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

iv) De-recognition

Financial assets

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

Financial liabilities

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

v) Offsetting of financial instruments

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

vi) **Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018**

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

Financial assets (01 July 2018)

	Loans and receivables	Amortized cost
	-----RUPEES-----	
Opening balance (before reclassification)	45,371,908,084	-
Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' to 'Amortized Cost'	(45,371,908,084)	45,371,908,084
Opening balance (after reclassification)	-	45,371,908,084

There was no change in categorization and figures of financial liabilities of the Company.

2.11 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets. Amortization of deferred credit commences upon completion of related work which is taken to the statement of profit or loss each year corresponding to the depreciation charge of relevant asset for the year.

2.12 Borrowings

Borrowings are recognized initially at fair value of the consideration received, net of transaction costs. These are subsequently stated at amortized cost using the effective interest method.

2.13 Borrowing cost

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

2.14 Trade debts

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Expected credit losses are recognized as follows:

- No expected credit loss on Government institutions balances;
- Expected credit loss of whole amount receivable from permanently disconnected consumers, exceeding one year;
- Expected credit loss on whole arrears from private consumers, exceeding one year; and
- Expected credit loss on all deferred arrears.

2.15 Loans, advances, deposits and receivables

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

2.16 Share capital

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

2.17 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value plus directly attributable costs. These are subsequently measured at amortized cost.

2.18 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's 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 (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.19 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made. However provisions are reviewed at each reporting date and adjusted to reflect current best estimate. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

2.20 Contingent assets

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

2.21 Contingent liabilities

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

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2019 Number of shares	2018 Number of shares	2019 RUPEES	2018 RUPEES
1,000	1,000		
Ordinary shares of Rupees 10 each fully paid in cash to Government of Pakistan (GoP) and its nominee directors		10,000	10,000

4. DEPOSIT FOR SHARES

This represents credit of Rupees 19,859,074,629 (2018: Rupees 19,411,172,270) received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA-G) in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 341 billion. Hence this was treated as GoP equity investment in the Company. During the year the Company booked mark-up paid by GoP in its books of account as supplementary charges and inserted it as equity amounting to Rupees 447,902,359.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX

	2019 RUPEES	2018 RUPEES Restated
Surplus on revaluation of property, plant and equipment as at 01 July	26,637,954,507	27,175,634,062
Add: Adjustment of deferred income tax liability due to re-assessment at year end	-	214,972,951
Less:	26,637,954,507	27,390,607,013
Incremental depreciation charged during the year transferred to accumulated loss - net of deferred income tax	618,547,569	623,824,943
Adjustment of deferred income tax liability on transfer of property, plant and equipment - net of deferred income tax	90,750,722	128,827,563
	709,298,291	752,652,506
	25,928,656,216	26,637,954,507

5.1 This represents surplus resulting from revaluation of freehold land, buildings thereon, feeders, grids and equipment carried out on 30 June 2013 by Messrs F K S Building Services, an independent valuer enrolled on panel of the State Bank of Pakistan (SBP). Previously revaluation was carried out on 30 June 2006 by an independent valuer.

5.2 During the financial years ended 30 June 2017 and 30 June 2018, surplus on revaluation of property, plant and equipment was not transferred to accumulated loss on de-recognition of specific assets. Due to which incremental depreciation for the above mentioned years was also affected. Moreover the Company transferred whole of the deferred income tax liability related to surplus on revaluation of property, plant and equipment to the statement of profit or loss for the year ended 30 June 2013, instead of recognizing it as liability in the statement of financial position. These prior period errors have been corrected retrospectively in these financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The effects of the above mentioned adjustments on the statement of financial position as at 30 June 2017 and 30 June 2018 are given hereunder:

	As at 30 June 2018			As at 30 June 2017		
	As previously reported RUPEES	As restated RUPEES	Restatement RUPEES	As previously reported RUPEES	As restated RUPEES	Restatement RUPEES
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment - net of deferred income tax	26,775,240,952	26,637,954,506	(137,286,446)	27,272,418,974	27,175,634,062	(96,784,912)
Deferred income tax liability	-	5,926,794,129	5,926,794,129	-	6,449,188,527	6,449,188,527
Accumulated loss	(66,588,000,278)	(72,377,507,961)	(5,789,507,683)	(18,404,376,982)	(24,756,780,597)	(6,352,403,615)

Due to the effect applied retrospectively as mentioned above, taxation in the statement of profit or loss for the year ended 30 June 2018 has been decreased by Rupees 135,066,953.

There was no effect on statement of comprehensive income and on statement of cash flows from the above-mentioned adjustments.

6. LONG TERM FINANCING

Loans from related party

Secured

From GoP (foreign re-lent):

Asian Development Bank - Tranche I (Note 6.1 and Note 6.5)
Asian Development Bank - Tranche II (Note 6.2 and Note 6.5)
Asian Development Bank - Tranche III (Note 6.3 and Note 6.5)
Asian Development Bank - Tranche IV (Note 6.4 and Note 6.5)

2019
RUPEES

2018
RUPEES

832,226,142	832,226,142
1,000,702,296	1,000,702,296
2,260,911,648	1,970,538,397
<u>1,447,439,693</u>	<u>1,411,407,338</u>
5,541,279,779	5,214,874,173

Less:

Current portion shown under current liabilities
Overdue portion shown under current liabilities

375,631,486	314,409,296
<u>679,812,786</u>	<u>339,235,022</u>
1,055,444,272	653,644,318
<u>4,485,835,507</u>	<u>4,561,229,855</u>

- 6.1 This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk component of 6% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amounts of principal and mark-up aggregate to Rupees 297.223 million (2018: Rupees 178.334 million) and Rupees 506.304 million (2018: Rupees 359.333 million) respectively.
- 6.2 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees Nil (2018: Rupees 82.052 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 17 years excluding grace period of 3 years starting from June 2014. The overdue amounts of principal and mark-up aggregate to Rupees 186.444 million (2018: Rupees 115.639 million) and Rupees 397.000 million (2018: Rupees 241.741 million) respectively. During the year un-disbursed loan amounting to Rupees 143.391 million (US Dollars 1.012 million) has been cancelled by Government of Pakistan vide its letter No. 1(3) ADB-II/06-A dated 25 April 2019.
- 6.3 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 290.373 million (2018: Rupees 773.341 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 20 years excluding a grace period of 5 years starting from June 2018. The overdue amounts of principal and mark-up aggregate to Rupees 159.958 million (2018: Rupees 45.261) and Rupees 749.214 million (2018: Rupees 414.618 million) respectively. During the year un-disbursed loan amounting to Rupees 446.029 million (US Dollars 3.148 million) has been cancelled by Government of Pakistan vide its letter No. 2(9) ADB-II/12 dated 25 April 2019.
- 6.4 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 36.032 million (2018: Rupees 103.872 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 20 years excluding a grace period of 5 years starting from June 2019. The overdue amounts of principal and mark-up aggregate to Rupees 36.186 million (2018: Rupees Nil) and Rupees 629.319 million (2018: Rupees Nil) respectively. During the year un-disbursed loan amounting to Rupees 298.287 million (US Dollars 2.105 million) has been cancelled by Government of Pakistan vide its letter No. 2(18) ADB-II/13 dated 25 April 2019.
- 6.5 Pakistan Electric Power Company (Private) Limited (PEPCO) vide its letter no. DGCPCC/PEPCO/2152-63 dated 20 February 2017 directed the Company that the payment of debt service on account of foreign relent loans may be withheld till the final decision on the matter that debt service by the WAPDA, GENCOs and DISCOs may be adjusted against their receivable balances from GoP. Resultantly, the Company did not make any payment in respect of foreign relent loans. However, the Economic Affairs Division, GoP in its letter vide 6-15(1)/DM/GF/2011 dated 15 January 2019 demanded repayment of principal along with mark-up (including exchange risk fee) amounting to Rupees 492 million and Rupees 1,609 million respectively.

7. STAFF RETIREMENT BENEFITS

	2019 RUPEES	2018 RUPEES
Pension obligations (Note 7.1)	68,105,722,169	54,927,199,615
Medical benefits (Note 7.1)	5,384,142,631	5,291,461,198
Free electricity (Note 7.1)	7,548,851,871	5,445,976,996
Leave encashment (Note 7.1)	3,202,185,037	3,532,301,986
	<u>84,240,901,708</u>	<u>69,196,939,795</u>

7.1 Movement in the net liabilities recognized in the statement of financial position is as follows:

	30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2018	54,927,199,615	5,291,461,198	5,445,976,996	3,532,301,986	69,196,939,795
Charge for the year (Note 7.2)	8,294,340,053	2,283,670,397	777,077,975	21,293,378	11,376,381,803
Remeasurements recognized in statement of comprehensive income (Note 7.3)	8,941,911,435	(1,788,598,619)	1,471,422,732	-	8,624,735,548
Benefits paid	(4,057,728,934)	(402,390,345)	(145,625,832)	(351,410,327)	(4,957,155,438)
Balance as at 30 June 2019	<u>68,105,722,169</u>	<u>5,384,142,631</u>	<u>7,548,851,871</u>	<u>3,202,185,037</u>	<u>84,240,901,708</u>

	30 June 2018				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2017	40,686,903,810	4,544,843,833	5,152,398,379	3,147,403,421	53,531,549,443
Charge for the year (Note 7.2)	4,979,134,507	495,083,378	558,180,589	712,345,791	6,744,744,265
Remeasurements recognized in statement of comprehensive income (Note 7.3)	12,481,948,882	576,609,488	(137,406,464)	-	12,921,151,906
Benefits paid	(3,220,787,584)	(325,075,501)	(127,195,508)	(327,447,226)	(4,000,505,819)
Balance as at 30 June 2018	<u>54,927,199,615</u>	<u>5,291,461,198</u>	<u>5,445,976,996</u>	<u>3,532,301,986</u>	<u>69,196,939,795</u>

7.2 Amounts recognized in the statement of profit or loss against defined benefit schemes are:

	30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	1,601,511,609	135,993,942	80,527,154	17,059,486	1,835,092,191
Past service cost	1,402,994,929	1,638,649,852	159,234,413	136,259,051	3,337,138,245
Interest cost	5,289,833,515	509,026,603	537,316,408	335,659,682	6,671,836,208
Actuarial gains	-	-	-	(467,684,841)	(467,684,841)
Net charge for the year	8,294,340,053	2,283,670,397	777,077,975	21,293,378	11,376,381,803

	30 June 2018				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	1,366,016,078	89,720,066	87,466,531	97,894,069	1,641,096,744
Interest cost	3,613,118,429	405,363,312	470,714,058	275,990,382	4,765,186,181
Actuarial losses	-	-	-	338,461,340	338,461,340
Net charge for the year	4,979,134,507	495,083,378	558,180,589	712,345,791	6,744,744,265

7.3 Remeasurements recognized in statement of comprehensive income:

30 June 2019				
Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Loss on obligation	204,585,874	-	-	204,585,874
(Gain) on obligation	-	(3,694,538,508)	(227,335,929)	(3,921,874,437)
Experience adjustments	8,737,325,561	1,905,939,889	1,698,758,661	12,342,024,111
	8,941,911,435	(1,788,598,619)	1,471,422,732	8,624,735,548

Loss on obligation
(Gain) on obligation
Experience adjustments

30 June 2018				
Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
2,907,267,105	254,716,645	-	-	3,161,983,750
-	-	(44,654,088)	-	(44,654,088)
9,574,681,777	321,892,843	(92,752,376)	-	9,803,822,244
12,481,948,882	576,609,488	(137,406,464)	-	12,921,151,906

7.4 Reconciliation of present value of defined benefit obligations:

Balance as at 01 July 2018
Current service cost
Interest cost
Past service cost
Benefits paid during the year
Remeasurements
Actuarial gains
Balance as at 30 June 2019

30 June 2019				
Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
54,927,199,615	5,291,461,198	5,445,976,996	3,532,301,986	69,196,939,795
1,601,511,609	135,993,942	80,527,154	17,059,486	1,835,092,191
5,289,833,515	509,026,603	537,316,408	335,659,682	6,671,836,208
1,402,994,929	1,638,649,852	159,234,413	136,259,051	3,337,138,245
(4,057,728,934)	(402,390,345)	(145,625,832)	(351,410,327)	(4,957,155,438)
8,941,911,435	(1,788,598,619)	1,471,422,732	-	8,624,735,548
-	-	-	(467,684,841)	(467,684,841)
68,105,722,169	5,384,142,631	7,548,851,871	3,202,185,037	84,240,901,708

Balance as at 01 July 2017
Current service cost
Interest cost
Benefits paid during the year
Remeasurements
Actuarial losses
Balance as at 30 June 2018

30 June 2018				
Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
40,686,903,810	4,544,843,833	5,152,398,379	3,147,403,421	53,531,549,443
1,366,016,078	89,720,066	87,466,531	97,894,069	1,641,096,744
3,613,118,429	405,363,312	470,714,058	275,990,382	4,765,186,181
(3,220,787,584)	(325,075,501)	(127,195,508)	(327,447,226)	(4,000,505,819)
12,481,948,882	576,609,488	(137,406,464)	-	12,921,151,906
-	-	-	338,461,340	338,461,340
54,927,199,615	5,291,461,198	5,445,976,996	3,532,301,986	69,196,939,795

7.5 The principal actuarial assumptions at the reporting date were as follows:

30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate for defined benefit obligation (per annum)	14.50%	14.50%	14.50%	14.50%
Discount rate for statement of profit or loss (per annum)	10.00%	10.00%	10.00%	10.00%
Electricity inflation rate (per annum)	-	-	13.50%	-
Annual medical claim - Rupees	-	7,477	-	-
Salary increase rate (per annum) - Short term	13.50%	13.50%	-	13.50%
Salary increase rate (per annum) - Long term	13.50%	13.50%	-	13.50%
Pension indexation rate (per annum)	8.50%	-	-	-
Medical inflation rate (per annum)	-	14.50%	-	-
Mortality rates	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low
Withdrawal rates				
Expected charge to the statement of profit or loss for the next financial year (Rupees)	11,162,221,602	828,686,984	1,187,064,110	448,291,995
Duration of scheme (years)	11.46	9.29	16.67	9.09

30 June 2018				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate for defined benefit obligation (per annum)	10.00%	10.00%	10.00%	10.00%
Discount rate for statement of profit or loss (per annum)	9.25%	9.25%	9.00%	9.25%
Electricity inflation rate (per annum)	-	-	9.00%	-
Annual medical claim - Rupees	-	32,707	-	-
Salary increase rate (per annum) - Short term	20.00%	20.00%	-	20.00%
Salary increase rate (per annum) - Long term	9.00%	9.00%	-	9.00%
Pension indexation rate (per annum)	4.00%	-	-	-
Medical exposure rate (per annum)	-	8.00%	-	-
Mortality rates	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low
Withdrawal rates				
Expected charge to the statement of profit or loss for the next financial year (Rupees)	6,866,233,013	640,194,424	610,148,931	352,854,545
Duration of scheme (years)	12.63	14.76	17.20	9.58

7.6 Sensitivity analysis for actuarial assumptions:

30 June 2019				
Pension	Free medical benefits	Free electricity benefits	Leave encashment	
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(7,038,100,213)	(455,848,415)	(1,102,470,206)	(267,294,531)
Decrease in assumption (Rupees)	8,576,745,187	544,301,025	1,414,896,948	314,941,666
Future salary increase	1.00%	-	-	1.00%
Increase in assumption (Rupees)	2,597,823,081	-	-	329,940,213
Decrease in assumption (Rupees)	(2,298,304,365)	-	-	(284,144,590)
Indexation rate	1.00%	-	1.00%	-
Increase in assumption (Rupees)	6,233,235,970	-	1,038,746,261	-
Decrease in assumption (Rupees)	(5,368,340,289)	-	(868,576,560)	-
Withdrawal rates	10.00%	10.00%	-	-
Increase in assumption (Rupees)	(23,091,104)	(2,015,246)	-	-
Decrease in assumption (Rupees)	23,191,194	2,024,355	-	-
Mortality setback	1 year	1 year	-	-
Increase in assumption (Rupees)	63,514,609	(3,243,828)	-	-
Decrease in assumption (Rupees)	(60,377,926)	3,221,129	-	-
Medical inflation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	379,144,194	-	-
Decrease in assumption (Rupees)	-	(337,702,378)	-	-

30 June 2018				
Pension	Free medical benefits	Free electricity benefits	Leave encashment	
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(6,197,866,224)	(766,797,705)	(815,392,227)	(309,298,521)
Decrease in assumption (Rupees)	7,677,115,556	999,877,808	1,057,531,861	367,767,104
Future salary increase	1.00%	-	-	1.00%
Increase in assumption (Rupees)	2,578,212,090	-	-	364,690,688
Decrease in assumption (Rupees)	(2,263,129,909)	-	-	(311,994,192)
Indexation rate	1.00%	-	1.00%	-
Increase in assumption (Rupees)	5,115,088,970	-	775,769,757	-
Decrease in assumption (Rupees)	(4,372,198,489)	-	(644,387,514)	-
Withdrawal rates	10.00%	10.00%	-	-
Increase in assumption (Rupees)	(23,284,950)	(4,077,639)	-	-
Decrease in assumption (Rupees)	23,418,866	4,102,045	-	-
Mortality setback	1 year	1 year	-	-
Increase in assumption (Rupees)	62,562,927	(13,498,950)	-	-
Decrease in assumption (Rupees)	(59,446,474)	13,411,090	-	-
Medical inflation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	554,952,831	-	-
Decrease in assumption (Rupees)	-	(468,902,245)	-	-

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

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

7.7 Historical information:

	2019 RUPEES	2018 RUPEES	2017 RUPEES	2016 RUPEES	2015 RUPEES
Present value of defined benefit obligation of:					
Free medical benefits	5,384,142,631	5,291,461,198	4,544,843,833	2,798,772,940	2,710,440,379
Pension	68,105,722,169	54,927,199,615	40,686,903,810	37,947,414,339	36,213,253,879
Free electricity benefits	7,548,851,871	5,445,976,996	5,152,398,379	4,228,284,137	3,872,396,781
Leave encashment	3,202,185,037	3,532,301,986	3,147,403,421	2,743,208,689	2,743,208,689

Remeasurement (gain) / loss on obligation of:	2019 RUPEES	2018 RUPEES	2017 RUPEES	2016 RUPEES	2015 RUPEES
Free medical benefits	(1,788,598,619)	576,609,488	(275,135,519)	562,132,353	560,815,235
Pension	8,941,911,435	12,481,948,882	1,728,115,365	6,974,550,370	6,976,815,269
Free electricity benefits	1,471,422,732	(137,406,464)	630,039,472	1,167,294,097	1,234,504,668
Leave encashment	(467,684,841)	338,461,340	300,441,224	464,505,443	464,505,443

7.8 Risks associated with staff retirement benefits

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

Longevity Risks:

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

Salary Increase Risk:

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

Withdrawal Risk:

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

8. LONG TERM SECURITY DEPOSITS

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

9. RECEIPT AGAINST DEPOSIT WORKS

Consumers demand notices awaiting connections (Note 9.1)
Funds received against deposit works (Note 9.2)

2019 RUPEES	2018 RUPEES
947,187,276	1,222,314,687
7,149,170,006	8,066,489,876
<u>8,096,357,282</u>	<u>9,288,804,563</u>

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

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

10. DEFERRED CREDIT

Balance as at 01 July
Additions during the year

38,254,766,323	35,952,205,419
<u>3,471,991,497</u>	<u>2,302,560,904</u>
41,726,757,820	38,254,766,323

Less: Amortization
Balance as at 01 July
Amortization for the year

13,221,592,833	11,882,676,012
<u>1,460,436,524</u>	<u>1,338,916,821</u>
14,682,029,357	13,221,592,833

Balance as at 30 June

<u>27,044,728,463</u>	<u>25,033,173,490</u>
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10.1 This represents the capital contributions received from consumers and the Government against which assets are constructed by the Company.

11. DEFERRED INCOME TAX LIABILITY

Opening balance

Less:

Adjustment of change in deferred tax rate

Deferred income tax liability on incremental depreciation transferred to the statement of profit or loss

Deferred income tax liability on assets transferred during the year transferred to the statement of profit or loss

2019 RUPEES	2018 RUPEES Restated
5,926,794,130	6,449,188,527
-	214,972,951
252,646,190	254,801,737
37,067,196	52,619,709
289,713,386	522,394,397
<u>5,637,080,744</u>	<u>5,926,794,130</u>

	2019 RUPEES	2018 RUPEES
11.1 Deferred income tax effect due to:		
Accelerated tax depreciation on operating fixed assets	15,775,815,620	9,106,532,136
Allowance for expected credit losses	(217,175,810)	(223,660,113)
Provision for slow moving and obsolete items of stores, spares and loose tools	(14,235,961)	(14,431,771)
Unused tax losses	(75,527,662,962)	(65,191,788,368)
Staff retirement benefits	(24,429,861,495)	(20,067,112,541)
	<u>(84,413,120,608)</u>	<u>(76,390,460,657)</u>
Unrecognized deferred tax asset (Note 11.1.1)	84,413,120,608	76,390,460,657
	<u>-</u>	<u>-</u>
11.1.1 Deferred income tax asset has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.		
12. TRADE AND OTHER PAYABLES		
Creditors		
Due to associated companies / undertakings (Note 12.1)	721,033,605	752,283,121
Billing related payables (Note 12.2)	62,742,318,335	45,024,949,205
Workers' profit participation fund (Note 12.3)	9,839,237,833	10,416,608,351
Excess receipt against deposit work	110,185,918	110,185,918
Accrued liabilities	417,608,118	239,525,116
Sales tax payable	293,349,458	227,856,515
Income tax deducted at source	437,487,189	-
Retention money payable	33,199,078	46,140,517
Others liabilities	97,215,940	93,641,915
	390,484,776	178,634,883
	<u>75,082,120,250</u>	<u>57,089,825,541</u>
12.1 Due to associated companies / undertakings		
Central Power Purchasing Agency (Guarantee) Limited (CPPA-G)	60,554,170,170	41,934,220,810
National Transmission and Despatch Company Limited (NTDC)	1,194,780,308	2,085,890,679
Due to associated companies on account of free electricity (Note 12.1.1)	919,553,932	953,620,738
Due to associated companies on account of pension (Note 12.1.2)	73,813,925	51,216,978
	<u>62,742,318,335</u>	<u>45,024,949,205</u>
12.1.1 Due to associated companies on account of free electricity		
Multan Electric Power Company Limited (MEPCO)	78,109,681	82,732,041
Lahore Electric Supply Company Limited (LESCO)	637,576,195	641,535,824
Pakistan Electric Power Company (Private) Limited (PEPCO)	135,970,403	136,201,767
Sukkur Electric Power Company Limited (SEPCO)	431,306	255,861
Water and Power Development Authority (WAPDA)	67,466,347	92,895,245
	<u>919,553,932</u>	<u>953,620,738</u>
12.1.2 Due to associated company on account of pension		
This represents amounts payable to Peshawar Electric Supply Company Limited (PESCO) on account of pension paid to the retired employees of the Company residing within the territorial jurisdiction of PESCO.		
12.2 Billing related payables		
Equalization surcharge payable (Note 12.2.1)	2,206,366,572	2,206,048,582
Electricity duty payable	23,137,860	132,709,586
TV License fee payable	98,409,584	99,301,621
Neelum Jhelum surcharge	122,907,057	132,725,836
Extra / further tax	22,389,646	-
Income tax	80,621,519	10,138,960
Financing cost surcharge payable	1,028,510,576	1,076,600,981
Tariff realization surcharge payable	6,127,535,463	6,667,189,163
General sales tax	129,359,556	91,893,622
	<u>9,839,237,833</u>	<u>10,416,608,351</u>

12.2.1 Equalization surcharge was collected from consumers pursuant to S.R.O. 236(1)2011, dated 15 March 2011 issued by the Ministry of Energy, GoP. 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. Payment of this amount to the Federal Government is currently deferred as payment mechanism has not been conveyed to the Company by the GoP. The Company through letter No. 3224/CFO/FESCO dated 21 May 2019 intimated the Power Division, Ministry of Energy to impart necessary guidelines for payment of the equalization surcharge. The Company expects that same will be accorded soon.

12.3 The Company has not made payment of its contribution towards Workers' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 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 (ECC) 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. Due to pending decision with the ECC, no provision of mark-up is made as required under the Companies Profit (Workers' Participation) Act, 1968. Further, the Company has not made provision against WPPF amounting to Rupees 2,839 million in respect of year ended 30 June 2015. However the Company has shown the WPPF for the year ended 30 June 2015 and mark-up as contingent liabilities under Note 14.1.3 to the financial statements.

	2019 RUPEES	2018 RUPEES
13. ACCRUED MARK-UP		
Foreign re-lent loans	108,855,708	509,645,537
Overdue mark-up on foreign re-lent loans	2,281,837,554	1,015,692,645
	<u>2,390,693,262</u>	<u>1,525,338,182</u>

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 In order to reduce "Circular Debt", financing of Rupees 41 billion has been raised under agreement executed between Power Holding (Private) Limited (PHPL) and syndicated banks during financial year ended 30 June 2017 under the guarantee of GoP. These financing arrangements were executed for funding the repayment of liabilities of Distribution Companies (DISCOs) against cost of electricity purchased. Consequently, the Company has received debit notes from CPPA-G in respect of the mark-up on these loans aggregating to Rupees 260.543 million.

The management is of the view that this financing arrangement has been made between PHPL and syndicated banks with the guarantee of GoP and as such the Company was not a party to this arrangement. This matter is still under consideration of the management of the Company for settlement of terms and conditions in respect of such financing arrangement and various options are being deliberated. Therefore, the Company has not yet recognized the impact of said debit notes in respect of mark-up in its books of account.

14.1.2 The Company has received various invoices from CPPA-G representing late payment charges (supplementary charges) being the share of the Company in late payment charges charged to CPPA-G by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 6,821.91 million (2018: Rupees 6,821.91 million) over the years. NEPRA has disallowed CPPA-G to invoice such amount to distribution companies as part of tariff and accordingly, the Company has not acknowledged this amount as its liability. However, during the year the Company has recognized the entire amount of supplementary charges invoiced by CPPA-G during the year as allowed in para 25.6 of tariff determined by NEPRA communicated through letter No. NEPRA/TRF-339/13632-13634 dated 31 August 2018.

14.1.3 The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the Workers Profit Participation Fund (WPPF) within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, the Company has not made provision of WPPF amounting to Rupees 2,839 million in respect of the financial year ended 30 June 2015 and for interest accrued on outstanding WPPF for the years ended 30 June 2004 and 30 June 2005 as given in Note 12.3 along with the WPPF for the financial year ended 30 June 2015.

14.1.4 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.

14.1.5 Income tax

(i) Additional Commissioner Inland Revenue passed an Order No. 5192 dated 15 August 2013 for the tax year 2007 under section 122 (SA) of the Income Tax Ordinance, 2001 (the Ordinance), raising a demand of Rupees 11.353 million, in respect of non payment of minimum tax on subsidy under section 113 of the Ordinance. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the case in favour of the Company. The Regional Tax Office filed reference against this decision before the Honorable Lahore High Court, Lahore on 12 August 2019, subsequent to year end, which is pending for adjudication.

- (ii) Additional Commissioner Inland Revenue passed an Order No. 344 dated 07 January 2014 for tax the year 2013 under section 122 (5A) of the Ordinance, raising a demand of Rupees 88.769 million, in respect of non payment of minimum tax on subsidy under section 113 of the Ordinance. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the case in favour of the Company. The Regional Tax Office filed reference dated 12 May, 2016 against the decision before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (iii) Additional Commissioner Inland Revenue passed Order No. 8299 dated 06 April 2016 and Order No. 8524 dated 21 June 2016 for tax the years 2014 and 2015 respectively under section 122 (5A) of the Ordinance, raising a demand of Rupees 1,574.665 million and Rupees 558.964 million, in respect of non payment of minimum tax on subsidy under section 113 of the Ordinance and alleged incorrect claim of tax credit under section 65B of the Ordinance. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the cases in favour of the Company. The Regional Tax Office has filed reference application on 14 April 2017 against the decision before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (iv) Additional Commissioner Inland Revenue passed an Order vide letter No. 539335-1 dated 09 January 2017 under section 122(9) of the Ordinance, raising a demand of Rupees 13.896 million in respect of less depositing of turnover tax under section 113 of the Ordinance in tax year 2011. Being aggrieved with the order the Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 08 October 2017, which is pending for adjudication.
- (v) Commissioner Inland Revenue issued show cause notice No. 290 dated 16 December 2015, under section 162 / 205 of the Ordinance and raised a demand of Rupees 14.571 million for treating service fee for the collection of Pakistan Television (PTV) license fees as commission rather than as service fee for the tax year 2014. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this notice, which is pending for adjudication.
- (vi) Additional Commissioner Inland Revenue passed an Order No. 678 dated 23 December 2015 under section 122(5A) raising a demand of Rupees 156.009 million for the tax year 2010, in respect of illegal set off of part of accumulated unabsorbed depreciation against interest from bank deposits / instruments and non-payment of tax on such income. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The matter has been resolved in favour of the Company by the ATIR. The Regional Tax Office has filed an appeal on 22 November 2018 before the Honorable Lahore High Court, Lahore, which is pending for adjudication.
- (vii) Additional Commissioner Inland Revenue issued a show cause notice under section 161(1A) and raised demand of Rupees 120.044 million, in respect of alleged non-payment of withholding tax on various payments, in respect of tax year 2017. The Company filed an appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) on 21 June 2017. CIR (A) remanded back the case to Additional Commissioner Inland Revenue which is pending for decision.
- (viii) The Additional Commissioner Inland Revenue issued a show cause notice vide bar code No. 100000050411892 dated 10 May 2019 for the tax year 2016 under section 122(5A) of the Ordinance, creating a demand of Rupees 1,877.421 million, in respect of non payment of Alternative Corporate Tax. Being aggrieved with the orders the Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) on 11 June 2019, the proceedings of which is pending.
- (ix) Additional Commissioner Inland Revenue issued a show cause notice No. 438 dated 04 February 2014 for the tax year 2009 under section 122(5A) of the Ordinance, raising a demand of Rupees 122.559 million, in respect of illegal set off of part of accumulated unabsorbed depreciation against interest from bank deposits / instruments and non-payment of tax on such income. The matter has been resolved in favour of the Company by the Appellate Tribunal Inland Revenue (ATIR). The Regional Tax Office has filed an appeal before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (x) Deputy Commissioner Inland Revenue passed orders under section 161 / 205 of the Ordinance for the tax years 2016 and 2017 raising a demand of Rupees 67.023 million, in respect of non deduction of withholding tax against payment of use of system charges to NTDC. Appeals filed against these orders are pending before Commissioner Inland Revenue (Appeals) (CIR (A)).
- (xi) Deputy Commissioner Inland Revenue passed orders under section 205 of the Ordinance for the tax years 2012, 2013, 2014 and 2015 raising a demand of Rupees 229.279 million, in respect of non deduction of withholding tax against payment of use of system charges to NTDC. Appeals filed against these orders are pending before Appellate Tribunal Inland Revenue (ATIR).
- (xii) Assistant Commissioner Inland Revenue passed an order vide letter No. 656 dated 26 October 2015 for the tax year 2014 regarding income tax audit under section 174(2) of the Ordinance raising demand of Rupees 2,442 million, in respect of various issues including non payment of minimum tax on subsidy, excess claim of purchases and other issues. The Company has filed an appeal on 13 February 2019 before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.
- (xiii) Additional Commissioner Inland Revenue passed an Order No. 1758 dated 26 September 2018 under section 161(1) and raised demand of Rupees 46.353 million, in respect of alleged non-payment of withholding tax on various payments, in respect of tax year 2017. The Company has filed an appeal on 11 June 2019 before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.

Aggregate provision of Rupees 7,322.906 million regarding the cases stated in paragraph numbers 14.1.5 (i) to 14.1.5 (xiii) has not been accounted for in the books of account of the Company as in the opinion of tax advisor, the favorable outcome of these cases is expected.

Sales Tax

- (xiv) Assistant Commissioner Punjab Revenue Authority (ACPRA) passed an order vide letter no. 18418 dated 24 January 2017 raising a demand of Rupees 385.802 million, in respect of non charging of Punjab Sales Tax (PST) on various services performed by the Company for the tax period from July 2014 to June 2015. The Company filed to Commissioner Appeals (PRA) against this order. The Commissioner Appeals (PRA) decided the case in favour of the order. The Company has filed writ petition no. 22607 before Honorable Lahore High Court, Lahore against which has granted stay on 29 June 2018 against the order of ACPRA. Matter is still pending before Honorable Lahore High Court, Lahore.
- (xv) Assistant Commissioner Punjab Revenue Authority (ACPRA) passed an order raising a demand of Rupees 137.656 million, in respect of non withholding of Punjab Sales Tax on various services received by the Company in respect of tax periods from July 2014 to June 2016. The Company filed an appeal before Commissioner (Appeals) PRA, who decided the case in favor of the Company on time limitation dated 13 November 2017. The tax department has filed writ petition No. 152963 before the Honorable Lahore High Court, which has granted stay on 20 January 2018. Matter is still pending before Honorable Lahore High Court, Lahore.
- (xvi) Deputy Commissioner Inland Revenue issued show cause notice No. 07 dated 31 December 2011 under section 36(2) of Sales Tax Act, 1990 raising a demand of Rupees 6,888.265 million for the tax period from December 2008 to June 2009 in respect of non-charging and payment of sales tax on subsidy, non-utility operations, new connections awaiting installation, work in progress, repair, testing and inspection fee, reconnections, unlawful input tax claim / adjustment against suspended registration and black listed parties. The Appellate Tribunal Inland Revenue (ATIR) has decided the case in favour of the Company. The Regional Tax Office filed reference application before the Honorable Lahore High Court, Lahore on 08 December 2014, which is pending for adjudication.
- (xvii) Assistant Commissioner Inland Revenue issued an order vide letter No. 1317 dated 05 December 2014 raising a demand of Rupees 3.853 million in respect of non-charging and payment of extra tax and further tax on assessment basis on supply of electricity. The Company has filed an appeal on 14 April 2016 before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.
- (xviii) Deputy Commissioner Inland Revenue issued a show cause notice No. 344 dated 09 January 2013 raising a demand of Rupees 6,767.126 million for the tax years 2009-10 in respect of penalty for suppression of sales, inadmissible input tax claimed, non-charging of sales tax on subsidy etc. The Appellate Tribunal Inland Revenue (ATIR) has decided the case in favour of the Company. The Regional Tax Office filed reference application against the decision of ATIR before Honorable Lahore High Court, Lahore which is pending for adjudication.
- (xix) Deputy Commissioner Inland Revenue issued a show cause notice No. 822 dated 15 June 2017 raising a demand of Rupees 6,721.787 million in respect of tax period from July 2013 to June 2014 on suppression of sales, inadmissible input tax claimed, non-charging of sales tax on subsidy etc. The Company has filed an appeal on 19 October 2018 before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.
- (xx) Deputy Commissioner Inland Revenue issued a show cause notice No. 07 dated 31 December 2011 under section 36(2) of Sales Tax Act, 1990 raising a demand of Rupees 4,696.088 million in respect of tax period from July 2008 to November 2008 on account of non-charging and payment of sales tax on subsidy, non-utility operations, new connections awaiting installation, work in progress, repair, testing and inspection fee, reconnections, unlawful input tax claim / adjustment against suspended registration and black listed parties. The Company has filed writ petition No. 19561 dated 06 August 2013 before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (xxi) Commissioner Inland Revenue issued an Order No. 1725 dated 27 February 2019 under section 26 of Sales Tax Act, 1990 raising a demand of Rupees 66.640 million in respect of non-chargeability of sales tax on free supply to FESCO employees. The Company has filed an appeal on 13 April 2019 before the Commissioner Inland Revenue (Appeals), which is pending for adjudication.
- (xxii) Assistant Commissioner Inland Revenue issued a show cause notice No. 1247 dated 01 January 2019 under section 8(1) of Sales Tax Act, 1990 raising a demand of Rupees 5.447 million in respect of inadmissible input tax. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), which is pending for adjudication.
- (xxiii) Assistant Commissioner Inland Revenue issued an order vide letter No. 82 dated 27 April 2018 under section 45-B of Sales Tax Act, 1990 raising a demand of Rupees 22.415 million in respect of inadmissible input tax on various purchases. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), which is pending for adjudication.
- (xxiv) Deputy Commissioner Inland Revenue issued a show cause notice No. 96 dated 12 May 2016 under section 33 (1) of Sales Tax Act, 1990 raising a demand of Rupees 187.094 million in respect of non charging of line losses units lost during distribution of electricity. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the case in favour of the Company. The Regional Tax Office has filed an appeal before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (xxv) Assistant Commissioner Inland Revenue issued an order No. 71/2018 dated 28 June 2018, raising a demand of Rupees 2,683.049 million in respect of suppression of sales and inadmissible input tax. The Company filed to Commissioner Inland Revenue (Appeals) (CIR (A)) against this order. The CIR (A) remanded back the case to the taxation adjudication. The Company filed an appeal before the Appellate Tribunal Inland Revenue against the order passed by the CIR (A), which is pending for adjudication.

- (xxvi) Assistant Commissioner Inland Revenue issued show cause notice No. 41 dated 17 July 2018 and raising a demand of Rupees 1.538 million in respect of in respect of inadmissible input tax on various purchases. The Company filed to Commissioner Inland Revenue (Appeals) against this notice, which is pending for adjudication.

Aggregate provision of Rupees 28,566.760 million relating to the above stated paragraph numbers 14.1.5 (xiv) to 14.1.5 (xxvi) has not been recorded in the books of accounts of the Company on the advice of tax advisors of the Company, as favourable outcome of these cases are expected.

14.2 Commitments

- 14.2.1 Contracts for capital expenditure are of Rupees 1,191.761 million (2018: Rupees 771.271 million).
- 14.2.2 Inland letter of credits in respect of capital expenditure are of Rupees 164.614 million (2018: Rupees 123.968 million).
- 14.2.3 Contracts for other than capital expenditure are of Rupees 5.832 million (2018: Rupees Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	2019 RUPEES	2018 RUPEES
Operating fixed assets (Note 15.1)	85,944,842,615	81,742,425,126
Capital work-in-progress (Note 15.2)	11,814,661,568	12,708,607,646
	<u>97,759,504,183</u>	<u>94,451,032,772</u>

15.1 OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Feeders (up to 11 kv)	Grids and equipment	Vehicles	Furniture, fixtures and office equipment	Total
As at 30 June 2017							
Cost / revalued amount	12,750,002,284	2,149,840,701	71,337,732,190	18,658,193,188	864,511,364	717,968,837	106,478,248,564
Accumulated depreciation	-	(316,392,496)	(20,129,400,735)	(5,328,483,435)	(664,613,396)	(397,287,141)	(26,836,177,203)
Net book value	12,750,002,284	1,833,448,205	51,208,331,455	13,329,709,753	199,897,968	320,681,696	79,642,071,361
Year ended 30 June 2018							
Opening net book value	12,750,002,284	1,833,448,205	51,208,331,455	13,329,709,753	199,897,968	320,681,696	79,642,071,361
Additions	-	139,137,071	3,596,884,790	2,269,819,883	1,601,617	83,801,095	6,091,244,456
Transferred to stores and spares / written off	-	-	-	-	-	-	-
Cost / revalued amount	-	-	(409,828,542)	(655,310,996)	-	(197,144)	(1,065,336,682)
Accumulated depreciation	-	-	147,298,198	262,344,398	-	229,253	409,871,849
	-	-	(262,530,344)	(392,966,598)	-	32,109	(655,464,833)
Depreciation charge	-	(43,653,941)	(2,534,406,661)	(657,460,335)	(39,037,488)	(60,867,433)	(3,335,425,858)
Closing net book value	12,750,002,284	1,928,931,335	52,008,279,240	14,549,102,703	162,462,097	343,647,467	81,742,425,126
As at 30 June 2018							
Cost / revalued amount	12,750,002,284	2,288,977,772	74,524,788,438	20,272,702,075	866,112,981	801,572,788	111,504,156,338
Accumulated depreciation	-	(360,046,437)	(22,516,509,198)	(5,723,599,372)	(703,650,884)	(457,925,321)	(29,761,731,212)
Net book value	12,750,002,284	1,928,931,335	52,008,279,240	14,549,102,703	162,462,097	343,647,467	81,742,425,126
Year ended 30 June 2019							
Opening net book value	12,750,002,284	1,928,931,335	52,008,279,240	14,549,102,703	162,462,097	343,647,467	81,742,425,126
Additions	533,040,354	206,249,188	4,861,447,425	2,860,529,374	3,842,000	53,429,920	8,518,538,261
Transferred to stores and spares / written off	-	-	-	-	-	-	-
Cost / revalued amount	-	-	(516,521,931)	(513,906,301)	(386,783)	(146,748)	(1,130,961,763)
Accumulated depreciation	-	-	189,298,728	150,317,623	386,783	138,134	340,141,268
	-	-	(427,223,203)	(363,588,678)	-	(8,614)	(790,820,495)
Depreciation charge	-	(46,353,338)	(2,664,198,977)	(719,981,174)	(34,696,955)	(60,069,833)	(3,525,300,277)
Closing net book value	13,283,042,638	2,088,827,185	53,778,304,485	16,326,062,225	131,607,142	336,998,940	85,944,842,615
As at 30 June 2019							
Cost / revalued amount	13,283,042,638	2,495,226,960	78,769,713,932	22,619,325,148	869,568,198	854,855,960	118,891,732,836
Accumulated depreciation	-	(406,399,775)	(24,991,409,447)	(6,293,262,923)	(737,961,056)	(517,857,020)	(32,946,890,221)
Net book value	13,283,042,638	2,088,827,185	53,778,304,485	16,326,062,225	131,607,142	336,998,940	85,944,842,615
Annual rate of depreciation (%)		2	3.5	3.5	10	10-33.33	

15.1.1 The property and rights in the above assets were transferred to the Company on 29 June 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement (BTA) executed between WAPDA and the Company. The detail of these assets were finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).

15.1.2 Title of freehold land valuing Rupees 7,322.486 million is in the name of WAPDA and title of freehold land valuing of Rupees 4,574.393 million has neither been transferred in the name of WAPDA nor in the name of the Company.

15.1.3 On 01 March 2019, the Company entered into an Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which Company authorized PHPL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Faisalabad and Jhang districts having combined area of 1 062 kanals and 9 marlas amounting to Rupees 5,661,814,320. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHPL to raise financing through the Sukuk issue. In addition to this agreement, PHPL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the freehold land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates will be issued by PHPL for a period of ten years. However, the Company holds the title of the transaction assets as title agent.

15.1.4 If the freehold land, buildings on freehold land, feeders (up to 11 kv), grids and equipment were measured using the cost model, the carrying amount would be as follows:

	Cost	Accumulated depreciation	Net book value
RUPEES			
Land - freehold	1,155,515,137	-	1,155,515,137
Building on freehold land	2,675,823,516	663,032,781	2,012,790,735
Feeders (up to 11 kv)	61,007,518,490	21,304,099,063	39,703,419,427
Grids and equipment	16,041,104,806	5,002,330,532	11,038,774,274
2019	80,879,961,949	26,969,462,376	53,910,499,573
2018	73,336,754,651	24,665,187,726	48,671,566,925

The accumulated depreciation on cost basis was excess shown amounting to Rupees 575.120 million for the year ended 30 June 2017 and less shown amounting to Rupees 258.925 million for the year ended 30 June 2018. However, there is no impact on these financial statements regarding this change.

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

	2019	2018
RUPEES		
Distribution cost (Note 29)	3,428,243,779	3,241,243,247
Administrative expenses (Note 30)	69,470,999	64,779,991
Customer services costs (Note 31)	861,004	775,262
Included in capital work-in-progress (Note 15.2.4)	26,724,495	28,627,358
	3,525,300,277	3,335,425,858

		2019 RUPEES	2018 RUPEES
15.2	Capital work in progress		
	Civil works	133,010,094	112,266,647
	Distribution equipment (Note 15.2.1)	11,282,354,240	11,963,314,116
		11,415,364,334	12,075,580,763
	Cost of implementation of Enterprise Resource Planning	31,522,986	8,768,770
	Mobilization advance to suppliers / contractors	3,420,837	4,777,274
	Capital stores (Note 15.2.3)	364,353,411	619,480,839
		11,814,661,568	12,708,607,646
15.2.1	Distribution equipment		
	Materials	6,615,166,165	7,347,140,069
	Overheads	1,368,409,814	1,134,593,040
	Contract	2,573,207,313	2,146,217,965
	Others (Note 15.2.1.1)	162,872,267	702,388,289
	Borrowing costs (Note 15.2.1.2)	562,698,681	632,974,753
		11,282,354,240	11,963,314,116
15.2.1.1	These include various turnkey projects awarded for construction of 132 KV Grid Station at various locations of Faisalabad region.		
15.2.1.2	These represent borrowing costs incurred specifically to finance the construction of grid station projects. The capitalization rate used was 15 percent (2018: 15 percent) per annum.		
15.2.2	Movement in civil works and distribution equipment during the year:		
	Balance as at 01 July	12,075,580,763	9,177,588,278
	Add: Additions during the year	4,016,753,920	6,352,781,007
		16,092,334,683	15,530,369,285
	Less:		
	Transferred to freehold land and buildings on freehold land	(715,437,899)	(139,639,319)
	Transferred to feeders, grids and equipment	(3,961,532,450)	(3,315,149,203)
		(4,676,970,349)	(3,454,788,522)
	Balance as at 30 June	11,415,364,334	12,075,580,763
15.2.3	These represent items of stores, spares and loose tools held for capitalization.		
15.2.4	Depreciation capitalized related to capital work-in-progress was Rupees 26.724 million (2018: Rupees 28.627 million) as given in Note 15.1.5. Moreover operating expenses of Rupees 513.312 million (2018: Rupees 442.832 million) have also been included in capital work-in-progress (Note 29).		
16.	INTANGIBLE ASSETS		
	Computer Softwares		
	Balance as at 01 July		
	Cost	211,225,173	140,152,669
	Accumulated amortization	(57,245,610)	(28,030,534)
		153,979,563	112,122,135
	Movement during the year		
	Additions	-	71,072,504
	Amortization charge for the year (Note 30)	(42,245,035)	(29,215,076)
		(42,245,035)	41,857,428
	Balance as at 30 June		
	Cost	211,225,173	211,225,173
	Accumulated amortization	(99,490,645)	(57,245,610)
		111,734,528	153,979,563
	Amortization rate (per annum)	20%	20%
16.1	These include various modules of SAP ERP softwares.		
17.	LONG TERM ADVANCES		
	Considered good - secured		
	House building / purchase of plot	156,614,652	152,136,378
	Vehicles / motor cycles	7,652,838	4,515,681
		164,267,490	156,652,059
	Less: Current portion of long term advances (Note 21)	(33,873,876)	(31,932,503)
		130,393,614	124,719,556

17.1 Loans for house building and purchase of plot are repayable in five years and for car and motor cycle loans in three years. As per Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 14.35 percent (2018: 11.70 percent) per annum. These are recoverable in equal monthly installments. These loans are secured by mortgage of immovable property and hypothecation of vehicles.

18. LONG TERM DEPOSITS

These represent security deposits with utility companies against connections.

19. STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools
Less: Provision for slow moving and obsolete items of stores, spares and loose tools (Note 19.1)

**2019
RUPEES**

**2018
RUPEES**

3,180,819,397

2,759,445,807

(49,089,521)

(49,764,726)

3,131,729,876

2,709,681,081

19.1 Provision for slow moving and obsolete items of stores, spares and loose tools

Balance as at 01 July

49,764,726

16,173,316

Provision for slow moving and obsolete items

-

33,591,410

49,764,726

49,764,726

Less: Reversal of provision for slow moving and obsolete items (Note 32)

675,205

-

Balance as at 30 June

49,089,521

49,764,726

20. TRADE DEBTS

Partially secured:

Considered good (Note 20.1 and Note 20.2)

20,499,142,411

19,149,975,494

Less: Allowance for expected credit losses (Note 20.3)

748,882,101

771,241,770

19,750,260,310

18,378,733,724

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

20.2 CPPA-G vide its Credit Note No. PPA-296/FESCO-32 dated 24 July 2019 effective as on 30 June 2019 has directed the Company to adjust Industrial Support Package, included in trade debts amounting to 13,411 million against the amount payable to CPPA-G on account of purchase of electricity and NTDC on account of Use of System Charges (UoSC). Hence, the Company has adjusted the said amount as at 30 June 2019 against trade debts.

20.3 Allowance for expected credit losses

Balance as at 01 July

771,241,770

728,053,767

Add: Expected credit loss allowance for the year

-

43,188,003

771,241,770

771,241,770

Less: Reversal of expected credit loss allowance - net (Note 32)

22,359,669

-

Balance as at 30 June

748,882,101

771,241,770

20.3.1 The provision / reversal of expected credit loss allowance is made on net basis due to large number of consumers of the Company.

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

Not past due yet

6,304,268,310

8,512,657,960

Due up to 1 year

1,589,812,477

1,397,094,955

1 year to 3 years

166,254,643

207,836,566

3 years and above

348,017,715

322,114,266

Balances due from Government

11,856,179,523

8,468,980,809

Deferred arrears

234,609,743

241,290,938

20,499,142,411

19,149,975,494

Less: Allowance for expected credit losses

748,882,101

771,241,770

19,750,260,310

18,378,733,724

		2019 RUPEES	2018 RUPEES
21.	LOANS AND ADVANCES		
	Considered good - unsecured		
	Advances to suppliers	17,131,893	10,480,492
	Advances to employees against expenses	7,618,608	9,697,788
	Advances to employees for sports	1,102,600	2,981,120
	Current portion of long term advances (Note 17)	33,873,876	31,932,503
		<u>59,726,977</u>	<u>55,091,903</u>
22.	OTHER RECEIVABLES		
	Considered good - unsecured		
	Duties, charges and taxes (Note 22.1)	-	-
	Sales tax and other taxes receivable from consumers	3,422,784,993	2,762,509,936
	Receivable against damaged items during warranty period	56,623,567	56,570,918
	Due from associated companies / undertakings (Note 22.2)	7,579,826,309	6,826,181,463
	Others (Note 22.3)	29,639,487	23,276,872
		<u>11,088,874,356</u>	<u>9,668,539,189</u>
22.1	Duties, charges and taxes		
	Receivables not yet realized:		
	Income tax	181,872,972	125,393,014
	Tariff rationalization surcharge (Note 22.1.2)	71,002,954	414,926,330
	Financing cost surcharge (Note 22.1.3)	694,333,670	230,881,654
	Electricity duty	93,545,689	73,406,024
	Equalization surcharge	1,339,488	1,342,875
	Extra / Further sales tax	94,395,278	55,123,715
	PTV license fee	48,463,007	46,283,652
	Neelum Jhelum surcharge	165,672,765	57,890,180
		<u>1,350,625,823</u>	<u>1,005,247,444</u>
	Payables not yet realized:		
	Income tax	181,872,972	125,393,014
	Tariff rationalization surcharge	71,002,954	414,926,330
	Financing cost surcharge	694,333,670	230,881,654
	Electricity duty	93,545,689	73,406,024
	Equalization surcharge	1,339,488	1,342,875
	Extra / Further sales tax	94,395,278	55,123,715
	PTV license fee	48,463,007	46,283,652
	Neelum Jhelum surcharge	165,672,765	57,890,180
		<u>1,350,625,823</u>	<u>1,005,247,444</u>
22.1.1	These represent the amounts billed to the customers on behalf of the respective authorities and are receivable at year end which have been netted off against their respective payables.		
22.1.2	This represents Tariff Realization Surcharge receivable from the consumers pursuant to S.R.O. 568(I)/2015, dated 10 June 2015 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for discharging of determined cost of power producers by the CPPA-G. During the financial year ended 30 June 2018, GoP revised the tariff rationalization surcharge rates for categories of electricity consumers of the Company.		
22.1.3	This represents Financing Cost Surcharge receivable from the consumers pursuant to S.R.O. 03(I)/2019, dated 01 January 2019 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for exclusive use of discharging the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GoP.		
22.2	Due from associated companies / undertakings		
	Due on account of free electricity (Note 22.2.1)	890,822,197	860,810,359
	Due on account of pension (Note 22.2.2)	4,054,157,558	3,957,820,399
	Due on account of WAPDA welfare fund	510,210,427	439,174,393
	Due from NTDC on account of general sales tax receivable on UoSC	556,259,815	-
	Due on account of past service cost of WAPDA employees (Note 22.2.3)	1,568,376,312	1,568,376,312
		<u>7,579,826,309</u>	<u>6,826,181,463</u>

	2019 RUPEES	2018 RUPEES
22.2.1 Due from associated companies on account of free electricity		
National Transmission and Despatch Company Limited (NTDC)	222,334,934	245,191,507
Islamabad Electric Supply Company Limited (IESCO)	122,650,346	117,687,297
Peshawar Electric Supply Company Limited (PESCO)	59,228,817	60,157,560
Gujranwala Electric Power Company Limited (GEPCO)	30,486,602	28,237,510
Quetta Electric Supply Company Limited (QESCO)	18,338,538	15,744,048
Hyderabad Electric Supply Company Limited (HESCO)	3,354,362	3,147,008
Tribal Area Electric Supply Company Limited (TESCO)	1,796,782	1,165,490
Jamshoro Power Company Limited (GENCO-I)	949,938	780,798
Central Power Generation Company Limited (GENCO-II)	5,556,796	4,378,193
Northern Power Generation Company Limited (GENCO-III)	424,125,951	382,515,231
Lakhra Power Generation Company Limited (GENCO-IV)	1,999,131	1,805,717
	<u>890,822,197</u>	<u>860,810,359</u>
22.2.2 Due from associated companies / undertakings on account of pension		
Water and Power Development Authority (WAPDA) (Note 22.2.2.1)	2,970,625,191	2,862,305,270
National Transmission and Despatch Company Limited (NTDC)	407,179,542	413,356,188
Islamabad Electric Supply Company Limited (IESCO)	117,136,402	82,892,607
Gujranwala Electric Power Company Limited (GEPCO)	69,858,406	48,985,668
Quetta Electric Supply Company Limited (QESCO)	25,916,807	17,968,720
Hyderabad Electric Supply Company Limited (HESCO)	22,096,205	14,547,724
Tribal Area Electric Supply Company Limited (TESCO)	206,834	550,099
Sukkur Electric Power Company Limited (SEPCO)	5,031,435	6,917,262
Multan Electric Power Company Limited (MEPCO)	150,471,966	165,111,958
Lahore Electric Supply Company Limited (LESCO)	24,586,527	37,306,955
Jamshoro Power Company Limited (GENCO-I)	3,900,135	4,574,713
Central Power Generation Company Limited (GENCO-II)	18,739,600	27,153,167
Northern Power Generation Company Limited (GENCO-III)	237,452,204	274,922,861
Lakhra Power Generation Company Limited (GENCO-IV)	956,304	1,227,207
	<u>4,054,157,558</u>	<u>3,957,820,399</u>
22.2.2.1	This includes receivable from WAPDA amounting to Rupees 1,100 million (2018: Rupees 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 Power Division, Ministry of Energy, GoP referred the matter to NEPRA. NEPRA in its tariff determination dated 10 March 2015 has decided that above amount is receivable from the WAPDA.	
22.2.3	This represents the balance receivable from WAPDA after adjustments made by the Company against the deposit for shares balance of WAPDA amounting to Rupees 3,748 million on account of the past service cost relating to years 2015 and 2016 amounting to Rupees 5,318 million, of the employees of WAPDA retired before July 1998.	
22.2.4	The maximum aggregate amount due from National Transmission and Despatch Company Limited (NTDC) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 1,295.147 million (2018: Rupees 658.548 million).	
22.2.5	The maximum aggregate amount due from Islamabad Electric Supply Company Limited (IESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 239.786 million (2018: Rupees 239.467 million).	
22.2.6	The maximum aggregate amount due from Peshawar Electric Supply Company Limited (PESCO) with respect to balance mentioned in Note 22.2.1, at the end of any month during the year was Rupees 60.270 million (2018: Rupees 60.158 million).	
22.2.7	The maximum aggregate amount due from Gujranwala Electric Power Company Limited (GEPCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 104.558 million (2018: Rupees 94.383 million).	
22.2.8	The maximum aggregate amount due from Quetta Electric Supply Company Limited (QESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 44.432 million (2018: Rupees 33.712 million).	
22.2.9	The maximum aggregate amount due from Hyderabad Electric Supply Company Limited (HESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 25.742 million (2018: Rupees 21.868 million).	
22.2.10	The maximum aggregate amount due from Tribal Area Electric Supply Company Limited (TESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 2.579 million (2018: Rupees 1.716 million).	
22.2.11	The maximum aggregate amount due from Northern Power Generation Company Limited (GENCO-III) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 778.628 million (2018: Rupees 657.438 million).	

- 22.2.12** The maximum aggregate amount due from Central Power Generation Company Limited (GENCO-II) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 41.138 million (2018: Rupees 31.531 million).
- 22.2.13** The maximum aggregate amount due from Lakhra Power Generation Company Limited (GENCO-IV) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 3.814 million (2018: Rupees 3.616 million).
- 22.2.14** The maximum aggregate amount due from Jamshoro Power Company Limited (GENCO-I) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 7.400 million (2018: Rupees 5.405 million).
- 22.2.15** The maximum aggregate amount due from Sukkur Electric Power Company Limited (SEPCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 9.468 million (2018: Rupees 8.231 million).
- 22.2.16** The maximum aggregate amount due from Lahore Electric Supply Company Limited (LESCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 64.669 million (2018: Rupees 100.289 million).
- 22.2.17** The maximum aggregate amount due from Multan Electric Power Company Limited (MEPCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 208.649 million (2018: Rupees 229.248 million).
- 22.2.18** The maximum aggregate amount due from Water and Power Development Authority (WAPDA) current account with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 4,709.097 million (2018: Rupees 4,430.681 million).
- 22.2.19** The maximum aggregate amount due from Water and Power Development Authority (WAPDA) welfare fund at the end of any month during the year was Rupees 510.210 million (2018: Rupees 439.174 million).
- 22.2.20** The ageing analysis of the balances receivable from associated companies / undertakings has not been disclosed due to the non-availability of the year wise / period wise segregation of these balances.
- 22.3** These include an amount of Rupees 18.422 million (2018: Rupees 23 million) receivable from employees against shortage and theft.

	2019 RUPEES	2018 RUPEES
23. TAX REFUNDS DUE FROM THE GOVERNMENT		
Sales tax	8,095,458,270	8,234,100,283
Income tax	390,411,787	279,473,484
	<u>8,485,870,057</u>	<u>8,513,573,767</u>
24. RECEIVABLE FROM GOVERNMENT OF PAKISTAN		
Balance as at 01 July	2,806,427,483	-
Tariff differential subsidy recognized during the year (Note 24.1)	41,038,912,061	20,132,058,251
Adjusted against tariff rationalization surcharge and credit notes received from CPPA-G	(31,975,150,115)	(17,325,630,768)
Balance as at 30 June	<u>11,870,189,429</u>	<u>2,806,427,483</u>
24.1 This represents tariff differential subsidy receivable from Government of Pakistan (GoP) as a difference between rates determined by NEPRA under different tariff determinations and rates notified by the GoP which are charged to the consumers.		
25. CASH AND BANK BALANCES		
Cash in transit (Note 25.1)	357,406,052	202,927,130
Cash with banks on:		
Current accounts	452,785,103	1,458,165,724
Deposit accounts (Note 25.2 and Note 25.3)	2,269,256,403	4,243,474,987
Term Deposit Receipts (TDRs) (Note 25.4 and Note 25.5)	17,800,000,000	11,200,000,000
	20,522,041,506	16,901,640,711
	<u>20,879,447,558</u>	<u>17,104,567,841</u>
25.1 This represents cash transmitted by National Database and Registration Authority (NADRA) against collection of consumer bills but not received by the Company at reporting date.		
25.2 These carry profit ranging from 6.65% to 11.75% (2018: 4% to 6.65%) per annum.		
25.3 These include an amount of Rupees 195.196 million (2018: Rupees 134.105 million) kept in separate bank accounts relating to customers' security deposits.		
25.4 These represent term deposits receipts placed with different banks having maturity of three months (2018: one to three months) at profit rates ranging from 12.32% to 12.60% (2018: 5.95% to 6.75%) per annum.		
25.5 Term deposit receipts (TDRs) include an amount of Rupees 9,353 million (2018: Rupees 7,900 million) relating to customers' security deposits. The accumulated profit earned on the TDRs related to consumers' security deposits is also included therein.		

		2019 RUPEES	2018 RUPEES
26. SALE OF ELECTRICITY - NET			
Gross sales		172,840,087,608	135,060,225,106
Less: Sales tax		24,097,757,259	18,668,251,698
		<u>148,742,330,349</u>	<u>116,391,973,408</u>
27. TARIFF DIFFERENTIAL SUBSIDY			
This represents the tariff subsidy claimed from the Government of Pakistan as the difference between rates determined by NEPRA and rates charged to the consumers as notified by the Government of Pakistan from time to time.			
28. COST OF ELECTRICITY			
28.1	The Company purchased electricity from CPPA-G. The electricity purchased during the year has been accounted for according to invoices issued by CPPA-G and adjusted in accordance with monthly fuel price adjustment determined and notified by NEPRA. The average rate for the year was Rupees 11.67 per KWH (2018: Rupees 10.54 per KWH).		
28.2	This includes supplemental charges of Rupees 2,337.74 million (2018: Rupees 608.71 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA-G on the basis of average outstanding balance.		
29. DISTRIBUTION COST			
Salaries, wages and other benefits (Note 29.1)		16,244,477,404	12,416,431,852
Depreciation (Note 15.1.5)		3,428,243,779	3,241,243,247
Repair and maintenance		295,447,555	265,602,640
Rent, rates and taxes		26,446,148	22,349,702
Telephone and postage		17,664,232	18,174,327
Power, light and water		28,334,062	22,663,914
Office supplies and other expenses		13,389,704	11,162,879
Travelling and conveyance		269,323,677	269,086,803
Legal and professional		15,902,868	15,585,025
Transportation		235,071,626	196,689,341
Advertising and publicity		-	16,680
Other charges		179,350,542	50,167,273
		<u>20,753,651,598</u>	<u>16,529,173,683</u>
Less: Charged to capital work-in-progress (Note 15.2.4)		(513,311,789)	(442,831,738)
		<u>20,240,339,809</u>	<u>16,086,341,945</u>
29.1	Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 9,368 million (2018: Rupees 5,674 million).		
30. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits (Note 30.1)		2,469,115,237	1,789,426,750
Directors' meeting fee		6,117,000	4,911,500
Depreciation (Note 15.1.5)		69,470,999	64,779,991
Amortization (Note 16)		42,245,035	29,215,076
Repair and maintenance		63,551,916	98,719,505
Rent, rates and taxes		131,300	11,568
Power, light and water		30,322,672	21,718,650
Office supplies and other expenses		116,574,943	98,650,885
Travelling and conveyance		63,077,401	57,627,714
Legal and professional		75,185,345	68,661,659
Auditors' remuneration (Note 30.2)		1,800,000	2,036,000
Transportation		50,527,547	45,431,090
Management fees		305,580,634	63,014,793
Telephone and postage		10,998,520	11,615,298
Insurance		64,739,635	10,938,604
Advertisement		35,345,236	15,471,325
Provision for slow moving and obsolete stores, spares and loose tools		-	33,591,410
Other charges		4,151,081	12,833,556
		<u>3,408,934,500</u>	<u>2,428,655,374</u>
30.1	Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 1,272 million (2018: Rupees 658 million).		

	2019 RUPEES	2018 RUPEES
30.2 Auditors' remuneration		
Audit fee	1,450,000	1,450,000
Reimbursable expenses	350,000	500,000
Other certification fee	-	86,000
	<u>1,800,000</u>	<u>2,036,000</u>
31. CUSTOMER SERVICES COSTS		
Salaries, wages and other benefits (Note 31.1)	1,742,886,985	1,312,228,149
Depreciation (Note 15.1.5)	861,004	775,262
Electricity bills collection charges	343,073,400	318,991,660
Travelling and conveyance	29,943,411	30,180,507
Repair and maintenance	420,642	494,242
Rent, rates and taxes	2,672,833	2,286,508
Telephone and postage	2,372,369	2,364,731
Power, light and water	4,193,345	3,169,647
Office supplies and other expenses	6,552,634	6,450,769
Transportation	3,347,775	2,767,450
Expected credit loss allowance	-	43,188,003
Other charges	657,734	615,836
	<u>2,136,982,132</u>	<u>1,723,512,764</u>
31.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 736 million (2018: Rupees 413 million).		
32. OTHER INCOME		
Income from financial assets		
Profit on bank deposits and term deposit receipts	1,536,745,836	750,304,120
Late payment surcharge	1,406,002,036	1,280,219,337
Reversal of expected credit loss allowance - net (Note 20.3)	22,359,669	-
	<u>2,965,107,541</u>	<u>2,030,523,457</u>
Income from non-financial assets		
Gain on installation of new connection	989,769,243	417,093,177
Repair, testing and inspection fee	13,461,704	18,659,948
Recovery of late delivery charges	67,730,014	133,884,455
Reversal of provision for slow moving and obsolete stores, spares and loose tools (Note 19.1)	675,205	-
Meter / service rent	49,995,271	48,524,059
Reconnection fees	20,983,880	17,394,167
Excess deposit work receipts written back	82,351,232	72,102,074
Service charges on collection of PTV license fee and electricity duty	81,336,650	93,083,465
Company's colonies quarterly rent	8,954,967	10,075,375
Miscellaneous	7,068,783	71,331,812
	<u>1,322,326,949</u>	<u>882,148,532</u>
	<u>4,287,434,490</u>	<u>2,912,671,989</u>
33. FINANCE COST		
Mark-up on long term financing	302,656,398	146,971,138
Bank charges and commission	6,524,839	7,194,417
	<u>309,181,237</u>	<u>154,165,555</u>
34. TAXATION	2019 RUPEES	2018 RUPEES Restated
Current:		
- for the year (Note 34.1)	1,507,275,962	1,139,178,537
- for prior year	(243,919,738)	(39,026,605)
	<u>1,263,356,224</u>	<u>1,100,151,932</u>
Deferred (Note 11)	(289,713,386)	(307,421,446)
	<u>973,642,838</u>	<u>792,730,486</u>

34.1 Provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance 2001 adjusted by tax credit for non-equity investment in plant and machinery under section 65B of the Ordinance. However tariff differential subsidy from Government of Pakistan is excluded from turnover of the Company as it constitutes exempt income. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company of Rupees 260,440.217 million (2018: Rupees 224,799.270 million).

34.2 The deferred tax income has been wrongly recognized on the remeasurements of defined benefit obligations in other comprehensive income for the financial years ended 30 June 2017 and 30 June 2018 amounting to Rupees 1,266.814 million and 3,876.346 million respectively. This prior period error has been corrected retrospectively in these financial statements in accordance with IAS 8. Consequently, the loss after taxation for the year ended 30 June 2018 has been decreased by Rupees 3,876.346 million while other comprehensive loss has been increased with the same amount. However there was no effect on accumulated losses as at 30 June 2017 as the effect of Rupees 1,266.814 million has been netted off.

	2019 RUPEES	2018 RUPEES
35. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(7,083,081,989)	(34,659,497,478)
Adjustments for non-cash charges and other items:		
Depreciation	3,498,575,782	3,306,798,500
Amortization of intangible assets	42,245,035	29,215,076
Provision for staff retirement benefits	11,376,381,803	6,744,744,265
Amortization of deferred credit	(1,460,436,524)	(1,338,916,821)
Finance cost	309,181,237	154,165,555
(Reversal) / provision for expected credit loss allowance	(22,359,669)	43,188,003
Profit on bank deposits and term deposit receipts	(1,536,745,836)	(750,304,120)
Excess deposit work receipts written back	(82,351,232)	(72,102,074)
(Reversal) / provision for slow moving, obsolete items of stores, spares and loose tools	(675,205)	33,591,410
Non-cash settlement against deposit for shares	447,902,359	-
Working capital changes (Note 35.1)	5,955,956,633	36,665,970,761
35.1 Working capital changes	<u>11,444,592,394</u>	<u>10,156,853,077</u>
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(421,373,590)	172,502,112
Trade debts	(1,349,166,917)	(5,268,096,246)
Loans and advances	(2,693,701)	34,836,630
Tax refunds due from the Government	138,642,014	(784,836,572)
Receivable from Government of Pakistan	(9,063,761,946)	(3,640,013,553)
Other receivables	<u>(1,420,335,167)</u>	<u>9,993,724,093</u>
	(12,118,689,307)	508,116,464
Increase in trade and other payables	18,074,645,941	36,157,854,297
	<u>5,955,956,633</u>	<u>36,665,970,761</u>

35.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
RUPEES				
Balance as at 01 July 2018	5,214,874,173	7,082,383,461	34,321,978,053	46,619,235,687
Financing obtained	326,405,606	-	-	326,405,606
Security deposits received	-	876,095,316	-	876,095,316
Receipts against deposit work received-net	-	-	2,279,544,216	2,279,544,216
Amortization of deferred credit	-	-	(1,460,436,524)	(1,460,436,524)
Balance as at 30 June 2019	<u>5,541,279,779</u>	<u>7,958,478,777</u>	<u>35,141,085,745</u>	<u>48,640,844,301</u>

36. TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Nature of transactions	2019 RUPEEES	2018 RUPEEES
Government of Pakistan			
Economic Affairs Division	Loans received	326,405,606	959,264,954
	Finance cost	865,355,079	779,945,891
Ministry of Finance	Tariff differential subsidy accrued	41,038,912,061	20,132,058,251
	Non-cash adjustment / (settlement) of deposit for shares	447,902,359	(833,586,070)
Associated companies / undertakings			
National Electric Power Regulatory Authority	Fee paid to NEPRA	39,126,391	33,085,250
National Transmission and Despatch Company Limited	Use of system charges	5,373,169,610	4,900,424,482
	Settlement against use of system charges	1,391,329,911	2,085,890,679
	Free supply of electricity provided to employees of associated company	33,178,504	28,777,812
	Pension paid to employees of associated company	285,641,951	197,486,797
Central Power Purchasing Agency (Guarantee) Limited	Purchase of electricity	176,516,757,734	155,042,442,309
	Financing cost surcharge	5,380,017,962	5,389,722,156
	Tariff rationalization surcharge	115,716,159	789,038,114
Northern Power Generation Company Limited	Free supply of electricity provided to employees of associated company	41,610,720	38,403,407
	Pension paid to employees of associated company	216,548,593	154,397,614
Water and Power Development Authority	Free supply of electricity provided to employees of associated company	40,008,681	28,296,174
	Pension paid to employees of associated company	488,629,921	358,321,891
	WAPDA welfare fund paid	71,036,033	73,350,264
Islamabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	8,529,575	8,250,918
	Free supply of electricity received by employees of the Company from associated company	3,566,525	5,170,827
	Pension paid to employees of associated company	67,787,338	45,782,825
	Pension received by employees of the Company from associated company	21,689,779	18,158,850
	Sale of material	992,000	19,858,500
	Purchase of material	4,235,553	4,262,500
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	762,652	3,283,888
	Free supply of electricity received by employees of the Company from associated company	1,691,395	1,673,411
	Pension paid to employees of associated company	13,820,253	4,186,042

Name of related party	Nature of transactions	2019 RUPEEES	2018 RUPEEES
	Pension received by employees of the Company from associated company	34,001,183	-
	Sale of material	33,405,700	-
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated company	5,648,344	4,656,243
	Free supply of electricity received by employees of the Company from associated company	3,399,252	3,092,334
	Pension paid to employees of associated company	37,471,715	28,416,150
	Pension received by employees of the Company from associated company	16,598,977	17,436,623
	Sale of material	2,349,000	57,372,600
	Purchase of material	18,200,000	20,692,500
Quetta Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	2,594,490	2,425,003
	Free supply of electricity received by employees of the Company from associated company	-	332,057
	Pension paid to employees of associated company	26,826,950	11,994,622
	Pension received by employees of the Company from associated company	1,862,242	-
	Sale of material	14,266,600	1,210,000
	Purchase of material	13,500,000	-
Central Power Generation Company Limited	Free supply of electricity provided to employees of associated company	1,178,603	456,330
	Pension paid to employees of associated company	24,884,493	17,563,834
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	1,335,820	801,274
	Free supply of electricity received by employees of the Company from associated company	1,128,466	612,003
	Pension paid to employees of associated company	15,035,043	7,552,174
	Pension received by employees of the Company from associated company	976,109	-
	Sale of material	-	2,420,000
Lakhra Power Generation Company Limited	Free supply of electricity provided to employees of associated company	193,414	175,535
	Pension paid to employees of associated company	1,503,645	1,266,882
Tribal Area Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	631,292	160,025
	Pension paid to employees of associated company	232,259	477,257
Jamshoro Power Company Limited	Free supply of electricity provided to employees of associated company	169,140	3,768
	Pension paid to employees of associated company	4,348,105	3,147,601
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated company	746,449	1,444,008
	Free supply of electricity received by employees of the Company from associated company	921,894	1,491,208
	Pension paid to employees of associated company	7,888,981	4,041,012
	Sale of material	-	2,420,000
	Purchase of material	-	12,242,700

Name of related party	Nature of transactions	2019 RUPEEES	2018 RUPEEES
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	20,419,514	15,699,832
	Free supply of electricity received by employees of the Company from associated company	16,459,885	4,073,391
	Pension paid to employees of associated company	63,981,212	43,813,440
	Pension received by employees of the Company from associated companies	76,701,640	62,981,951
	Sale of material	-	3,784,240
	Purchase of material	41,250,000	-
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated company	9,972,802	9,152,074
	Free supply of electricity received by employees of the Company from associated company	5,350,442	4,350,360
	Pension paid to employees of associated company	114,219,342	75,821,509
	Pension received by employees of the Company from associated company	11,499,468	10,810,574
	Sale of material	3,616,300	23,723,200
	Purchase of material	19,272,000	35,803,100
Pakistan Electric Power Company (Private) Limited	Free supply of electricity provided to employees of associated company	231,364	162,601
	Management fee	266,454,243	29,929,543

36.1 The Company and the above mentioned companies / undertakings are under common control of GoP with the Ministry of Water and Power. While Government of Pakistan is the sovereign authority over all these companies / undertakings.

36.2 Detail of compensation to key management personnel comprising of Chief Executive officer, directors and executives is disclosed in Note 37.

37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	2019	2018	2019	2018
	Chief Executive Officer	Executives	Executives	Executives
	RUPEES	RUPEES	RUPEES	RUPEES
Basic salary	2,387,910	2,156,460	47,712,000	46,001,320
Conveyance allowance	-	-	1,560,000	1,775,000
Bonus	336,620	326,620	3,976,000	7,512,280
Fee for attending meetings	1,155,000	1,050,000	-	-
Utilities and other benefits	4,609,274	3,202,828	29,467,721	25,775,631
Travelling and daily allowance	2,725,020	3,089,806	5,637,846	3,986,257
	11,213,824	9,825,714	88,353,567	85,050,488
Number of persons	1	1	31	33

37.1 The Chief Executive Officer is provided with the Company's maintained vehicle, free accommodation, free electricity and other utilities. Further, most of the executives of the Company have been provided with the Company's maintained vehicles and unfurnished accommodation according to the Company's policy, while free electricity has been provided to all executives.

37.2 Aggregate amount charged in the financial statements for meeting fee to 9 (2018: 10) directors was Rupees 6.117 million (2018: Rupees 4.912 million).

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

38. NUMBER OF EMPLOYEES

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

	2019	2018
Number of employees as on 30 June	15 415	16 035
Average number of employees during the year	15 725	16 335

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

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

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, other price risk and interest rate risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions, or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balance in foreign currency as at 30 June 2019 (2018: Rupees Nil).

ii) Other price risk

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

iii) Interest rate risk

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

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

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

	2019 RUPEES	2018 RUPEES
Fixed rate instruments		
Financial assets		
Long term advances	164,267,490	156,652,059
Term deposit receipts	17,800,000,000	11,200,000,000
Financial liabilities		
Long term financing	5,541,279,779	5,214,874,173

Floating rate instruments

Financial assets

Bank balances - deposit accounts

**2019
RUPEES**

**2018
RUPEES**

2,269,256,403

4,243,474,987

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 reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 22.693 million (2018: Rupees 42.435 million) lower / higher, mainly as a result of higher / lower interest income on floating rate financial instruments. This analysis is prepared assuming amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

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

Trade debts		
Loans and advances	19,750,260,310	18,378,733,724
Accrued interest	164,267,490	156,652,059
Deposits	158,971,171	60,620,106
Other receivables	3,009,006	2,795,165
Bank balances	11,088,874,356	9,668,539,189
	20,522,041,506	16,901,640,711
	<u>51,687,423,839</u>	<u>45,168,980,954</u>

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			2019	2018
	Short term	Long term	Agency	-----RUPEES-----	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	4,234,034,419	2,935,982,466
Sindh Bank Limited	A-1	A+	VIS	3,880,574,585	2,715,267,618
The Bank of Khyber	A1	A	PACRA	362,653	158,179
The Bank of Punjab	A1+	AA	PACRA	37,317,620	74,418,462
First Women Bank Limited	A2	A-	PACRA	3,204	36
Zarai Taraqiat Bank Limited	A-1+	AAA	VIS	5,120,220	2,702,400,426
Allied Bank Limited	A1+	AAA	PACRA	288,653,455	216,498,425
Askari Bank Limited	A1+	AA+	PACRA	1,140,634	642,416
Bank Alfalah Limited	A1+	AA+	PACRA	20,926,951	44,025,792
Faysal Bank Limited	A1+	AA	PACRA	3,814,284,970	2,517,443,537
Habib Bank Limited	A-1+	AAA	VIS	293,550,842	205,263,500
JS Bank Limited	A1+	AA-	PACRA	139,274	12,306,090
MCB Bank Limited	A1+	AAA	PACRA	4,011,407,912	2,766,366,929
Telenor Microfinance Bank Limited	A1	A+	PACRA	139,475,500	77,439,964
Standard Chartered Bank (Pakistan) Ltd	A1+	AAA	PACRA	18,294	16,526
United Bank Limited	A-1+	AAA	VIS	198,124,619	2,113,182,520
Punjab Provincial Co-operative Bank Limited*	N/A	N/A	N/A	3,051,748	-
Bank Al-Habib Limited	A1+	AA+	PACRA	3,545,465,955	225,116,114
Samba Bank Limited	A-1	AA	VIS	1,384	928
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	501,110	31,820,946
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	28,403	-
Meezan Bank Limited	A-1+	AA+	VIS	319,055	226,291,977
BankIslami Pakistan Limited	A1	A+	PACRA	1,090,667	-
Pakistan Post Office **	N/A	N/A	N/A	46,448,032	36,997,860
				20,522,041,506	16,901,640,711

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

** As Pakistan Post Office is not a bank, therefore no credit rating is available

The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 20.

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 for 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. For this purpose financial support is available to the Company from Federal Government. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Following are the contractual maturities of financial liabilities as at 30 June 2019:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
RUPEES					
Non-derivative financial liabilities:					
Long term financing	5,541,279,779	11,743,526,751	1,230,904,993	584,349,819	2,047,193,456
Long term security deposits	7,958,478,777	7,958,478,777	-	-	7,881,078,483
Trade and other payables	64,662,010,232	64,662,010,232	-	-	7,958,478,777
Accrued mark-up	2,390,693,262	2,390,693,262	-	-	-
	80,552,462,050	86,754,709,022	68,283,608,487	584,349,819	2,047,193,456
					15,839,557,260

Following are the contractual maturities of financial liabilities as at 30 June 2018:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
RUPEES					
Non-derivative financial liabilities:					
Long term financing	5,214,874,173	12,166,025,391	767,151,225	565,989,080	2,309,538,353
Long term security deposits	7,082,383,461	7,082,383,461	-	-	8,523,346,733
Trade and other payables	46,516,890,755	46,516,890,755	-	-	7,082,383,461
Accrued mark-up	1,525,338,182	1,525,338,182	-	-	-
	60,339,486,571	67,290,637,789	48,809,380,162	565,989,080	2,309,538,353
					15,605,730,194

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 6 to these financial statements.

(d) Capital risk management

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

39.2 Financial instruments by categories

As at 30 June

Assets as per statement of financial position

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

2019 RUPEES	2018 RUPEES
At amortized cost	Loans and receivables
19,750,260,310	18,378,733,724
164,267,490	156,652,059
158,971,171	60,620,106
3,009,006	2,795,165
11,088,874,356	9,668,539,189
20,879,447,558	17,104,567,841
52,044,829,891	45,371,908,084

Liabilities as per statement of financial position

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

At amortized cost
5,541,279,779
7,958,478,777
64,662,010,232
2,390,693,262
80,552,462,050

39.3 Offsetting financial assets and financial liabilities

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

40. RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

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

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

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

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

41. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

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

As at 30 June 2019	Level 1	Level 2	Level 3	Total
	RUPEES			
Land - freehold	-	13,283,042,638	-	13,283,042,638
Buildings on freehold land	-	2,088,827,185	-	2,088,827,185
Feeders (up to 11 kv)	-	53,778,304,485	-	53,778,304,485
Grids and equipment	-	16,326,062,225	-	16,326,062,225
Total non-financial assets		85,476,236,533		85,476,236,533
As at 30 June 2018	Level 1	Level 2	Level 3	Total
	RUPEES			
Land - freehold	-	12,750,002,284	-	12,750,002,284
Buildings on freehold land	-	1,928,931,335	-	1,928,931,335
Feeders (up to 11 kv)	-	52,008,279,240	-	52,008,279,240
Grids and equipment	-	14,549,102,703	-	14,549,102,703
Total non-financial assets		81,236,315,562		81,236,315,562

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

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

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

The Company obtains independent valuation for its freehold land, buildings thereon, feeders, grids and equipment. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of feeders, grids and equipment is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new feeders, grids and equipment.

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary. However, no significant rearrangements have been made except as mentioned below:

PARTICULARS	RECLASSIFICATION		RUPEES
	FROM	TO	
Deposit for shares	Deposit for shares		
Receipt against deposit works	Deferred credit	Share capital and reserves	19,411,172,270
Current portion of long term advances	Current portion of long term advances	Receipt against deposit works	9,288,804,563
Term Deposit Receipts (TDRs)	Short term investments	Loans and advances	31,932,503
Bank charges and commission	Administrative expenses	Cash and bank balances	11,200,000,000
Sales tax payable related to billing	Billing related payables	Finance cost	7,194,417
Unrealized billing related payables	Billing related payables	Other receivables	2,614,104,913
Expected credit loss allowance	Statement of profit or loss	Duties, charges and taxes	1,005,247,444
		Customer services costs	43,188,003

43. DATE OF AUTHORIZATION

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

44. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**Building a better
working world**

**FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
(FESCO)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

EY Ford Rhodes
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13



Building a better
working world

Chartered Accountants
Faisalabad Branch
44-B, 1st Floor, Park Road, Faisalabad
M. A. Ali, Faisalabad
MOBILE: 99-114-1400000

Chartered Accountants
Faisalabad Branch
44-B, 1st Floor, Park Road, Faisalabad
M. A. Ali, Faisalabad
MOBILE: 99-114-1400000

INDEPENDENT AUDITOR'S REPORT

To the members of Faisalabad Electric Supply Company Limited

Report on the Audit of Financial Statements

Qualified Opinion

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

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

Basis for Qualified Opinion

As discussed in note 3.4 to the financial statements, in accordance with the Company's accounting policy, subsequent to the initial recognition, land, buildings and distribution equipment are measured at the revalued amount less accumulated depreciation and impairment loss (if any). In accordance with the requirements of International Accounting Standard 16 "Property, Plant and Equipment" (IAS 16), revaluations should be made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using fair value at the reporting period. The last revaluation of land, buildings and distribution equipment was carried out and resulting surplus was recognized as at 30 June 2013. In our view, the revaluation should be updated as of 30 June 2018 to comply with the requirements referred to above. The effect of this departure from International Financial Reporting Standards on the financial statements, including but not limited to the effect on operating fixed assets, revaluation surplus reserve and related deferred tax, could not be determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Contd...P/2

Emphasis of Matter

We draw attention to the contents of:

- i) note 24.1.1.1 of the financial statements which describes that the Company has not recorded the supplementary charges amounting to Rs. 6,822 million (2017: Rs. 6,719 million) which have been invoiced by CPPA to the Company on account of allocation of late payment charges to oil and gas companies. 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. Further, notes 24.1.1.2, 24.1.2 and 24.1.3, which describe various other contingencies, the ultimate outcome of which cannot presently be determined, and hence, pending the resolution thereof, no provision for the same has been made in these financial statements. Our opinion is not modified in respect of above matters.
- ii) note 25.1 where it has been explained that the Company has used the tariff relating to financial year 2014-15 notified vide GoP notifications SRO 570(I)/2015 dated 10 June 2015 till the 21 March 2018 as the Company's multiyear tariff was notified by the GoP on 22 March 2018.

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

Management is responsible for the other information. The other information comprises of the Directors' report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matters to Board of Directors. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

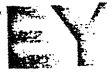
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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-: 3 :-

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

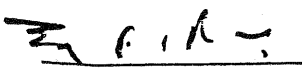
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion except for the possible effects of matter described in **Basis for Qualified Opinion** section of our report:

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

The engagement partner on the audit resulting in this independent auditors' report is Naseem Akbar.


Chartered Accountants

Lahore: 26 February 2019

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

	2018	2017 (Restated)	As at 1 July 2016 (Restated)
Note	-----Rupees-----		
4	94,451,032,772	90,340,388,120	85,569,432,875
5	153,979,563	112,122,135	-
6	124,719,556	91,874,613	107,138,141
	2,795,165	2,551,165	2,321,915
	<u>94,732,527,057</u>	<u>90,546,936,033</u>	<u>85,678,892,931</u>
7	2,709,681,081	2,915,774,603	995,825,281
8	18,378,733,724	13,153,825,481	9,335,703,636
6	31,932,503	56,080,099	50,519,854
9	23,159,400	57,996,030	52,780,163
	60,620,106	90,199,023	21,023,720
10	13,287,891,546	19,662,263,282	45,161,182,496
11	8,513,573,767	7,994,129,008	7,966,205,211
12	2,806,427,483	-	-
13	11,200,000,000	4,970,000,000	5,000,000,000
14	5,904,567,841	7,094,601,316	2,795,104,061
	<u>62,916,587,451</u>	<u>55,994,868,842</u>	<u>71,378,344,422</u>
	<u>157,649,114,508</u>	<u>146,541,804,875</u>	<u>157,057,237,353</u>
	<u>50,000,000,000</u>	<u>50,000,000,000</u>	<u>50,000,000,000</u>
15	10,000	10,000	10,000
17	26,775,740,952	27,272,418,974	27,591,499,820
	(66,588,000,276)	(18,404,376,982)	(258,147,808)
	<u>(39,812,749,324)</u>	<u>8,868,051,992</u>	<u>27,333,362,012</u>
16	19,411,172,270	20,244,758,340	20,244,758,340
18	4,561,229,855	4,035,327,177	2,510,877,433
19	7,082,383,461	5,948,744,106	5,153,440,140
20	69,196,939,795	53,531,549,443	47,717,680,105
21	-	-	-
22	34,321,978,053	31,621,519,828	27,936,560,880
	<u>115,162,531,164</u>	<u>95,137,140,554</u>	<u>83,318,558,558</u>
23	60,709,177,898	21,326,179,656	25,289,169,837
	1,525,338,182	745,392,291	555,597,449
18	653,644,318	220,282,042	315,791,157
	<u>62,888,160,398</u>	<u>22,291,853,989</u>	<u>26,160,558,443</u>
24	-	-	-
	<u>157,649,114,508</u>	<u>146,541,804,875</u>	<u>157,057,237,353</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.


CHIEF EXECUTIVE

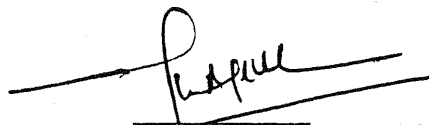

DIRECTOR

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

		2018	2017 (Restated)
	Note	-----Rupees-----	
Sale of electricity - net	25	116,391,973,408	96,447,395,173
Tariff differential subsidy	12	20,132,058,251	13,756,204,780
		<u>136,524,031,659</u>	<u>110,203,599,953</u>
Cost of electricity	26	<u>155,042,442,309</u>	<u>110,041,130,006</u>
Gross (loss) / profit		(18,518,410,650)	162,469,947
Amortization of deferred credit	22	<u>1,338,916,821</u>	<u>1,258,327,190</u>
		(17,179,493,829)	1,420,797,137
Distribution costs	27	16,086,341,945	13,627,708,546
Administrative expenses	28	2,435,849,791	2,120,009,284
Customer services costs	29	1,680,324,761	1,470,781,751
Provision for doubtful debts		43,188,003	67,928,134
		<u>20,245,704,500</u>	<u>17,286,427,715</u>
Other income	30	<u>2,912,671,989</u>	<u>2,162,979,772</u>
Operating loss		(34,512,526,340)	(13,702,650,806)
Finance costs	31	<u>146,971,138</u>	<u>150,138,225</u>
Loss before taxation		(34,659,497,478)	(13,852,789,031)
Taxation	32	<u>5,111,564,457</u>	<u>2,097,097,484</u>
Loss for the year		<u>(39,771,061,935)</u>	<u>(15,949,886,515)</u>

The annexed notes from 1 to 44 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 2018

	2018	2017
Note	-----Rupees-----	(Restated)
Loss for the year	(39,771,061,935)	(15,949,886,515)

Other comprehensive loss:

Items to be reclassified to profit or loss in subsequent periods:

Items not to be reclassified to profit or loss in subsequent periods:

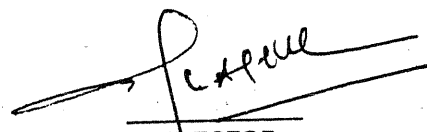
- Actuarial loss relating to defined benefit plans
- Related deferred tax
- Transfer of incremental depreciation relating to surplus on revaluation of property, plant and equipment
- Related deferred tax

20.4	(12,921,151,906)	(4,086,496,775)
21.1	3,876,345,572	1,266,814,000
	(9,044,806,334)	(2,819,682,775)
17	890,485,880	890,485,880
	(258,240,905)	(267,145,764)
	632,244,975	623,340,116
	(8,412,561,359)	(2,196,342,659)
	(48,183,623,294)	(18,146,229,174)

Total comprehensive loss for the year

The annexed notes from 1 to 44 form an integral part of these financial statements.


CHIEF EXECUTIVE

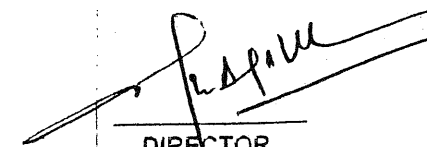

DIRECTOR

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

	Share capital	Capital reserve	Revenue reserve	Total equity (Restated)
	Issued, subscribed and paid up	Revaluation surplus on property, plant and equipment	Accumulated profit / (loss)	
Note	-----Rupees-----			
Balance as at 01 July 2016 - as previously reported	10,000	-	1,920,232,569	1,920,242,569
Impact of changes in accounting policy - net of tax	3.3	27,591,499,820	-	27,591,499,820
Impact of retrospective adjustment of employees' benefits	42.3	-	(2,178,380,377)	(2,178,380,377)
Balance as at 01 July 2016 - restated	10,000	27,591,499,820	(258,147,808)	27,333,362,012
Loss for the year	-	-	(15,949,886,515)	(15,949,886,515)
Other comprehensive loss	-	-	(2,819,682,775)	(2,819,682,775)
Total comprehensive loss for the year	-	-	(18,769,569,290)	(18,769,569,290)
Transfer of incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	(623,340,116)	623,340,116	-
Effect of change in tax rate on deferred tax of revaluation surplus	-	304,259,270	-	304,259,270
Balance as at 30 June 2017 - restated	10,000	27,272,418,974	(18,404,376,982)	8,868,051,992
Loss for the year	-	-	(39,771,061,935)	(39,771,061,935)
Other comprehensive loss	-	-	(9,044,806,334)	(9,044,806,334)
Total comprehensive loss for the year	-	-	(48,815,868,269)	(48,815,868,269)
Transfer of incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	(632,244,975)	632,244,975	-
Effect of change in tax rate on deferred tax of revaluation surplus	-	135,066,953	-	135,066,953
Balance as at 30 June 2018	10,000	26,775,240,952	(66,588,000,276)	(39,812,749,324)

The annexed notes from 1 to 44 form an integral part of these financial statements.

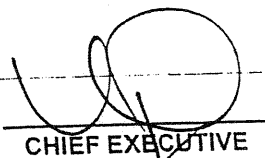

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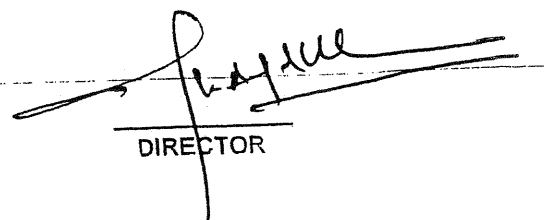

DIRECTOR

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

	Note	2018 -----Rupees-----	2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	10,811,260,770	8,952,457,371
Long-term security deposits received		1,133,639,355	795,303,966
Receipts against deposit works / service connections		4,039,375,046	4,943,286,138
Long-term deposits provided		(244,000)	(229,250)
Employee benefits paid		(4,000,505,819)	(3,420,112,214)
Long-term loans (given) / recovered		(8,697,347)	9,703,283
Finance cost paid		-	(192,836,234)
Tax paid		(1,156,866,457)	(536,659,715)
Net cash generated from operating activities		10,817,961,548	10,550,913,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(7,446,070,510)	(7,930,727,897)
Capital expenditure incurred on intangible assets		(71,072,504)	(140,152,669)
Profit on bank deposits and short-term investments		779,883,037	360,523,847
Net cash used in investing activities		(6,737,259,977)	(7,710,356,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Re-payment of long-term loans		-	(236,610,891)
Receipt of long-term loans		959,264,954	1,665,551,520
Net cash generated from financing activities		959,264,954	1,428,940,629
Net increase in cash and cash equivalents		5,039,966,525	4,269,497,255
Cash and cash equivalents at the beginning of the year		12,064,601,316	7,795,104,061
Cash and cash equivalents at the end of the year	34	17,104,567,841	12,064,601,316

The annexed notes from 1 to 44 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 2018

1. CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

1.1.1 Faisalabad Electric Supply Company Limited (FESCO or "the Company") is a public limited company incorporated on March 21, 1998 under the provisions of the Companies Ordinance 1934 (repealed with the enactment of Companies Act, 2017). 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 distributes and supplies electricity under a Distribution License granted by National Electric Power Regulatory Authority (NEPRA) pursuant to the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (NEPRA Act) and Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018.

1.1.2 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).

1.1.3 Council of Common Interest (CCI) in its meeting held on 12 September 1993 approved the privatization of Thermal Power Generation Units (GENCOs) and power distribution companies (DISCOs) in a phased program. Cabinet Committee on Privatization (CCOP) in its meeting held on 17 February 2009 approved privatization of certain GENCOs and DISCOs, this decision was ratified by Federal Cabinet in its meeting, held on 06 January 2010. President and Prime Minister of Pakistan also approved privatization of GENCOs and DISCOs including the Company during a presentation given to them by Ministry of Privatization on 22 November 2010. Decision of President and Prime Minister has also been subsequently ratified by the Council of Common Interest (CCI) during its meeting held on 28 April 2011. Since October 2013, the CCOP approved the 68 Public Sector Enterprises (PSEs) for inclusion in the privatization program. FESCO has been approved by Cabinet Committee on Privatization (CCOP) for early implementation. The Privatization Commission (PC) on behalf of the Government of Pakistan (GoP) invited Expression of Interest (EOI) from prospective private sector strategic partner(s) to acquire the seventy-four percent (74%) shareholding in FESCO, currently owned by the GoP, together with management control on November 02, 2015. However, protests against privatization were started by the opposition parties and by labour unions. In order to give the union a chance to perform, the GoP has reconsidered the privatization mode of the power sector by shifting it from strategic sale to divestment through capital markets. CCOP in its meeting held on 14 July 2016 considered proposals regarding divestment of Power Sector Entities and PC to initiate process for listing of shares FESCO on the stock exchange through Initial Public Offering (IPO). It was also decided that GoP would retain the control of FESCO as well as management. The PC in its meeting held on 02 October 2017, had discussion on volume of circular debt and nature of losses being accrued in GENCOs and DISCOs and decided that the PC would seek approval of the government to privatize FESCO as strategic sale. The matter is now with the GoP.

1.1.4 Geographical service area of FESCO comprises Faisalabad, Sargodha, Mianwali, Khushab, Jhang, Bhakker, T.T Singh and Chiniot districts. The registered office of the Company is situated at West Canal Road, Abdullahpur, Faisalabad. There are 25 Revenue Offices, 25 Divisions and 25 Other Offices (Finance Directorate, Regional Stores, Civil Works, Project Development Constructions etc.) which are located at the above geographical area.

1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- a) During the year, the GoP notified the consumer tariff as determined by the NEPRA, effective from 22 March 2018 against multiyear tariff petition filed by the Company. (Note 25.1).
- b) Rs. 541 million has been incurred on the augmentation of 6 grid stations during the year. Further, 2 new transmission lines of 132KV amounted Rs. 1,071 million and transformers aggregated to Rs. 566 million have been transferred to operating fixed assets. (Note 4.1).
- c) Payment against foreign relent loans was suspended in pursuant to the advice of the Pakistan Electric Power Company Limited (PEPCO). (Note 18.1.5).
- d) The accounting policy for surplus on revaluation of operating fixed assets was changed during the year. Consequently, amounts reported in the prior years have been restated. (Note 3.3).

BASIS OF PREPARATION

1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 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:

2.4.1 Useful lives, residual values and depreciation method of operating fixed assets – (Note 3.4)

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 4.1) at revalued amounts, with changes in fair value recognized in other comprehensive income and presented as a separate component of equity.

2.4.2 Useful lives, residual values and amortization method of intangible assets – (Note 3.5)

The Company assesses at each reporting 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 statement of profit or loss. 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

2.4.3 Provision for doubtful debts – (Note 3.9)

Management reviews its trade debts at each reporting date to identify the existence of any doubtful debts and to assess whether a provision should be recorded in the statement of profit or loss. 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.

2.4.4 Staff Retirement Benefits – (Note 3.11)

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.

2.4.5 Taxation – (Note 3.18)

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.

2.4.6 Provisions – (Note 3.16)

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.

2.4.7 Impairment – (Note 3.6)

The carrying amounts of the Company's assets are reviewed at each reporting 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 statement of profit or loss. 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 statement of profit or loss.

3. 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 3.3 below.

3.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

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

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

1.2 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 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
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
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019
IAS 19 – Plan Amendment, Curtailment or Settlement – (Amendments)	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 – Investment Property: Transfers of Investment Property – (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 management is in the process of assessing the impact of changes laid down by these standards on its financial statements	

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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 14 – Regulatory Deferral Accounts	01 January 2016
	01 January 2021

3.3 Change in accounting policy of revaluation surplus on property, plant and equipment

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable to the non-listed companies, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policy relating to the revaluation surplus on property, plant and equipment. Resultantly, the Company has changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 - Property, Plant and Equipment are being followed by the Company. The new accounting policy is explained under note 3.4 (b) below. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements, the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information and the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., July 01, 2016, and related notes in accordance with requirement of IAS 1 — Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of property, plant and equipment would have been shown as a separate line item (below equity in the statement of financial position) amounting to Rs. 27,272 million and Rs. 27,591 million for the year ended 30 June 2017 and 2016 respectively.

The effect of change in accounting policy on financial statements is summarized below:

	As at 1 July 2016		
	As previously reported on 30 June 2016	Adjustments Increase / (Decrease)	As restated on 01 July 2016
Effect on statement of financial position:	-----Rupees-----		
Revaluation surplus on property, plant and equipment (below equity)	27,591,499,820	(27,591,499,820)	-
Share capital and reserves	-	27,591,499,820	27,591,499,820
Effect on statement of changes in equity:			
Capital reserves	-	27,591,499,820	27,591,499,820
	As at 30 June 2017		
	As previously reported on 30 June 2017	Adjustments Increase / (Decrease)	As restated on 30 June 2017 (Restated)
Effect on statement of financial position:	-----Rupees-----		
Revaluation surplus on property, plant and equipment (below equity)	27,272,418,974	(27,272,418,974)	-
Share capital and reserves	-	27,272,418,974	27,272,418,974
Effect on statement of changes in equity:			
Capital reserves	-	27,272,418,974	27,272,418,974

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

3.4 Property Plant and equipment

a) Operating fixed assets

Initial measurement

All items of operating fixed assets are initially recorded at cost.

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 statement of profit or loss.

Subsequent measurement

Items of operating fixed assets other than land, buildings and distribution equipment are stated at cost less accumulated depreciation and accumulated impairment losses, (if any).

Land, buildings and distribution equipment are measured at the revalued amount less accumulated depreciation and impairment loss (if any).

Depreciation

Depreciation is charged to statement of profit or loss 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 4.1. 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.

Disposal

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 statement of profit or loss in the year the asset is derecognized.

b) Revaluation surplus on property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings and distribution equipment is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and distribution equipment is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation buildings and distribution equipment to the extent of incremental depreciation charged (net of deferred tax) is transferred to accumulated profit / loss. A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets.

Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

During the year, the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRSs. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy and is now following the IFRSs prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 3.3.

c) Capital work in progress

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

3.5 Intangible assets

Measurement

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.

3.6 Impairment of non-financial assets other than store, spares and loose tools

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

3.7 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 statement of profit or loss.

3.8 Stores and spares and loose tools

Measurement

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 that have been incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of the business less all estimated costs of completion and estimated costs necessary to be incurred in order to make the sale.

Impairment

At each reporting date, stores and spares and loose tools are assessed for impairment. If stores and spares and loose tools is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the distribution costs in the statement of profit or loss.

3.9 Trade debts

Measurement

These are stated at original invoice value, less the provision for impairment, if any.

Impairment

A provision for impairment of trade receivables 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 the receivables. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written off in the statement of profit or loss on identification.

Judgments and estimates

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of customers. Provision for doubtful debts is made according to the policy approved by the Board of Directors of the Company as follows:

Category of trade debts:

For Government Arrears

For Private Arrears

Policy

No provision would be made

Provision equivalent to arrears, exceeding one year and deferred amounts

3.10 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.

3.11 Staff retirement benefits

The Company provides unfunded pension, post-retirement medical, free electricity benefits and compensated absences to all its regular employees. Obligations 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, "Employee benefits".

Actuarial gains and losses are recognised in the other comprehensive income in the period in which they occur. Past-service costs are recognised immediately in the statement of profit or loss. The latest actuarial valuation of the plan was carried out as at 30 June 2018 by SIR CONSULTANTS.

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.

Other long term benefits

The Company's employees are also entitled for accumulated compensated absences, which are encashed at the time of retirement up to a maximum limit of 365 days. Provisions are made annually to cover the obligation and are charged to statement of profit or loss currently. Actuarial gains and losses regarding compensated absences are recognized in the year of occurrence.

3.12 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 of deferred credit commences upon completion of related work which is taken to the statement of profit or loss each year corresponding to the depreciation charge of relevant asset for the year.

3.13 Trade and other payables

Trade payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

3.14 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 at the rates determined by NEPRA and notified by the Government of Pakistan, from time to time.

b) ~~Tariff differential subsidy~~

~~Tariff differential subsidy is recognized in the relevant period on the basis of rates notified by Government of Pakistan (GoP) on accrual basis.~~

c) Rental and service income

Meter rentals are recognized on time proportionate basis.

d) Interest on bank deposits

Interest on bank deposits is recognized on time proportionate basis.

e) Sale of scrap

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

- f) **Amortization of deferred credit**
Deferred credit against consumers' contributions is released to statement of profit and loss over the expected useful life of assets underlying the contribution.
- g) **Late payment surcharge**
Surcharge on late payment is accounted for after the due date of payment has passed.
- h) **Fuel price adjustment**
Fuel price adjustment is recognized on the basis of rates notified by the NEPRA on accrual basis.
- i) **Gain on installation of new connections**
Gain/ loss on installation of new connections / deposit works is recognized up to 10% of variation between receipts against deposit works and actual expenditures incurred on the project.
- j) **Profit on investment**
Profit on investments is recognized on the basis of effective yield.
- k) **Service charges on collection of PTV fee and electricity duty**
Service charges on collection of PTV fee and electricity duty is recognized on the basis of actual billing collections from consumers.
- l) **Miscellaneous income**
All other miscellaneous income is recognized on actual receipts basis.

3.15 Borrowings

Measurement

Loans are measured at amortised cost using the effective interest method.

Interest

Interest expense is recognised on the basis of the effective interest method and is included in finance costs. The borrowing cost on qualifying assets is included in the cost of the related assets.

3.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

3.17 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.18 Income tax

Income tax comprises of current tax and deferred tax.

Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in other comprehensive income or equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year; calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

Deferred tax

A deferred tax liability is recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and the carryforward of unused tax losses.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

Judgment and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Off-setting

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

3.19 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 statement of profit or loss 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 statement of financial position.

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 other than trade debts

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

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

i Fair value through profit or loss

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

ii Other financial liabilities

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

c) Offsetting of financial assets and financial liabilities

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

20 Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the rate of exchange prevailing on the reporting date and exchange differences, if any, are charged in the statement of profit or loss.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

4.1 Operating fixed assets - owned

Description

2018

2018
Freehold land

Building on freehold land (connected to 11 kv)

Feeder (up to 11 kV)
Grids and equipment

Grids and Vehicles

Furniture, fixtures and office equipment

100

2017
Freehold land

Building on freehold land

Feeder (up to 11 kv)

Grids and equipment

Vehicles
Furniture

Formulas, 199

As explained in note 1.1, the property and rights in the above assets were transferred to the Company on 29 June 2017. Rs. 4,454 million has neither been transferred in the name of the Company. Title of land valuing Rs. 8,952 million is in the name of WAPDA and title of land valuing of Rs. 4,454 million has neither been transferred in the name of the Company. Accumulated depreciation and book value of revalued assets would have been as follows:

	Accumulated Depreciation	Book Value
Land	Rs. 220,615,581	Rs. 31,456,020

However, this has no impact on these financial statements.

	2018	2017
Had there been no revaluation, the cost, accumulated depreciation and book value of the investment under cost model for year 2016 and 2017 were less charged amounting to R. 220,615,581 and R. 220,615,581 respectively.		

	2018			Accumulated depreciation (Restated)	Net Book Value
Cost	Accumulated depreciation	Net Book Value	Cost		
					622,474.71

Land - freehold
Building on freehold land
Feeders (up to 11 kv)
Grids and equipment

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

- Distribution costs
- Administrative expenses
- Customer services costs
- Included in capital work-in-progress

Included in capital work in progress

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		2018	2017
		-----Rupees-----	
4.2 Capital work in progress	Note		
Civil works		112,266,647	66,017,450
Distribution equipment	(4.2.1)	<u>11,963,314,116</u>	<u>9,111,570,829</u>
	(4.2.2)	<u>12,075,580,763</u>	<u>9,177,588,279</u>
Cost of implementation of Enterprise Resource Planning		8,768,770	-
Mobilization advance to suppliers / contractors		4,777,274	556,049,902
Capital stores	(4.2.3)	<u>619,480,839</u>	<u>964,678,578</u>
		<u><u>12,708,607,646</u></u>	<u><u>10,698,316,759</u></u>

4.2.1 Breakup of distribution equipment is as follows:

Material		7,347,140,069	5,075,196,793
Overheads		1,134,593,040	949,919,878
Contract		2,146,217,965	759,439,268
Other	(4.2.1.1)	702,388,289	1,944,383,814
Borrowing costs	(4.2.1.2)	<u>632,974,753</u>	<u>382,631,076</u>
		<u><u>11,963,314,116</u></u>	<u><u>9,111,570,829</u></u>

4.2.1.1 These includes various turnkey projects awarded for construction of 132 KV Grid Station at various locations of Faisalabad region.

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

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

Balance at the beginning of the year	9,177,588,278	6,621,429,498
Additions during the year	6,352,781,007	4,881,470,648
Transfers to operating fixed assets during the year:		
- Building on freehold land	<u>(139,639,319)</u>	<u>(359,796,424)</u>
- Feeders, grids and equipment	<u>(3,315,149,203)</u>	<u>(1,965,515,444)</u>
	<u>(3,454,788,522)</u>	<u>(2,325,311,868)</u>
Balance at the end of the year	<u><u>12,075,580,763</u></u>	<u><u>9,177,588,278</u></u>

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

5. INTANGIBLE ASSETS

Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

Balance as at 01 July

Cost	140,152,669	-
Accumulated amortization	<u>(28,030,534)</u>	<u>-</u>
	112,122,135	-

Movement during the year

Additions	71,072,504	140,152,669
Amortization charge for the year	<u>(29,215,076)</u>	<u>(28,030,534)</u>
	41,857,428	112,122,135
Balance as at 30 June		
Cost	211,225,173	140,152,669
Accumulated amortization	<u>(57,245,610)</u>	<u>(28,030,534)</u>
	<u><u>153,979,563</u></u>	<u><u>112,122,135</u></u>
Amortization rate (%)	<u>20%</u>	<u>20%</u>

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

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		2018	2017
		-----Rupees-----	
6. LONG-TERM LOANS	Note		
Secured, considered good:			
To employees		152,136,378	144,751,397
House building / purchase of plot		4,515,681	3,203,315
Vehicles / motor cycles	(6.1)	156,652,059	147,954,712
Less: current portion of long term loans shown under current assets		(31,932,503)	(56,080,099)
		<u>124,719,556</u>	<u>91,874,613</u>
6.1	House building / purchase of plot loans are repayable in 5 years (2017: 5 years) and car and motor-cycle loans in 3 years (2017: 3 years). As per the Company's policy, the rate of mark-up charged on these loans ranges from 11.30% to 14% (2017: 11.30% 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.		
7. STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		2,759,445,807	2,931,947,919
Provision for slow moving / obsolete items	(7.1) & (7.2)	(49,764,726)	(16,173,316)
		<u>2,709,681,081</u>	<u>2,915,774,603</u>
7.1	Movement in provision during the year is as follows:		
Balance at the beginning of the year		16,173,316	10,575,228
Provision of slow moving / obsolete items	(28)	33,591,410	5,598,088
Balance at the end of the year		<u>49,764,726</u>	<u>16,173,316</u>
7.2	During the year, a fire broke out in Nishatabad Warehouse resulted in the damage of certain store and spares items. The Company constituted the evaluation committee to estimate the damage. The Committee submitted its draft report in June 2018, on the basis of which a provision amounted to Rs. 29 million has been recognized against potential loss.		
8. TRADE DEBTS			
Considered good		290,225,337	186,390,876
- from Government		21,702,667,324	17,733,594,518
- from private consumers	(8.1)	21,992,892,661	17,919,985,394
Considered doubtful - from private consumers		771,241,768	728,053,767
		<u>22,764,134,429</u>	<u>18,648,039,161</u>
Less: Taxes/surcharges due from energy debtors	(10.1)	(3,614,158,937)	(4,766,159,913)
Less: Provision for doubtful debts	(8.2)	(771,241,768)	(728,053,767)
		<u>18,378,733,724</u>	<u>13,153,825,481</u>
8.1	These are secured to the extent of the consumers' security deposits against electricity connections, as disclosed in note 19.		

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

		2018	2017
		-----Rupees-----	
8.2	Movement in provision		
	for doubtful debts is as follows:		
	Balance at the beginning of the year	728,053,767	660,125,633
	Provision made during the year	43,188,003	67,928,134
	Balance at the end of the year	<u>771,241,770</u>	<u>728,053,767</u>

9. SHORT-TERM ADVANCES

Considered good - unsecured

- to suppliers	10,480,492	42,261,506
- to employees against operating expenses	9,697,788	15,295,857
- for sports	2,981,120	438,666
	<u>23,159,400</u>	<u>57,996,029</u>

10. OTHER RECEIVABLES

(Restated)

Due from energy debtors	(10.1)	6,381,862,293	5,752,626,988
Receivables from suppliers against guarantee / warranty material		56,570,918	139,423,360

Unsecured, considered good:

From related parties

Central Power Purchasing Agency - 7,643,188,582

Other related parties on account of:

- Free electricity	(10.2)	860,810,359	784,285,589
- Pension	(10.3)	5,526,196,711	4,959,605,284
- WAPDA welfare fund		439,174,393	365,824,131

6,826,181,463 6,109,715,004

Others	(10.5)	23,276,872	17,309,348
		<u>13,287,891,546</u>	<u>19,662,263,282</u>

10.1 Due from energy debtors:

General sales tax		5,376,614,849	4,763,690,782
Income tax		125,393,014	105,425,984
Tariff rationalization surcharge	(10.1.1)	414,926,330	443,825,278
Finance cost surcharge	(10.1.2)	230,881,654	218,798,407
Electricity duty		73,406,024	65,059,961
Equalization surcharge	(10.1.3)	1,342,875	922,510
Extra / Further sales tax		55,123,715	54,483,599
PTV license fee		46,283,652	45,894,584
		57,890,180	54,525,884
Neelum Jhelum surcharge		<u>6,381,862,293</u>	<u>5,752,626,989</u>

10.1.1 This represents Tariff Realization Surcharge receivable from the consumers pursuant to S.R.O 568(1)/2015, dated 10 June 2015 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for discharging of determined cost of power producers by the CPPA-G. During the year, GoP vide S.R.O 376(1)/2018, dated 22 March 2018 revised the tariff rationalization surcharge rates for categories of electricity consumers in the revised schedule of electricity tariff for the Company.

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- 10.1.2 This represents Financing Cost Surcharge receivable from the consumers pursuant to S.R.O 568(1)/2015, dated 10 June 2015 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for exclusive use of discharging the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GoP.
- 10.1.3 This represents Equalization Surcharge receivable from consumers pursuant to S.R.O 236(1)2011, dated 15 March 2011 issued by the Power Division Ministry of Energy, GoP.
- 10.2 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:

Note	2018	2017
	-----Rupees-----	
National Transmission and Despatch Company Limited	245,191,507	216,402,497
Islamabad Electric Supply Company Limited	117,687,297	114,607,205
Peshawar Electric Supply Company Limited	60,157,560	58,547,083
Gujranwala Electric Power Company Limited	28,237,510	26,673,601
Quetta Electric Supply Company Limited	15,744,048	13,651,103
Hyderabad Electric Supply Company Limited	3,147,008	2,957,737
Tribal Area Electric Supply Company Limited	1,165,490	1,005,465
Northern Power Generation Company Limited	382,515,231	344,111,823
Central Power Generation Company Limited	4,378,193	3,921,863
Lakhra Power Generation Company Limited	1,805,717	1,630,182
Jamshoro Power Company Limited	780,798	777,030
	<u>860,810,359</u>	<u>784,285,589</u>

- 10.3 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:

			(Restated)
Water and Power Development Authority	(10.3.1)	4,430,681,582	4,072,359,691
National Transmission and Despatch Company Limited		413,356,188	288,324,887
Islamabad Electric Supply Company Limited		82,892,607	80,268,632
Peshawar Electric Supply Company Limited		-	3,833,443
Gujranwala Electric Power Company Limited		48,985,668	38,006,141
Quetta Electric Supply Company Limited		17,968,720	13,493,953
Hyderabad Electric Supply Company Limited		14,547,724	14,045,308
Tribal Area Electric Supply Company Limited		550,099	279,331
Sukkur Electric Power Company Limited		6,917,262	7,561,318
Multan Electric Power Company Limited		165,111,958	167,151,330
Lahore Electric Supply Company Limited		37,306,955	56,475,466
Northern Power Generation Company Limited		274,922,861	194,335,498
Central Power Generation Company Limited		27,153,167	19,626,585
Lakhra Power Generation Company Limited		1,227,207	1,264,292
Jamshoro Power Company Limited		4,574,713	2,579,409
		<u>5,526,196,711</u>	<u>4,959,605,284</u>

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

10.3.1 This includes receivable from WAPDA amounting to Rs. 1,100 million (2017: 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 Power Division, Ministry of Energy, GoP referred the matter to NEPRA. NEPRA in its tariff determination dated 10 March 2015 has decided that above amount is receivable from the WAPDA.

10.5 This includes an amount of Rs. 23 million (2017: Rs. 17 million) receivable against shortage and/or theft.

11.	TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2018	2017
			-----Rupees-----	
	Sales tax		8,234,100,283	7,771,370,049
	Income tax		279,473,484	222,758,959
			<u>8,513,573,767</u>	<u>7,994,129,008</u>

12. RECEIVABLE FROM GOVERNMENT OF PAKISTAN

Balance at the beginning of the year		-	-
Tariff Differential Subsidy recognized during the year	(12.1)	20,132,058,251	13,756,204,780
Adjusted against Tariff Rationalization Surcharge with CPPA - G	(12.2)	<u>(17,325,630,768)</u>	<u>(13,756,204,780)</u>
Balance at the end of the year		<u>2,806,427,483</u>	<u>-</u>

12.1 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 GoP which are charged to the consumers.

12.2 This has been adjusted against receivable from GoP on account of tariff differential subsidy invoices as allowed by the Power Division Ministry of Energy, vide letter No SBC-15(32)/2012(I) dated 22 July 2015.

13. SHORT-TERM INVESTMENTS

Held to maturity investments

- Term Deposit Receipts (TDRs)	(13.1)	<u>11,200,000,000</u>	<u>4,970,000,000</u>
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13.1 These represent term deposits placed in local currency with different banks having maturity of three months (2017: three months) at rates ranging from 5.95% to 6.75% (2017: 6.0% to 6.50%) per annum.

13.2 Term deposit receipts Includes an amount of Rs. 7,900 million (2017: Rs. 4,270 million) relating to customers' security deposits.

14. CASH AND BANK BALANCES

Cash in transit	(14.1)	202,927,130	237,120,147
Current accounts		1,458,165,724	885,154,888
Deposit accounts	(14.2) & (14.3)	4,243,474,987	5,972,326,281
		<u>5,701,640,711</u>	<u>6,857,481,169</u>
		<u>5,904,567,841</u>	<u>7,094,601,316</u>

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

14.1 This represents cash transmitted by the National Database and Registration Authority (NARDA) against collection of consumer bills but not yet received by the Company at reporting date.

14.2 These carry mark-up ranging from 4% to 6.65% (2017: 3% to 4%) per annum.

14.3 Included herein is an amount of Rs. 134 million (2017: Rs. 2,204.63 million) kept in separate bank accounts relating to customers' security deposits.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017	Note	2018	2017
---Number of shares---			-----Rupees-----	
		Ordinary shares of Rs. 10 each, issued for consideration in cash		
1,000	1,000	(15.1)	10,000	10,000

15.1 These represent shares which are held by the Government of Pakistan (GoP) and its nominees.

16. DEPOSIT FOR SHARES

(Restated)

Transfer on account of clearance of circular debt	(16.1)	19,411,172,270	20,244,758,340
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16.1 The finance division of Government of Pakistan vide its letter No F.1(5) CF-1/2012-13/1017 dated July 2, 2013 had transferred Rs. 341.96 billion in PEPCO's account through State Bank of Pakistan on June 27, 2013 for settlement of power sector circular debt payable to Independent Power Producers (IPPs) and other entities. PEPCO on the basis of above letter allocated Rs. 20.24 billion to FESCO against which CPPA has issued a credit advice bearing no. PPA-199 FESCO dated 21 June 2013 to the Company being the adjustment on account of Government of Pakistan equity / investment against settlement of power sector circular debt. During 2016-17, Finance Division, GOP vide its letter No. F.1(4)-CF.1/-2015-16/443 dated April 28, 2016 instructed PEPCO to adjust the Tariff Differential Subsidy (TDS) receivable of respective distribution companies against GOP Equity/Share deposit money. Accordingly CPPA-G had issued a credit note to the Company adjusting TDS receivable of Rs. 833 million against Government of Pakistan-Share Deposit Money.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

(Restated)

Balance at the beginning of the year		33,648,595,707	34,539,081,587
Transfer to accumulated profit in respect of incremental depreciation		(890,485,880)	(890,485,880)
		32,758,109,827	33,648,595,707
Impact of deferred taxation			
Deferred tax liability at the beginning of the year		(6,376,176,733)	(6,947,581,767)
Deferred tax liability on incremental depreciation charged during the year		258,240,905	267,145,764
		135,066,953	304,259,270
Reduction in deferred tax liability	(17.1)	(5,982,868,875)	(6,376,176,733)
Balance at the end of the year - net of tax		26,775,240,952	27,272,418,974

17.1 This reduction resulted from change in applicable rate from 30% to 29%.

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

	Note	2018	2017
		-----Rupees-----	
18. LOANS AND BORROWINGS - secured			
From Government of Pakistan out of			
Asian Development Bank	(18.1.1)	832,226,142	832,226,140
- Tranch I	(18.1.2)	1,000,702,296	918,650,180
- Tranch II	(18.1.3)	1,970,538,397	1,197,197,281
- Tranch III	(18.1.4)	1,411,407,338	1,307,535,618
- Tranch IV	(18.1)	5,214,874,173	4,255,609,219
		(653,644,318)	(220,282,042)
Less: Current portion shown under current liabilities		4,561,229,855	4,035,327,177

18.1 Asian Development Bank

These loans have been granted by Asian Development Bank (ADB) to GoP which have been relented 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:

Loan	Loan Amount		Loan Available		2018 Loan un-availed	
	US\$	PKR	US\$	PKR	US\$	PKR
- Tranch I	17,654,000	1,526,820,410	17,654,000	1,526,820,410	1,011,932	123,455,659
- Tranch II	11,230,000	1,168,668,083	10,218,068	1,045,212,424	5,416,654	660,831,811
- Tranch III	24,110,000	2,631,370,209	18,693,346	1,970,538,398	2,365,522	288,593,654
- Tranch IV	15,860,000	1,700,000,992	13,494,478	1,411,407,339	8,794,108	1,072,881,124
	68,854,000	7,026,859,694	60,059,892	5,953,978,570		

18.1.1 Tranch I:

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% (2017: 17%) per annum which includes Exchange Risk Component (ERC) at 6% (2017: 6%) per annum and commitment charges at the rate of 0.15% (2017: 0.15%) per annum on the un-disbursed amount of loan.

18.1.2 Tranch II:

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% (2017: 15%) per annum which includes Exchange Risk Component (ERC) at 6.8% (2017: 6.8%) per annum and commitment charges at the rate of 0.15% (2017: 0.15%) per annum on the un-disbursed amount of loan.

18.1.3 Tranch III:

The repayment of loan started 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% (2017: 15%) per annum which includes Exchange Risk Component at 6.8% per annum and commitment charges at the rate of 0.15% (2017: 0.15%) per annum on the un-disbursed amount of loan.

18.1.4 Tranch IV:

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% (2017: 15%) per annum which includes Exchange Risk Component at 6.8% per annum and commitment charges at the rate of 0.15% (2017: 0.15%) per annum on the un-disbursed amount of loan.

18.1.5 Repayment of Loan

PEPCO vide its letter no. DGCPCC/PEPCO/2152-63 dated February 20, 2017 directed the Company that the payment of debt service on account of Foreign Relent Loans may be withheld till the final decision on the matter that debt service by the WAPDA, GENCOs and DISCOs may be adjusted against their receivable from GoP. Resultantly, the Company did not make any payment in respect of Foreign Relent Loans. However, the Economic Affairs Division, GoP in its letter vide 6-15(1)/DM/GF/2011 dated 02 October 2018 demanded repayment of principal along with mark up (including exchange risk fee) amounting to Rs. 339 million and Rs. 1,217 million respectively.

19. LONG-TERM SECURITY DEPOSITS

Long-term security deposits

(19.1)

7,082,383,461 5,948,744,106

at the time of installation of electricity connections

20. STAFF RETIREMENT BENEFITS

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.

	Pension obligations - unfunded	Medical benefits	Free electricity
	2017	2018	2017

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.											
	Pension obligations - unfunded		Medical benefits		Free electricity		Compensated absences		Total		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)				(Restated)	
	Rupees		Rupees		Rupees		Rupees		Rupees		
20.1	The amounts recognized in the statement of financial position										
	Present value of defined benefit obligations										
20.2	Changes in the present value of defined benefit obligations:										
	40,686,903,810	37,947,414,339	4,544,843,833	2,798,772,940	5,152,398,379	4,228,284,137	3,147,403,421	2,743,208,689	53,531,549,443	47,717,680,10	
	1,366,016,078	518,560,481	89,720,066	53,356,008	87,466,531	54,802,531	97,894,069	79,638,373	1,641,096,744	706,357,39	
	3,613,118,429	3,289,420,004	405,363,312	239,508,466	470,714,058	374,462,032	275,990,382	237,295,658	4,765,186,181	4,140,686,16	
	(3,220,787,584)	(2,796,606,379)	(325,075,501)	(275,135,519)	(127,195,508)	(135,189,793)	(327,447,226)	(213,180,523)	(4,000,505,819)	(3,420,112,22)	
	12,481,948,882	1,728,115,365	576,609,488	1,728,341,938	(137,406,464)	630,039,472	338,461,340	300,441,224	13,259,613,246	4,386,937,99	
(20.4.1)	54,927,199,615	40,686,903,810	5,291,461,198	4,544,843,833	5,445,976,996	5,152,398,379	3,532,301,986	3,147,403,421	69,196,939,795	53,531,549,44	
20.3	Charge to statement of profit or loss										
	1,366,016,078	518,560,481	89,720,066	53,356,008	87,466,531	54,802,531	97,894,069	79,638,373	1,641,096,744	706,357,39	
	3,613,118,429	3,289,420,004	405,363,312	239,508,466	470,714,058	374,462,032	275,990,382	237,295,658	4,765,186,181	4,140,686,16	
(20.4.1)	4,979,134,507	3,807,980,485	495,083,378	292,864,474	558,180,589	429,264,563	712,345,791	617,375,255	6,744,744,265	5,147,484,7	
20.4	Charge to other comprehensive income										
(20.4.1)	12,481,948,882	1,728,115,365	576,609,488	1,728,341,938	(137,406,464)	630,039,472	-	-	12,921,151,906	4,086,496,7	
20.4.1	Break-up of actuarial loss / (gain)										
	2,307,237,103	(154,252,745)	254,716,343	365,193,181	(44,654,983)	768,101,429	207,142,394	2,088,931	3,424,472,545	981,135,7	
	9,434,032,279	2,072,826,382	624,134,322	1,372,340,777	(14,334,085)	(103,402,126)	31,318,455	293,352,259	3,774,301,863	3,311,587,3	
	12,371,349,381	1,918,573,637	578,901,467	1,739,038,958	(89,308,176)	634,669,303	338,461,339	300,441,224	13,199,404,011	4,592,723,1	
20.5	Significant actuarial assumptions at the reporting date are:										
	10.00%	9.25%	10.00%	9.25%	10.00%	9.25%	10.00%	9.25%	10.00%	9.25%	
	9.25%	9.00%	9.25%	9.00%	9.25%	9.00%	9.25%	9.00%	9.25%	9.00%	
	9.00%	8.25%	9.00%	8.25%	-	-	-	-	20.00%	8.25%	
	20.00%	8.25%	20.00%	8.25%	-	-	-	-	-	-	
	4.00%	3.25%	-	-	-	-	-	-	-	-	
	-	-	8.00%	7.25%	-	-	-	-	-	-	
	-	-	3.00%	2.25%	-	-	-	-	-	-	
	-	-	50.00%	50.00%	-	-	-	-	-	-	
	-	-	-	-	9.00%	7.00%	-	-	-	-	
	-	-	-	-	Low	Low	-	-	-	-	
	-	-	-	-	Adjusted SLIC	Adjusted SLIC	Adjusted SLIC	Adjusted SLIC	Adjusted SLIC	Adjusted SLIC	
	Low	Low	Low	Low	2001-2005	2001-2005	2001-2005	2001-2005	2001-2005	2001-2005	
	Adjusted SLIC	Adjusted SLIC	Adjusted SLIC	Adjusted SLIC	-	-	-	-	-	-	
	2001-2005	2001-2005	2001-2005	2001-2005	-	-	-	-	-	-	
	32,707	30,283	-	-	-	-	-	-	-	-	
	60	60	60	60	60	60	60	60	60	60	
	12.63	12.95	14.75	13.05	17.20	13.05	9.58	12.95	-	-	
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	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-		

20.6 Sensitivity analysis:

2018**Effect of change in discount rate**

1% increase

1% decrease

Effect of change in salary increase rate

1% increase

1% decrease

Effect of change pension indexation rate

1% increase

1% decrease

Effect of change withdrawal rates

10% increase

10% decrease

Effect of change mortality age

1 year mortality age set back

1 year mortality age set forward

Effect of change in medical inflation rate

1% increase

1% decrease

Effect of change in electricity

indexation rate

1% increase

1% decrease

Pension obligations - unfunded		Medical benefits		Free electricity		Compensated absences	
%	Amount	%	Amount	%	Amount	%	Amount
11.00%	48,729,333,391	11.00%	4,524,663,493	11.00%	4,630,584,769	11.00%	3,223,003,465
9.00%	62,604,315,171	9.00%	6,291,339,006	9.00%	6,503,508,857	9.00%	3,900,069,090
10.00%	57,505,411,705	-	-	-	-	10.00%	3,896,992,674
8.00%	52,664,069,706	-	-	-	-	8.00%	3,220,307,794
5.00%	60,042,288,585	-	-	-	-	-	-
3.00%	50,555,001,126	-	-	-	-	-	-
-	54,903,914,665	-	5,287,383,559	-	-	-	-
-	54,950,618,481	-	5,295,563,243	-	-	-	-
-	54,969,762,542	-	5,277,962,243	-	-	-	-
-	54,967,730,441	-	5,294,672,287	-	-	-	-
-	-	9.00%	5,846,414,029	-	-	-	-
-	-	7.00%	4,822,553,953	-	-	-	-
-	-	-	-	10.00%	6,221,746,753	-	-
-	-	-	-	8.00%	4,801,589,482	-	-

Sensitivity analysis:

2017

Effect of change in discount rate

1% increase

1% decrease

Effect of change in salary increase rate

1% increase

1% decrease

Effect of change pension indexation rate

1% increase

1% decrease

Effect of change withdrawal rates

10% increase

10% decrease

Effect of change mortality age

1 year mortality age set back

1 year mortality age set forward

Effect of change in medical inflation rate

1% increase

1% decrease

Pension obligations - unfunded		Medical benefits		Free electricity		Compensated absences	
%	Amount	%	Amount	%	Amount	%	Amount
10.25%	36,157,936,218	10.25%	4,014,224,377	10.25%	4,027,864,262	10.25%	2,852,456,041
8.25%	42,298,475,057	8.25%	5,026,921,950	8.25%	5,736,449,959	8.25%	3,502,719,214
						9.25%	3,518,602,381
9.25%	41,227,470,742	-	-	-	-	7.25%	2,834,522,705
7.25%	37,015,244,418	-	-	-	-		
						-	-
4.25%	40,239,721,510	-	-	-	-	-	-
2.25%	37,897,770,430	-	-	-	-	-	-
						-	-
-	38,966,542,755	-	4,461,042,064	-	4,766,411,453	-	-
-	39,007,836,191	-	4,457,947,339	-	4,771,827,011	-	-
						-	-
-	39,042,700,828	-	4,500,729,464	-	4,766,466,737	-	-
-	38,934,185,379	-	4,418,679,110	-	4,771,748,534	-	-
						-	-
		8.25%	5,026,921,950	-	-	-	-
		6.25%	4,848,551,616	-	-	-	-

20.7 Description of risks to the Company

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

Longevity Risks:

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

Salary Increase Risk:

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

Withdrawal Risk:

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

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21. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognized by the Company, and the movements thereon, during the current and prior reporting year:

	Note	2018 -----Rupees-----	2017 (Restated)
Deferred tax liability on taxable temporary differences arising in respect of:			
- Accelerated tax depreciation on fixed assets		9,053,841,194	8,826,827,428
- Surplus on revaluation of fixed assets		5,982,868,875	6,376,176,733
	(21.1)	<u>15,036,710,069</u>	<u>15,203,004,161</u>
Deferred tax asset on deductible temporary differences arising in respect of:			
- Intangible assets		(3,159,727)	-
- Provision for doubtful debts		(223,660,113)	(218,416,130)
- Provision for slow moving items		(14,431,771)	(4,851,995)
- Provision for staff retirement benefits		(20,067,112,541)	(16,059,464,833)
- Minimum tax carried forward		(1,139,178,537)	(526,024,214)
		<u>(21,447,542,689)</u>	<u>(16,808,757,172)</u>
		(6,410,832,620)	(1,605,753,011)
Unrecognized deferred tax asset	(21.2)	<u>6,410,832,620</u>	<u>1,605,753,011</u>

21.1 Movement in deferred tax:

Balance at the beginning of the year

Recognized as deferred tax expense in statement of profit and loss:

- Accelerated tax depreciation on fixed assets
- Surplus on revaluation of fixed assets
- Intangible assets
- Provision for doubtful debts
- Provision for slow moving items
- Provision for staff retirement benefits
- Minimum tax carried forward
- Deferred tax recognized as expense

227,013,766	98,759,587
(258,240,905)	(267,145,764)
(3,159,727)	-
(5,243,983)	(13,777,184)
(9,579,776)	(1,573,674)
(131,302,136)	(675,467,917)
(613,154,323)	(526,024,214)
4,805,079,609	2,956,302,436
<u>4,011,412,525</u>	<u>1,571,073,270</u>

Recognized in surplus on revaluation of fixed assets:

- Effect of change in tax rate

(135,066,953) (304,259,270)

Recognized as deferred tax income in other comprehensive income:

- Staff retirement benefits

(3,876,345,572) (1,266,814,000)

Balance at year end

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21.2

The Company has recognized deferred tax asset on its deductible temporary differences and tax losses to the extent of available taxable temporary differences. Owing to uncertainty relating to future taxable profits, against which the Company can utilize its tax losses and tax credits, the Company has not recognized any deferred tax asset for tax losses amounting to Rs. 126,271 million (2017: 100,761 million) and minimum tax of Rs. 1,139 million (2017: Rs. 526 million). Expiry of aggregate tax losses and minimum tax carried forward is as follows:

Expiry Tax Year	Nature	2017	2016
		-----Rupees-----	
2018	Business loss FY - 2012	13,181,898,932	13,181,898,932
2019	Business loss FY - 2013	30,090,938,977	30,090,938,977
2020	Business loss FY - 2014	18,534,116,972	18,534,116,972
2021	Business loss FY - 2015	15,059,765,364	15,059,765,364
2022	Business loss FY - 2016	23,894,077,810	23,894,077,810
2023	Business loss FY - 2017	25,510,047,523	-
		126,270,845,578	100,760,798,055
		1,139,178,537	526,024,214
2023	Minimum tax	45,733,941,568	41,810,631,781
No Expiry	Depreciation loss	173,143,965,683	143,097,454,050

22.

DEFERRED CREDIT

Note

Contributions against connections installed / deposit works:
Balance as at 01 July
Additions during the year

35,952,205,419	33,259,809,252
2,302,560,904	2,692,396,167
38,254,766,323	35,952,205,419

Amortization

Balance at the beginning of the year
For the year

11,882,676,012	10,624,348,822
1,338,916,821	1,258,327,190
13,221,592,833	11,882,676,012

Receipts against deposit works and connections waiting account
Closing Balance for the year

(22.1)

9,288,804,563	7,551,990,421
34,321,978,053	31,621,519,828

22.1

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

23.

TRADE AND OTHER PAYABLES

Creditors

Other payables:

Provision for Workers' Profit Participation Fund

(23.1)

752,283,121	1,501,651,000
110,185,918	110,185,918

Due to related parties:

Central Power Purchasing Agency

(23.2)

National Transmission and Despatch Company Limited

(23.3)

41,934,220,810	-
2,085,890,679	-

Due to other related parties on account of:

- Free electricity

(23.4)

- Pension

(23.5)

953,620,738	976,496,408
51,216,978	-

Billing related payables

(23.6)

Excess receipt against deposit work

Accrued liabilities

Excess of output over input

Withholding taxes payable

Retention from contractors

Others

1,004,837,716	976,496,408
14,035,960,708	16,938,108,956
239,525,116	271,387,982
227,856,515	160,834,997
-	322,106,338
46,140,517	-
93,641,915	45,007,355
178,634,883	1,000,400,703
60,709,177,898	21,326,179,657

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23.1 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.

23.2 This represents amount due to CPPA against purchase of electricity.

23.3 This represents amount payable to National Transmission and Despatch Company Limited against use of system charges.

23.4 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:

	2018	2017
	-----Rupees-----	
Multan Electric Power Company Limited	82,732,041	87,533,755
Lahore Electric Supply Company Limited	641,535,824	653,151,265
Pakistan Electric Power Company Limited	136,201,767	136,369,687
Sukkur Electric Power Company Limited	255,861	208,661
Water and Power Development Authority	92,895,245	99,233,040
	<u>953,620,738</u>	<u>976,496,408</u>

23.5 Due to related parties on account of pension - net

This represents amounts payable to Peshawar Electric Supply Company Limited (PESCO) on account of pension paid to the retired employees of FESCO residing within the territorial jurisdiction of PESCO.

23.6 Billing related payables

Fuel price adjustment payable to consumers		-	2,812,466,237
Withholding tax		10,138,960	26,135,485
Realized:			
Equalization surcharge payable	(23.6.1)	2,206,048,582	2,207,128,017
Electricity duty payable		132,709,586	110,382,767
TV License fee payable		99,301,621	87,352,511
Neelum Jhelum surcharge		132,725,836	114,849,844
Extra / further tax		-	23,281,489
Financing cost surcharge payable		1,076,600,981	1,009,488,207
Tariff realization surcharge payable		6,667,189,163	7,149,902,590
General sales tax		91,893,622	99,105,272
Unrealized:			
Financing cost surcharge payable		230,881,655	218,798,403
Tariff realization surcharge payable		414,926,330	443,825,280
Electricity duty		73,406,022	65,059,960
General sales tax		2,617,374,380	2,309,080,342
Income tax		122,123,555	105,425,981
TV license fee		46,283,649	45,894,580
Equalization surcharge payable		1,342,874	922,509
Extra / further tax		55,123,712	54,483,596
Neelum Jhelum surcharge	(23.6.2)	57,890,180	54,525,886
		<u>14,035,960,708</u>	<u>16,938,108,956</u>

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23.6.1 Equalization surcharge was collected from consumers pursuant to S.R.O 236(1)2011, dated 15 March 2011 issued by the Ministry of Energy, GoP. 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. Payment of this amount to the Federal Government is currently deferred as payment mechanism has not been conveyed to the Company by the GoP. The Company through letter no. 2283/FD/FESCO dated 30 May 2018 intimate the Power Division, Ministry of Energy to impart necessary guidelines for payment of the equalization surcharge. The Company expects that same will be accorded soon.

23.6.2 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 Energy, 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. The said surcharge was extended till 30 June 2018 through S.R.O 376(1)/2018, dated 22 March 2018 issued by the Ministry of Energy, GoP.

24. CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
		-----Rupees-----	
24.1	Contingencies		
24.1.1	Claims against the Company not acknowledged as debt are as follows:		
	Supplementary charges	(24.1.1.1) 6,821,915,107	6,719,272,285
	Interest on syndicated loan	(24.1.1.2) 2,134,233,077	3,621,233,411
	Loans not acknowledged as debt by the Company	(24.1.1.2) -	25,556,572,532
		<u>8,956,148,184</u>	<u>35,897,078,228</u>

24.1.1.1 This represents supplementary charges invoiced by CPPA to the Company on account of allocation of late payment charges to oil and gas companies which have been accumulated over the years amounting to Rs. 6,822 million (2017: Rs. 6,719 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.

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

Originally, PHPL planned to re-lend the loan to DISCO's through multi-partite agreement between Lenders, DISCOs and PHPL with each DISCO jointly and severally liable in-case of default. The management of DISCOs objected to this arrangement and based on their observations the proposed mechanism of extending the loan was revised in a joint meeting held at the Ministry of Energy, GoP on 14 May 2012, whereby a bilateral agreement was proposed to be signed between each DISCO and PHPL with all DISCOs being severally liable. The Board of Directors of the Company accorded its approval in its 100th and 101st meeting subject to certain reservations. The draft of the relending agreement between the Company and PHPL was received on 13 August 2012. Subsequently, during a joint meeting held at LESCO Head Office on 27 August 2012, it was agreed among DISCOs that the relending agreement will be effective from the date it is signed by the respective DISCOs and the same was communicated to Ministry of Energy vide a letter issued by the LESCO Legal Director [# L-Dir/12150-53 dated 28 August 2012]. Upto 30 June 2017, CPPA has issued advices of loan amounting to Rs. 25,556 million representing the facility allocated to the Company by the Ministry.

During the year, CPPA-G reversed the aforesaid loan of Rs. 25,556 million but the related markup on loan was not reversed by CPPA-G and stood at Rs. 2,134 million. However, the aforesaid markup on loan was revised from time to time in pursuant to the requirements of S.R.O. 568 (I)2015 dated 10 June 2015 issued by the Ministry of Water and Power, which states that Financing Cost Surcharge being collected and deposited by the Company to CPPA-G should be adjusted by CPPA-G against the aforesaid markup.

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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 Energy, GoP 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 markup on PHPL loans has not been recorded in these financial statements.

24.1.2 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.

24.1.3 Taxation

24.1.3.1 Income tax

Short / Non-withholding of tax under section 161/162/205 of the Income Tax Ordinance, 2001;

The tax authorities raised demand of Rs. 77 million, in respect of alleged non-payment of withholding tax on collection of PTV license fee, in respect of tax years 2007 to 2011 & 2014. The matter has been resolved in favor of the Company at the level of High Court. However, the tax department has filed an appeal before the Supreme Court of Pakistan, which is pending adjudication.

The tax authorities raised demand of Rs. 56 million, in respect of alleged non-payment of withholding tax on operation and maintenance expenses, in respect of tax year 2012. The matter has been resolved in favor of the Company by the Appellate Tribunal. However, the tax department has filed an appeal before the Lahore High Court, which is pending adjudication.

The tax authorities raised demand of Rs. 120 million, in respect of alleged non-payment of withholding tax on various payments, in respect of tax year 2012. The Company has filed an appeal before the Commissioner Appeals, which is pending adjudication.

Amendment of assessment under section 122(5)/122(5A) of the Income Tax Ordinance, 2001;

Tax authorities raised demand of Rs. 2,682 million, in respect of non payment of minimum tax on subsidy and alleged incorrect claim of tax credit under section 65B of the Ordinance, in respect of tax years 2014 and 2015. The Appellate Tribunal decided the issue of minimum tax in favor of the Company and remanded back the issue of tax credit. However, the officer again rejected the claim of tax credit. The Company has filed an appeal before the Commissioner Appeals on the tax credit issue, which is pending adjudication. The department has also filed reference application against the issue of minimum tax before the Lahore High Court, which is pending adjudication.

Tax authorities raised demand of Rs. 279 million, in respect of alleged wrong adjustment of brought forward losses against the other income, in respect of tax year 2009 and 2010. The matter has been resolved in favor of the Company by the Appellate Tribunal. However, the tax department has filed an appeal before the Lahore High Court, which is pending adjudication.

Tax authorities raised demand of Rs. 14 million, in respect of non payment of minimum tax on other income and alleged incorrect claim of tax credit under section 65B of the Ordinance, in respect of tax year 2011. The matter has been resolved in favor of the Company by the Appellate Tribunal. However, the tax department has filed an appeal before the Lahore High Court, which is pending adjudication.

Tax authorities raised demand of Rs. 2,442 million, in respect of various issues including non payment of minimum tax on subsidy, excess claim of purchases and other issues, in respect of tax year 2014. The Company has filed an appeal before the Commissioner Appeals, which is pending adjudication.

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.

24.1.3.2 Sales Tax

Provincial Sales Tax:

Tax authorities raised demand of Rs. 385 million, in respect of non charging of sales tax on various services performed by the Company in respect of tax periods from July 2014 to June 2016. The Company has filed an appeal before the Commissioner Appeals, which is pending adjudication.

Tax authorities raised demand of Rs. 138 million, in respect of non withholding of sales tax on various services received by the Company in respect of tax periods from July 2014 to June 2015. The Commissioner Appeals decided the case in favor of the Company on time limitation. The Appellate Tribunal upheld the order of the Commissioner Appeals. The tax department has filed reference application before the Lahore High Court, which is pending adjudication.

Federal Sales Tax;

The tax authorities raised a demand of Rs. 6,888 million and Rs. 6,767 million in respect of tax periods from Decmber 2008 to June 2009 and July 2009 to June 2010 respectively on non-charging and payment of sales tax on subsidy, non-utility operation, new connections awaiting installation / deferred, work in progress, repair, testing and inspection fee, reconnections, wrong input claim / adjustment against suspended registration and black listed parties. The Appellate Tribunal has decided the cases in favor of the Company. However, the tax authorities have filed references before the Lahore High Court, which are pending adjudication.

The tax authorities raised a demand of Rs. 3.8 million in respect of tax periods from August 2013 to October 2014 on non-charging and payment of extra tax on supply of electricity. The Commissioner Appeals has decided the case against the Company. The Company has filed an appeal before the Appellate Tribunal which is pending adjudication.

The tax authorities raised a demand of Rs. 6,721 million in respect of tax periods from July 2013 to June 2014 on suppression of sales, inadmissible input tax claimed, non-charging of sales tax on subsidy, new connection etc. The Company has filed an appeal before the Commissioner Appeals, which is pending adjudication.

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	2018	2017
		-----Rupees-----	
24.2	Commitments		
24.2.1	Commitments in respect of capital expenditure	771,270,772	1,128,044,187
24.2.2	Commitments against inland letter of credit	123,967,989	431,336,842
24.2.3	Commitments against power distribution enhancement investment program:		
	- Tranch I	123,455,659	187,624,948
	- Tranch II	660,831,811	1,329,202,015
	- Tranch III	288,593,654	349,165,126
	- Tranch IV	1,072,881,124	1,865,992,089
25.	SALE OF ELECTRICITY - NET		
	Gross sales	135,060,225,106	112,860,142,639
	Sales tax	(18,668,251,698)	(16,412,747,466)
		116,391,973,408	96,447,395,173

- 25.1 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 notified by the Ministry of Energy, GoP through S.R.O 376(I)/2018 dated 22 March 2018. Further, subsequent to the year end 30 June 2018, NEPRA vide its letter No. NEPRA/TRF-339/13632-13634 dated August 31, 2018 determined the tariff adjustment for the Company in the matter of request filed by FESCO regarding adjustment in the Tariff Components for the FY 2016-17 and 2017-18 under Multi Year Tariff (MYT) Regime. The said tariff included positive Prior Year Adjustments (PYA) of Rs. 37,017 Million pertaining to FY 2016-17 and 2017-18 has been notified by the Government vide SRO 03(1)/2019, dated January 01, 2019 with immediate effect, which as per the Company's policy as disclosed in note 3.14 (a) would be recognized subsequently, upon billing to consumers.

26. COST OF ELECTRICITY

26.1 Electricity purchased during the year have been recognized according to invoices issued by Central Power Purchasing Agency (CPPA). The average rate for the year was Rs. 10.54 per KWH (2017: Rs. 8.553 per KWH). This doesn't include the impact of adjustment as mentioned below in note 26.2.

26.2 This includes Rs. 608.7 million being the share of the Company in the late payment surcharge payable to the Independent Power Producers (IPPs).

	Note	2018	2017 (Restated)
27. DISTRIBUTION COSTS			
Salaries, wages and other benefits	(27.1)	12,416,431,852	10,033,136,122
Depreciation	(4.1.3)	3,241,243,247	3,080,069,116
Repair and maintenance		265,602,640	278,881,910
Rent, rates and taxes		22,349,702	19,039,311
Postage and telephone		18,174,327	18,241,350
Power, light and water		22,663,914	20,296,304
Office supplies and other expenses		11,162,879	9,740,278
Travelling and conveyance		269,086,803	220,166,897
Professional fee		15,585,025	14,707,343
Transportation		196,689,341	182,871,706
Advertisement charges		16,680	363,080
Other charges		50,167,273	134,186,401
		<u>16,529,173,683</u>	<u>14,011,699,817</u>
		<u>(442,831,738)</u>	<u>(383,991,271)</u>
Less: Transfer to capital / deposit work-in-progress		<u>16,086,341,945</u>	<u>13,627,708,546</u>

27.1 This includes a sum of Rs. 4,190 million (2017: Rs. 3,116 million), Rs. 411 million (2017: Rs. 243 million), Rs. 469 million (2017: Rs. 339 million) and Rs. 604 million (2017: Rs. 527 million) in respect of pension, medical, free electricity and compensated absences benefits to employees, respectively.

28. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	(28.1)	1,789,426,750	1,486,128,862
Directors' remuneration		4,911,500	2,950,000
Depreciation	(4.1.3)	64,779,991	52,379,032
Amortization	(5)	29,215,076	28,030,534
Repair and maintenance		98,719,505	54,197,207
Rent, rates and taxes		11,568	-
Power, light and water		21,718,650	23,401,535
Office supplies and other expenses		98,650,885	90,275,395
Travelling and conveyance		57,627,714	42,049,494
Professional fee		68,661,659	64,272,151
Auditors' remuneration	(28.2)	2,036,000	1,735,000
Transportation		45,431,090	49,595,071
Management fees		63,014,793	161,874,424
Postage and telephone		11,615,298	10,757,315
Bank charges		7,194,417	10,248,555
Insurance		10,938,604	-
Advertisement charges		15,471,325	-
Provision of slow moving items	(7.1)	33,591,410	5,598,088
Other charges		12,833,557	36,516,621
		<u>2,435,849,791</u>	<u>2,120,009,284</u>

28.1 This includes a sum of Rs. 483 million (2017: Rs. 330 million), Rs. 51 million (2017: Rs. 26 million), Rs. 55 million

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	Note	2018	2017
		-----Rupees-----	
28.2 Auditors' remuneration			(Restated)
Audit fee		1,450,000	1,235,000
Out of pocket expenses		500,000	500,000
Certifications		86,000	-
		<u>2,036,000</u>	<u>1,735,000</u>
29. CUSTOMER SERVICES COSTS			
Salaries, wages and other benefits	(29.1)	1,312,228,149	1,121,514,352
Depreciation	(4.1.3)	775,262	740,562
Electricity bills collection charges		318,991,660	301,949,804
Travelling and conveyance		30,180,507	26,004,096
Repair and maintenance		494,242	455,223
Rent, rates and taxes		2,286,508	3,375,573
Postage and telephone		2,364,731	2,376,316
Power, light and water		3,169,647	4,319,684
Office supplies and other expenses		6,450,769	5,242,117
Transportation		2,767,450	2,674,841
Other charges		615,836	2,129,183
		<u>1,680,324,761</u>	<u>1,470,781,751</u>
29.1	This includes a sum of Rs. 306 million (2017: Rs. 206 million), Rs. 33 million (2017: Rs. 16 million), Rs. 35 million (2017: Rs. 22 million) and Rs. 39 million (2017: Rs. 35 million) in respect of pension, medical, free electricity and compensated absences benefits to employees, respectively.		
30. OTHER INCOME			
Income from financial assets			
Profit on bank deposits and short-term investment		750,304,120	429,699,150
Late payment surcharge		1,280,219,337	1,069,161,806
		<u>2,030,523,457</u>	<u>1,498,860,956</u>
Income from non-financial assets			
Gain on installation of new connection		417,093,177	385,977,409
Repair, testing and inspection fee		18,659,948	11,093,914
Recovery of late delivery charges		133,884,455	70,907,698
Non-utility operations	(30.1)	71,331,812	62,182,007
		640,969,392	530,161,028
Others			
Meter / service rent		48,524,059	49,529,161
Re-connection fees		17,394,167	18,492,266
Excess deposit work receipts written back		72,102,074	6,856,062
Service charges on collection of			
PTV Fee & electricity duty		93,083,465	57,432,876
FESCO colonies quarterly rent		10,075,375	1,647,423
		<u>241,179,140</u>	<u>133,957,788</u>
		<u>2,912,671,989</u>	<u>2,162,979,772</u>
30.1	It represents tender fee, community van fee, registration fee of contractors, sale of scrap, and interest on employee advance.		
31. FINANCE COSTS			

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32. TAXATION	Note	2018 -----Rupees-----	2017 (Restated)
Current:			
- for the year	(32.1)	1,139,178,537	526,024,214
- for prior year		(39,026,605)	-
		<u>1,100,151,932</u>	<u>526,024,214</u>
Deferred	(21.1)	4,011,412,525	1,571,073,270
		<u>5,111,564,457</u>	<u>2,097,097,484</u>

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

32.2 In tax year 2017, 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. Government of Pakistan vide Finance Act - 2016-17 levied Turnover / Minimum tax on total turnover of company under section 113 on all companies having profit or loss during the year. Furthermore, the provisions of section 113 (C) relating to "Alternate Corporate Tax" are also not applicable for reasons of accounting loss during the year.

33. CASH FLOWS FROM OPERATING ACTIVITIES

(Restated)

Loss before taxation		(34,659,497,478)	(13,852,789,031)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation of operating fixed assets	(4.1.3)	3,335,425,858	3,159,772,652
Amortization of intangible assets	(5)	29,215,076	28,030,534
Provision for employee benefits	(20.3)	6,744,744,265	5,147,484,777
Amortization of deferred credit	(22)	(1,338,916,821)	(1,258,327,190)
Finance costs	(31)	779,945,891	382,631,076
Provision for doubtful debts	(8.2)	43,188,003	67,928,134
Profit on bank deposits and short-term investment	(30)	(750,304,120)	(429,699,150)
Excess deposit work receipts written back	(30)	(72,102,074)	(6,856,062)
Provision for slow moving / obsolete items	(7.1)	33,591,410	5,598,088
		<u>8,804,787,487</u>	<u>7,096,562,859</u>
Working capital changes			
(Increase)/decrease in current assets:			
Stores and spares and loose tools		172,502,112	(1,925,547,410)
Trade debts		(5,268,096,246)	(3,886,049,979)
Short-term advances		34,836,630	(5,215,867)
Receivable from tax authorities - sales tax		(784,836,572)	(17,288,296)
Receivable from Government of Pakistan	(33.1)	(3,640,013,553)	-
Other receivables		6,374,371,736	25,498,919,214
Increase/(decrease) in current liabilities:			
Trade and other payables		39,777,206,654	(3,956,134,119)
		<u>36,665,970,761</u>	<u>15,708,683,543</u>
Net operating cash flows after working capital changes		<u>10,811,260,770</u>	<u>8,952,457,371</u>

33.1 Non cash financing activity

During 2016-17, Finance Division, GOP vide its letter No. F.1(4)-CF.1/-2015-16/443 dated April 28, 2016 instructed PEPCO to adjust the Tariff Differential Subsidy (TDS) receivable of respective distribution companies against GOP Equity/Share deposit money. Accordingly CPPA-G had issued a credit note to the Company adjusting TDS receivable of Rs. 833 million against Government of Pakistan-Share Deposit Money.

34. CASH AND CASH EQUIVALENTS

Short-term investments	(13)	11,200,000,000	4,970,000,000
Bank balances	(14)	5,904,567,841	7,094,601,316
		<u>17,104,567,841</u>	<u>12,064,601,316</u>

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35. TRANSACTION WITH RELATED PARTIES

Transactions with related parties are priced at arm's length. Prices for transactions with related parties are determined on the basis of comparable uncontrolled price method. The sale and purchase prices of electricity are controlled by the National Electric Power Regulatory Authority (NEPRA).

The related parties comprise associated companies, directors of the Company, companies with common directorship and control 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:

<u>Name of related party</u>	<u>Nature of transactions</u>	Note	Month	Maximum Balance	2018	2017
					-----Rupees-----	
Government of Pakistan Economic Affairs Division Ministry of Finance	Receipts of loan	(18.1)	-	-	959,264,954	1,428,940,629
	Tariff differential subsidy	(12)	Jun-18	2,806,427,483	20,132,058,251	13,756,204,780
	Deposit for share	(16)	-	-	833,586,070	-
Associated companies due to significant influence					33,085,250	29,623,000
National Electric Power Regulatory Authority	NEPRA fee		-	-	4,900,424,482	4,118,738,214
			-	-	2,085,890,679	-
National Transmission and Despatch Company Limited	Use of system charges	(23)	Jun-18	2,085,890,679	2,085,890,679	-
	Due against use of system charges	(23.4)	Jun-18	245,191,507	245,191,507	216,402,497
	Receivable against free electricity	(10.3)	Jun-18	413,356,188	413,356,188	288,324,887
	Receivable against pension					
Central Power Purchasing Authority - G	Purchases of electricity	(26)	-	-	150,142,017,827	105,922,391,792
	Due against purchases of electricity	(23)	Jun-18	41,934,220,810	41,934,220,810	-
	Receivables from CPPA-G	(10)	-	-	-	7,643,166,582
	Financing cost surcharge		-	-	3,359,722,155	5,137,994,403
	Tariff rationalization surcharge		-	-	789,038,114	571,824,896
Associated companies due to common control					382,515,231	344,111,823
Northern Power Generation Company Limited - Genco III	Due against free electricity	(10.2)	Jun-18	382,515,231	382,515,231	194,335,498
	Receivable against pension	(10.3)	Jun-18	274,922,861	274,922,861	-
Water and Power Development Authority					92,895,245	99,233,040
	Due against free electricity	(23.4)	Jun-18	114,168,762	92,895,245	4,072,359,691
	Receivable against pension	(10.3)	Jun-18	2,862,305,270	4,430,681,582	365,824,131
	Receivable against WAPDA welfare fund	(10)	Jun-18	439,174,394	439,174,393	-
Islamabad Electric Supply Company Limited					117,687,297	114,607,205
	Receivable against free electricity	(10.2)	Feb-18	118,415,606	117,687,297	80,268,632
	Receivable against pension	(10.3)	Jun-18	121,051,457	82,892,607	-
	Sale of material		-	-	19,858,500	-
	Purchase of material		-	-	4,262,500	-

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Name of related party	Nature of transactions	Note	Month	Maximum Balance	2018	2017
					Rupees-----	
Peshawar Electric Supply Company Limited	Receivable against free electricity	(10.2)	Jun-18	60,157,560	60,157,560	58,547,083
	Due against pension	(23)	Jun-18	51,216,978	51,216,978	3,833,443
Gujranwala Electric Power Company Limited	Receivable against free electricity	(10.2)	Jun-18	28,237,510	28,237,510	26,673,601
	Receivable against pension	(10.3)	Jun-18	66,145,133	48,985,668	38,006,141
	Sale of material	-	-	-	57,372,600	-
	Purchase of material	-	-	-	20,692,500	2,480,000
Quetta Electric Supply Company Limited	Receivable against free electricity	(10.2)	Jun-18	15,744,048	15,744,048	13,651,103
	Receivable against pension	(10.3)	Jun-18	17,968,720	17,968,720	13,493,953
	Sale of material	-	-	-	1,210,000	-
Central Power Generation Company Limited - Genco II	Receivable against free electricity	(10.2)	Jun-18	4,378,193	4,378,193	3,921,863
	Receivable against pension	(10.3)	Jun-18	27,153,167	27,153,167	19,626,585
Hyderabad Electric Supply Company Limited	Receivable against free electricity	(10.2)	Mar-18	3,234,391	3,147,008	2,957,737
	Receivable against pension	(10.3)	Jun-18	18,633,814	14,547,724	14,045,308
	Sale of material	-	-	-	2,420,000	-
Lakhra Power Generation Company Limited - Genco IV	Receivable against free electricity	(10.2)	Jun-18	1,805,717	1,805,717	1,630,182
	Receivable against pension	(10.3)	May-18	1,810,065	1,227,207	1,264,292
Tribal Area Electric Supply Company Limited	Receivable against free electricity	(10.2)	Jun-18	1,165,490	1,165,490	1,005,465
	Receivable against pension	(10.3)	Jun-18	550,099	550,099	279,331
Jamshoro Power Company Limited - Genco I	Receivable against free electricity	(10.2)	Mar-18	830,273	780,798	777,030
	Receivable against pension	(10.3)	Jun-18	1,574,713	4,574,713	2,579,409
Sukkur Electric Power Company Limited	Due against free electricity	(23.4)	Jul-17	296,438	255,831	208,661
	Receivable against pension	(10.3)	Sep-17	8,231,058	6,917,262	7,561,318
	Sale of material	-	-	-	2,420,000	-
	Purchase of material	-	-	-	12,242,700	-
Lahore Electric Supply Company Limited	Due against free electricity	(23.4)	Jul-17	651,018,813	641,535,824	653,151,265
	Receivable against pension	(10.3)	Jun-18	100,288,906	37,306,955	56,475,466
	Sale of material	-	-	-	3,784,240	7,260,000
	Purchase of material	-	-	-	-	11,077,000
Multan Electric Power Company Limited	Due against free electricity	(23.4)	Jul-17	85,965,310	82,732,041	87,533,755
	Receivable against pension	(10.3)	Apr-18	229,247,611	165,111,958	167,151,330
	Sale of material	-	-	-	23,723,200	3,340,000
	Purchase of material	-	-	-	35,803,100	3,001,600
Pakistan Electric Power Company Limited	Due against free electricity	(23.4)	Jul-17	136,343,451	136,201,767	136,369,687
	Management fee	-	-	-	29,929,543	132,251,429

35.1 Key management personnel

Transactions with key management personnel are disclosed in note 36 to these financial statements.

36. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017 (Restated)
	Rupees					
Basic salary	2,156,460	1,675,170	-	-	46,001,320	31,390,800
Conveyance allowance	-	-	-	-	1,775,000	1,370,000
Bonus	326,620	274,089	-	-	7,512,280	2,615,900
Fee for attending meetings	1,050,000	530,000	4,911,500	2,950,000	-	-
Utilities and other benefits	3,202,828	5,014,362	-	-	25,775,631	19,547,198
Travelling and daily allowance	3,089,806	1,187,156	-	-	3,986,257	3,105,380
	<u>9,825,714</u>	<u>8,680,777</u>	<u>4,911,500</u>	<u>2,950,000</u>	<u>85,050,488</u>	<u>58,029,278</u>
Number of persons	1	1	10	10	33	23

36.1 In addition, Chief Executive Officer is also provided with the Company's maintained vehicle and free accommodation. Further, 31 executives of the Company have been provided with the Company's maintained vehicle and 24 executives have been provided with accommodation according to the Company's policy.

36.2 Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

37. FINANCIAL RISK MANAGEMENT**37.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks that include market risk including currency risk, interest rate risk and other price 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. However, at year end there are no material foreign currency balances.

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 reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

	Note	2018	2017
		Rupees	
Fixed rate instruments			
Financial assets			
Long-term loans	(6)	156,652,059	147,954,712
Short-term investments	(13)	11,200,000,000	4,970,000,000
Bank balances - deposit accounts	(14)	4,243,474,987	5,972,326,281
		<u>15,600,127,046</u>	<u>11,090,280,993</u>
Financial liabilities			
Interest bearing loans and borrowings	(18)	5,214,874,173	4,255,609,219

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 reporting 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

Exposure to credit risk

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

	2018		2017	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	-----Rupees-----			
Long-term loans	156,652,059	156,652,059	147,954,712	147,954,712
Long-term deposits	2,795,165	2,795,165	2,551,165	2,551,165
Trade debts	19,149,975,492	19,149,975,492	13,881,879,249	13,881,879,249
Interest accrued	60,620,106	60,620,106	90,199,023	90,199,023
Other receivables	13,287,891,546	13,287,891,546	17,994,653,931	17,994,653,931
Receivable from the Government of Pakistan	2,806,427,483	2,806,427,483	-	-
Short term investments	11,200,000,000	11,200,000,000	4,970,000,000	4,970,000,000
Bank balances	5,904,567,841	5,904,567,841	7,094,601,316	7,094,601,316
	<u>52,569,929,692</u>	<u>52,568,929,692</u>	<u>44,181,839,396</u>	<u>44,181,839,396</u>

The management believes that there is no credit risk involved in respect of receivables from the Government of Pakistan (GoP), hence no provision is recognized in respect of balances from GoP. 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 and disconnection of electricity.

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

Type of consumer	2018	2017
	-----Rupees-----	
Domestic	9,937,448,469	5,254,086,724
Commercial	2,475,873,838	786,346,306
Industrial	6,267,624,986	5,396,303,607
Agricultural	438,645,649	2,433,753,361
Others	30,382,550	11,389,250
	<u>19,149,975,492</u>	<u>13,881,879,248</u>

	2018		2017	
	Gross	Impairment	Gross	Impairment
The aging of trade debtors at the reporting date was:	-----Rupees-----			
Private Consumers				
Less than one year	18,329,799,323	241,290,936	13,212,779,011	245,344,406
Over 1 and up to 3 year	207,836,566	207,836,566	240,090,604	240,090,604
Over 3 year	322,114,266	322,114,266	242,618,757	242,618,757
	18,859,750,155	771,241,768	13,695,488,372	728,053,767
Government Consumers				
Less than one year	190,436,050	-	126,988,224	-
Over 1 and up to 3 year	93,523,142	-	56,694,307	-
Over 3 year	6,266,145	-	2,708,345	-
	290,225,337	-	186,390,876	-
	19,149,975,492	771,241,768	13,881,879,248	728,053,767

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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		2018	2017
		Short-term	Long-term	-----Rupees-----	
Public Sector Banks					
National Bank of Pakistan	PACRA	A1+	AAA	935,982,466	2,779,688,589
Sindh Bank Limited	JCR-VIS	A1+	AA	15,267,618	-
The Bank of Khyber	PACRA	A1	A	158,179	371,089
The Bank of Punjab	PACRA	A1+	AA	74,418,462	137,444,242
First Women Bank	PACRA	A2	A-	36	(181,140)
Specialized Banks					
Zarai Taraqati Bank Ltd	JCR-VIS	A1+	AAA	2,702,400,426	5,800,540
Private Sector Banks					
Allied Bank Limited	PACRA	A1+	AAA	216,498,425	1,343,953,172
Askari Bank Limited	PACRA	A1+	AA+	642,416	6,686,284
Bank Alfiah Limited	PACRA	A1+	AA+	44,025,792	48,352,414
Faysal Bank Limited	PACRA	A1+	AA	17,443,537	2,340,114
Habib Bank Limited	JCR-VIS	A1+	AAA	205,263,500	294,521,021
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	(62,803)	820,947
JS Bank Limited	PACRA	A1+	AA-	12,306,090	319,221
MCB Bank Limited	PACRA	A1+	AAA	766,366,929	465,338,871
Telenor Microfinance Bank Limited	PACRA	A1	A+	77,439,964	127,282,496
Silk Bank Limited	JCR-VIS	A2	A-	(14,988)	(106,188)
Soneri Bank Limited	PACRA	A1+	AA-	(106,313)	(195,038)
Standard Chartered Bank (Pakistan) Ltd	PACRA	A1+	AAA	16,526	10,417
Summit Bank Limited	JCR-VIS	A1	A-	(17,409)	321,668
United Bank Limited	JCR-VIS	A1+	AAA	113,182,520	1,388,650,039
Punjab Provisional Co-operative Bank	N/A	N/A	N/A	(999,598)	4,304,054
Bank Al-Habib	PACRA	A1+	AA+	226,332,188	-
Samba Bank	JCR-VIS	A1	AA	928	-
Islamic Banks					
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A	31,820,946	49,134,715
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A1	AA-	(6,867)	(61,457)
Meezan Bank Limited	JCR-VIS	A1+	AA+	226,291,977	3,755,031
Bank Islami Pakistan Limited	PACRA	A1	A+	(8,096)	395,608
Balance with other institutions:					
NADRA	N/A	N/A	N/A	202,927,130	237,120,147
Pakistan post office	N/A	N/A	N/A	36,997,860	198,534,462
				5,904,567,841	7,094,601,316

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. For this purpose financial support is available to the Company from Federal Government. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
	-----Rupees-----				
2018					
Loans and borrowings	5,214,874,173	-	-	-	-
Long-term security deposits	7,082,383,461	7,082,383,461	-	-	7,082,383,461
Trade and other payables	60,552,851,463	60,552,851,463	60,552,851,463	-	-
	<u>72,850,109,097</u>	<u>67,635,234,924</u>	<u>60,552,851,463</u>	<u>-</u>	<u>7,082,383,461</u>
2017					
Loans and borrowings	4,255,609,219	-	-	-	-
Long-term security deposits	5,948,744,106	5,948,744,106	-	-	5,948,744,106
Trade and other payables	20,893,887,401	20,893,887,401	20,893,887,401	-	-
	<u>31,098,240,726</u>	<u>26,842,631,507</u>	<u>20,893,887,401</u>	<u>-</u>	<u>5,948,744,106</u>

37.2 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 Faisalabad 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 2018, the Faisalabad Electric Supply Company Limited did not hold any financial instruments carried at fair

37.3 Financial instruments by categories

	Cash and cash equivalent		Loans and receivables		Held to maturity	
	2018	2017	2018	2017	2018	2017
	-----Rupees-----					
Financial assets as per statement of financial position						
Long-term loans	-	-	156,652,059	147,954,712	-	-
Long-term deposits	-	-	2,795,165	2,551,165	-	-
Trade debts	-	-	18,378,733,724	13,153,825,481	-	-
Interest accrued	-	-	60,620,106	90,199,023	-	-
Other receivables	-	-	13,287,891,546	19,662,263,282	-	-
Receivable from Government of Pakistan	-	-	2,806,427,483	-	11,200,000,000	4,970,000,000
Short-term investments	-	-	-	-	-	-
Cash and bank balances	<u>5,904,567,841</u>	<u>7,094,601,316</u>	<u>34,693,120,083</u>	<u>33,056,793,663</u>	<u>11,200,000,000</u>	<u>4,970,000,000</u>
	<u>5,904,567,841</u>	<u>7,094,601,316</u>	<u>34,693,120,083</u>	<u>33,056,793,663</u>	<u>11,200,000,000</u>	<u>4,970,000,000</u>

Financial liabilities as per statement of financial position

	Financial liabilities at amortize cost	
	2018	2017
	-----Rupees-----	
Interest bearing loans and borrowings	5,214,874,173	4,255,609,219
Long-term security deposits	7,082,383,461	5,948,744,106
Trade and other payables	60,552,851,463	20,893,887,401
	<u>72,850,109,097</u>	<u>31,098,240,726</u>

37.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

No changes were made in the objectives, policies or processes from the previous year. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

38. PROVIDENT FUND

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

39. 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.

40. NUMBER OF EMPLOYEES

2018 2017
-----Number-----

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

- Total number of employees at year end
- Average number of employees during the year

16,035	16,634
16,335	16,318

40.1 The Company has no factory employees to be disclosed in pursuant to the requirements of the Companies Act, 2017.

41. 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 12,924,563,711 (2017:11,498,760,383) units of electricity to its consumers during the year

42. CORRESPONDING FIGURES

42.1 Corresponding figures have been rearranged, reclassified and restated, wherever necessary. However, no significant rearrangement, reclassification and restatement have been made except as mentioned below:

<u>Reclassified from</u>	<u>Reclassified to</u>	Note	2017 Rupees
Current accounts	Cash in transit	(14)	237,120,147
Other receivables - free electricity - WAPDA	Other receivables - Wapda welfare fund	(10)	365,824,131

- 42.2 The company in FY 2015 and 2016 erroneously adjusted an amount of Rs.1,568 million (total Rs. 5,318 million) as past service cost of WAPDA Pensioners retired before July, 1998 against the equity amounting to Rs. 20,245 million injected by Government of Pakistan through CPPA-G vide credit Note No.PPA-199/FESCO dated 21 June, 2013. Out of Rs. 5,318 million, an amount of Rs. 3,749 million was required to be adjusted equal to the available equity balance of WAPDA of Rs. 3,749 million, whereas the remaining amount of Rs.1,568 million was required to be recorded as receivables from WAPDA. This has now been rectified by restating the corresponding financial statements. The effect of restatement is summarized as follows:

	2016 Rupees
Impact on statement of financial position	
Increase in deposit for shares	<u>1,568,376,312</u>
Increase in other receivables	<u>1,568,376,312</u>

- 42.3 During 2016, the Company erroneously omitted data of 1,663 employees while estimating the obligations under staff retirements benefits. The corresponding figures of the financial statements have been restated accordingly. The effect of the restatement is summarized below:

	2017 Rupees	2016 Rupees
Impact on statement of financial position		
(Decrease) / increase in employees' retirement benefits	<u>(9,730,890)</u>	<u>2,178,380,377</u>
(Decrease) / increase in accumulated loss	<u>(9,730,890)</u>	<u>2,178,380,377</u>
Impact on statement of profit or loss		
Increase in operating expenses		<u>196,054,234</u>
Increase in loss after taxation		<u>196,054,234</u>
Effect on other comprehensive income:		
Decrease in re-measurement loss on employees' retirement benefits		<u>205,785,124</u>
Decrease in total comprehensive loss		<u>9,730,890</u>

- 42.4 In prior years, the resultant deferred tax liability on the incremental depreciation was deducted twice from the gross revaluation surplus. Further in the prior years, the Company didn't recognize deferred tax on accelerated tax depreciation on fixed assets, staff retirements benefits, minimum tax carried forward, provision for doubtful debts and provision for slow moving items, which has now been rectified in pursuant to the requirements of the IAS - 12 "Income Taxes".

The impact of above changes have been summarized as below:


	2017 Rupees
Impact on statement of financial position	
Increase in revaluation surplus on property, plant and equipment	<u>267,145,764</u>
Increase in deferred tax liability	<u>1,838,219,034</u>
Impact on statement of profit or loss	
Increase in deferred tax expense	<u>1,571,073,270</u>
Impact on statement of comprehensive income	
Decrease in actuarial loss relating to defined benefit plans	<u>1,266,814,000</u>
Impact on statement of changes in equity	
Decrease in surplus on revaluation of fixed assets	<u>304,259,270</u>

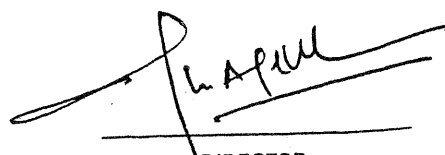
43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 14 JAN 2019 by the Board of Directors of the Company.

44. GENERAL

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


CHIEF EXECUTIVE


DIRECTOR