



# LAHORE ELECTRIC SUPPLY COMPANY LTD

Office of Chief Executive Officer  
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No. 146 /CFO/LESCO/CPC

Dated: Mar / 07/2021

The Registrar NEPRA,  
NEPRA Tower Ataturk Avenue (East),  
G 5 / I- Islamabad.

For information & n.a. Please

- ~~SA-Tariff~~ ADG
- Copy to:
- DG (M&E)
- M/F

CC: Chairman  
• M (Tariff)

Sub:- **REVISED ANNUAL REVENUE REQUIREMENT, DISTRIBUTION MARGIN ADJUSTMENTS/ INDEXATION FOR FY 2020-21 UNDER MULTIYEAR TARIFF (MYT) REGIME.**

In continuation of Annual Revenue Requirement submitted vide letter No. 1621/CFO/LESCO/CPC dated 29<sup>th</sup> September 2020 and in pursuance of Determination of Revenue Requirement of LESCO by the Authority dated 08<sup>th</sup> December 2020 for FY 2019-20, please find herewith the Revised Revenue Requirement of LESCO for FY 2020-21 alongwith the following information /documents:

Sr. No.	Description	Submissions
1	Annual Revenue Requirement for FY 2020-21 alongwith its breakup into Distribution & Supply cost.	Annex-A
2	Proposed O&M Cost for FY 2020-21 alongwith its breakup into Distribution & Supply cost.	Annex-B
3	Breakup of O&M Cost & Other Income (un-audited) into Distribution & supply cost for FY 2019-20.	Annex-C
4	Prior Period Adjustments for: FY 2019-20 (Minimum Tax Payments) FY 2019-20 ( Distribution Margin) FY 2019-20 (Interim DM) FY 2016-17 (True up of Cost) FY 2017-18 (True up of Cost)	Annex-D-1/5 Annex-D-2/5 Annex-D-3/5 Annex-D-4/5 Annex-D-5/5

Joint Division Record

By No. 1558

Dated 9-8-21


4366

08/3/21



5	RORB for FY 2019-20 & FY 2020-21 (calculation is based on 3 months KIBOR + 2.75% spread) and its breakup into Distribution & Supply Cost.	Annex-E
6	Detail of Supplementary Charges Invoiced by CPPAG and Late Payment Surcharge for FY 2014-15 to FY 2019-20.	Annex-F
7	Provisional / Un-Audited Accounts for FY 2019-20. The adjustments may be allowed on provisional accounts basis subject to change upon submission of Audited Accounts for FY 2019-20.	Annex-G

The information is submitted for the kind consideration of the Authority for determination of Revenue Requirement of LESCO for FY 2020-21 as well as any other relief which the Authority may consider.

  
 (Ch. Muhammad Amin)  
**CHIEF EXECUTIVE OFFICER**  
**LESCO**



**Lahore Electric Supply Company Limited**  
**Revenue Requirement**  
**FY 2020-21**

Mln Rs.

Description	Dist:	Rs. / KWh	Supply	Rs. / KWh	Total	Rs. / KWh
<b>A: Power Purchase Price</b>						
UOSC	10,362		10,362		10,362	
Capacity Charges	171,950		171,950		171,950	
Energy charges	114,817		114,817		114,817	
<b>Total</b>	<b>297,130</b>	<b>13.81</b>	<b>297,130</b>	<b>13.81</b>	<b>297,130</b>	<b>13.81</b>
<b>B: Dist. Margin</b>						
O&M cost	34,264		2,539		36,804	
RORB	5,453		404		5,857	
Depreciation	3,841		285		4,126	
<b>Total</b>	<b>43,558</b>		<b>3,228</b>		<b>46,787</b>	
<b>C: Less: Other Income</b>	(6,443)		(478)		(6,920)	
<b>D: Net Dist. Margin</b>	<b>37,116</b>	<b>1.73</b>	<b>2,751</b>	<b>0.13</b>	<b>39,866</b>	<b>1.85</b>
<b>E: Prior Year Adjustment</b>	26,695	1.24	1,978	0.09	28,674	1.33
<b>F: Total (A+ D + E)</b>	<b>360,941</b>	<b>16.78</b>	<b>301,859</b>	<b>14.03</b>	<b>365,670</b>	<b>17.00</b>

Note: Allocation Ratio                      93.1                      6.9                      100

Projected Units Sold                      GWh                      21,509                      13.81

**LAHORE ELECTRIC SUPPLY COMPANY LIMITED**  
**OPERATING & MANAGEMENT COST (PROPOSED)**  
**FY 2020-21**

Rs. in Million

Sr. No.	Description	Distribution	Supply	Total	Remarks
1	Salaries & Other Benefits & Others	14,444	1,070	15,514	5.15% increase has been requested over the provisional amount of FY 2019-20 subject to change once the Audited accounts submitted before Authority.
	<b>Sub- Total</b>	<b>14,444</b>	<b>1,070</b>	<b>15,514</b>	
2	Provision for Post Retirement Benefits	16,218	1,202	17,420	Provisional amount of Actuarial Report of FY 2018-19 has been assumed for the current year which will be subject to Actuarial Valuation for the current period.
	<b>Sub- Total</b>	<b>16,218</b>	<b>1,202</b>	<b>17,420</b>	
	Maintenance Expenses	2,232	165	2,397	
	Travelling Expenses	326	24	350	
3	Vehicle Running Expenses	418	31	449	CPI increase @ 10.94% (As on May-2020) over reference year determined expenses.
	Other Expenses	1,316	98	1,413	
	<b>Sub- Total</b>	<b>4,291</b>	<b>318</b>	<b>4,609</b>	
	<b>Total ( 1 + 2 + 3 )</b>	<b>34,952</b>	<b>2,590</b>	<b>37,543</b>	
4	Less : CWIP	(739)		(739)	Average of Last Five Years
	<b>NET TOTAL</b>	<b>34,213</b>	<b>2,590</b>	<b>36,804</b>	

Allocation of Cost Ratio

93.1

6.9

100

Note:- \* Establishment cost of proposed Marketing Implementation & Regulatory Affairs Department (MIRAD) of Rs.29 mln included in the pay and allowances as requested above. (Annex-H)

\*\* One time proposed cost of vehicle for the purpose of MIRAD will be met from the investment allowed by Regulator.

Annex-B

**Lahore Electric Supply Company Limited**  
**Operating & Management Expenses**  
**FY 2019-20 (Provisional)**

Description	Mln Rs.		
	Distribution	Supply	Total
Salaries, wages and other benefits	13,736	1,018	14,754
Post Retirement benefits	16,218	1,202	17,420
Repair and maintenance	1,680	125	1,805
Rent, rates and taxes	62	5	67
Power, light and water	99	7	106
Communication	35	3	38
Office supplies and other expenses	168	12	181
Travelling expenses	436	32	469
Electricity bills collection expenses	333	25	358
Director's fees	7	1	8
Professional fees	239	18	256
Auditors' remuneration	-	-	-
Outside services employed	10	1	11
Management fees	242	18	260
Vehicle running and maintenance	501	37	539
Advertisement expenses	46	3	50
Miscellaneous expenses	76	6	82
<b>Total</b>	<b>33,891</b>	<b>2,512</b>	<b>36,403</b>
Less: Charged to capital work in progress	(1,034)	0	(1,034)
<b>Total</b>	<b>32,857</b>	<b>2,512</b>	<b>35,369</b>
<b>Depreciation</b>	<b>3,549</b>	<b>263</b>	<b>3,812</b>
<b>NET O&amp;M (Inc. Depreciation)</b>	<b>36,405</b>	<b>2,775</b>	<b>39,180</b>
Allocation Ratio	93.1	6.9	100

**Lahore Electric Supply Company Limited**  
**Other Income (Provisional)**  
**FY 2019-20**

Description	Distribution	Supply	Rs. Mln. Total
Meter / Service rent	-	368	368
Reconnection fees	-	20	20
Income from non-utility operations	890	-	890
Income from television license collection fee		37	37
Miscellaneous	185	14	198
Profit on bank deposits (Exc. Pension Fund)	3,508	236	3,743
Amortization of deferred credit	1,664	-	1,664
<b>Total</b>	<b>6,247</b>	<b>674</b>	<b>6,920</b>



**LESCO**  
**Prior Year Adjustments**

	Rs. Mln.
FY 2019-20 ( M. Tax payments)	4,138
FY 2019-20 (D.M)	16,789
FY 2019-20 (Interim DM)	294
FY 2016-17 (True up of Cost)	664
FY 2017-18 (True up of Cost)	1,626
<b>Total</b>	<b>23,512</b>

Variance of Supplementary charges  
than Late Payment Surcharge 5,162

<b>Prior Year Adjustment</b>	<b>28,674</b>
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Lahore Electric Supply Company Limited  
PYA 2019-20

Description	Date	Rs. Mln.
Minimum Tax Payment to FBR	30-06-2020	900
Minimum Tax Payment to FBR	29-11-2019	350
Minimum Tax Payment to FBR	31-10-2019	350
Minimum Tax Payment to FBR	31-03-2020	500
Minimum Tax Payment to FBR	30-12-2019	1100
Minimum Tax Payment to FBR	5-08-2020	302
Tax Deducted at source during the year		636

<b>Total Minimum Tax Payments</b>	<b>4,138</b>
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## TOTAL (BS)

TOTAL (R\$)	536,439,174
	350,000,000

350,000,000  
350,000,000  
1,100,000,000  
500,000,000  
900,000,000  
302,000,000  
3,502,000,000  
4,138,439,174



INCOME TAX DEPARTMENT  
COMPUTERIZED PAYMENT RECEIPT ( CPR - IT )



NATIONAL BANK OF PAKISTAN

WAPDA HOUSE BRANCH, LAHORE. (0416) : LAHORE

CPR No : IT-20200630-0416-1513115

Payment Section : 147 - Advance Income Tax - 9202

Payment Date : 30-Jun-2020

RTO/LTU : Corporate RTO  
Lahore

Nature of Payment : Advance Income Tax

Tax Period : 2020

Account Head(NAM) : B01131

Details of Tax Payer

NTN / CNIC : 3041094-7

Status : CO

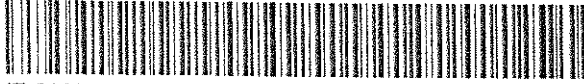
Taxpayer/Business : LAHORE ELECTRIC SUPPLY COMPANY LIMITED

Name & Address : LAHORE ELECTRIC SUPPLY COMPANY LIMITED , 22-A QUEENS ROAD ,

Tax Amount : 900,000,000

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

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Cheque	900,000,000	29-Jun-2020	19300624	UNITED BANK LIMITED , QUEENS ROAD BRANCH, LAHORE , LAHORE



IT-20200630-0416-1513115

NAVEED ALAM KHAN

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT  
COMPUTERIZED PAYMENT RECEIPT ( CPR - IT )



NATIONAL BANK OF PAKISTAN

WAPDA HOUSE BRANCH, LAHORE. (0416) : LAHORE

**CPR No** : IT-20191129-0416-1438833

**Payment Section** : 147 - Advance Income Tax - 9202

**Payment Date** : 29-Nov-2019

**RTO/LTU** : Corporate RTO  
Lahore

**Nature of Payment** : Advance Income Tax

**Tax Period** : 2020

**Account Head(NAM)** : B01105

Details of Tax Payer

**NTN / CNIC** : 3041094-7 / 0038810

**Status** : CO

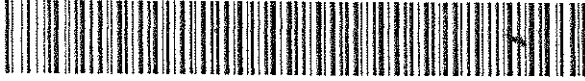
**Taxpayer/Business** : LAHORE ELECTRIC SUPPLY COMPANY LIMITED

**Name & Address** : LAHORE ELECTRIC SUPPLY COMPANY LIMITED , 22-A QUEENS ROAD

**Tax Amount** : 350,000,000

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

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Pay Order	350,000,000	29-Nov-2019	00000001	NATIONAL BANK OF PAKISTAN , WAPDA HOUSE BRANCH, LAHORE. , LAHORE



IT-20191129-0416-1438833

NAVEED ALAM KHAN

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT  
COMPUTERIZED PAYMENT RECEIPT ( CPR - IT )



NATIONAL BANK OF PAKISTAN

WAPDA HOUSE BRANCH, LAHORE. (0416) : LAHORE

CPR No : IT-20191031-0416-1551608

Payment Section : 137 - Demanded Income Tax - 9204

Payment Date : 31-Oct-2019

RTO/LTU : Corporate RTO  
Lahore

Nature of Payment : Demanded Income Tax

Tax Period : 2020

Account Head(NAM) : B01131

Details of Tax Payer

NTN / CNIC : 3041094-7

Status : CO

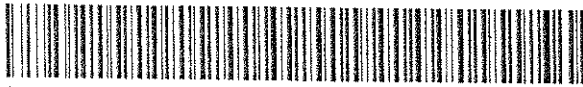
Taxpayer/Business :

Name & Address : LAHORE ELECTRIC SUPPLY COMPANY LIMITED , 22-A QUEENS ROAD, LAHORE

Tax Amount : 350,000,000

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

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Cheque	350,000,000	29-Oct-2019	00603462	UNITED BANK LIMITED , QUEENS ROAD BRANCH, LAHORE , LAHORE



IT-20191031-0416-1551608

NAVEED ALAM KHAN

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT  
COMPUTERIZED PAYMENT RECEIPT ( CPR - IT )



NATIONAL BANK OF PAKISTAN

WAPDA HOUSE BRANCH, LAHORE. (0416) : LAHORE

CPR No : IT-20200331-0416-1388092

Payment Date : 31-Mar-2020

Payment Section : 147 - Advance Income Tax - 9202

RTO/LTU : Corporate RTO  
Lahore

Nature of Payment : Advance Income Tax

Tax Period : 2020

Account Head(NAM) : B01131

Details of Tax Payer

NTN / CNIC : 3041094-7

Status : CO

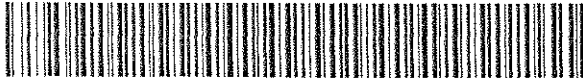
Taxpayer/Business : LAHORE ELECTRIC SUPPLY COMPANY LIMITED

Name & Address : LAHORE ELECTRIC SUPPLY COMPANY LIMITED , 22-A QUEENS ROAD ,

Tax Amount : 500,000,000

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

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Cheque	500,000,000	31-Mar-2020	IBT-49000	NATIONAL BANK OF PAKISTAN , WAPDA HOUSE BRANCH, LAHORE. , LAHORE



IT-20200331-0416-1388092

NAVEED ALAM KHAN

Signature & Stamp of Manager / Authorized officer



INCOME TAX DEPARTMENT  
COMPUTERIZED PAYMENT RECEIPT ( CPR - IT )



NATIONAL BANK OF PAKISTAN

WAPDA HOUSE BRANCH, LAHORE. (0416) : LAHORE

CPR No : IT-20191230-0416-1473202

Payment Section : 147 - Advance Income Tax - 9202

Payment Date : 30-Dec-2019

RTO/LTU : Corporate RTO  
Lahore

Nature of Payment : Advance Income Tax

Tax Period : 2020

Account Head(NAM) : B01131

Details of Tax Payer

NTN / CNIC : 3041094-7

Status : CO

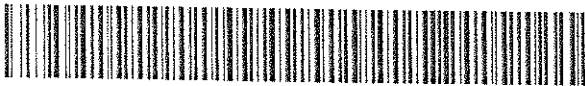
Taxpayer/Business : LAHORE ELECTRIC SUPPLY COMPANY LIMITED

Name & Address : LAHORE ELECTRIC SUPPLY COMPANY LIMITED , 22-A QUEENS ROAD ,

Tax Amount : 1,100,000,000

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

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Cheque	1,100,000,000	27-Dec-2019	18807953	UNITED BANK LIMITED , QUEENS ROAD BRANCH, LAHORE , LAHORE



IT-20191230-0416-1473202

NAVEED ALAM KHAN

Signature & Stamp of Manager / Authorized officer





INCOME TAX DEPARTMENT  
COMPUTERIZED PAYMENT RECEIPT ( CPR - IT )



NATIONAL BANK OF PAKISTAN

WAPDA HOUSE BRANCH, LAHORE. (0416) : LAHORE

CPR No : IT-20200805-0416-1023180

Payment Date : 05-Aug-2020

Payment Section : 137 - Admitted Income Tax - 9203

RTO/LTU : Corporate RTO  
Lahore

Nature of Payment : Admitted Income Tax

Tax Period : 2020

Account Head(NAM) : B01105

Details of Tax Payer

NTN / CNIC : 3041094-7 / 0038810

Status : CO

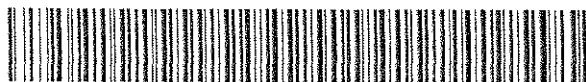
Taxpayer/Business :

Name & Address : LAHORE ELECTRIC SUPPLY COMPANY LIMITED , 22-A QUEENS ROAD

Tax Amount : 302,000,000

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

Payment Mode	Amount	Date	AC / Ref No	Bank & Branch
Cheque	302,000,000	30-Jul-2020	19301548	UNITED BANK LIMITED , QUEENS ROAD BRANCH, LAHORE , LAHORE



IT-20200805-0416-1023180

NAVEED ALAM KHAN

Signature & Stamp of Manager / Authorized officer

Prior Year Adjustment Calculation for FY 2019-20

NEPRA  
DETERMINED

LESCO

Rs. Mln.

Basis	Description	2019-20		2019-20		PYA	
		Actual/Provisional	Recovered	Provisional			
Actual	Salaries & Other Benefits & Others	13,802	12,178	14,754		2,576	
Actual/Provisional	Provision for Post Retirement Benefits	17,419	7,897	17,420		9,523	
CPI-Based increase (Base Year FY 2015-16 Accounts)	Maintenance Expenses	2,161	1,850	1,805		311	
	Travelling Expenses	315	270	469		45	
	Vehicle Running Expenses	405	346	539		58	
	Other Expenses	1,274	1,090	1,417		183	
<b>Total</b>		<b>35,376</b>	<b>23,631</b>	<b>36,403</b>		<b>12,697</b>	
Charge to Work in Progress (CWIP)				(1,034)		(1,034)	
<b>Net O&amp;M</b>		<b>35,376</b>	<b>23,631</b>	<b>35,369</b>		<b>11,663</b>	
Actual	Depreciation	3,268	2,979	3,812		833	
KIBOR+2.75%	RORB	6,327	3,663	7,170		3,507	
<b>Gross DM</b>		<b>44,971</b>	<b>30,273</b>	<b>46,350</b>		<b>16,003</b>	
	Other Income (Exc. LPS)	(7,707)		(6,920)		786	
<b>NET DM</b>		<b>37,265</b>	<b>30,273</b>	<b>39,430</b>		<b>16,789</b>	

**LAHORE ELECTRIC SUPPLY COMPANY LIMITED**  
Statement of Under / (Over) Recovery Against Interim DM  
Allowed for FY 2019-20

Month	Actual Units Purchased (GWh)	Units to be Sold (GWh)	Interim DM Rate Rs./kWh	Recovered Amount (Rs. Mln.)
Oct-19	1,904	1,697	0.1079	183
Nov-19	1,480	1,319	0.1079	142
Dec-19	1,466	1,306	0.1079	141
Jan-20	1,508	1,344	0.1079	145
Feb-20	1,338	1,192	0.1079	129
Mar-20	1,269	1,131	0.1079	122
Apr-20	1,439	1,282	0.1079	138
May-20	2,201	1,962	0.1079	212
Jun-20	2,642	2,355	0.1079	254
Jul-20	2,827	2,544	0.1079	274
Aug-20	2,786	2,507	0.1079	270
Sep-20	2,698	2,428	0.1079	262
<b>Total</b>				<b>2,272</b>
<b>Amount Determined</b>				<b>2,566</b>
<b>Under / (Over Recovery)</b>				<b>294</b>

True up of Cost  
PYA 2016-17

Rs. Mln			
Desription	Actual as Per Audited Accounts	Determined	Under/ (Over)
Pay & Allowances	11,085	10,470	615
Depreciation	2,795	2,746	49
<b>Total</b>			<b>664</b>

*Note:- Copy of Audited Accounts FY-2016-17 attached*

True up of Cost  
PYA 2017-18

Rs. Mln

Desription	Actual (Initialed Accounts)	Determined	Under/ (Over)
Pay & Allowances	13,132	11,493	1,639
Depreciation	3,017	3,030	(13)
<b>Total</b>			<b>1,626</b>

*note:- copy of Audited Accounts (Initialed by Auditor)  
attached.*

**Lahore Electric Supply Company Limited**  
**RORB Calculation**

Description	Rs. Mln.		
	2018-19	2019-20	2020-21
Gross Fixed Assets in Operation - Opening Bal	97,309	105,785	117,165
Addition in Fixed Assets	8,476	11,380	12,467
Gross Fixed Assets in Operation - Closing Bal	105,785	117,165	129,631
Less: Accumulated Depreciation	35,107	38,917	43,042
Net Fixed Assets in Operation	70,678	78,248	86,589
Add: Capital Work In Progress - Closing Bal	16,139	14,575	14,690
Investment in Fixed Assets	86,817	92,823	101,279
Less: Deferred Credits	45,305	46,990	49,012
Regulatory Assets Base	41,512	45,832	52,266
Average Regulatory Assets Base	40,508	43,672	49,049
Rate of Return	14.31%	16.42%	11.94%
Return on Rate Base	5,797	7,170	5,857
Distribution (93.1%)	5,397	6,675	5,453
Supply (6.9%)	400	495	404
<b>Total</b>	<b>5,797</b>	<b>7,170</b>	<b>5,857</b>

**RORB Calculation Based on KIBOR**

<b>2nd Jul 2015</b>	<b>Cost</b>	<b>Ratio</b>	<b>Rate</b>
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	9.76%	70%	6.83%
<b>RORB Determined (First Year of Control Period)</b>			<b>11.83%</b>

<b>3rd Jul 2018</b>			
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	9.68%	70%	6.78%
<b>Calculated Rate</b>			<b>11.78%</b>

<b>2nd Jan 2019</b>			
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	13.30%	70%	9.31%
<b>Calculated Rate</b>			<b>14.31%</b>
<b>Average for FY 2018-19</b>			<b>13.04%</b>

<b>2nd Jul 2019</b>			
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	15.72%	70%	11.00%
<b>Calculated Rate</b>			<b>16.01%</b>

<b>2nd Jan 2020</b>			
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	16.31%	70%	11.42%
<b>Calculated Rate</b>			<b>16.42%</b>

<b>2nd Jul 2020</b>			
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	9.78%	70%	6.85%
<b>Calculated Rate</b>			<b>11.85%</b>
<b>Average for FY 2019-20</b>			<b>14.13%</b>

<b>4th Jan 2021</b>			
Equity	16.67%	30%	5.00%
Debt (2.75% Spread+ 3 Months KIBOR offer Rate)	10.05%	70%	7.04%
<b>Calculated Rate</b>			<b>12.04%</b>
<b>Average for FY 2020-21</b>			<b>11.94%</b>

**Lahore Electric Supply Company Limited**  
**Supplementary Charges & Late Payment Surcharge**

Rs. Mln.

<b>Year</b>	<b>S.Charges Invoice</b>	<b>Late Payment Surcharge</b>	<b>Difference</b>
<b>Prior from 2014-15</b>	<b>11,438</b>	<b>-</b>	<b>11,438</b>
FY 2014-15	1,156	2,956	(1,800)
FY 2015-16	311	2,760	(2,449)
FY 2016-17	177	3,022	(2,845)
FY 2017-18	1,204	3,537	(2,333)
FY 2018-19	4,013	3,649	364
FY 2019-20	6,478	3,692	2,786
<b>Total</b>	<b>24,778</b>	<b>19,615</b>	<b>5,162</b>

# LESCO SUPPLEMENTAL CHARGES INVOICES

Mln Rs.

Month/Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
July	-	-	-	-	-	(419)	(419)
August	-	-	-	-	-	(243)	(243)
September	-	-	-	-	(558)	(385)	(943)
October	-	-	-	-	(170)	(898)	(1,068)
November	-	-	-	-	(356)	(625)	(981)
December	-	-	-	-	(169)	(697)	(866)
January	-	-	-	-	(399)	(421)	(820)
February	-	-	-	-	(76)	(966)	(1,042)
March	-	-	-	-	(634)	(282)	(916)
April	-	-	-	-	(437)	(422)	(859)
May	-	-	-	-	(712)	(398)	(1,110)
June	(1,156)	(311)	(177)	(1,204)	(503)	(721)	(4,073)
<b>Total</b>	<b>(1,156)</b>	<b>(311)</b>	<b>(177)</b>	<b>(1,204)</b>	<b>(4,013)</b>	<b>(6,478)</b>	<b>(13,339)</b>





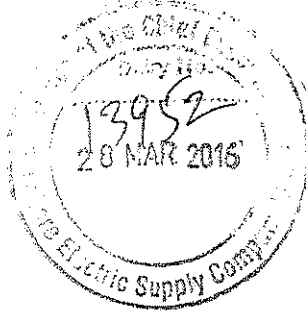
**Central Power Purchasing Agency Guarantee Limited**  
A Company of Government of Pakistan



No: DGIT/CC/G.M./CPPA(G)/3471-73

22-03-2016

1. Chief Executive Officer (FESCO)
2. Chief Executive Officer (GEPCO)
3. Chief Executive Officer (HESCO)
4. Chief Executive Officer (SEPCO)
5. Chief Executive Officer (IESCO)
6. Chief Executive Officer (LESCO)
7. Chief Executive Officer (MEPCO)
8. Chief Executive Officer (PESCO)
9. Chief Executive Officer (QESCO)



**Subject: - SUPPLEMENTAL CHARGES INVOICE ON ACCOUNT OF RE-ALLOCATION OF INTEREST/MARK-UP PAID TO IPP's FOR THE YEAR 2014-15**

Subject cited, invoice is sent herewith for further necessary action in the matter please.

D.A. (As Above)

*Handwritten signature and date 28/3*

*Handwritten signature*  
(S. Khalid Ali Shah)  
Addl. DGM Finance CPPA)

**Copy to:-**

1. Finance Director (NTDC), WAPDA House, Lahore.
2. Finance Director, All DISCOs.  
(FESCO, GEPCO, HESCO, SEPCO, IESCO, LESCO, MEPCO, PESCO, TESCO, QESCO)
3. MF Treasury



# National Transmission And Despatch Company

Head Office: WAPDA House, Lahore.

Telephone: 3733111-12

## Supplemental Charges

Provisional

Name and Address
Lahore Electric Supply Company (LESCO)

Year	2014-15
Issue Date	22.03.2016

Description
Supplemental Charges, re-allocation of Interest/Outstanding Balance paid to IPPs on the basis of Avg. Balance for the year 2014-15
Total:-

Amount (Rs.)
1,156,226,034
1,156,226,034

*HA Sy*  
ASPI, DGM Finance (CPPA)

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

A Company of Government of Pakistan

Delayed Payment Charges Advice

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

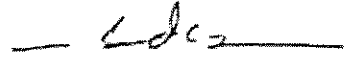
Name and Address

Lahore Electric Supply Company (LESCO)  
22-A, Queens Road, Lahore

GST No 03-05-2716-002-91

Billing Month	FY 2015-16
Advice No	LPS/2015-16/LESCO
Issue Date	24-09-16

Description	Amount (Rs.)
Supplemental Charges for FY 2015-16	311,380,389

  
Manager Finance (Billing & Recovery)



### Delayed Payment Charges Advice

(Pursuant to NEPRA Commercial Code SRO 542(1) 2015) & article 6.1.1 of the power procurement agency agreement (PPAA) between CPPA-G & LESCO)

CPPA-NTN: 4401241-1

CPPA-GST No. 3277876113750

#### Name and Address

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore

GST No 03-05-2716-002-91

Billing Year	Financial Year 2016-17
Advice No	LPS/Supp/LESCO-16-17
Issue Date	15-12-17

Description	Amount (Rs)
Supplementary Charges, re-allocation of interest / mark-up paid to IPPs on the basis of average outstanding balance for the year 2016-17	176,771,595

  
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**

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore  
  
GST No 03-05-2716-002-91

Billing Year	Financial Year 2017-18
Advice No	LPS/Supp/LESCO-17-18
Issue Date	06/09/2018

Description	Amount (Rs.)
Supplemental Charges, the details provided as per CPPA-G letter no. 25292-93 dated 07/09/2018	1,204,087,770

Manager Finance (Billing & Recovery)



# Central Power Purchasing Agency (Guarantee) Limited

A Company of Government of Pakistan



## Delayed Payment Charges Advice

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


### Name and Address

Lahore Electric 18-19ly Company (LESCO)  
22-A Queens Road, Lahore

GST No 03-05-2716-002-91

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

Description	Amount (Rs.)
Supplemental Charges for First Quarter of Financial Year 2018-19	558,370,561

  
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

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore  
GST No 03-05-2716-002-91

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

Description	Amount (Rs.)
Supplemental Charges for Oct-18	169,954,642

  
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

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore

10.1117/1.1135292

Billing Month	November-2018
Advice No	LP5/Nov-18/LESCO
Issue Date	18/12/2018

Description	Amount (Rs.)
Supplemental Charge for Nov-13	355,529,141

Management (Finance, Marketing &amp; 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

Lahore Electric Supply Company (LESCO) 22-A, Queens Road, Lahore
GST No 03-05-2716-002-91

Revised

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

Description	Amount (Rs.)
Supplemental Charges for Dec-18	168,958,194

Manager Finance (Billing & Recovery)



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



Delayed Payment Charges Advice

CPA C/PB: 4401141-1  
CPA GSI No. 3277876113750

Name and Address

Lahore Electric Supply Company (L.E.S.C.O.)  
22 A Quetta Road, Lahore

GSI No. 05/02/002-01

Billing Month	January-2019
Advice No	LPS/Jan-19/L.E.S.C.O
Issue Date	12/01/2019

Description	Amount (Rs.)
Supplemental Charges for Jan-2019	398,626,164

  
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

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore  GST No 03-05-2716-002-91
--

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

Description	Amount (Rs.)
Supplemental Charges for Feb-2019	75,872,807

*M. Ashraf*

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

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore  GST No. 03-03-2716-002-91
---

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

Description	Amount (Rs.)
Supplemental Charges for Mar-2019	633,524,229

*M. A. Iqbal*  
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**

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore  GST No 01-05-2716-002-91
--

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

Description	Amount (Rs.)
Supplemental Charges for Apr-2019	437,444,732

  
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

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore

GST No 03-05-2716-002-91

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

Description	Amount (Rs.)
Supplemental Charges for May-2019	712,004,846

  
Manager Finance (Billing & Recovery)

Shahreen Plaza, Plot no. 73-West, Fazal-e-Ilahi road, Blue Area, Islamabad Tel # 031-9216960, Fax # 031-9216949 Email: [billing@cpa.gov.pk](mailto:billing@cpa.gov.pk)



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



**Delayed Payment Charges Advice**

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

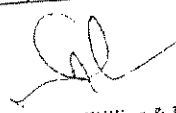
**Name and Address**

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore

GST No 03-05-2716-002-91

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

Description	Amount (Rs.)
Supplemental Charges for June-2019	502,642,764

  
Dy Manager Finance (Billing & Recovery)



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



**Delayed Payment Charges Advice**

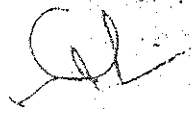
CPPA-NTN: 4401241-1  
CPPA-GST No. 3277876113750

**Name and Address**

Lahore Electric Supply Company (LESCO)  
22-A Quana Road, Lahore  
GST No 03-05-2716-002-91

Billing Month	July-2019
Advice No	LPS/Jul.19/LESCO
Issue Date	29/08/2019

Description	Amount (Rs.)
Supplemental Charges for June-2019	418,607,471

  
Dy Manager Finance (Billing & Recovery)



Central Power Purchasing Agency (Limited), Limited



Power Purchase Agreement

OFFICE NO. 100/11  
100/11, 100/11, 100/11

100/11	100/11
100/11	100/11
100/11	100/11

100/11

Amount (Rs.)

243,121,612

By Manager (Finance & Recovery)



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



**Delayed Payment Charges Advice**

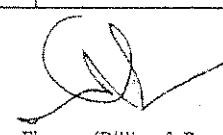
CPPA-NTN: 4401241-1  
CPPA-GST No. 3277876113750

**Name and Address**

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore
GST No 03-05-2716-002-91

Billing Month	September-2019
Advice No	LPS/Sep-19/LESCO
Issue Date	18/10/2019

Description	Amount (Rs.)
Supplemental Charges for August-2019	384,967,661

  
Dy Manager Finance (Billing & Recovery)



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



**Delayed Payment Charges Advice**

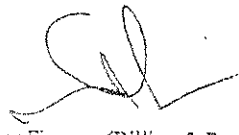
CPPA-NTN: 4401241-1  
CPPA-GST No. 3277876113750

Name and Address

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore  GST No 03-05-2716-002-91
--

Billing Month	October-2019
Advice No	LPS/Oct-19/LESCO
Issue Date	18/11/2019

Description	Amount (Rs.)
Supplemental Charges for Oct-2019	898,376,037

  
Dy 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

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore
GST No 03-05-2716-002-91

Billing Month	November-2019
Advice No	LPS/Nov-19/LESCO
Issue Date	16/12/2019

Description	Amount (Rs.)
Supplemental Charges for Nov-2019	625,014,000

  
Dy 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

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore

GST No 03-05-2716-002-91

Billing Month	December-2019
Advice No	LPS/Dec-19/LESCO
Issue Date	16/01/2020

Description	Amount (Rs.)
Supplemental Charges for Dec-2019	696,549,697

  
Dy 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

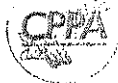
Name and Address

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore
GST No 03-05-2716-002-91

Billing Month	January-2020
Advice No	LPS/Jan-20/LESCO
Issue Date	17/02/2020

Description	Amount (Rs.)
Supplemental Charges for Jan-2020	421,189,770

  
Dy 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

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore  
GST No 03-05-2716-002-91

Billing Month	February-2020
Advice No	LPS/Feb-20/LESCO
Issue Date	16/03/2020

Description	Amount (Rs.)
Supplemental Charges for Feb-2020	966,305,201

  
Dy Manager Finance (Billing & Recovery)



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



**Delayed Payment Charges Advice**

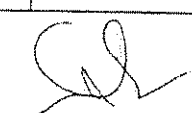
CPPA-NTN: 4401241-1  
CPPA-GST No. 3277876113750

Name and Address

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore
GST No 03-05-2716-002-91

Billing Month	March-2020
Advice No	LPS/Mar-20/LESCO
Issue Date	16/04/2020

Description	Amount (Rs.)
Supplemental Charges for March-2020	282,057,338

  
Dy 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**

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore
GST No 03-05-2716-002-91

Billing Month	April-2020
Advice No	1PS/Apr-20/LESCO
Issue Date	18/05/2020

Description	Amount (Rs.)
Supplemental Charges for April-2020	421,703,203

Dy 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

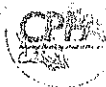
Name and Address

Lahore Electric Supply Company (LESCO) 22-A Queens Road, Lahore
GST No 03-05-2716-002-91

Billing Month	May-2020
Advice No	LPS/May-20/LESCO
Issue Date	18/06/2020

Description	Amount (Rs.)
Supplemental Charges for May-2020	398,326,837

  
Dy 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

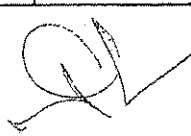
Name and Address

Lahore Electric Supply Company (LESCO)  
22-A Queens Road, Lahore

GST No 03-05-2716-002-91

Billing Month	June-2020
Advice No	LPS/Jun-20/LESCO
Issue Date	23/07/2020

Description	Amount (Rs.)
Supplemental Charges for June-2020	721,434,631

  
Dy Manager Finance (Billing & Recovery)

LAHORE ELECTRIC SUPPLY COMPANY LIMITED  
BALANCE SHEET  
AS AT 30 june 2020

ASSETS	Note	June 2020 Rupees	June 2019 Rupees
<b>Non-current assets</b>			
Property, plant and equipment			
Operating fixed assets	6	78,247,761,435	70,679,716,035
Capital work in progress	7	14,574,847,773	16,139,349,630
		92,822,609,208	86,819,065,665
Long term loans	8	784,513,079	616,726,181
Long term deposits		755,366	744,266
		93,607,877,653	87,436,536,112
<b>Current assets</b>			
Stores and spares	9	3,985,980,282	3,623,683,353
Trade debts	10	57,071,592,712	81,386,368,475
Advances	11	39,252,520	32,887,123
accrued interest		143,415,563	96,600,604
Other receivables	12	94,340,501,757	47,130,686,769
Current portion of long term loans	8	88,165,398	69,230,981
Tax refunds due from the Government	13	7,085,641,476	2,385,080,677
Post retirement benefit fund		24,691,000,000	14,200,616,851
Short term investments	14	20,021,876,565	20,434,278,269
Bank balances	15	7,227,270,174	6,748,118,276
		214,694,696,447	176,107,549,378
<b>TOTAL ASSETS</b>		<b>308,302,574,100</b>	<b>263,544,085,490</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital			
5,000,000,000 (2015: 5,000,000,000) ordinary shares of Rupees 10/- each	154	50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	16	7,624,002,419	7,624,002,419
Accumulated losses	84	(211,415,697,346)	(205,186,402,001)
		(203,791,694,927)	(197,562,399,582)
Deposit for issuance of shares	17	37,151,327,177	37,151,327,177
<b>Non-current liabilities</b>			
Long term financing	18	10,532,997,467	10,904,465,459
Long term security deposits	19	15,534,251,469	14,173,688,494
Employee retirement benefits	20	163,181,452,272	151,813,404,812
Deferred credit	21	35,796,447,005	31,766,891,079
		225,045,148,213	208,658,449,844
<b>Current liabilities</b>			
Trade and other payables	22	236,485,324,898	199,571,791,055
Receipts against deposit work	24	11,193,717,311	13,537,759,787
Accrued interest		2,116,401,477	2,084,807,258
Book overdraft	23	-	-
Provision for taxation		102,349,951	102,349,951
Current maturity of long term financing	18		
		249,897,793,637	215,296,708,051
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>308,302,574,100</b>	<b>263,544,085,490</b>

25

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

LAHORE ELECTRIC SUPPLY COMPANY LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 June 2020

	June 2020 Rupees	June 2019 Rupees
Electricity sales - net	268,539,486,425	226,756,137,370
Subsidy from Government of Pakistan on sale of electricity	58,202,391,190	59,034,629,097
	<u>326,741,877,615</u>	<u>285,790,766,467</u>
Cost of electricity	298,508,360,028	279,352,147,836
Gross profit	<u>28,233,517,587</u>	<u>6,438,618,631</u>
Amortization of deferred credit	1,664,046,455	1,526,556,087
	<u>29,897,564,042</u>	<u>7,965,174,718</u>
Operating expenses :		
Distribution costs	35,218,858,675	32,993,631,296
Administrative expenses	7,284,860,338	6,824,582,179
Customer service costs	3,154,433,159	2,955,127,123
	<u>45,658,152,172</u>	<u>42,773,340,613</u>
Other income	10,937,314,652	7,736,560,338
Provision for workers profit participation fund	-	-
Operating loss	<u>(4,823,273,478)</u>	<u>(27,071,605,557)</u>
Finance costs	1,406,021,867	1,415,000,000
Loss before taxation	<u>(6,229,295,345)</u>	<u>(28,486,605,557)</u>
Taxation	-	-
Loss for the year	<u>(6,229,295,345)</u>	<u>(28,486,605,557)</u>

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

**LAHORE ELECTRIC SUPPLY COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 30 June 2020**

		June 2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation		(6,229,295,345)
Adjustments for non-cash items:		
Advances written off	30	-
Exchange gain	32	-
Depreciation on operating fixed assets	6	3,811,731,238
Amortization of deferred credits	21	(1,664,046,455)
Provision for employee retirement benefits	20.5	17,419,656,740
Profit on bank deposits	32	(5,739,867,072)
Income from non-utility operations	32	(890,400,669)
Provision for doubtful debts	10.2	-
Adjustment of over-billing	10	-
Provision for bonus		-
Finance costs	33	1,406,021,867
		<u>8,113,800,304</u>
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares		(362,296,929)
Trade debts		24,314,775,763
Advances		(6,365,397)
Other receivables		(47,209,814,988)
Tax refunds due from the Government		(4,700,560,799)
Increase / (decrease) in current liabilities:		
Trade and other payables		36,562,376,177
		<u>8,598,113,827</u>
Cash generated from operations		<u>16,711,914,131</u>
Employees' retirement benefits paid	20	(6,051,609,279)
Finance costs paid		(1,023,269,983)
Long term loans		(186,721,315)
Long term deposits		(11,100)
		<u>(7,261,611,677)</u>
Net cash generated from / (used in) operating activities		<u>9,450,302,454</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment		(8,924,874,112)
Short term investments proceed / (made)		(10,077,981,445)
Bank profit received		5,693,052,113
Net cash used in investing activities		<u>(13,309,803,444)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loan		-
Repayment of long term loan		(371,468,000)
Repayment against deposit for issuance of shares		-
Receipt against deposit work		3,349,559,905
Receipt against long term security deposits		1,360,560,535
Net cash generated from financing activities		<u>4,338,652,440</u>
		<u>479,151,450</u>
Cash and cash equivalents at the beginning of the year		6,748,116,276
Cash and cash equivalents at the end of the year	36	<u><u>7,227,267,726</u></u>

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

29. OTHER OPERATING COST EXCLUDING DEPRECIATION	Note	JUNE 2020	JUNE 2019
Salaries, wages and other benefits		14,754,007,230	14,366,115,309
Post retirement benefits		17,419,656,740	17,419,656,740
Repair and maintenance		1,804,773,587	1,350,629,976
Rent, rates and taxes		67,102,215	73,790,278
Power, light and water		106,402,694	110,817,524
Communication		37,971,428	48,400,459
Office supplies and other expenses		180,878,299	145,699,069
Travelling expenses		468,782,906	378,702,434
Electricity bills collection expenses		357,673,441	331,678,026
Provision for doubtful debts			
Director's fees		7,969,500	10,507,000
Professional fees		256,203,700	190,096,341
Auditors' remuneration		-	-
Outside services employed		10,983,052	11,587,318
Management fees		260,316,957	179,360,252
Mkt operation fee			
Vehicle running and maintenance		538,511,120	481,580,351
Advertisement expenses		49,566,933	53,170,803
Interest Charges Equity Injection			885,993,719
Supplementary Charges Invoice		6,477,852,858	4,012,927,348
Depreciation expense		3,811,731,238	3,517,918,705
Miscellaneous expenses		82,026,762	116,686,711
		46,692,410,660	43,685,318,363
Charged to capital work in progress		(1,034,258,488)	(911,977,750)
		<u>45,658,152,172</u>	<u>42,773,340,613</u>

**LAHORE ELECTRIC SUPPLY COMPANY LIMITED**

32.	OTHER INCOME	Note	Jun	June
			2020	2019
			Rupees	Rupees
	<b>Income from financial assets</b>			
	Profit on bank deposits		5,739,867,072	2,667,466,356
	Surcharge on arrears of electricity sold		3,684,407,367	3,649,267,368
			<u>9,424,274,439</u>	<u>6,316,733,724</u>
	<b>Income from non financial assets</b>			
	Meter / service rent		367,972,574	300,602,864
	Reconnection fees		19,626,290	23,509,446
	Income from non-utility operations		890,400,669	886,169,386
	Income from television license collection fee		36,600,664	35,487,701
	Miscellaneous		198,440,016	174,057,217
	Exchange gain		-	-
	Grant received from USAID		-	-
			<u>1,513,040,213</u>	<u>1,419,826,614</u>
			<u>10,937,314,652</u>	<u>7,736,560,338</u>



**COST AS ON JUL-19 AND DEPRECIATION FOR JUN-20**

DESCRIPTION	COST					DEPRECIATION					Net Assets
	Transferred from Wapda under Agreement as on 01 July 1998	Up to Last Year	During The year	Total Added by LESCO	Total LESCO Addition & Transferred From Wapda	Net Assets	Rate	Opening Balance	Depreciation During The Year	Total Depreciation	
1	2	3	5	7-316	8-217	9-8	10	11	12	13	14
Land	149,230,584	522,647,585		522,647,585	671,878,169	671,878,169	0				671,878,169
Buildings and Civil Works	588,684,945	7,752,521,869	1,037,625,650	8,790,147,519	9,378,832,464	9,378,832,464	0.02	1,247,422,380	166,449,411	1,413,871,791	7,984,960,673
Furniture		99,384,176	33,446,690	132,840,866	132,840,866	132,840,866	0.1	59,841,932	5,968,970	65,810,902	67,029,961
IT Equipments		703,294,734	4,634,836	707,929,570	707,929,570	707,929,570	0.1	339,473,293	65,299,974	404,773,267	303,156,301
Other plant and equipments [LSG]	69,567,475	590,101,585	89,472,378	679,573,963	749,141,438	749,141,438	0.1	425,546,891	41,270,440	466,817,331	282,324,107
Distribution Plant Assets *	11,123,033,112	47,043,077,295	5,940,102,988	52,983,180,283	64,106,213,395	64,106,213,395	3.57	21,292,748,705	2,155,007,085	23,447,755,790	40,658,457,605
Transmission Lines & Grids [TSG] *		35,205,222,205	4,189,649,585	39,394,871,790	39,394,871,790	39,394,871,791	3.57	10,749,504,654	1,249,617,224	11,999,221,878	27,395,389,913
Office Equipments		67,696,730	7,646,321,00	75,343,041	75,343,041	75,343,041	0.1	38,687,836	5,964,168	44,652,004	30,624,037
Vehicles	320,152,813	1,550,107,582	77,198,190	1,627,305,772	1,947,458,566	1,947,458,566	0.1	951,390,935	122,153,966	1,073,544,901	873,913,605
Total	12,750,668,930	94,534,065,731	11,379,776,638	104,913,840,369	117,164,509,299	117,164,509,300		35,105,016,626	3,811,731,238	38,916,747,864	78,247,761,436

Annex-H-1/2

Lahore Electric Supply Company Limited  
Marketing Implementation & Regulatory Affairs Department

Additional Establishment Expenses:			Rs. In Million
Particulars	Monthly Impact	Annual Impact	
Pay & Allowances/Employee Benefits	1.99	23.83	
40% MIRAD/Additional Allowance	0.45	5.38	
<b>Total Establishment Cost</b>	<b>2.43</b>	<b>29.21</b>	
Other O&M Expenses (Recurring)	0.32	3.84	
Vehicles (One time Cost)		16.81	

Option-I

Detail of Vehicles

Description	Entitlement	Qty	Rate	Amount
Toyota Yaris GLI ATIV 1.3	BPS-20	1	2.619	2.6
Toyota Yaris XLI MT 1.3	BPS-19	2	2.509	5.0
Suzuki Cultus VXL	BPS-18	3	1.97	5.9
Suzuki Alto 658 CC VXL	BPS-17	2	1.633	3.3
<b>Total</b>				<b>16.813</b>

Option-II

Monetization of Transport Facility (Proposed)

(Amount in Rs.)				
Designation	BPS	Nos of Posts	Monthly Impact	Annual Impact (all Posts)
DG/Chief Engineer/GM (MIRAD)	20	1	75,000	900,000
Manager	19	2	60,000	1,440,000
Deputy Manager	18	3	50,000	1,800,000
Assistant Manager	17	2	40,000	960,000
<b>Total</b>				<b>5,100,000</b>

Annex-H-42

### Financial Impact of Additional Posts (Lumpsum Package)

Sr.No	Designation	BPS	Nos of Posts	Already Sanct.	Additional Posts Req.	Lumpsum Package	Total Impact of additional posts P/M	Fin. Impact of additional Posts P/A
1	DG/Chief Engineer/GM (MIRAD)	20	1	0	1	325,000	325,000	3,900,000
2	Manager	19	3	1	2	225,000	450,000	5,400,000
3	Deputy Manager	18	6	3	3	175,000	525,000	6,300,000
4	Assistant Manager	17	5	2	2	125,000	250,000	3,000,000
<b>Total</b>			<b>15</b>	<b>6</b>	<b>8</b>		<b>1,550,000</b>	<b>18,600,000</b>

### Financial Impact of Additional Posts (Pay Scales)

Sr.No	Designation	BPS	Nos of Posts	Basic Pay	House Acq.	Conv.All	Cash Medical	20% Head office all. maximum upto Rs.12000	10%ARA 2019	10%ARA 2018	10%ARA 2017	10%ARA 2016	Pensionary Benefits	Total Impact 01 post/Month	Fin. Impact of 01 post per annum	Fin. Impact of Salary for all post
1	Line Superintendent	15	4	16,120	18,843	2,856	1,500	3,224	1,612	1,612	1,612	1,612	13,300	62,291	747,492	2,989,968
2	Assistant	15	1	16,120	18,843	2,856	1,500	3,224	1,612	1,612	1,612	1,612	13,300	62,291	747,492	747,492
3	Accounts Assistant	15	2	16,120	18,843	2,856	1,500	3,224	1,612	1,612	1,612	1,612	13,300	62,291	747,492	1,494,984
<b>Total</b>																<b>5,232,444</b>
<b>Total Financial Impact of Additional Posts</b>																<b>23,832,444</b>

### Financial Impact of 40% Additional Allowance to already Existing/ Sanctioned Posts.

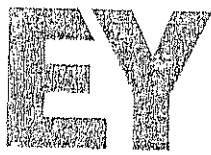
Sr.No	Existing Posts	BPS	Nos of Posts	Basic Pay	40% MIRAD allow. / month/ post	40% MIRAD allow. Monthly Impact of all post
1	Manager (Marketing & Tariff)	19	1	89,710	35,884	430,608
2	Deputy Manager (Tariff) Marketing Section	18	1	65,000	26,000	312,000
3	Deputy Manager Contract Management	18	1	65,000	26,000	312,000
4	Assistant Manager Contract Management	17	1	50,000	20,000	240,000
5	Assistant Manager (Marketing)	17	1	50,000	20,000	240,000
6	Assistant Manager Tariff	17	1	50,000	20,000	240,000
7	LS-1	15	2	36,070	14,428	173,136
8	Commercial Assistant	16	1	41,710	16,684	200,208
9	Junior Clerk	9	2	22,720	9,088	109,056
10	Niab Qasid	1	2	13,480	5,392	64,704
11	Driver	7	3	20,140	8,056	96,672
<b>Total (A)</b>						<b>2,418,384</b>

### Financial Impact of 40% MIRAD Allowance to LESCO MIG & Support Staff

Sr.No	Existing Posts	BPS	Nos of Posts	Basic Pay	40% MIRAD allow. / month/ post	40% MIRAD allow. Monthly Impact of all post
1	CE/ CSD	20	1	173,000	69,200	830,400
2	CFO	20	1	136,740	54,696	656,352
3	Chief Law Officer *	20	1	100,660	40,264	483,168
4	Manager Finance (CP&C)	19	1	89,710	35,884	430,608
5	Deputy Manager (CP&C) Finance	18	1	51,000	20,400	244,800
6	Assistant Manager (P&S)	17	1	65,000	26,000	312,000
<b>Total (B)</b>						<b>2,957,328</b>

Financial Impact of 40% MIRAD/Additional Allowance (A+B)

5,375,712



Building a better  
working world

LAHORE ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

FY Ford Rhodes  
Chartered Accountants  
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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAHORE ELECTRIC SUPPLY COMPANY LIMITED

### Report on the audit of financial statements

We have audited the annexed balance sheet of **Lahore Electric Supply Company Limited** (the Company) as on 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

As referred to in Note 22.5 to the financial statements, trade and other payables as on 30 June 2017 include various inter-office current accounts having balances amounting to Rs. 2,531 million (Debit) and Rs. 2,782 million (Credit). These have not been reconciled and verified due to non-availability of sufficient and appropriate audit evidence. Therefore, we are unable to assess its impact on these financial statements.

Except for the financial effects of adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of matter stated above, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred in Note 5.1 to the annexed financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business;

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- iv) Except for the possible effects of such adjustments as might have been determined to be necessary had we been able to satisfy ourselves in respect of matter stated above on the financial statements, in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- c) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to Note 24.1 of the financial statements which describes the contingencies, the ultimate outcome of which cannot presently be determined, and hence pending the resolution thereof, no provision for the same have been made in the financial statements. Our opinion is not modified in respect of this matter.

Chartered Accountants  
Engagement Partner: Sajjad Hussain Gill  
Lahore: 11 December 2020

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

		30 June 2017	30 June 2016 (Restated)	01 July 2015 (Restated)
		Rupees		
<b>ASSETS</b>	<b>Note</b>			
Non-current assets				
Property, plant and equipment	6	70,114,075,175	62,140,654,595	55,951,777,964
Long term loans	7	519,665,055	604,689,073	367,085,663
Long term deposits		786,566	786,566	870,166
		<u>70,634,526,796</u>	<u>62,746,130,234</u>	<u>56,319,733,793</u>
Current assets				
Stores and spares	8	992,568,773	1,025,768,815	955,556,681
Trade debts	9	29,756,939,750	32,484,512,768	29,590,828,840
Advances	10	20,458,363	87,236,317	85,804,409
Interest accrued		141,839,247	94,909,203	125,629,952
Other receivables	11	30,423,627,291	40,209,445,011	30,594,892,693
Receivable from the Government of Pakistan	12	16,304,033,628	12,020,766,617	19,133,934,025
Current portion of long term loans	7	58,635,454	68,408,619	42,042,613
Tax refunds due from the Government	13	1,128,846,863	1,079,721,192	3,402,670,679
Short term investments	14	17,292,822,611	15,290,513,187	12,390,914,442
Bank balances	15	2,267,289,854	2,237,035,328	2,492,620,084
		<u>98,387,061,834</u>	<u>104,598,317,057</u>	<u>98,814,894,418</u>
<b>TOTAL ASSETS</b>		<u><b>169,021,588,630</b></u>	<u><b>167,344,447,291</b></u>	<u><b>155,134,628,211</b></u>
<b>EQUITY AND LIABILITIES</b>				
Share capital and reserves				
Authorized share capital				
5,000,000,000 (2016: 5,000,000,000) ordinary shares of Rupees 10/- each		50,000,000,000	50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	16	6,738,008,700	6,738,008,700	6,738,008,700
Deposit for issuance of shares	17	37,155,295,853	37,969,408,776	37,969,408,776
Accumulated losses		(97,304,005,289)	(73,486,124,500)	(25,764,041,246)
		<u>(53,410,700,736)</u>	<u>(28,778,707,024)</u>	<u>18,943,376,230</u>
Non-current liabilities				
Long term financing	18	6,415,929,999	4,851,619,460	3,355,115,879
Long term security deposits	19	11,304,037,711	9,935,791,820	8,939,425,559
Employee retirement benefits	20	118,116,695,930	94,975,006,944	70,730,844,365
Deferred credit	21	28,582,001,173	25,159,726,662	23,899,604,788
		<u>164,418,664,813</u>	<u>134,922,144,886</u>	<u>106,924,990,591</u>
Current liabilities				
Trade and other payables	22	45,171,856,223	48,091,647,657	19,270,568,255
Receipts against deposit work	23	8,963,013,865	10,411,270,231	8,099,368,514
Accrued interest		2,349,513,040	1,687,852,718	1,004,799,727
Current maturity of long term financing	18	1,529,241,425	1,010,238,823	891,524,894
		<u>58,013,624,553</u>	<u>61,201,009,429</u>	<u>29,266,261,390</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>169,021,588,630</b></u>	<u><b>167,344,447,291</b></u>	<u><b>155,134,628,211</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	24			

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

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2017 Rupees	2016 Rupees (Restated)
Electricity sales - net	25	142,178,872,877	143,605,478,737
Tariff adjustment	26	29,161,000,000	(16,294,000,000)
Subsidy from Government of Pakistan on sale of electricity	27	21,094,204,592	13,874,750,351
Cost of electricity		192,434,077,469	141,186,229,088
Gross profit / (loss)	28	(177,574,846,984)	(153,258,520,570)
Amortization of deferred credit		14,859,230,485	(12,072,291,482)
	21	2,074,261,055	1,104,935,701
		16,933,491,540	(10,967,355,781)
Operating expenses :			
Distribution costs	29	(22,786,266,096)	(24,560,527,928)
Administrative expenses	30	(6,120,386,338)	(5,121,959,391)
Customer service costs	31	(2,117,020,145)	(2,199,811,383)
		(31,023,672,579)	(31,882,298,702)
Operating loss		(14,090,181,039)	(42,849,654,483)
Other income	32	6,450,905,544	4,762,427,301
Finance costs	33	(412,276,389)	(472,290,482)
Loss before taxation		(8,051,551,884)	(38,559,517,674)
Taxation	34	(1,422,070,255)	-
Loss for the year		(9,473,622,139)	(38,559,517,674)

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

CHIEF EXECUTIVE

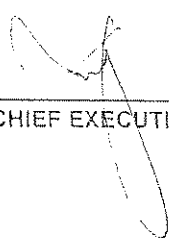
DIRECTOR



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

	Note	2017 Rupees	2016 Rupees (Restated)
Loss for the year		(9,473,622,139)	(36,559,517,674)
Other comprehensive income:			
<i>Items to be reclassified to profit and loss in subsequent periods</i>			
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>			
Actuarial (losses) / gains on defined benefit obligation related to:			
Pension		(15,221,851,356)	(8,681,115,264)
Medical benefits	20.2	329,580,323	(2,589,866,197)
Free electricity benefits		548,012,383	2,108,415,881
Total other comprehensive loss for the year		(14,344,258,650)	(9,162,565,580)
Total comprehensive loss for the year		<u>(23,817,880,789)</u>	<u>(47,722,083,254)</u>

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

  
CHIEF EXECUTIVE


  
DIRECTOR

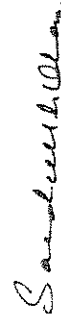
LAHORE ELECTRIC SUPPLY COMPANY LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Issued, subscribed and paid up share capital	Deposit for issuance of shares	Accumulated losses	Total
Rupees					
Balance as at 1 July 2015 - as previously reported		6,738,008,700	37,969,408,776	(30,094,509,954)	14,612,907,522
Effect of adjustments:					
- Fuel price adjustment subsidy	42.2.1	-	-	5,470,340,000	5,470,340,000
- Subsidy income	42.2.2	-	-	(1,745,130,791)	(1,745,130,791)
- Compact fluorescent lamps payable	42.2.3	-	-	605,259,499	605,259,499
Balance as at 01 July 2015 - restated		6,738,008,700	37,969,408,776	(25,764,041,246)	18,943,376,230
Loss for the year - restated		-	-	(38,559,517,674)	(38,559,517,674)
Other comprehensive loss		-	-	(9,162,565,580)	(9,162,565,580)
Total comprehensive loss for the year - restated		-	-	(47,722,083,254)	(47,722,083,254)
Balance as at 30 June 2016 - restated		6,738,008,700	37,969,408,776	(73,486,124,500)	(28,778,707,024)
Loss for the year		-	-	(9,473,622,139)	(9,473,622,139)
Non cash adjustment - tariff differential subsidy		-	(814,112,923)	-	(814,112,923)
Other comprehensive loss		-	-	(14,344,258,650)	(14,344,258,650)
Total comprehensive loss for the year		-	(814,112,923)	(23,817,880,789)	(24,631,993,712)
Balance as at 30 June 2017		6,738,008,700	37,155,295,853	(97,304,005,289)	(53,410,700,736)

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

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CHIEF EXECUTIVE

  
DIRECTOR

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

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2017 Rupees	2016 Rupees (Restated)
Loss before taxation		(8,051,551,884)	(38,559,517,674)
Adjustments for non-cash items:			
Advances written off		69,225,186	107,449,916
Depreciation on operating fixed assets	6	2,795,433,439	2,629,753,969
Amortization of deferred credits	21	(2,074,261,055)	(1,104,935,701)
Provision for employee retirement benefits	20.2	12,539,233,155	18,065,071,977
Profit on bank deposits	32	(1,008,381,580)	(943,761,221)
Income from non-utility operations	32	(558,263,481)	(612,668,392)
Liabilities written back	32	(1,451,622,406)	-
Provision for doubtful debts	9.2	756,398,809	(975,513,378)
Tariff adjustment	26	(29,161,000,000)	16,294,000,000
Finance costs	33	412,276,389	472,290,492
		(25,732,513,428)	(4,627,830,012)
Effect on cash flows due to working capital changes (Increase) / decrease in current assets:			
Stores and spares		33,200,042	(70,212,134)
Trade debts		1,971,174,209	(1,918,170,551)
Advances		(2,447,232)	(108,881,824)
Other receivables		15,011,304,539	(9,576,146,138)
Receivable from the Government of Pakistan		(5,097,379,934)	7,074,761,228
Increase / (decrease) in current liabilities:			
Trade and other payables		22,467,344,153	12,527,079,402
		34,383,195,777	7,928,429,983
Cash generated from operations		8,650,682,349	3,300,599,971
Employees' retirement benefits paid		(3,741,802,819)	(2,983,474,978)
Taxes (paid) / adjustment		(1,471,195,926)	2,322,949,487
Finance costs paid		(202,848,003)	(5,274,603)
Long term loans - net		94,797,183	(263,969,416)
Long term deposits		-	83,600
		(5,321,049,565)	(929,685,910)
Net cash generated from / (used in) operating activities		3,329,632,784	2,370,914,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,758,358,602)	(7,989,925,106)
Disposals of short term investments - net		1,369,723,273	4,195,824,017
Bank profit received		961,451,536	974,481,970
Net cash used in investing activities		(7,427,183,793)	(2,819,619,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		2,083,313,141	1,615,217,511
Receipt against deposit work		4,048,279,200	4,676,959,292
Receipt against long term security deposits		1,368,245,891	996,366,261
Net cash generated from financing activities		7,499,838,232	7,288,543,064
Net increase / (decrease) in cash and cash equivalents		3,402,287,223	6,839,838,006
Cash and cash equivalents at the beginning of the year		10,774,579,068	3,934,741,062
Cash and cash equivalents at the end of the year	35	14,176,866,291	10,774,579,068

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

CHIEF EXECUTIVE

DIRECTOR

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

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Lahore Electric Supply Company Limited ("the Company") is a public limited Company incorporated in Pakistan. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Lahore Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on 02 April 1998 and commenced commercial operation on 01 July 1998. The principal activity of the Company is the distribution of electricity within the defined geographical territory. The registered office of the Company is situated at 22/A Queens Road, Lahore.
- 1.2 The Company took over certain properties, rights, assets, obligations and liabilities relating to distribution of electricity from WAPDA under Business Transfer Agreement (BTA) dated 29 June 1998. The details of assets, liabilities and related matters as provided under clause 1.1 of BTA have been finalized with WAPDA through Supplementary Business Transfer Agreement (SBTA) dated 30 June 2004.
- 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. Based on the approval of Council of Common Interest (CCI) and Cabinet Committee on Privatization (CCOP) the privatization of the Company is in process.

2. STATEMENT OF COMPLIANCE

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

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

3. BASIS OF PREPARATION

- 3.1 These financial statements have been prepared under the historical cost convention except for the recognition of employee retirement benefits (Note 5.7) at present value and certain financial instruments carried at fair value.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency.

3.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

	Note
- Employees' retirement benefits	5.7
- Taxation	5.12
- Residual values and useful lives of depreciable assets	5.2
- Provision for doubtful debts	5.4
- Provision for slow moving items	5.3
- Provisions	5.9

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# LAHORE ELECTRIC SUPPLY COMPANY LIMITED

## 4. NEW STANDARDS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE RELEVANT BUT 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 (accounting periods beginning on or after)
IAS 1 and IAS 8 Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
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
IFRS 2 - Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 3 - Business Combinations - Definition of business (amendments)	01 January 2020
IFRS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
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
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 - Financial Instruments: Classification and Measurement	30 June 2019

The Company expects that the adoption of the above standards revisions and amendments of the standards will not have any material effect on the Company's financial statements in the period of initial application.

In addition to the above, 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	Effective date (Annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2022

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## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except as mentioned in Note 5.1 below:

### 5.1 New Standards, interpretations and amendments

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

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)  
 IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)  
 IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)  
 IAS 16 - Property, Plant and Equipment and IAS 38 Intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)  
 IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)  
 IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

#### Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal  
 IFRS 7 - Financial Instruments: Disclosures - Servicing contracts  
 IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements  
 IAS 19 - Employee Benefits - Discount rate: regional market issue  
 IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere' in the interim financial report

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

### 5.2 Property, plant and equipment

#### 5.2.1 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 profit and loss account.

##### Subsequent measurement

Items of operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, (if any).

##### Depreciation

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 of. Depreciation is charged to profit and loss account on straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 6 to the financial statement except freehold land which is not depreciated.

##### Disposal

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

##### Judgment and estimates

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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## 5.2.2 Capital work in progress

Capital work-in-progress is stated at cost plus less impairment, if any.

## 5.3 Stores and spares

Store and spares are valued at lower of cost and net realizable value. Cost is determined on the following basis:

- Distribution equipment	Weighted average
- Grid construction equipment	Based on item's specific cost
- Other items	Weighted average

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

Provision for obsolete and slow-moving stock-in-trade is based on management estimate.

## 5.4 Trade debts

Trade debts are initially recorded at fair value and subsequently, these are carried at initially recognized amount less an estimate for provision of doubtful debts. Provision for doubtful debts is made on estimated basis according to the policy approved by the Board of Directors of the Company as follows:

Category of trade debts:	Trade debts past due			
	Upto 1 year	1 to 3 years	3 to 5 years	5 years
Government balances	0%	0%	0%	0%
Private balances:				
<i>Running defaulters</i>	0%	10%	50%	100%
<i>Permanent defaulters</i>	25%	50%	75%	100%
<i>Dead defaulters</i>	50%	100%	100%	100%
<i>Deferred amount</i>	0%	0%	25%	50%

## 5.5 Long term loans and other receivables

These are initially recognized at the fair value consideration given, subsequently these are recorded at their amortized cost less impairment if any.

## 5.6 Cash and cash equivalents

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

## 5.7 Staff retirement benefits

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

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

## 5.8 Deferred credit

Deferred credit represents amount received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the transfer from specific grants. During the development phase of projects, such amount received from consumers is classified in receipts against deposit work, and upon completion of projects, relevant amount is transferred to deferred credit, after which the amortization of deferred credit commences, which is taken to the profit and loss account each year corresponding to the depreciation charge of relevant asset for the year.

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5.9 Provisions

Provisions are recognized, when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed periodically and adjusted to reflect current best estimate.

5.10 Trade and other payable

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future against goods or services.

5.11 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 from electricity sales is recognized on basis of electricity supplied to consumers at rates determined by the National Electric Power Regulator Authority (NEPRA) and notified by the GoP.

b) Tariff adjustment

The tariff adjustment relating to current year accounted for by the NEPRA while determining the subsequent year tariff and notified by the GoP is recognized on accrual basis.

c) Tariff differential subsidy

Tariff differential subsidy income is recognized in the relevant period on the basis of rates notified by the GoP.

d) Meter and service income

Meter and service rentals are recognized on time proportionate basis.

e) Commission fee on collection of PTV fee

Commission on collection of PTV fee and electricity duty is recognized on the basis of collection from the consumers.

f) Interest on bank deposits

Interest on bank deposits and profit on short term investment is recognized using effective interest rate method.

g) Deferred credit

Deferred credit against consumers' contributions is charged to profit and loss account over the expected useful life of the asset underlying the contribution.

h) Miscellaneous income

All other miscellaneous incomes are recognized on accrual basis.

5.12 Taxation

Current

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

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

Deferred

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

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



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

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

### 5.13 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 and loss account. Financial assets and liabilities carried at fair value through profit and loss account are initially recognized at fair value, and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or losses on de-recognition of financial assets and financial liabilities are included in profit and loss account for the year.

#### a) Financial assets

The Company classifies its financial assets in the following categories: fair value through profit and loss account, 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 and loss

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

Financial assets at fair value through profit and 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) Loan and receivables

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

##### iv) Available for sale

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

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

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

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**Impairment of financial assets**

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

**b) Financial liabilities****Initial recognition and measurement**

The Company classifies its financial liabilities in the following categories: fair value through profit and 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 and loss**

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

**ii) Other financial liabilities**

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

**c) Offsetting of financial assets and financial liabilities**

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

**5.14 Foreign currency transaction**

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

**5.15 Borrowing cost**

Borrowing cost is recognized on accrual basis. Markup, interest and other charges on financing obtained for construction or acquisition of qualifying asset is capitalized up to the date of commissioning of related asset. All other markup, interest and other charges are charged in profit and loss account in the period in which they are incurred.

**5.16 Investments - held to maturity**

Held to maturity investments are initially recognized at cost, being the fair value of the consideration given and include transaction cost. Subsequently, these are measured at amortized cost, using the effective interest rate method, less provision for impairment, if any. These are reviewed for impairment at year end and any loss arising from impairment in values is charged to the profit and loss account.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Note	2017 Rupees	2016 Rupees
Operating fixed assets	6.1	59,517,345,205	52,466,079,796
Capital work in progress	6.6	10,596,729,970	9,674,574,799
		<u>70,114,075,175</u>	<u>62,140,654,595</u>

## 6.1 Operating fixed assets

2017									
PARTICULARS	Cost			Accumulated depreciation			Book value as on 30 June 2017	Rate %	
	Transferred from WAPDA under SBTA as on 01 July 1998	Additions / Transfers		Transferred from WAPDA under SBTA as on 01 July 1998	Depreciation expense				As on 30 June 2017
		Up to last year	During the year		Up to last year	During the year			
OWNED: ————— Rupees —————									
Land - freehold	149,230,584	512,309,675	10,337,910	671,878,169	-	-	671,878,169	-	
Buildings and civil works on freehold land	588,684,945	4,282,927,271	1,721,066,371	6,592,678,587	156,816,352	645,146,266	99,796,884	901,759,502	
Furniture	-	68,309,296	5,850,377	74,159,673	-	46,932,550	3,410,811	50,343,361	
IT equipment	-	500,251,253	79,854,895	580,106,148	-	172,186,605	52,901,782	225,088,387	
Other plant and equipment	69,567,475	405,474,064	77,887,572	552,929,111	22,452,004	315,030,163	23,352,268	360,834,435	
Distribution plant assets	11,123,033,112	59,316,183,992	7,914,522,687	78,353,739,791	3,251,437,390	20,402,814,117	2,551,201,225	26,205,452,732	
Office equipment	-	53,486,713	2,755,712	56,242,425	-	24,271,178	4,556,911	28,828,089	
Vehicles	320,152,814	851,360,239	34,423,324	1,205,936,377	76,862,795	660,942,217	60,213,558	798,018,570	
	12,250,668,930	65,990,302,503	9,846,698,848	88,087,670,281	3,507,568,541	22,267,323,096	2,795,433,439	28,570,325,076	
								59,517,345,205	

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2016								
PARTICULARS	Cost			Accumulated depreciation			Book value as on 30 June 2016	Rate %
	Transferred from WAPDA under SBTA as on 01 July 1998	Additions / Transfers		Transferred from WAPDA under SBTA as on 01 July 1998	Depreciation expense			
		Up to last year	During the year		Up to last year	During the year		
OWNED:								
Land - freehold	149,230,584	512,309,675	-	661,540,259	-	-	661,540,259	-
Buildings and civil works on freehold land	588,684,945	3,484,718,687	798,208,584	4,871,612,216	156,816,352	83,984,555	801,962,618	2%
Furniture	-	53,085,256	15,224,040	68,309,296	-	2,896,789	46,932,550	10%
IT equipment	-	406,297,703	93,953,550	500,251,253	-	42,187,406	172,186,505	10%
Other plant and equipment	69,567,475	363,543,318	41,930,746	475,041,539	22,452,004	26,888,167	328,064,648	10%
Distribution plant assets	11,123,033,112	53,386,871,214	5,929,312,778	70,439,217,104	3,251,437,390	2,419,825,198	46,784,965,597	3.5%
Office equipment	-	52,180,517	1,306,196	53,486,713	-	4,435,865	29,215,535	10%
Vehicles	320,152,814	522,081,147	329,279,092	1,171,513,053	76,862,795	49,535,989	433,708,041	10%
	12,250,668,930	58,781,087,517	7,209,214,986	78,240,971,433	3,507,568,541	2,629,753,969	52,466,079,796	

6.2 As explained in Note 1.2, the property and rights in the above assets were transferred to the Company on 01 July 1998 by the WAPDA in accordance with the terms and conditions of the Business Transfer Agreement executed between the WAPDA and the Company. However, title of free hold land measuring 2,416 Kanals and 7 Marlas is in the name of the Company in the Punjab Land Revenue Authority (PLRA) records and the land measuring 4,406 Kanals and 9 Marlas is in the name of the WAPDA while the remaining land measuring 59 Kanals and 2 Marlas is in the name of third party in the Land Revenue records. Further, the titles of the vehicles have also not been transferred in the name of the Company.

6.3 The cost of the assets as on 30 June 2017 include fully depreciated assets amounting to Rs. 2,212 million (2016: Rs. 2,091 million) which are still in use of the Company.

6.4 Subsequent to the year end, the GoP through Power Holding (Pvt) Limited has arranged Shariah Compliant Islamic Finance Facility through issuance of Sukuk-1 to settle the energy sector circular debts of all DISCOs. As per the direction of the GoP vide letter no. PF-05(06)/2012 dated 20 December 2019, the facility is secured against the land of all DISCOs, accordingly the land of the Company estimated worth to Rs 37,000 million is also part of this arrangement.

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

			2017 Rupees	2016 Rupees
6.5	The depreciation charge for the year has been allocated as follows:	Note		
	Distribution costs	29	2,632,527,676	2,482,303,300
	Administrative expenses	30	159,157,362	144,321,318
	Customer service costs	31	3,748,401	3,129,351
			<u>2,795,433,439</u>	<u>2,629,753,969</u>
6.6	Capital work in progress			
	Civil works		143,284,364	155,860,531
	Distribution equipment		3,328,186,360	2,556,657,870
	Grid station equipment		4,084,179,694	3,821,376,719
		6.6.1	<u>7,555,650,418</u>	<u>6,533,895,120</u>
	Capital stores	6.6.2	3,041,079,552	3,140,679,679
			<u>10,596,729,970</u>	<u>9,674,574,799</u>
	Movement in capital work-in-progress during the year:			
6.6.1	Balance at the beginning of the year		6,533,895,120	5,135,115,909
	Additions during the year		8,984,249,225	6,548,839,645
			<u>15,518,144,345</u>	<u>11,683,955,554</u>
	Transfers to operating fixed assets during the year		(7,962,493,927)	(5,150,060,434)
	Balance at the end of the year		<u>7,555,650,418</u>	<u>6,533,895,120</u>
6.6.2	These represent items of stores and spares held for capitalization.			
6.6.3	During the year, borrowing cost amounting to Rs. 452 million (2016: Rs. 216 million) has been capitalized in the cost of capital work in progress.			
7.	LONG TERM LOANS - unsecured	Note	2017 Rupees	2016 Rupees
	To employees - considered good :			
	- House building / purchase of plots		572,573,666	663,816,921
	- Vehicles		5,707,390	8,195,961
	- Others		19,453	1,084,810
		7.1	<u>578,300,509</u>	<u>673,097,692</u>
	Less: Current portion of long term loans		<u>(58,635,454)</u>	<u>(68,408,619)</u>
			<u>519,665,055</u>	<u>604,689,073</u>
7.1	These represent interest free loans provided to the employees and are recoverable in a period of 5 to 10 years from the date of disbursement or on retirement which ever is earlier.			
8.	STORES AND SPARES	Note	2017 Rupees	2016 Rupees
	Stores and spares		1,013,693,184	1,046,893,226
	Less: Provision for obsolete / slow moving items		<u>(21,124,411)</u>	<u>(21,124,411)</u>
			<u>992,568,773</u>	<u>1,025,768,815</u>
9.	TRADE DEBTS		2017 Rupees	2016 Rupees (Restated)
	Considered good:			
	Billed	9.1	21,315,274,683	21,009,765,029
	Unbilled:			
	- Spill over adjustment		4,105,305,575	5,229,491,967
	- Fuel price adjustment		4,336,359,492	6,245,255,772
			<u>29,756,939,750</u>	<u>32,484,512,768</u>
	Considered doubtful - billed		6,639,879,376	5,883,480,567
			<u>36,396,819,126</u>	<u>38,367,993,335</u>
	Less :			
	Provision for doubtful debts	9.2	<u>(6,639,879,376)</u>	<u>(5,883,480,567)</u>
			<u>29,756,939,750</u>	<u>32,484,512,768</u>
9.1	Trade debts are secured to the extent of corresponding consumers' security deposits. The corresponding figure has been restated as mentioned in Note 41.2.2.			

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9.2	Provision for doubtful debts	Note	2017 Rupees	2016 Rupees
	Provision as on 01 July		5,883,480,567	6,858,993,945
	Provision / (reversal) for the year	30	756,398,809	(975,513,378)
	Provision as on 30 June		<u>6,639,879,376</u>	<u>5,883,480,567</u>
10.	ADVANCES - considered good - unsecured			
	Advances to:			
	Staff		20,458,363	26,291,470
	Suppliers / contractors		-	60,944,847
			<u>20,458,363</u>	<u>87,236,317</u>
11.	OTHER RECEIVABLES	Note	2017 Rupees	2016 Rupees (Restated)
	Receivable from the CPPA-G		-	23,935,513,181
	Receivable from the associated companies	11.1	14,896,355,542	13,352,197,915
	Agricultural subsidy receivable from the Government of Punjab	11.2	2,573,526,635	2,535,120,455
	Tariff adjustment	26	12,867,000,000	-
	75% capital cost receivable from agricultural consumers		1,187,985	1,341,717
	Miscellaneous		85,557,129	385,271,743
			<u>30,423,627,291</u>	<u>40,209,445,011</u>
11.1	Receivable from the associated companies			
	Water and Power Development Authority		9,465,114,664	8,378,889,971
	National Transmission and Dispatch Company Limited		1,407,680,159	1,797,136,238
	Pakistan Electric Power Company (Private) Limited	11.1.2	951,181,670	708,763,244
	Gujranwala Electric Power Company Limited		1,192,782,417	648,709,892
	Northern Power Generation Company Limited		146,071,467	106,287,307
	Faisalabad Electric Supply Company Limited		703,949,273	714,850,921
	Power Information Technology Company		-	18,568,233
	Hyderabad Electric Supply Company Limited		33,010,084	19,293,064
	Central Power Generation Company Limited		29,990,160	16,219,741
	Quetta Electric Supply Company Limited		41,481,236	29,499,538
	Sukkur Electric Power Company Limited		6,463,384	2,312,892
	Islamabad Electric Supply Company Limited		912,349,543	908,315,534
	Jamshoro Power Generation Company Limited		4,477,836	2,183,468
	Lakhra Power Generation Company Limited		1,428,213	966,405
	Tribal Area Electricity Supply Company Limited		375,436	201,467
		11.1.3	<u>14,896,355,542</u>	<u>13,352,197,915</u>
11.1.2	The corresponding figure has been restated as mentioned in Note 41.2.3.			
11.1.3	This represents the net amount receivable from the Associated Companies on account of free electricity, medical reimbursement and pension payment provided to its employees, that are residing within the Company's territorial jurisdiction.			
11.2	Agricultural subsidy		2017 Rupees	2016 Rupees
	Opening balance		2,535,120,455	2,108,725,784
	Subsidy accrued during the year		<u>1,225,166,180</u>	<u>1,449,274,671</u>
			3,760,286,635	3,558,000,455
	Amount received / adjusted		<u>(1,186,760,000)</u>	<u>(1,022,880,000)</u>
	Closing balance		<u>2,573,526,635</u>	<u>2,535,120,455</u>

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

12.	RECEIVABLE FROM THE GOVERNMENT OF PAKISTAN	Note	2017	2016 (Restated)
	Tariff differential subsidy	12.1	1,978,638,890	3,227,405,349
	Industrial support package	12.2	7,330,426,499	1,798,393,029
	Fuel price adjustment subsidy	12.3	5,470,340,000	5,470,340,000
	Agriculture subsidy	12.4	1,524,628,239	1,524,628,239
			<u>16,304,033,628</u>	<u>12,020,766,617</u>
12.1	Tariff differential subsidy	Note	2017 Rupees	2016 Rupees
	Opening balance		3,227,405,349	10,030,240,002
	Subsidy receivable accrued during the year		<u>15,562,171,122</u>	<u>12,076,357,322</u>
			18,789,576,471	22,106,597,324
	Amount received / adjusted		<u>(16,810,937,581)</u>	<u>(18,879,191,975)</u>
	Closing balance	12.1.1	<u>1,978,638,890</u>	<u>3,227,405,349</u>
12.1.1	This represents the tariff differential subsidy given by the Government of Pakistan (GoP) in pursuance of the NEPRA tariff determinations and notifications from time to time. This is the difference between the NEPRA rates and the rates charged to the consumers in accordance with the tariff notified by the GoP.			
12.2	Industrial support package (ISP)	Note	2017 Rupees	2016 Rupees
	Opening balance		1,798,393,029	-
	Subsidy receivable accrued during the year		<u>5,532,033,470</u>	<u>1,798,393,029</u>
			7,330,426,499	1,798,393,029
	Amount received / adjusted		-	-
	Closing balance	12.2.1	<u>7,330,426,499</u>	<u>1,798,393,029</u>
12.2.1	ISP subsidy relates to the rebate allowed to the industrial consumers by the GoP through letter no F-NO.PI-4(18)/2014-15 dated 04 February 2016. Subsequent to the year end, as per the GoP notification vide 1048-DFA(Finance)/2016-17 dated 07 July 2017, an adjustment of this subsidy amounting to Rs. 4,001 million has been received by the Company against payable balance to the CPPA-G. Further as per the GoP notification vide PF-05(02)/2012 dated 03 July 2019, the Company receive a non cash adjustment relating to ISP subsidy receivable balance amounting to Rs. 25,329 million against amount payable to the CPPA-G.			
12.3	During the year ended 30 June 2012, the Honorable Lahore High Court grant stay order that domestic consumers having electricity consumption up to 350 units per month are not liable for fuel price adjustment (FPA). Due to which the Company was not able to bill the FPA to such domestic consumers. The NEPRA through its tariff determination for the year ended 2013, advised that the Company should claim the respective amount separately from the GoP in the form of subsidy. In pursuance of this, the Company filed claims with the GoP as fuel price adjustment subsidy in financial year 2013. However, the NEPRA and the GoP have not yet considered the matter as yet. The corresponding figure has been restated as discussed in Note 41.2.1.			
12.4	This includes an amount of Rs. 838 million, being the general sales tax subsidy to the agriculture consumers on the electricity cost, in the years ended 30 June 2008 to 2010, and the remaining amount represents subsidy to agriculture consumers in the years ended 30 June 2014 to 2016, being the difference of tariff notified by the GoP and rate notified by the Ministry of Water and Power, GoP for agriculture consumers, which has been outstanding since long.			
13.	TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2017 Rupees	2016 Rupees
	Advance tax		47,597,559	490,546,835
	Sales tax paid (under protest)	13.1	<u>1,081,249,304</u>	<u>589,174,357</u>
			<u>1,128,846,863</u>	<u>1,079,721,192</u>
13.1	This includes disputed sales tax payments made in the following cases which are pending adjudication: E,			

- 13.1.1 In previous years, Sales Tax Department raised a sales tax demand amounting to Rs. 1 billion and Rs. 1.4 billion including penalty but excluding default surcharge for the tax period from July 2008 to June 2009 and July 2009 to June 2010 respectively, on alleged non-payment of sale tax collected from the steel sector including alleged illegal adjustment against their input tax. The Company, being aggrieved, filed appeals at department and tribunal levels which were decided against the Company. The Company then filed reference before Honorable Lahore High Court against show cause notices for the overall period from January 2008 to May 2011. The Honorable Lahore High Court while deciding the references and writ petition against the Company, directed FBR to conduct an accounting exercise for the period under adjudication so as to verify that if the amount of sales tax collected from steel melters is excluded from the total output of the Company then the refund of the same amount will arise accordingly. Against the order of the Honorable Lahore High Court, the Company filed reference in the Supreme Court of Pakistan which is pending adjudication. Supreme Court of Pakistan has granted leave for hearing in the instant case.

In March 2012, despite of the stay granted by the Honorable Lahore High Court and the process of accounting exercise was going on, in respect of above cited subject, FBR seized the bank accounts of the Company, thereby, forcefully withdrew Rs. 2.3 billion being the alleged sales tax collected from Steel melters.

During prior year, as a result of an accounting exercise conducted by the FBR in pursuance of above said order of the Honorable High Court, FBR agreed with the above said plea taken by the Company and allowed the Company to revise its sales tax returns for tax periods from July 2008 to June 2010 vide its order C.no. 2(1)EX/2013/38523-R dated 17 March 2015 to carry forward the refunds relating to those periods. Resultantly, revised sales tax return of tax period June 2010 shows a refund / credit of Rs. 2,246 million leading to under protest sales tax of Rs. 89.17 million.

Further, an application has been filed to Commissioner for approval for condonation and revision of sales tax returns u/s 26(3) of the Sales Tax Act, 1990 for the tax periods from July 2010 to September 2014 to transfer the above said refund to subsequent tax periods, which has been forwarded to Secretary IR – ST & FE (Law, Procedure and exemptions) by the Chief Commissioner Inland Revenue for necessary approval. Various representations have also been made before the taxation authorities, wherein, it has been communicated that the aforementioned amount is available for adjustment and the taxation authorities should allow revision of sales tax returns of subsequent tax periods in order to carry forward the refund of the abovementioned amount.

- 13.1.2 Sales tax amounting to Rs. 500 million deposited in connection with stay order obtained in sales tax case from January 2008 to June 2009 (mainly levy of GST on subsidy received from government, receipts against deposit work, deferred credit, payment of general sales tax not yet realized and inadmissible input tax adjustments / adjusted against line losses) vide order no. M.A (Stay) no. 202/LB//2011 dated 28 May 2011. (Refer to Note 24.1.1(ii)).

14.	SHORT TERM INVESTMENTS - Held to maturity	Note	2017 Rupees	2016 Rupees
	Term deposit receipts	14.1&14.2	<u>17,292,822,611</u>	<u>15,290,513,187</u>
14.1	These includes long term consumers' security deposits placed in separate bank accounts amounting to Rs. 11,983 million (2016: Rs. 9,884 million).			
14.2	These represent term deposits placed in local currency with different banks having maturity ranging from three to twelve months at interest rates ranging from 2% to 8% (2016: 2% to 8%) per annum.			
15.	BANK BALANCES	Note	2017 Rupees	2016 Rupees
	Balance with banks in:			
	Current accounts		1,096,469,018	1,504,047,493
	Deposit accounts	15.1	<u>1,170,820,836</u>	<u>732,987,835</u>
			<u>2,267,289,854</u>	<u>2,237,035,328</u>
15.1	Balances in deposit accounts carry interest ranging from 5.9% to 6.7% (2016: 5% to 7.5%) per annum.			
16.	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL	Note	2017 Rupees	2016 Rupees
	Issued, subscribed and paid-up:			
	1,000 (2016: 1,000) ordinary shares of Rs. 10 each fully paid in cash		10,000	10,000
	673,799,870 (2016: 673,799,870) ordinary shares of Rs. 10 each against deposit for issuance of shares	16.1	<u>6,737,998,700</u>	<u>6,737,998,700</u>
			<u>6,738,008,700</u>	<u>6,738,008,700</u>



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16.1	These shares were issued against the following:	Note	Rupees
	Incorporation expenses incurred by WAPDA	16.1.1	5,043,850
	Allocation of net worth	16.1.2	1,964,925,820
	Debt services liability	16.1.3	2,029,792,415
	Transfer of assets	16.1.4	2,738,236,815
		16.1.5	<u>6,737,998,700</u>

16.1.1 This represents the Company's Incorporation expenses and reversal of provision for doubtful debts relating to pre-incorporation period incurred by the WAPDA.

16.1.2 This represents conversion of WAPDA current account to deposit for issuance of shares.

16.1.3 This represents the debt services provided by the GoP / WAPDA on foreign re-lent and cash development loans.

16.1.4 This represents the reallocation of loans against assets constructed by National Transmission and Dispatch Company Limited (NTDC) and transferred to the Company during 01 July 2002 to 30 June 2005, through WAPDA.

16.1.5 The assets and liabilities were transferred to the Company by WAPDA under Business Transfer Agreement (BTA) which was subsequently amended / supplemented through Supplementary Business Transfer Agreement (SBTA). The purchase price as defined in the BTA was payable by the Company to WAPDA in consideration of the transfer as provided in the BTA by issuance of ordinary shares by the Company and such shares have been determined at a closing date which has been agreed between WAPDA and the Company.

As per WAPDA letter no. 36-66/GMF(P)/MF(IHQ)/PK-40 dated 18 July 2008, Business Transfer Agreement (BTA) has been closed as at 30 June 2008. Consequently, during 2014, the Company has issued the shares to the WAPDA under SBTA.

17.	DEPOSIT FOR ISSUANCE OF SHARES	Note	2017 Rupees	2016 Rupees
	Federal government equity / investment	17.1	<u>37,155,295,853</u>	<u>37,969,408,776</u>

17.1 The Finance Division of the GoP vide its letter No F.1(5) CF-1/2012-13/1017 dated 2 July 2013 had transferred Rs. 341.96 billion in the PEPCO's account through the State Bank of Pakistan on 27 June 2013 for settlement of power sector circular debt payable to the Independent Power Producers (IPPs) and other entities. The PEPCO on the basis of above letter allocated Rs. 37.97 billion to the Company against which the CPPA-G had issued a credit advice to the Company being the adjustment on account of the GoP equity / investment against settlement of power sector circular debt. The Company has accounted for this amount as equity based on the opinion of its legal directorate.

During the year, the Finance Division of the GoP vide its letter No F.1(5) CF-1/2015-16/443 dated April 28, 2016 instructed the PEPCO to adjust the tariff differential subsidy receivable of the respective DISCOs against the GoP share deposit money. Accordingly, CPPA-G has issued a credit note to the Company of Rs. 814.11 million as a non cash adjustment on account of the GoP share deposit money.

18.	LONG TERM FINANCING	Note	2017 Rupees	2016 Rupees
	From Government of Pakistan through:			
	International Bank for Reconstruction and Development (IBRD)	18.1	<u>1,025,348,989</u>	<u>1,025,348,989</u>
	Asian Development Bank (ADB)	18.2	<u>6,919,822,435</u>	<u>4,836,509,294</u>
			7,945,171,424	5,861,858,283
	Less: Current portion of long term financing		<u>(1,529,241,425)</u>	<u>(1,010,238,823)</u>
			<u>6,415,929,999</u>	<u>4,851,619,460</u>

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## 18.1 International Bank for Reconstruction and Development (IBRD)

This represents a re-lent portion of loan obtained by the GoP from International Bank for Reconstruction and Development (IBRD) for Electricity Distribution and Transmission Improvement Project which is secured against the guarantee by the GoP. Pursuant to the Subsidiary Loan Agreement dated 22 October 2008 between the GoP and the Company, the facility amounting to Rs. 1,025.35 million (2016: Rs. 1,025.35 million) has been transferred to the Company. This facility carries interest rate of 17% per annum inclusive of relending interest of 11% plus exchange risk cover fee of 6%, payable on half yearly basis. Principal amount is to be repaid on half yearly basis within 15 years including grace period of 2 years. As per the re-lent agreement, the Company is required to obtain permission from International Bank for Reconstruction and Development for obtaining any other loan facility.

Pursuant to the office memorandum No. 1(28) EA/IDA-I/06 dated 10 October 2012 conveyed through Economic Affairs Division regarding amendments in the loan terms, loan portion amounting to USD 14.98 million, out of originally sanctioned amount of USD 60.29 million, has been cancelled by the IBRD due to lack of loan utilization plan.

## 18.2 Asian Development Bank (ADB)

These represents a re-lent portion of loan obtained by the GoP from the Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by the GoP. Loan is repayable to the GoP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan. The Project I has been closed by ADB with effect from 30 June 2012 due to in-ability of the Company to utilize full amount of loan within given time. Ministry of Economic Affairs (Recovery Section) vide its letter No. 6-16(2)/DM-GF/2011 dated 28 March 2013 has finalized and notified repayment schedule for TRANCH-I to the Company however, remaining re-lent loan's repayment schedules has not yet been finalized.

Loan	2017			
	Opening	Addition	Repayment	Closing
	Rupees			
Project I	2,336,022,713	-	129,779,041	2,206,243,672
Project II	1,526,041,685	67,559,164	-	1,593,600,849
Project III	896,424,384	186,283,985	-	1,082,708,369
Project IV	78,020,512	1,959,249,033	-	2,037,269,545
	4,836,509,294	2,213,092,182	129,779,041	6,919,822,435

Loan	2016			
	Opening	Addition	Repayment	Closing
	Rupees			
Project I	2,336,022,713	-	-	2,336,022,713
Project II	790,139,071	735,902,614	-	1,526,041,685
Project III	95,130,000	801,294,384	-	896,424,384
Project IV	-	78,020,512	-	78,020,512
	3,221,291,784	1,615,217,510	-	4,836,509,294

	Project I	Project II	Project III	Project IV
Interest rate				
Interest on principal	11%	8.2%	8.2%	8.2%
Exchange rate risk	6%	6.8%	6.8%	6.8%
Repayment period				
Total period	15 years	20 years	25 years	20 years
Grace period	2 years	3 years	5 years	5 years

- 18.3 During the year, the PEPCO vide its letter no. DGOPCO/PEPCO/2152-63 dated 20 February 2017 directed the Company that the payment of debt service on account of foreign re-lent 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 the GoP. Resultantly, after that the Company did not make any payment in respect of foreign re-lent loans.

	Note	2017 Rupees	2016 Rupees
19. LONG TERM SECURITY DEPOSITS	19.1	11,304,037,711	9,935,791,620

- 19.1 These represent security deposits against amounts due from consumers on account of electricity sales. These are refundable / adjustable on disconnection of electricity supply. The Company has invested these funds in term deposit receipts.

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## 20 EMPLOYEE RETIREMENT BENEFITS

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

20.1 The amounts recognized in the statement of financial position	Note	Pension obligations		Medical benefits		Free electricity		Compensated absences		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		Rupees		Rupees		Rupees		Rupees		Rupees	
Present value of defined benefit obligations (PVOBO)		83,452,306,830	63,564,050,256	11,495,320,124	10,618,138,548	19,020,464,867	17,401,074,406	4,148,604,909	3,391,743,734	118,116,695,930	94,975,006,944

## 20.2 Changes in the present value of defined

Balance at the beginning of the year		63,564,050,256	43,367,897,547	10,618,138,548	7,211,908,392	17,401,074,406	17,307,866,157	3,391,743,734	2,843,172,269	94,975,006,944	70,730,844,365
Charge to profit and loss account	20.3	7,662,865,280	13,873,384,583	1,433,117,484	994,841,647	2,436,458,402	2,467,677,328	1,006,791,989	729,168,419	12,539,233,155	18,085,071,977
Charge to other comprehensive loss / (income)		15,221,851,356	8,681,115,264	(329,580,323)	2,589,866,197	(548,012,383)	(2,108,415,881)	-	-	14,344,288,650	9,162,565,580
Benefits paid during the year		(2,896,460,062)	(2,358,347,138)	(226,365,585)	(178,477,688)	(268,056,358)	(266,053,198)	(248,930,814)	(180,596,954)	(3,741,802,819)	(2,983,474,978)
Balance at the end of the year		83,452,306,830	63,564,050,256	11,495,320,124	10,618,138,548	19,020,464,867	17,401,074,406	4,148,604,909	3,391,743,734	118,116,695,930	94,975,006,944

## 20.3 Charge to profit and loss account

Current service cost		1,145,954,157	1,006,917,408	330,096,605	211,347,996	623,471,049	578,444,977	40,503,401	30,489,692	2,140,025,212	1,827,200,073
Past service cost		-	8,436,651,157	-	-	-	-	-	-	-	8,436,651,157
Interest cost		6,516,911,123	4,429,816,018	1,103,020,879	763,493,651	1,812,987,353	1,869,232,351	343,011,724	268,405,183	9,775,931,079	7,370,947,203
Experience adjustment		-	-	-	-	-	-	623,276,864	430,273,544	623,276,864	430,273,544
		7,662,865,280	13,873,384,583	1,433,117,484	994,841,647	2,436,458,402	2,467,677,328	1,006,791,989	729,168,419	12,539,233,155	18,085,071,977

## 20.4 Significant actuarial assumptions at the reporting date are:

Discount rate	9.25%	10.50%	9.25%	10.50%	10.50%	9.25%	10.50%	9.25%	10.50%
Salary increase rate	8.25%	9.50%	8.25%	9.50%	9.50%	-	-	8.25%	9.50%
Pension indexation rate	6.25%	6.50%	-	-	-	-	-	-	-
Medical inflation rate - in service	-	-	8.25%	9.50%	-	-	-	-	-
Medical inflation rate - post retirement	-	-	8.25%	10.50%	-	-	-	-	-
Electricity inflation rate	-	-	-	-	8.25%	9.50%	-	-	-
Withdrawal rate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
Mortality rate	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Normal retirement age (years)	60	60	60	60	60	60	60	60	60
Effective duration of plan (years)	13.90	14	8.06	17	18.14	9.14	17	9.14	10

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

20.5 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 in pension indexation rate

- 1% increase
- 1% decrease

Effect of change mortality age

- 1 year mortality age set back
- 1 year mortality age set forward

Pension obligations			Medical benefits			Free electricity		
%	Amount		%	Amount		%	Amount	
10.25%	72,488,971,509		10.25%	10,872,454,875		10.25%	15,924,114,320	
8.25%	97,331,104,351		8.25%	12,249,411,252		8.25%	23,099,102,574	
9.25%	86,874,949,941		-	-		-	-	
7.25%	80,432,923,825		-	-		-	-	
7.25%	93,070,958,354		-	-		-	-	
5.25%	75,373,672,075		-	-		-	-	
-	85,733,242,613		-	11,738,917,337		-	19,647,981,236	
-	81,356,945,034		-	11,291,573,449		-	18,447,838,194	
Pension obligations			Medical benefits			Free electricity		
%	Amount		%	Amount		%	Amount	

2016

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 mortality age

- 1 year mortality age set back
- 1 year mortality age set forward

11.50%	65,994,496,312	11.50%	9,069,623,174	11.50%	14,643,300,658
9.50%	61,408,556,821	9.50%	12,632,070,344	9.50%	21,017,008,694
10.50%	55,747,775,635	-	-	-	-
8.50%	73,332,436,294	-	-	-	-
7.50%	71,191,860,490	-	-	-	-
5.50%	57,168,124,405	-	-	-	-
-	64,678,235,993	-	10,855,681,429	-	17,831,370,470
-	62,429,554,186	-	10,360,225,566	-	16,928,077,061

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

		2017 Rupees	2016 Rupees
20.6	The charge for the year has been allocated as follows:		
	Distribution costs	29 9,555,680,409	13,766,715,416
	Administrative expenses	30 2,139,964,655	3,083,012,736
	Customer service costs	31 843,588,091	1,215,343,825
		<u>12,539,233,155</u>	<u>18,065,071,977</u>
21.	DEFERRED CREDIT		
	Contributions against connections installed / deposit works:		
	Opening balance	35,224,691,691	32,859,634,116
	Additions during the year	21.1 5,496,535,566	2,365,057,575
		<u>40,721,227,257</u>	<u>35,224,691,691</u>
	Less: Amortization		
	Balance at the beginning of the year	10,064,965,029	8,960,029,328
	For the year	2,074,261,055	1,104,935,701
		<u>12,139,226,084</u>	<u>10,064,965,029</u>
		<u>28,582,001,173</u>	<u>25,159,726,662</u>
21.1	This represents capital contribution received from the Consumers and the GoP against which assets are constructed by the Company during the year.		
22.	TRADE AND OTHER PAYABLES		
		2017 Rupees	2016 Rupees (Restated)
	Creditors	1,140,000,132	1,931,049,960
	Tariff adjustment	22.1 -	16,294,000,000
	Security deposits	48,963,492	36,346,956
	Retention money - Contractors	174,244,174	119,244,610
	Billing related payable	22.2 23,957,184,818	24,633,455,693
	Withholding income tax payable	513,157,202	519,026,942
	Accrued liabilities	442,920,651	1,352,116,659
	Worker's Profit Participation Fund	22.3 2,047,564,821	2,047,564,821
	Due to - associated undertakings	22.4 16,313,540,743	402,434,404
	Inter office transaction - current accounts	22.5 251,700,980	110,980,234
	Others	282,579,210	645,427,378
		<u>45,171,856,223</u>	<u>48,091,647,657</u>
22.1	This represents adjustment of tariff for the year ended 30 June 2016, taken into account by the NEPRA while determining the subsequent tariff for the year ended 30 June 2018 which was notified by the GoP effective 22 March 2018. The corresponding figure has been restated as mentioned in Note 41.2.4.		
22.2	Billing related payable		
	Realized	2017 Rupees	2016 Rupees
	Equalization surcharge payable	8,001,304,226	7,503,371,719
	Electricity duty payable	498,660,845	463,410,981
	Television license fee payable	80,587,092	67,510,383
	Advance income tax payable	7,495,657	4,913,252
	Commercial sales tax payable	81,001,672	78,900,160
	Steel melters income tax payable	14,855,261	4,773,212
	Debt servicing surcharge payable	2,777,626,328	2,489,214,233
	Universal obligation fund surcharge payable	1,754,772	-
	Financing Cost Surcharge Payable	-	772,906,867
	Tariff Rationalization Surcharge Payable	3,402,847,065	3,108,790,373
	Sales tax payable	255,514,053	255,328,567
	GST payable	269,043,573	234,816,899
	Not yet realized		
	Equalization surcharge not yet realized	174,427,423	424,798,643
	Electricity duty not yet realized	575,796,275	917,005,790
	Television fee not yet realized	182,626,800	206,954,317
	Advance income tax not yet realized	24,634,203	21,865,340
	Commercial sales tax not yet realized	120,202,217	83,735,971
	Steel melters Income tax not yet realized	66,711,299	126,919,975
	Debt servicing surcharge not yet realized	95,521,931	200,269,148
	Universal obligation fund not yet realized	95,522,121	324,465,290
	Financing cost surcharge not yet realized	1,327,737,618	1,216,301,637
	Tariff rationalization surcharge not yet realized	4,111,979,488	4,129,432,103
	Income tax not yet realized	833,829,651	928,925,139
	Naelum Jhelum Surcharge not yet realized	591,249,408	686,649,813
	Extra tax not yet realized	366,255,840	382,195,881
		<u>23,957,184,818</u>	<u>24,633,455,693</u>

# LAHORE ELECTRIC SUPPLY COMPANY LIMITED

22.3 The Company has not paid its contribution towards Worker Profit Participation fund (WPPF) for the year 2011-2017 (excluding years where the Company was in losses) amounting to Rs. 2,047.56 million. WAPDA had forwarded a summary in 2006 to Economic Coordination Committee (ECC) to exempt DISCOS and National Transmission Dispatch Company (NTDC) from liability under the Companies Profit (Worker's Participation) Act 1968. However, to date no decision has been taken in this respect. Contributions to WPPF is required to be made on the first day of the next year to a separate fund constituted under the Companies Profit (Worker's Participation) Act 1968. Further, the Company has also not accrued interest on the unpaid amount of the contribution payable to fund. Being in losses during the year, the Company has made no provision in respect of WPPF contribution.

22.4 Due to associated undertakings	Note	2017 Rupees	2016 Rupees
Central Power Purchasing Agency (Guarantee) - CPPA-G	22.4.1	15,925,040,003	-
Multan Electric Power Company Limited		375,773,140	395,557,487
Peshawar Electric Supply Company Limited		2,670,835	6,876,917
Power Information Technology Company		10,056,765	-
		<u>16,313,540,743</u>	<u>402,434,404</u>

22.4.1 This represents amount due to the CPPA-G against purchase of electricity and use of system charges. Subsequent to the year end, as per the decision of ECC communicated vide Ministry of Energy letter no vide PF-05(02)/2012 dated 03 July 2019, the Company receive a non cash adjustment relating to ISP subsidy receivable balance amounting to Rs. 25,329 million against amount payable to the CPPA-G.

22.5 Inter office transaction - current accounts	Note	2017 Rupees	2016 Rupees
Net credit balance of transactions		2,782,288,917	2,641,568,171
Less: Net debit balance of transactions		(2,530,587,937)	(2,530,587,937)
Net balance payable		<u>251,700,980</u>	<u>110,980,234</u>

23. RECEIPTS AGAINST DEPOSIT WORK	23.1	<u>8,963,013,865</u>	<u>10,411,270,231</u>
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23.1 This represents amount received for deposit works and service connections against which the related works / jobs have not so far been capitalized.

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

#### 24.1.1 Sales tax

(i) The Tax authorities have created sales tax demand aggregating to Rs. 22,419 million on account of alleged non-payment of sales tax collected from the steel sector and adjusted the same against their input tax for different tax period. These matters are pending at different forums which detail are mentioned below:

Sr No.	Tax Year	Amount	Appellate Forum
1	July-2011 to June 2012	99	Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
2	July-2013 to September-2013	696	Against the order of the ATIR, the Company has filed an appeal before the LHC, which is pending adjudication.
3	October-2013, January-2014 and July-2014	1,072	Against the order of the LHC, the Company has filed an appeal before the Supreme Court of Pakistan, which is pending adjudication.
4	July-2015 to March-2016	2,887	Against the order of the ATIR, the Company has filed an appeal before the LHC, which is pending adjudication.
5	April-2016 to June-2019	17,665	Against the order of the Department, the Company has filed an appeal before CIR(A), which is pending adjudication.

- (ii) The tax department initiated the investigative proceedings under section 38 of the Sales Tax Act, 1990 (the Act) and conducted sales tax audit under section 25 of the Act, resultantly, created tax demand of Rs. 10,326 million vide order dated 14 December 2010 on account of alleged suppression of sales, short payment of output sales tax, non-charging of sales tax on subsidy received from the Government and other various areas. Against the subject order, the Company's management preferred an appeal before the CIR (A) who passed an appellant order dated 19 April 2011 and provided partial relief. Subsequent to the judgment of the CIR (A), the Company received a recovery notice dated 25 April 2011 amounting to Rs. 9,867 million along with default surcharge of Rs. 493 million.

Being aggrieved, the taxpayer filed a second appeal before the ATIR along with miscellaneous application for stay in demand against the recovery notice. The ATIR vide his order dated 28 May 2011 granted stay subject to the deposit of Rs. 500 Million. Pursuant to the directions of ATIR, the Company deposited Rs. 500 Million. The ATIR vide its Order dated 01 February 2012 set aside the proceedings and remanded back the case for fresh proceedings to the department. The tax department issued a fresh notice to initiate remand back proceedings against which an appeal was filed before the LHC which is pending adjudication.

- (iii) The ACIR passed an order creating sales tax demand of Rs. 101 million alleging non-charging of revised sales tax rate of 17% from 16% during the tax period of June 2013. Being aggrieved, the Company filed an appeal before the CIR (A), who remanded the case back to the ACIR. Subsequently, the DCIR initiated the remand back proceedings and created the tax demand of Rs. 1 million to the extent of default surcharge and penalty. Being aggrieved, the Company filed an appeal before the CIR (A), which is pending adjudication.
- (iv) The ACIR through an order dated 05 December 2018 created tax demand of Rs. 14 million on account of alleged non-charging of sales tax on supply of free electricity to employees. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order of the ACIR. Aggrieved with the treatment meted out, the Company preferred a second appeal before the ATIR which is pending adjudication.
- (v) The DCIR through an order dated 08 October 2015 created sales tax demand of Rs. 127 million along with penalty of Rs. 6 million on account of alleged short payment of sales tax on account of suppression of electricity units to the retailers in respect of tax period from July 2014 to January 2015. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order passed by the DCIR. Aggrieved with the treatment meted out, the Company preferred second appeal before the ATIR, which is remanded back to the assessing officer. The ACIR initiated the de novo proceedings and issued the order dated 12 July 2019 while creating the demand of Rs. 114 million. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order issued by the ACIR. Being aggrieved with the treatment meted out, the Company has filed a second appeal before the ATIR which is pending adjudication.
- (vi) The DCIR initiated proceedings for tax period February 2011 to October 2015, alleging the Company for late filing of sales tax returns and late payment of sales tax and thereby created sales tax demand of Rs. 247 million and Rs. 0.12 million on account of default surcharge and penalty. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order issued by the DCIR. Aggrieved with the treatment meted out, the Company preferred second appeal before the ATIR who vide order dated 14 March 2017 directed the assessing officer to re-examine the case along with working of penalty and default surcharge and the available refunds of the Company.

Upon finalization of the remand-back proceedings, the DCIR issued order whereby the impugned demand was reduced to Rs. 11 million vide order dated 13 September 2019. Being aggrieved, the Company filed an appeal before CIR (A) against the order of DCIR which is pending adjudication.

- (vii) The Additional Commissioner, Enforcement issued the notice for the tax period from July 2013 to June 2016 on the basis that the Company has not withheld the amount of Punjab sales tax as per Punjab Sales Tax on Services (Withholding) Rules, 2015 (the "PSTSWH Rules") and thereby created the demand of Rs. 5,754 million along with penalty of Rs. 287 million. Being aggrieved, the Company filed an appeal before the Commissioner Appeals (PRA), who has reduced the demand to Rs. 219 million along with penalty of Rs. 11 million. Being aggrieved, both the Company and PRA filed cross appeals against the order Commissioner Appeals (PRA) before the Appellate Tribunal, PRA, which are pending adjudication. In the meanwhile, the Company has also filed writ petition against the provision of Rule 6 of the PSTSWH Rules before the honorable LHC which has stayed the proceedings pending before the Appellate Tribunal, PRA.

For all the above referred cases, the Company's counsel is of the view that the matters will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.

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## 24.1.2 Income tax

- (i) The tax authorities have raised demands aggregating to Rs. 5,875 million under section 122(5A) of Income Tax Ordinance, 2001 (the "Ordinance") for tax years 2011, 2013 to 2015 and 2017 on account of inclusion of subsidy, amortization of deferred credits and other income in turnover for the purpose of calculation of minimum tax under section 113 of the Ordinance and various other additions.

Further, the tax authorities have raised income tax demand aggregating to Rs. 175 million on account of rectification orders issued under section 221 of the ITO, 2001 for the tax years 2010 and 2011 on account of non-chargeability of minimum tax under section 113 of the Ordinance. These matters are pending at different forums, which are mentioned below:

Sr No.	Tax Year	Amount	Section	Appellate Forum
1	2011	344	122 (5A)	Against the order of Commissioner Inland Revenue Appeal (CIR(A)), the Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.
2	2013	153		Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
3	2014	2,239		The Department has filed a reference before the Honorable Lahore High Court (LHC) against the decision of the ATIR, which is pending adjudication.
4	2015	1,908		Against the order of the CIR(A), the Department has filed an appeal before the ATIR, which is pending adjudication.
5	2017	1,231		Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
6	2010	72	221	Against the order of the CIR(A), the Department has filed an appeal before the ATIR, which is pending adjudication.
7	2011	103		

- (ii) The tax authorities have raised income tax demand aggregating to Rs. 5,616 million on account of alleged default on non-withholding of taxes while making payment on account of salaries, rent and other payments under section 161 read with section 205 of the Ordinance for tax years 2009 to 2012.

Further, the tax authorities passed orders dated 25 January 2018 under section 161/205 for the tax years 2012-15 creating a total income tax demand of Rs. 343 million on account of non-withholding of tax against payment made to the National Transmission and Dispatch Company ("NTDC") for use of system charges for providing transmission services. These matters are pending at different forums, which are mentioned below:

Sr No.	Tax Year	Amount	Section	Appellate Forum
1	2009	365	161/205	Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
2	2010	118		Against the order of the ATIR, the Company has filed an appeal before the LHC, which is pending adjudication.
3	2011	2,236		The Department has filed a reference before the Honorable Lahore High Court (LHC) against the decision of the ATIR, which is pending adjudication.
4	2012	2,897		
5	2012 to 2015	343		Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.

For all the above referred cases, the Company's counsel is of the view that the matters will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.

- 24.1.3 There are several claims that have been lodged against the Company by various consumers and the Company's employees. The quantum of potential liability cannot be estimated reliably due to large number of cases against the Company. The Company is hopeful of a favorable outcome, therefore, no provision has been recognized in these financial statements.

- 24.1.4 As mentioned in Note 22.3 no provision for WPPF and mark-up on non-payment has been made in these financial statements due to the reasons that the matter is pending for decision with the Economic Coordination Committee.

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# LAHORE ELECTRIC SUPPLY COMPANY LIMITED

24.1.5 Up to 30 June 2017 the Company has received various invoices from the CPPA-G representing supplementary charges being the share of the Company in the markup charged to CPPA-G by independent power producers on account of delayed payments aggregating to Rs. 14,565 million. The Company has not recorded these invoices as the management is of the view that the Company has made timely payment to the CPPA-G and hence not liable to pay supplementary charges.

## 24.2 Commitments:

24.2.1 Commitments in respect of capital expenditures amount to Rs. 2,069.75 million (2016: Rs. 2,153.98 million).

24.2.2 Commitments against inland letters of credit and purchase orders other than for capital expenditure amount to Rs. 419.06 million (2016: Rs. 474.11 million).

25. ELECTRICITY SALES - NET	Note	2017 Rupees	2016 Rupees (Restated)
Sale of electricity	25.1	168,793,783,875	168,438,506,302
Less: sales tax		<u>(26,614,910,998)</u>	<u>(24,833,027,565)</u>
		<u>142,178,872,877</u>	<u>143,605,478,737</u>

25.1 Sale of electricity has been recognized based on the notified rates and includes accrual of Rs. 4,336 million (2016: Rs. 6,245 million) relating to Fuel Price Adjustment (FPA) for the months of May and June 2017. The effect of above mentioned FPA is passed to the consumers after the year end in accordance with NEPRA notifications.

25.2 The tariff of the Company, multi-year consumer end tariff pertaining to financial years 2016 to 2020, was determined by the NEPRA on 8 March 2016. The Company, being aggrieved with the aforesaid determination, filed a Motion for Leave for Review (MLR) which was accordingly disposed-off vide determination no. NEPRA/TRF-337/LESCO-2015/6997-6999 dated 19 May 2016. In view of the aforesaid, the Company has used the tariff relating to year ended 30 June 2015 notified by GoP vide SRO 570(I)/2015 dated 10 June 2015. Tariff differential subsidy has also been calculated and accounted for, on the basis of aforesaid notification.

25.3 The corresponding figure has been restated as mentioned in Note 41.2.2.

26. TARIFF ADJUSTMENT	Note	2017 Rupees	2016 Rupees (Restated)
	26.1	<u>29,161,000,000</u>	<u>(16,294,000,000)</u>

26.1 This represents adjustment of tariff related to the year 2017 and 2016 which has been subsequently taken into account while determining tariff for subsequent periods by the NEPRA and notified by the GoP, respectively. The corresponding figure has been restated as mentioned in Note 41.2.4.

27. SUBSIDY FROM THE GOVERNMENT OF PAKISTAN ON SALE OF ELECTRICITY	Note	2017 Rupees	2016 Rupees
Tariff differential subsidy	12.1	15,562,171,122	12,076,357,322
Industrial support package	12.2	<u>5,532,033,470</u>	<u>1,798,393,029</u>
		<u>21,094,204,592</u>	<u>13,874,750,351</u>

28. COST OF ELECTRICITY	28.1	<u>177,574,846,984</u>	<u>153,258,520,570</u>
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28.1 Electricity purchased during the year have been recognized according to Invoices Issued by the CPPA-G. The average rate for the year was Rs. 8.61 per KWH (2016: Rs. 7.61 per KWH).

28.2 Subsequent to the year, the Company has received final invoice on account of cost of electricity delivered for the year 2016-17. The differential cost of electricity has been treated as change in accounting estimate and adjusted prospectively as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors". Consequently, payable to the CPPA-G as at 30 June 2017 has been decreased by Rs. 2,456 million with a corresponding decrease in cost of electricity.

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

29.	DISTRIBUTION COSTS	Note	2017 Rupees	2016 Rupees
	Salaries, wages and other benefits		8,451,364,632	7,634,163,779
	Post retirement benefits	20.3	9,555,680,409	13,766,715,416
	Repair and maintenance		1,850,408,308	1,092,507,721
	Rent, rates and taxes		67,430,500	52,353,335
	Power, light and water		57,685,341	42,319,881
	Communication		17,676,101	14,454,642
	Office supplies and other expenses		20,740,713	15,438,603
	Travelling expenses		204,830,400	176,489,254
	Professional fees		30,312,140	19,741,618
	Outside services employed		7,117,620	5,831,667
	Vehicle running and maintenance		254,124,929	247,520,393
	Depreciation	6.5	2,632,527,676	2,482,303,300
	Miscellaneous expenses		70,706,587	90,770,408
			23,220,605,356	25,126,573,315
	Less: charged to capital work in progress		(434,339,260)	(566,045,387)
			<u>22,786,266,096</u>	<u>24,560,527,928</u>
30.	ADMINISTRATIVE EXPENSES			
	Salaries, wages and other benefits		1,707,914,394	1,709,647,032
	Post retirement benefits	20.3	2,139,964,655	3,083,012,736
	Repair and maintenance		41,033,230	36,825,677
	Rent, rates and taxes		2,052,659	2,003,139
	Power, light and water		21,099,599	20,778,821
	Communication		18,232,974	23,388,489
	Office supplies and other expenses		89,934,823	57,321,381
	Travelling expenses		50,377,654	38,527,404
	Provision for doubtful debts	9.2	756,398,809	(975,513,378)
	Adjustments of reconciling items - net		-	42,245,982
	Directors' fees		9,763,000	815,000
	Professional fees		68,190,988	75,166,254
	Auditors' remuneration		3,100,000	1,200,000
	Outside services employed		3,094,806	2,315,840
	Management fees		340,691,911	68,039,972
	Vehicle running and maintenance		102,238,658	102,567,279
	Advertisement expenses		43,603,765	62,739,072
	Depreciation	6.5	159,157,362	144,321,318
	Advances written off		69,225,186	107,449,916
	Supplementary charges	30.1	488,151,982	-
	Miscellaneous expenses		6,159,883	5,070,755
			<u>6,120,386,338</u>	<u>5,121,959,391</u>
30.1	The NEPRA through its tariff determination no. NEPRA/TRF-276/LESCO-2014/4102-4104 dated 20 March 2015, directed the Company to record the supplementary charges invoices raised by the CPPA-G up to the extent of late payment surcharge recovered from the consumers. Based on this the Company has fully recorded the surcharge value as the invoice received from the CPPA-G is less than the amount recovered from the consumers.			
31.	CUSTOMER SERVICE COSTS	Note	2017 Rupees	2016 Rupees
	Salaries, wages and other benefits		925,620,505	673,954,064
	Post retirement benefits	20.3	843,588,091	1,215,343,825
	Repair and maintenance		804,742	726,720
	Rent, rates and taxes		2,404,437	2,950,440
	Power, light and water		2,851,573	3,176,694
	Communication		1,119,891	983,669
	Office supplies and other expenses		5,896,596	5,885,511
	Travelling expenses		24,482,390	22,643,565
	Electricity bills collection expenses		287,503,926	266,147,687
	Outside services employed		3,271,821	3,209,303
	Vehicle running and maintenance		2,733,934	2,930,748
	Depreciation	6.5	3,748,401	3,129,351
	Miscellaneous expenses		12,993,838	8,729,806
			<u>2,117,020,145</u>	<u>2,199,811,383</u>

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

32. OTHER INCOME	Note	2017 Rupees	2016 Rupees
Income from financial assets			
Profit on bank deposits		1,008,381,580	943,761,221
Surcharge on arrears of electricity sold		3,021,526,224	2,759,979,106
		<u>4,029,907,804</u>	<u>3,703,740,327</u>
Income from non financial assets			
Meter / service rent		174,633,700	117,087,877
Late delivery charges		112,854,952	180,872,092
Reconnection fees		16,731,656	14,216,855
Gain on installation of new connection		558,263,481	612,668,392
Income from television license collection fee		3,569,075	98,968,951
Liabilities written back		1,451,622,406	-
Miscellaneous	32.1	103,322,470	34,872,807
		<u>2,420,997,740</u>	<u>1,058,686,974</u>
		<u>6,450,905,544</u>	<u>4,762,427,301</u>

32.1 It represents tender fee, registration fee of contractors and sale of scrap.

33. FINANCE COSTS	Note	2017 Rupees	2016 Rupees
Interest on long term loans		407,990,316	467,015,889
Bank charges		4,286,073	5,274,603
		<u>412,276,389</u>	<u>472,290,492</u>

34. TAXATION			
Current tax - for the year		1,422,070,255	-
Deferred tax	34.1	-	-
		<u>1,422,070,255</u>	<u>-</u>

34.1 Deferred taxation

Deferred tax liability on taxable temporary differences arising in respect of:			
- Accelerated tax depreciation on fixed assets		10,968,758,130	10,071,294,169
Deferred tax asset on deductible temporary differences arising in respect of:			
- Allowance for provision for doubtful debt		(1,991,963,813)	(2,194,878,062)
- Provision for slow moving items		(6,337,323)	(6,337,323)
- Deferred credit		(8,574,600,352)	(7,547,917,999)
- Provision for staff retirement benefits		(35,435,008,779)	(29,442,252,153)
		<u>(35,039,152,137)</u>	<u>(29,120,091,368)</u>
Add: Deferred tax asset for business losses		(56,594,070,199)	(48,766,931,924)
Add: Deferred tax asset on depreciation loss		(16,766,117,639)	(15,411,888,543)
Unrecognized deferred tax asset	34.1.1	108,399,339,975	93,298,911,835
		<u>-</u>	<u>-</u>

34.1.1 Unrecognized deferred tax asset

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 deferred tax asset of Rs. 108,399 million (2016: Rs. 93,299 million). Expiry of aggregate tax losses and tax credit carried forward are as follows:

Expiry tax year	Nature	2017 Rupees	2016 Rupees
2018	Business loss	40,166,765,262	40,166,765,262
2019	Business loss	35,515,783,228	35,515,783,228
2020	Business loss	15,153,179,068	15,153,179,068
2021	Business loss	33,996,704,538	33,996,704,538
2022	Business loss	17,806,475,556	17,806,475,556
2023	Business loss	46,007,993,011	-
		<u>188,646,900,663</u>	<u>142,638,907,652</u>
No expiry	Depreciation loss	55,887,058,798	49,715,769,492
		<u>244,533,959,461</u>	<u>192,354,677,144</u>

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LAHORE ELECTRIC SUPPLY COMPANY LIMITED

35.	CASH AND CASH EQUIVALENTS	Note	2017 Rupees	2016 Rupees
	Bank balances	15	2,267,289,854	2,237,035,328
	Short term investments having maturity up to 3 months		<u>11,909,576,437</u>	<u>8,537,543,740</u>
			<u>14,176,866,291</u>	<u>10,774,579,068</u>

36. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

36.1 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.

There is no considerable concentration of credit risk as the consumers of the Company are of diversified nature and include domestic, commercial, agricultural, industrial and bulk rate consumers. The Company believes that it is not exposed to significant credit risk except to the extent of receivables from its defaulted consumers. The Company deals with regular and permanent consumers who normally make payments on time. The Company controls its credit risk by continuous monitoring of its receivables and disconnecting defaulting consumer.

	2017 Rupees	2016 Rupees
Long term loans	578,300,509	673,097,692
Long term deposits	786,566	786,566
Trade debts	36,396,819,126	42,524,795,995
Interest accrued	141,839,247	94,909,203
Advances	20,458,363	87,236,317
Other receivables	30,423,627,291	40,209,445,011
Short term investment	17,292,822,611	15,290,513,187
Bank balances	<u>2,267,289,854</u>	<u>2,525,719,172</u>
	<u>87,121,943,567</u>	<u>108,040,212,112</u>

The management believes that there is no credit risk involved in respect of receivables from the GoP. The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings.

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## 36.1.1 Trade debts

The Company believes that in trade debts, 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 the consumers. The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

The aging of trade receivables at the reporting date is:	2017 Rupees	2016 Rupees
Not yet due	7,772,697,907	5,208,626,957
Upto 1 year	18,318,097,814	21,807,149,091
1 to 3 years	4,734,554,856	7,741,176,967
3 to 5 years	3,490,437,515	2,065,053,037
Over 5 years	2,081,031,034	1,545,987,283
	<u>36,396,819,126</u>	<u>38,367,993,335</u>

## 36.1.2 Bank

The Company deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held at balance sheet date:

Agency	Rating	
	Short term	Long term
<b>Public sectors banks</b>		
National Bank Of Pakistan	PACRA	A1+
The Bank of Khyber	PACRA	A1
The Bank Of Punjab	PACRA	A1+
Sindh Bank Limited	JCR-VIS	A-1+
<b>Specialized banks</b>		
Zarai Taraqiat Bank Limited	JCR-VIS	A1+
<b>Private sectors banks</b>		
Allied Bank Limited	PACRA	A1+
Summit Bank	JCR-VIS	A-1
Askari Bank Limited	PACRA	A1+
Bank Al-Falah	PACRA	A1+
Bank Al-Habib	PACRA	A1+
Faysal Bank Limited	PACRA	A1+
First Woman Bank	PACRA	A2
Habib Bank Limited	JCR-VIS	A1+
Habib Metropolitan Bank	PACRA	A1+
JS Bank Limited	PACRA	A1+
Muslim Commercial Bank	PACRA	A1+
NIB Bank Limited	PACRA	A1+
Punjab Provincial Cooperative Bank	JCR-VIS	B
Samba Bank	JCR-VIS	A-1
Silk Bank	JCR-VIS	A2
SME Bank Limited	JCR-VIS	B
Sonari Bank Limited	PACRA	A1+
Standard Chartered Bank	PACRA	A1+
United Bank Limited	JCR-VIS	A1+
<b>Islamic banks</b>		
Al-Baraka Islamic Bank	PACRA	A1
Bank Islami Pakistan Limited	PACRA	A1
Dubai Islamic Bank	JCR-VIS	A1
Emirates Islamic Bank		
Meezan Bank	JCR-VIS	A1+

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.

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## 36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. 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 maturity analysis of financial liabilities:

2017					
Carrying amount	Contractual cash flows	Less than 1 year	One to five years	More than 5 years	
Rupees					
Financial liabilities					
Creditors	1,140,000,132	1,140,000,132	1,140,000,132	-	-
Security deposits	48,963,492	48,963,492	48,963,492	-	-
Retention money - Contractors	174,244,174	174,244,174	174,244,174	-	-
Television fee not yet realized	182,626,800	182,626,800	182,626,800	-	-
Accrued liabilities	442,920,651	442,920,651	442,920,651	-	-
Due to associated undertakings	16,313,540,743	16,313,540,743	16,313,540,743	-	-
Others	282,579,210	282,579,210	282,579,210	-	-
Accrued Interest	2,349,513,040	2,349,513,040	2,349,513,040	-	-
Long term financing	7,945,171,424	7,945,171,424	1,529,241,425	1,038,232,317	3,813,387,145
Long term security deposits	11,304,037,711	11,304,037,711	-	-	11,304,037,711
	40,183,597,377	40,183,597,377	22,463,629,667	1,038,232,317	15,117,424,856

2016					
Carrying amount	Contractual cash flows	Less than 1 year	one to five years	More than 5 years	
Rupees					
Financial liabilities					
Creditors	1,931,049,960	1,931,049,960	1,931,049,960	-	-
Security deposits	36,346,956	36,346,956	36,346,956	-	-
Retention money - Contractors	119,244,610	119,244,610	119,244,610	-	-
Television fee not yet realized	206,954,317	206,954,317	206,954,317	-	-
Accrued liabilities	1,352,116,659	1,352,116,659	1,352,116,659	-	-
Due to - associated undertakings	1,080,110,765	1,080,110,765	1,080,110,765	-	-
Others	645,427,378	645,427,378	645,427,378	-	-
Accrued Interest	1,687,852,718	1,687,852,718	1,687,852,718	-	-
Long term financing	5,861,858,283	5,861,858,283	1,010,238,823	1,038,232,317	3,813,387,145
Long term security deposits	9,935,791,820	9,935,791,820	-	-	9,935,791,820
	23,145,437,310	23,145,437,310	8,358,026,030	1,038,232,317	13,749,178,965

## 36.3 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:

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## 36.3.1 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.

## 36.3.2 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. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

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

	2017 Rupees	2016 Rupees
Fixed rate instruments		
Financial assets:		
Short term investment	17,292,822,611	15,290,513,167
Financial liabilities:		
Long term financing	7,945,171,424	5,861,858,263
Floating rate instruments		
Financial assets:		
Bank balances - deposit accounts	1,170,820,836	732,987,835

## 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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

## Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

	Changes in Interest rate	Effects on profit before tax
	-----Rupees-----	
Bank balances - deposit accounts		
2017	+1	11,708,208
	-1	(11,708,208)
2016	+1	7,329,878
	-1	(7,329,878)

## 36.3.3 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.

## 36.4 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

# LAHORE ELECTRIC SUPPLY COMPANY LIMITED

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

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

As at 30 June 2017 the Company did not hold any financial instruments carried at fair value.

## 36.5 Financial instruments by categories

As at 30 June 2017

Assets as per balance sheet

	Cash and cash equivalent	Held to maturity Investment	Loans and receivables
	Rupees		
Long term loans	-	-	578,300,509
Long term deposits	-	-	786,566
Trade debts	-	-	36,396,819,126
Profit accrued on bank deposits	-	-	141,839,247
Advances and other receivables	-	-	30,444,085,654
Short term investment	-	17,292,822,611	-
Bank balances	2,267,289,854	-	-
	<u>2,267,289,854</u>	<u>17,292,822,611</u>	<u>67,561,831,102</u>

As at 30 June 2016

Assets as per balance sheet:

	Cash and cash equivalent	Held to maturity Investment	Loans and receivables
	Rupees		
Long term loans	-	-	673,097,692
Long term deposits	-	-	786,566
Trade debts	-	-	32,484,512,768
Profit accrued on bank deposits	-	-	94,909,203
Advances and other receivables	-	-	40,296,681,328
Short term investment	-	15,290,513,187	-
Bank balances	2,237,035,328	-	-
	<u>2,237,035,328</u>	<u>15,290,513,187</u>	<u>73,549,987,557</u>

Liabilities as per balance sheet

	Financial liabilities at amortize cost	
	2017 Rupees	2016 Rupees
Creditors	1,140,000,132	1,931,049,960
Security deposits	48,963,492	36,346,956
Retention money - Contractors	174,244,174	119,244,610
Television fee not yet realized	182,626,800	206,954,317
Accrued liabilities	442,920,651	1,352,116,659
Due to - associated undertakings	16,313,540,743	1,080,110,765
Others	202,579,210	645,427,378
Accrued interest	2,349,513,040	1,687,852,718
Long term loans	7,945,171,424	5,861,658,283
Security deposits	11,304,037,711	9,935,791,820
	<u>40,183,597,377</u>	<u>22,856,753,466</u>

## 37. 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.

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## 38. BENAZIR EMPLOYEES STOCK OPTION SCHEME (BESOS)

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) 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 a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, the 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 the 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 the GoP.

The Scheme, developed in compliance with the stated the 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 07 June 2011 to such entities from the application of IFRS 2 to the Scheme.

The liability of BESOS for the Company's employees is a liability of the fund and Company has no liability towards these payments. Various formalities relating to the finalization of the Scheme such as trust deed and vesting period are yet to be finalized. Moreover, due to certain administrative issues, trust fund has not yet been created by the GoP.

## 39. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive		Directors	
	2017	2016	2017	2016
	Rupees			
Gross salary	2,549,907	2,243,313	-	-
Other benefits	586,139	664,552	-	-
Fee for attending meetings	-	-	9,763,000	1,065,000
	<u>3,136,046</u>	<u>2,907,865</u>	<u>9,763,000</u>	<u>1,065,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>10</u>

In addition Chief Executive Officer is also entitled to free electricity, company's maintained car, medical facility and residential telephone.

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## 40. RELATED PARTY TRANSACTIONS

Transactions with related parties are at arm's length. Prices for transactions with related parties are determined on the basis of admissible methods. The sales and purchase price of electricity are regulated by the NEPRA.

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

<u>Nature of transactions</u>	2017 Rupees	2016 Rupees
Cost of electricity	177,574,846,984	153,258,520,570
Management fee	340,764,016	68,039,972
Vehicle running and maintenance	359,097,521	353,018,420
<b>Sale of electricity to:</b>		
National Transmission and Dispatch Company Limited	91,528,706	88,482,525
Gujranwala Electric Power Company Limited	31,335,106	25,534,084
Pakistan Electric Power Company (Private) Limited	21,276,106	23,512,568
Multan Electric Power Company Limited	8,201,712	8,091,058
Faisalabad Electric Supply Company Limited	7,954,843	5,889,456
Northern Power Generation Company Limited	4,894,077	5,221,441
Islamabad Electric Supply Company Limited	4,699,061	5,027,695
Quetta Electric Supply Company Limited	2,058,736	1,910,809
Hyderabad Electric Supply Company Limited	1,380,535	1,028,029
Central Power Generation Company Limited	831,658	775,226
Peshawar Electric Supply Company Limited	765,910	595,203
Sukkur Electric Supply Company Limited	349,609	462,125
Jamshoro Power Generation Company Limited	219,722	178,952
Tribal Area Electricity Supply Company Limited	173,968	142,951
Lakhra Power Generation Company Limited	109,379	131,672

Balance due from / to related parties has been disclosed in respective notes to the financial statements.

## 41. NUMBER OF EMPLOYEES

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

	2017	2016
- As at 30 June	21,965	20,329
- Average number of employees	21,147	19,324

## 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	Rupees
Stores and spares	Capital work in progress	6.6	628,135,936
Bank overdraft	Bank balances	15	288,683,844
Administrative expenses	Distribution costs	29	514,036,702

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## 42.2 Restatement of corresponding figures

## 42.2.1 Fuel price adjustment subsidy

During the year ended 30 June 2012, the Honorable Lahore High Court grant stay order that domestic consumers having electricity consumption up to 350 units per month are not liable for fuel price adjustment (FPA). Due to which the Company was not able to bill the FPA to such domestic consumers. The NEPRA through its tariff determination for the year ended 2013, advised that the Company should claim the respective amount separately from the GoP in the form of subsidy. However, the Company erroneously did not record the subsidy income in the respective year. This has now been rectified by restating the corresponding figures as follows:

	As on 01 July 2015 Rupees
Impact on balance sheet	
Increase in receivable from the Government of Pakistan	<u>5,470,340,000</u>
Impact on statement of changes in equity	
Reduction in accumulated loss	<u>5,470,340,000</u>

## 42.2.2 Subsidy income

In prior years, the Company has recorded the revenue against sale of electricity at gross amount including the amount of subsidies related to Agriculture consumers and Industrial Support Program whereas the same subsidies have also been separately recorded under "Agency Receivables Account" resulting into overstatement of revenue. This has now been rectified by restating the corresponding figures as follows:

	As at 30 June 2016 Rupees	As on 01 July 2015 Rupees
Impact on balance sheet		
Reduction in trade debts	<u>4,156,802,660</u>	<u>1,745,130,791</u>
Impact on statement of changes in equity		
Increase in accumulated loss	<u>4,156,802,660</u>	<u>1,745,130,791</u>
Impact on profit and loss account and statement of comprehensive income		2016 Rupees
Decrease in revenue for the year		<u>2,411,671,869</u>
Increase in loss for the year		<u>2,411,671,869</u>

## 42.2.3 Compact fluorescent lamps payable

During the year ended 30 June 2014 the Company had received Compact Fluorescent Lamps (CFLs) from PEPCO under clean development programme of activities "National CFL Project-Pakistan" for free of cost distribution to the consumers. The Company had erroneously recorded this as payable rather than grant income. This has now been rectified by restating the corresponding figures as follows:

	As on 01 July 2015 Rupees
Impact on balance sheet	
Reduction in payable	<u>605,259,499</u>
Impact on statement of changes in equity	
Reduction in accumulated loss	<u>605,259,499</u>

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## 42.2.4 Tariff adjustment

During the financial year ended 30 June 2018, the NEPRA while determining the electricity tariff of the Company also accounted for a downward adjustment in the Company's tariff for the year by Rs. 16,294 million, which was related to financial year ended 30 June 2016. The aforesaid tariff was also notified by the GoP vide SRO 378/(1)/2018 dated 22 March 2018. This being an adjusting event was not recorded in the financial statements of the Company for the year ended 30 June 2016. The same has now been rectified by restating the corresponding figures as follows:

	As at 30 June 2016 Rupees
Impact on balance sheet	
Increase in payable	<u>16,294,000,000</u>
Impact on statement of changes in equity	
Increase in accumulated loss	<u>16,294,000,000</u>
Impact on profit and loss account and statement of comprehensive income	2016 Rupees
Decrease in revenue - tariff adjustment	<u>16,294,000,000</u>
Increase in loss for the year	<u>16,294,000,000</u>

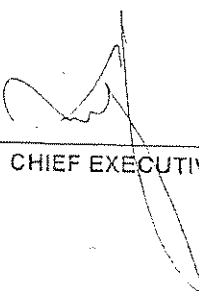
## 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 23 NOV 2020 by the Board of Directors of the Company.

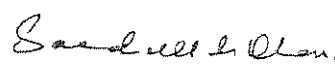
## 44. GENERAL

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

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CHIEF EXECUTIVE



DIRECTOR

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

ASSETS	Note	2018 Rupees	2017 Rupees
<b>Non-current assets</b>			
Property, plant and equipment	6	81,154,898,683	70,114,075,175
Long term loans and advances	7	907,163,344	519,665,055
Long term deposits		<u>744,266</u>	<u>786,566</u>
		<b>82,062,806,293</b>	<b>70,634,526,796</b>
<b>Current assets</b>			
Stores and spares	8	<u>1,057,634,332</u>	<u>992,568,773</u>
Trade debts	9	<u>42,216,036,257</u>	<u>29,756,939,750</u>
Advances	10	<u>23,595,199</u>	<u>20,458,363</u>
Interest accrued		<u>305,941,300</u>	<u>141,839,247</u>
Other receivables	11	<u>80,110,189,249</u>	<u>30,423,627,291</u>
Receivable from the Government of Pakistan	12	<u>21,089,914,769</u>	<u>16,304,033,628</u>
Current portion of long term loans	7	<u>88,665,690</u>	<u>58,635,454</u>
Tax refunds due from the Government	13	<u>2,851,802,126</u>	<u>1,128,846,863</u>
Short term investments	14	<u>19,171,452,267</u>	<u>17,292,822,611</u>
Bank balances	15	<u>3,585,882,262</u>	<u>2,267,289,854</u>
		<b>170,501,113,451</b>	<b>98,387,061,834</b>
<b>TOTAL ASSETS</b>		<b>252,563,919,744</b>	<b>169,021,588,630</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital 5,000,000,000 (2017: 5,000,000,000) ordinary shares of Rupees 10/- each		<u>50,000,000,000</u>	<u>50,000,000,000</u>
Issued, subscribed and paid up share capital	16	<u>6,738,008,700</u>	<u>6,738,008,700</u>
Deposit for issuance of shares	17	<u>37,151,327,177</u>	<u>37,155,295,853</u>
Accumulated losses		<u>(127,350,731,528)</u>	<u>(97,304,005,289)</u>
		<b>(83,461,395,651)</b>	<b>(53,410,700,736)</b>
<b>Non-current liabilities</b>			
Long term financing	18	<u>8,135,634,417</u>	<u>6,415,929,999</u>
Long term security deposits	19	<u>12,912,367,972</u>	<u>11,304,037,711</u>
Employee retirement benefits	20	<u>143,725,875,200</u>	<u>118,116,695,930</u>
Deferred credit	21	<u>30,541,676,150</u>	<u>28,582,001,173</u>
		<b>195,315,553,739</b>	<b>164,418,664,813</b>
<b>Current liabilities</b>			
Trade and other payables	22	<u>122,217,455,402</u>	<u>45,171,856,223</u>
Receipts against deposit work	23	<u>11,109,818,401</u>	<u>8,963,013,865</u>
Accrued interest		<u>3,342,759,892</u>	<u>2,349,513,040</u>
Income tax payable		<u>1,773,160,273</u>	<u>-</u>
Current maturity of long term financing	18	<u>2,266,567,688</u>	<u>1,529,241,425</u>
		<b>140,709,761,656</b>	<b>58,013,624,553</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>252,563,919,744</b>	<b>169,021,588,630</b>

CONTINGENCIES AND COMMITMENTS

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

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CHIEF EXECUTIVE

DIRECTOR

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

	Note	2018 Rupees	2017 Rupees
Electricity sales - net	25	181,787,283,328	142,178,872,877
Tariff adjustment	26	47,557,000,000	29,161,000,000
Subsidy from the Government of Pakistan on sale of electricity	27	26,751,019,512	21,094,204,592
		<u>256,095,302,840</u>	<u>192,434,077,469</u>
Cost of electricity	28	(239,937,231,843)	(177,574,846,984)
Gross profit		16,158,070,997	14,859,230,485
Amortization of deferred credit	21	1,475,056,719	2,074,261,055
		<u>17,633,127,716</u>	<u>16,933,491,540</u>
Operating expenses :			
Distribution costs	29	(28,472,106,742)	(22,786,266,096)
Administrative expenses	30	(8,568,945,995)	(6,120,386,338)
Customer service costs	31	(2,705,486,454)	(2,117,020,145)
		<u>(39,746,539,191)</u>	<u>(31,023,672,579)</u>
Operating loss		<u>(22,113,411,475)</u>	<u>(14,090,181,039)</u>
Other income	32	6,291,418,412	6,450,905,544
Finance costs	33	(353,637,322)	(412,276,389)
Loss before taxation		<u>(16,175,630,385)</u>	<u>(8,051,551,884)</u>
Taxation	34	(2,076,429,167)	(1,422,070,255)
Loss for the year		<u>(18,252,059,552)</u>	<u>(9,473,622,139)</u>

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

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CHIEF EXECUTIVE

DIRECTOR

LAHORE ELECTRIC SUPPLY COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
Loss for the year		(18,252,059,552)	(9,473,622,139)
<b>Other comprehensive income:</b>			
<i>Items to be reclassified to profit and loss in subsequent periods</i>		-	-
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>			
Actuarial (losses) / gains on defined benefit obligation related to:			
- Pension		(10,490,590,840)	(15,221,851,356)
- Medical benefits	20.2	(2,487,209,681)	329,580,323
- Free electricity benefits		1,183,133,834	548,012,383
<b>Total other comprehensive loss for the year</b>		<b>(11,794,666,687)</b>	<b>(14,344,258,650)</b>
<b>Total comprehensive loss for the year</b>		<b><u>(30,046,726,239)</u></b>	<b><u>(23,817,880,789)</u></b>

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

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CHIEF EXECUTIVE

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DIRECTOR

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

	Issued, subscribed and paid up share capital	Deposit for issuance of shares	Accumulated losses	Total
	-----Rupees-----			
Balance as at 01 July 2016	6,738,008,700	37,969,408,776	(73,486,124,500)	(28,778,707,024)
Loss for the year	-	-	(9,473,622,139)	(9,473,622,139)
Other comprehensive loss	-	-	(14,344,258,650)	(14,344,258,650)
Total comprehensive loss for the year	-	-	(23,817,880,789)	(23,817,880,789)
Non cash adjustment	-	(814,112,923)	-	(814,112,923)
Balance as at 30 June 2017	6,738,008,700	37,155,295,853	(97,304,005,289)	(53,410,700,736)
Profit for the year	-	-	(18,252,059,552)	(18,252,059,552)
Other comprehensive loss	-	-	(11,794,666,687)	(11,794,666,687)
Total comprehensive loss for the year	-	-	(30,046,726,239)	(30,046,726,239)
Non cash adjustment	-	(3,968,676)	-	(3,968,676)
Balance as at 30 June 2018	<u>6,738,008,700</u>	<u>37,151,327,177</u>	<u>(127,350,731,528)</u>	<u>(83,461,395,651)</u>

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

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CHIEF EXECUTIVE

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DIRECTOR



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

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2018 Rupees	2017 Rupees
Loss before taxation		(16,175,630,385)	(8,051,551,884)
Adjustments for non-cash items:			
Advances written off		-	69,225,186
Depreciation on operating fixed assets	6	3,016,774,234	2,795,433,439
Amortization of deferred credits	21	(1,475,056,719)	(2,074,261,055)
Provision for employee retirement benefits	20.2	18,344,809,766	12,539,233,155
Provision for shortage of material	8.1	(4,633,128)	-
Profit on bank deposits	32	(1,117,439,726)	(1,008,381,580)
Income from non-utility operations	32	(779,426,262)	(558,263,481)
Liabilities written back	32	-	(1,451,622,406)
Adjustment of inter office transaction - current accounts	32	(251,700,980)	-
Provision for doubtful debts	9.2	1,125,588,378	756,398,809
Tariff adjustment	26	(47,557,000,000)	(29,161,000,000)
Finance costs	33	353,637,322	412,276,389
		<u>(44,520,077,500)</u>	<u>(25,732,513,428)</u>
Effect on cash flows due to working capital changes (Increase) / decrease in current assets:			
Stores and spares		(60,432,431)	33,200,042
Trade debts		(13,584,684,885)	1,971,174,209
Advances		(3,136,836)	(2,447,232)
Other receivables		(2,129,561,958)	15,011,304,539
Tax refunds due from the Government		(1,770,552,822)	-
Receivable from the Government of Pakistan		(4,789,849,817)	(5,097,379,934)
Increase / (decrease) in current liabilities:			
Trade and other payables		<u>77,297,300,159</u>	<u>22,467,344,153</u>
		<u>54,959,081,410</u>	<u>34,383,195,777</u>
Cash generated from operations		<u>10,439,003,910</u>	<u>8,650,682,349</u>
Employees' retirement benefits paid		(4,530,297,183)	(3,741,802,819)
Income tax paid		(255,671,335)	(1,471,195,926)
Finance cost paid		(192,318,721)	(202,848,003)
Long term loans - net		(417,528,525)	94,797,183
Long term deposits		<u>42,300</u>	<u>-</u>
		<u>(5,395,773,464)</u>	<u>(5,321,049,565)</u>
Net cash flows from operating activities		<u>5,043,230,446</u>	<u>3,329,632,784</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(12,446,243,229)	(9,758,358,602)
Purchase / disposals of short term investments - net		(279,550,635)	1,369,723,273
Bank profit received		<u>953,337,673</u>	<u>961,451,536</u>
Net cash flow from investing activities		<u>(11,772,456,191)</u>	<u>(7,427,183,793)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term loan		<u>2,457,030,681</u>	<u>2,083,313,141</u>
Receipt against deposit work		<u>5,581,536,232</u>	<u>4,048,279,200</u>
Receipt against long term security deposits		<u>1,608,330,261</u>	<u>1,368,245,891</u>
Net cash flow from financing activities		<u>9,646,897,174</u>	<u>7,499,838,232</u>
Net increase in cash and cash equivalents		<u>2,917,671,429</u>	<u>3,402,287,223</u>
Cash and cash equivalents at the beginning of the year		<u>14,176,866,291</u>	<u>10,774,579,068</u>
Cash and cash equivalents at the end of the year	35	<u>17,094,537,720</u>	<u>14,176,866,291</u>

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

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CHIEF EXECUTIVE

DIRECTOR

LAHORE ELECTRIC SUPPLY COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

**1. THE COMPANY AND ITS OPERATIONS**

**1.1 Legal status and operations**

- 1.1.1 Lahore Electric Supply Company Limited ("the Company") is a public limited Company incorporated in Pakistan. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Lahore Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on 02 April 1998 and commenced commercial operation on 01 July 1998. The principal activity of the Company is the distribution of electricity within the defined geographical territory. The registered office of the Company is situated at 22/A Queens Road, Lahore.
- 1.1.2 The Company took over certain properties, rights, assets, obligations and liabilities relating to distribution of electricity from WAPDA under Business Transfer Agreement (BTA) dated 29 June 1998. The details of assets, liabilities and related matters as provided under clause 1.1 of BTA have been finalized with WAPDA through Supplementary Business Transfer Agreement (SBTA) dated 30 June 2004.
- 1.1.3 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 Council of Common Interest (CCI) during its meeting held on 28 April 2011. Based on the approval of Council of Common Interest (CCI) and Cabinet Committee on Privatization (CCOP) the privatization of the Company is in process.
- 1.1.4 Subsequent to the year end, the Finance Division of the Government of Pakistan in its letter dated 29 September 2020, intimated that the GoP plans to conduct the forensic audit of the Company for last ten years, however the initiation of the forensic audit as per the approved Term of References is in process.

**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 has notified the consumer tariff as determined by the NEPRA, effective from 22 March 2018 against multiyear tariff petition filed by the Company. (Note 25.2).
- b) During the year, 10 Grid Stations has been capitalized and transferred from capital work in progress to operating fixed assets amounting to Rs. 791.61 million.

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

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

**3. BASIS OF PREPARATION**

- 3.1 These financial statements have been prepared under the historical cost convention except for the recognition of employee retirement benefits (Note 5.7) at present value.
- 3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency.

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**3.3 Significant accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

	Note
- Residual values and useful lives of depreciable assets	5.2
- Provision for slow moving items	5.3
- Provision for doubtful debts	5.4
- Employees' retirement benefits	5.7
- Provisions	5.9
- Taxation	5.12

**4. NEW STANDARDS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE RELEVANT BUT 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 (accounting periods beginning on or after)
IAS 1 and IAS 8 Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (Amendments)	01 January 2020
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
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 3 - Business Combinations - Definition of business (Amendments)	01 January 2020
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
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 - Financial Instruments: Classification and Measurement	30 June 2019
IFRS 14 - Regulatory Deferral Accounts	01 July 2019

The Company is still in process of assessing the impact of the above mentioned standards on the Company's financial statement.

In addition to the above, 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	Effective date (Annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 17 - Insurance Contracts	01 January 2022

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## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except as mentioned in Note 5.1 below:

### 5.1 New Standards, interpretations and amendments

The Company has adopted the following new accounting standard, amendment to existing standards and the interpretation of IFRS 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.

### 5.2 Property, plant and equipment

#### 5.2.1 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 are stated at cost less accumulated depreciation and accumulated impairment losses, (if any).

##### Depreciation

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 of. Depreciation is charged to statement of profit or loss on straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 6 to the financial statement except freehold land which is not depreciated.

##### Disposal

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

##### Judgment and estimates

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

#### 5.2.2 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

### 5.3 Stores and spares

Store and spares are valued at lower of cost and net realizable value. Cost is determined on the following basis:

- |                               |                               |
|-------------------------------|-------------------------------|
| - Distribution equipment      | Weighted average              |
| - Grid construction equipment | Based on item's specific cost |
| - Other items                 | Weighted average              |

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

Provision for obsolete and slow-moving Stores and spares is reviewed by management and accounted periodically.

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#### 5.4 Trade debts

Trade debts are initially recorded at fair value and subsequently, these are carried at initially recognized amount less an estimate for provision of doubtful debts. Provision for doubtful debts is made on estimated basis according to the policy approved by the Board of Directors of the Company as follows:

Category of trade debts:	Trade debts past due			
	Up to 1 year	1 to 3 years	3 to 5 years	5 years
Government balances	0%	0%	0%	0%
Private balances:				
<i>Running defaulters *</i>	0%	10%	50%	100%
<i>Permanent defaulters</i>	25%	50%	75%	100%
<i>Dead defaulters</i>	50%	100%	100%	100%
<i>Deferred amount</i>	0%	0%	25%	50%

\* Currently, no consumer's balance is outstanding other than category of up to 1 year.

#### 5.5 Long term loans and other receivables

These are initially recognized at the fair value of consideration given, subsequently, these are measured and recorded at their amortized cost less impairment loss, if any.

#### 5.6 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 deposits accounts, and short-term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

#### 5.7 Staff retirement benefits

##### Defined benefit plans

Provisions are made to cover the obligations under post pension scheme, post-retirement medical, free electricity benefits and compensated absences to all its regular employees.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations less fair value of any plan assets. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income with no subsequent recycling to profit or loss.

The Company operates following retirement schemes for its employees.

##### a) Post pension scheme:

The Company offers post employment pension scheme to its eligible employees and their dependents. Under the unfunded scheme all such employees are entitled for lifetime pension based on "Pensionable Salary" as defined in the pension scheme rules of WAPDA. After the death of the employee, their spouse and minor children (if any) are also eligible for 50% of pension benefit.

No benefits under this scheme are available to any employee who either resigned from the service before 25 years or who is dismissed / terminated from the service of the Company due to misconduct.

##### b) Post retirement medical:

The Company offers post retirement medical coverage to its eligible employees and their dependents. Under the unfunded scheme all such employees after their retirement are entitled to use all medical and surgical facilities available in WAPDA hospitals and dispensaries. After the death of the employee, their spouse and minor children (if any) are also eligible for the medical benefit.

Employees of cadre basic pay scale (BPS) 1 to 15 may opt for cash medical allowance in accordance with the Company's policy.

##### c) Free electricity benefit:

The Company offers free electricity benefit to its eligible employees and their dependents. Under the unfunded scheme all such employees are entitled for lifetime free electricity benefit based on their last served employment scale, starting from the date of retirement. After the death of the employee, their spouse and minor children (if any) are also eligible for the 50% of the free electricity benefit.

No benefits under this scheme are available to any employee who either resigned from the service before 25 years or who is dismissed / terminated from the service of the Company due to misconduct.

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**d) Compensated absences:**

Provision for compensated absences is made to the extent of value of accumulated accrued leaves / leave fare assistance of the employees at the reporting date as per entitlement on the basis of last drawn salary. All the employees are allowed to carry forward their un-availed leaves upto 365 days after their appointment.

**5.8 Deferred credit**

Deferred credit represents amount received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the transfer from specific grants. During the development phase of projects, such amount received from consumers is classified in receipts against deposit work, and upon completion of projects, relevant amount is transferred to deferred credit, after which the amortization of deferred credit commences, which is taken to the statement of profit or loss each year corresponding to the depreciation charge of relevant asset for the year.

**5.9 Provisions**

Provisions are recognized, when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed periodically and adjusted to reflect current best estimate.

**5.10 Trade and other payable**

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future against goods or services.

**5.11 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 from electricity sales is recognized on basis of electricity supplied to consumers at rates determined by the National Electric Power Regulator Authority (NEPRA) and notified by the GoP.

**b) Tariff adjustment**

The tariff adjustment relating to current year accounted for by the NEPRA while determining the subsequent year tariff and notified by the GoP which is recognized on accrual basis.

**c) Tariff differential subsidy**

Tariff differential subsidy income is recognized in the relevant period on the basis of rates notified by the GoP.

**d) Meter and service income**

Meter and service rentals are recognized on accrual basis.

**e) Commission fee on collection of PTV fee**

Commission on collection of PTV fee and electricity duty is recognized on the basis of collection from the consumers.

**f) Interest on bank deposits**

Interest on bank deposits and profit on short term investment is recognized using effective interest rate method.

**g) Deferred credit**

Deferred credit against consumers' contributions is charged to statement of profit or loss over the expected useful life of the asset underlying the contribution.

**h) Miscellaneous income**

All other miscellaneous incomes are recognized on accrual basis.

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## 5.12 Taxation

### Current

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

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

### Deferred

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

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

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

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

## 5.13 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 statement of profit or loss. Financial assets and liabilities carried at fair value through statement of profit or loss are initially recognized at fair value, and transaction costs are charged to statement of profit or loss 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

The Company classifies its financial assets in the following categories: fair value through statement of 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 and loss

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

Financial assets at fair value through profit and loss are carried in the financial statements at their fair values, with changes therein recognized in the statement of profit or loss 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) Loan 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.

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**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 reporting date.

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 statement of profit or loss for the year.

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

**Impairment of financial assets**

The Company assesses at 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 and loss**

Financial liabilities at fair value through profit and 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 statement of profit or loss.

**ii) Other financial liabilities**

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

**c) Offsetting of financial assets and financial liabilities**

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

**5.14 Foreign currency transaction**

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

**5.15 Borrowing cost**

Borrowing costs are recognised in statement of profit or loss in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are added to the cost of those assets, during the period of time that is required to complete and prepare the asset for its intended use.

**5.16 Investments - held to maturity**

Held to maturity investments are initially recognized at cost, being the fair value of the consideration given and includes transaction cost. Subsequently, these are measured at amortized cost, using the effective interest rate method, less provision for impairment, if any. These are reviewed for impairment at year end and any loss arising from impairment in values is charged to the statement of profit or loss.

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## 6. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 Rupees	2017 Rupees
Operating fixed assets	6.1	65,721,956,191	59,517,345,205
Capital work in progress	6.6	15,432,942,492	10,596,729,970
		<u>81,154,898,683</u>	<u>70,114,075,175</u>

## 6.1 Operating fixed assets

PARTICULARS	2018								Book value as on 30 June 2018	Rate %
	Cost				Accumulated depreciation					
	Transferred from WAPDA under SBTA as on 01 July 1998	Additions / Transfers		As on 30 June 2018	Transferred from WAPDA under SBTA as on 01 July 1998	Depreciation expense		As on 30 June 2018		
		Up to last year	During the year			Up to last year	During the year			
OWNED: Rupees										
Land - freehold	149,230,584	522,647,585	-	671,878,169	-	-	-	-	671,878,169	-
Buildings and civil works on freehold land	588,684,945	6,003,993,642	1,150,425,036	7,743,103,623	156,816,352	744,943,150	134,420,943	1,036,180,445	6,706,923,178	2%
Furniture	-	74,159,673	13,678,980	87,838,653	-	50,343,361	4,552,900	54,896,261	32,942,392	10%
IT equipment	-	580,106,148	21,555,570	601,661,718	-	225,088,387	55,547,061	280,635,448	321,026,270	10%
Other plant and equipment	69,567,475	483,361,636	36,529,123	589,458,234	22,452,004	338,382,431	31,838,584	392,673,019	196,785,215	10%
Distribution plant assets	11,123,033,112	67,230,706,679	7,925,328,571	86,279,068,362	3,251,437,390	22,954,015,342	2,723,766,416	28,929,219,148	57,349,849,214	3.5%
Office equipment	-	56,242,425	2,192,728	58,435,153	-	28,828,089	4,832,912	33,661,001	24,774,152	10%
Vehicles	320,152,814	885,783,563	71,675,212	1,277,611,589	76,862,795	721,155,775	61,815,418	859,833,988	417,777,601	10%
	12,250,668,930	75,837,001,351	9,221,385,220	97,309,055,501	3,507,568,541	25,062,756,535	3,016,774,234	31,587,099,310	65,721,956,191	

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2017										
PARTICULARS	Cost				As on 30 June 2017	Accumulated depreciation			Book value as on 30 June 2017	Rate %
	Transferred from WAPDA under SBTA as on 01 July 1998	Additions / Transfers		Transferred from WAPDA under SBTA as on 01 July 1998		Depreciation expense		As on 30 June 2017		
		Up to last year	During the year			Up to last year	During the year			
Rupees										
OWNED:										
Land - freehold	149,230,584	512,309,675	10,337,910	671,878,169	-	-	-	-	671,878,169	-
Buildings and civil works on freehold land	588,684,945	4,282,927,271	1,721,066,371	6,592,678,587	156,816,352	645,146,266	99,796,884	901,759,502	5,690,919,085	2%
Furniture	-	68,309,296	5,850,377	74,159,673	-	46,932,550	3,410,811	50,343,361	23,816,312	10%
IT equipment	-	500,251,253	79,854,895	580,106,148	-	172,186,605	52,901,782	225,088,387	355,017,761	10%
Other plant and equipment	69,567,475	405,474,064	77,887,572	552,929,111	22,452,004	315,030,163	23,352,268	360,834,435	192,094,676	10%
Distribution plant assets	11,123,033,112	59,316,183,992	7,914,522,687	78,353,739,791	3,251,437,390	20,402,814,117	2,551,201,225	26,205,452,732	52,148,287,059	3.5%
Office equipment	-	53,486,713	2,755,712	56,242,425	-	24,271,178	4,556,911	28,828,089	27,414,336	10%
Vehicles	320,152,814	851,360,239	34,423,324	1,205,936,377	76,862,795	660,942,217	60,213,558	798,018,570	407,917,807	10%
	12,250,668,930	65,990,302,503	9,846,698,848	88,087,670,281	3,507,568,541	22,267,323,096	2,795,433,439	28,570,325,076	59,517,345,205	

6.2 As explained in Note 1.2, the property and rights in the above assets were transferred to the Company on 01 July 1998 by the WAPDA in accordance with the terms and conditions of the BTA executed between the WAPDA and the Company. However, title of free hold land measuring 2,416 Kanals and 7 Marla is in the name of the Company in the Punjab Land Revenue Authority (PLRA) records and the land measuring 4,406 Kanals and 9 Marla is in the name of the WAPDA while the remaining land measuring 59 Kanals and 2 Marla is in the name of third party in the Land Revenue records. Further, the titles of the vehicles under BTA have also not been transferred in the name of the Company.

6.3 The cost of the assets as on 30 June 2018 include fully depreciated assets amounting to Rs. 2,286 million (2017: Rs. 2,212 million) which are still in use of the Company.

6.4 Subsequent to the year end, the GoP through Power Holding (Pvt) Limited has arranged Shariah Compliant Islamic Finance Facility through issuance of Sukuk-1 to settle the energy sector circular debts of all DISCOs. As per the direction of the GoP vide letter no. PF-05(06)/2012 dated 20 December 2019, the facility is secured against the land of all DISCOs, accordingly the land of the Company estimated worth to Rs 37,000 million is also part of this arrangement.

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6.5	The depreciation charge for the year has been allocated as follow:	Note	2018 Rupees	2017 Rupees
	Distribution costs	29	2,842,562,640	2,632,527,676
	Administrative expenses	30	170,510,992	159,157,362
	Customer service costs	31	3,700,602	3,748,401
			<u>3,016,774,234</u>	<u>2,795,433,439</u>

#### 6.6 Capital work in progress

	Civil works		162,386,964	143,284,364
	Distribution equipment		5,229,931,768	3,328,186,360
	Grid station equipment		6,790,448,147	4,084,179,694
		6.6.1	<u>12,182,766,879</u>	<u>7,555,650,418</u>
	Capital stores	6.6.2	3,250,175,613	3,041,079,552
			<u>15,432,942,492</u>	<u>10,596,729,970</u>

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

6.6.1	Balance at the beginning of the year		7,555,650,418	6,533,895,120
	Additions during the year		11,715,351,861	8,984,249,225
			<u>19,271,002,279</u>	<u>15,518,144,345</u>
	Transfers to operating fixed assets during the year		(7,088,235,400)	(7,962,493,927)
	Balance at the end of the year		<u>12,182,766,879</u>	<u>7,555,650,418</u>

6.6.2 These represent items of stores and spares held for capitalization.

6.6.3 During the year, borrowing cost amounting to Rs. 832 million (2017: Rs. 452 million) has been capitalized in the cost of capital work in progress.

7.	LONG TERM LOANS AND ADVANCES	Note	2018 Rupees	2017 Rupees
	Loan to employees - considered good:			
	- House building / purchase of plots		805,479,142	572,573,666
	- Vehicles		5,465,892	5,707,390
	- Others		-	19,453
		7.1	<u>810,945,034</u>	<u>578,300,509</u>
	Less: Current portion of long term loans		(88,665,690)	(58,635,454)
			<u>722,279,344</u>	<u>519,665,055</u>
	Advance to supplier	7.2	184,884,000	-
			<u>907,163,344</u>	<u>519,665,055</u>

7.1 These represent interest free loans provided to the employees including other executives and are recoverable in a period of 5 to 10 years from the date of disbursement or on retirement which ever is earlier.

7.2 This advance paid to Pakistan Suzuki Motor relates to the purchase of vehicles.

8.	STORES AND SPARES	Note	2018 Rupees	2017 Rupees
	Stores and spares		1,083,391,871	1,013,693,184
	Less:			
	Provision for obsolete / slow moving items		(21,124,411)	(21,124,411)
	Provision for shortage of material	8.1	(4,633,128)	-
			<u>1,057,634,332</u>	<u>992,568,773</u>

8.1 Subsequent to the year end, the management of the Company identified some shortage of material in store items. In response thereto, the management constituted an Inquiry Committee to further probe the issue, which based on their preliminary assessment identified that there is some misappropriation of store material at one of their field stores, amounting to Rs. 59.78 million. On the basis of inquiry finding, the management of the Company forward the case to Federal Investigation Agency (FIA), which is still under investigation.

As per the preliminary assessment of management inquiry report, the management of the Company has made provision in these financial statements amounting to Rs. 0.7 million and Rs. 3.9 million for financial years ended 2017 and 2018 respectively, representing the misappropriation in these years.

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**9. TRADE DEBTS**

	Note	2018 Rupees	2017 Rupees
Considered good:			
Billed			
-Government		2,268,182,351	1,547,689,120
-Private	9.1	38,058,162,266	19,767,585,563
Unbilled:			
- Spill over adjustment		5,387,264,992	4,105,305,575
- Fuel price adjustment		(3,497,573,353)	4,336,359,492
		<u>42,216,036,257</u>	<u>29,756,939,750</u>
Considered doubtful - billed		<u>7,765,467,754</u>	<u>6,639,879,376</u>
		<u>49,981,504,011</u>	<u>36,396,819,126</u>
Less: Provision for doubtful debts	9.2	<u>(7,765,467,754)</u>	<u>(6,639,879,376)</u>
		<u>42,216,036,257</u>	<u>29,756,939,750</u>

9.1 Trade debts are secured to the extent of corresponding consumers' security deposits.

	Note	2018 Rupees	2017 Rupees
9.2 Provision for doubtful debts			
Provision as on 01 July 2017		6,639,879,376	5,883,480,567
Provision for the year	30	<u>1,125,588,378</u>	<u>756,398,809</u>
Provision as on 30 June 2018		<u>7,765,467,754</u>	<u>6,639,879,376</u>

**10. ADVANCES - considered good - unsecured**

Advances to Staff		<u>23,595,199</u>	<u>20,458,363</u>
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**11. OTHER RECEIVABLES**

Receivable from the associated companies	11.1	17,179,776,692	14,896,355,542
Agricultural subsidy receivable from the Government of Punjab	11.2	3,763,646,079	2,573,526,635
Tariff adjustment	26	59,145,715,442	12,867,000,000
75% capital cost receivable from agricultural consumers		1,402,181	1,187,985
Miscellaneous		19,648,855	85,557,129
		<u>80,110,189,249</u>	<u>30,423,627,291</u>

**11.1 Receivable from the associated companies**

Water and Power Development Authority		10,246,703,610	9,465,114,664
National Transmission and Dispatch Company Limited		1,993,267,996	1,407,680,159
Pakistan Electric Power Company (Private) Limited		1,137,133,271	951,181,670
Gujranwala Electric Power Company Limited		1,761,832,744	1,192,782,417
Northern Power Generation Company Limited		215,401,733	146,071,467
Faisalabad Electric Supply Company Limited		715,297,156	703,949,273
Hyderabad Electric Supply Company Limited		40,091,565	33,010,084
Central Power Generation Company Limited		51,025,988	29,990,160
Quetta Electric Supply Company Limited		49,433,106	41,481,236
Sukkur Electric Power Company Limited		8,882,453	6,463,384
Islamabad Electric Supply Company Limited		921,845,952	912,349,543
Jamshoro Power Generation Company Limited		5,713,201	4,477,836
Lakhra Power Generation Company Limited		1,883,053	1,428,213
Tribal Area Electricity Supply Company Limited		700,231	375,436
Power Information Technology Company		30,564,633	-
	11.1.1	<u>17,179,776,692</u>	<u>14,896,355,542</u>

11.1.1 This represents the net amount receivable from the Associated Companies on account of free electricity, medical reimbursement and pension payment provided to its retired and active employees, which are residing within the Company's territorial jurisdiction.

	Note	2018 Rupees	2017 Rupees
11.2 Agricultural subsidy			
Opening balance		2,573,526,635	2,535,120,455
Subsidy accrued during the year		<u>1,190,119,444</u>	<u>1,225,166,180</u>
		<u>3,763,646,079</u>	<u>3,760,286,635</u>
Amount received / adjusted		-	(1,186,760,000)
Closing balance		<u>3,763,646,079</u>	<u>2,573,526,635</u>

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12. RECEIVABLE FROM THE GOVERNMENT OF PAKISTAN	Note	2018 Rupees	2017 Rupees
Tariff differential subsidy	12.1	1,974,670,214	1,978,638,890
Industrial support package	12.2	12,120,276,316	7,330,426,499
Fuel price adjustment subsidy	12.3	5,470,340,000	5,470,340,000
Agriculture subsidy	12.4	1,524,628,239	1,524,628,239
		<u>21,089,914,769</u>	<u>16,304,033,628</u>

## 12.1 Tariff differential subsidy

Opening balance		1,978,638,890	3,227,405,349
Subsidy receivable accrued during the year		<u>17,960,169,695</u>	<u>15,562,171,122</u>
		19,938,808,585	18,789,576,471
Amount received / adjusted		<u>(17,964,138,371)</u>	<u>(16,810,937,581)</u>
Closing balance	12.1.1	<u>1,974,670,214</u>	<u>1,978,638,890</u>

12.1.1 This represents the tariff differential subsidy given by the Government of Pakistan (GoP) in pursuance of the NEPRA tariff determinations and the tariff notifications from time to time. This is the difference between the NEPRA rates and the rates charged to the consumers in accordance with the tariff notified by the GoP.

12.2 Industrial support package (ISP)	Note	2018 Rupees	2017 Rupees
Opening balance		7,330,426,499	1,798,393,029
Subsidy receivable accrued during the year		<u>8,790,849,817</u>	<u>5,532,033,470</u>
		16,121,276,316	7,330,426,499
Amount received / adjusted		<u>(4,001,000,000)</u>	-
Closing balance	12.2.1	<u>12,120,276,316</u>	<u>7,330,426,499</u>

12.2.1 ISP subsidy relates to the rebate allowed to the industrial consumers by the GoP through letter no F-NO.PI-4(18)/2014-15 dated 04 February 2016. During the year end, as per the GoP notification vide 1048-DFA (Finance)/2016-17 dated 07 July 2017, an adjustment of this subsidy amounting to Rs. 4,001 million has been received by the Company against payable balance to the CPPA-G. Further, subsequent to the year end, as per the GoP notification vide PF-05(02)/2012 dated 03 July 2019, the Company receive a non cash adjustment relating to ISP subsidy receivable balance amounting to Rs. 25,329 million against amount payable to the CPPA-G.

12.3 During the year ended 30 June 2012, the Honorable Lahore High Court grant stay order that domestic consumers having electricity consumption up to 350 units per month are not liable for fuel price adjustment (FPA). Due to which the Company was not able to bill the FPA to such domestic consumers. The NEPRA through its tariff determination for the year ended 2013, advised that the Company should claim the respective amount separately from the GoP in the form of subsidy. In pursuance of this, the Company filed claims with the GOP as fuel price adjustment subsidy in financial year 2013. However, the NEPRA and the GoP have not yet considered the matter as yet.

12.4 This includes an amount of Rs. 838 million, being the general sales tax subsidy to the agriculture consumers on the electricity cost, in the years ended 30 June 2008 to 2010, and the remaining amount represents subsidy to agriculture consumers in the years ended 30 June 2014 to 2016, being the difference of tariff notified by the GoP and rate notified by the Ministry of Water and Power, GoP for agriculture consumers, which has been outstanding since long.

13. TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2018 Rupees	2017 Rupees
Advance tax		-	47,597,559
Sales tax paid (under protest)	13.1	<u>2,851,802,126</u>	<u>1,081,249,304</u>
		<u>2,851,802,126</u>	<u>1,128,846,863</u>

13.1 This includes disputed sales tax payments made in the following cases which are pending adjudication:

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- 13.1.1 In previous years, Sales Tax Department raised a sales tax demand amounting to Rs. 1 billion and Rs. 1.4 billion including penalty but excluding default surcharge for the tax period from July 2008 to June 2009 and July 2009 to June 2010 respectively, on alleged non-payment of sale tax collected from the steel sector including alleged illegal adjustment against their input tax. The Company, being aggrieved, filed appeals at department and tribunal levels which were decided against the Company. The Company then filed reference before Honorable Lahore High Court against show cause notices for the overall period from January 2008 to May 2011. The Honorable Lahore High Court while deciding the references and writ petition against the Company, directed FBR to conduct an accounting exercise for the period under adjudication so as to verify that if the amount of sales tax collected from the Steel Melter's is excluded from the total output of the Company then the refund of the same amount will arise accordingly. Against the order of the Honorable Lahore High Court, the Company filed reference in the Supreme Court of Pakistan which is pending adjudication. Supreme Court of Pakistan has granted leave for hearing in the instant case.

In March 2012, despite of the stay granted by the Honorable Lahore High Court and the process of accounting exercise was going on, in respect of above cited subject, FBR seized the bank accounts of the Company, thereby, forcefully withdrew Rs. 2.3 billion being the alleged sales tax collected from Steel Melter's.

During prior year, as a result of an accounting exercise conducted by the FBR in pursuance of above said order of the Honorable High Court, FBR agreed with the above said plea taken by the Company and allowed the Company to revise its sales tax returns for tax periods from July 2008 to June 2010 vide its order C.no. 2(1)EX/2013/38523-R dated 17 March 2015 to carry forward the refunds relating to those periods. Resultantly, revised sales tax return of tax period June 2010 shows a refund / credit of Rs. 2.246 billion leading to under protest sales tax of Rs. 89.17 million.

Further, an application has been filed to Commissioner for approval for condonation and revision of sales tax returns u/s 26(3) of the Sales Tax Act, 1990 for the tax periods from July 2010 to September 2014 to transfer the above said refund to subsequent tax periods, which has been forwarded to Secretary IR – ST & FE (Law, Procedure and exemptions) by the Chief Commissioner Inland Revenue for necessary approval. Various representations have also been made before the taxation authorities, wherein, it has been communicated that the aforementioned amount is available for adjustment and the taxation authorities should allow revision of sales tax returns of subsequent tax periods in order to carry forward the refund of the abovementioned amount.

- 13.1.2 Sales tax amounting to Rs. 500 million deposited in connection with stay order obtained in sales tax case from January 2008 to June 2009 (mainly levy of GST on subsidy received from government, receipts against deposit work, deferred credit, payment of general sales tax not yet realized and inadmissible input tax adjustments / adjusted against line losses) vide order no. M.A (Stay) no. 202/LB//2011 dated 28 May 2011. (Refer to Note 24.1.1(iii)).

		2018	2017
	Note	Rupees	Rupees
<b>14. SHORT TERM INVESTMENTS - Held to maturity</b>			
Term deposit receipts	14.1&14.3	19,171,452,267	17,292,822,611
14.1 These includes placement of long term consumers' security deposits in separate bank accounts amounting to Rs. 12,912 million (2017: Rs. 11,983 million).			
14.2 The short term investment amounting to Rs. 13,509 million (2017: Rs. 11,910 million) having maturity of less than 3 months at statement of financial position.			
14.3 These represent term deposits placed in local currency with different banks having maturity ranging from three to twelve months at interest rates ranging from 5.4% to 6.3% (2017: 2% to 8%) per annum.			
<b>15. BANK BALANCES</b>			
	Note	2018	2017
		Rupees	Rupees
Balance with banks in:			
Current accounts		967,081,932	1,096,469,018
Deposit accounts	15.1	2,618,800,330	1,170,820,836
		<u>3,585,882,262</u>	<u>2,267,289,854</u>
15.1 Balances in deposit accounts carry interest ranging from 3.75% to 5.5% (2017: 5% to 7.5%) per annum.			
<b>16. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>			
	Note	2018	2017
		Rupees	Rupees
Issued, subscribed and paid-up:			
1,000 (2017: 1,000) ordinary shares of Rs. 10 each			
fully paid in cash		10,000	10,000
673,799,870 (2017: 673,799,870) ordinary shares of Rs. 10 each			
against various consideration:	16.1	6,737,998,700	6,737,998,700
		<u>6,738,008,700</u>	<u>6,738,008,700</u>

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16.1	These shares were issued against the following considerations:	Note	Rupees
	Incorporation expenses incurred by WAPDA	16.1.1	5,043,850
	Allocation of net worth	16.1.2	1,964,925,820
	Debt services liability	16.1.3	2,029,792,415
	Transfer of assets	16.1.4	2,738,236,615
		16.1.5	<u>6,737,998,700</u>

16.1.1 This represents the Company's incorporation expenses and reversal of provision for doubtful debts relating to pre-incorporation period incurred by the WAPDA.

16.1.2 This represents conversion of WAPDA current account to deposit for issuance of shares.

16.1.3 This represents the debt services provided by the GoP / WAPDA on foreign re-lent and cash development loans.

16.1.4 This represents the reallocation of loans against assets constructed by National Transmission and Dispatch Company Limited (NTDC) and transferred to the Company during 01 July 2002 to 30 June 2005, through WAPDA.

16.1.5 The assets and liabilities were transferred to the Company by WAPDA under Business Transfer Agreement (BTA) which was subsequently amended / supplemented through Supplementary Business Transfer Agreement (SBTA). The purchase price as defined in the BTA was payable by the Company to WAPDA in consideration of the transfer as provided in the BTA by issuance of ordinary shares by the Company and such shares have been determined at a closing date which has been agreed between WAPDA and the Company.

As per WAPDA letter no. 36-66/GMF(P)/MF(IHQ)/P/PK-40 dated 18 July 2008, Business Transfer Agreement (BTA) has been closed as at 30 June 2008. Consequently, during 2014, the Company has issued the shares to the WAPDA under SBTA.

17.	DEPOSIT FOR ISSUANCE OF SHARES	Note	2018 Rupees	2017 Rupees
	Federal government equity / investment	17.1	<u>37,151,327,177</u>	<u>37,155,295,853</u>

17.1 The Finance Division of the GoP vide its letter No F.1(5) CF-1/2012-13/1017 dated 2 July 2013 had transferred Rs. 341.96 billion in the PEPCO's account through the State Bank of Pakistan on 27 June 2013 for settlement of power sector circular debt payable to the Independent Power Producers (IPPs) and other entities. The PEPCO on the basis of above letter allocated Rs. 37.97 billion to the Company against which the CPPA-G had issued a credit advice to the Company being the adjustment on account of the GoP equity / investment against settlement of power sector circular debt. The Company has accounted for this amount as equity based on the opinion of its legal directorate.

During the year ended 30 June 2017, the Finance Division of the GoP vide its letter No F.1(5) CF-1/2015-16/443 dated April 28, 2016 instructed the PEPCO to adjust the tariff differential subsidy receivable of the respective DISCOs against the GoP share deposit money. Accordingly, CPPA-G has issued a credit note to the Company of Rs. 814.113 million as a non cash adjustment on account of the GoP share deposit money. During the Year, CPPA has issued credit note of Rs. 3.969 million to Company on account of non cash adjustment of TDS against the GoP share deposit money.

18.	LONG TERM FINANCING	Note	2018 Rupees	2017 Rupees
	From Government of Pakistan through:			
	International Bank for Reconstruction and Development (IBRD)	18.1	<u>1,025,348,989</u>	<u>1,025,348,989</u>
	Asian Development Bank (ADB)	18.2	<u>9,376,853,116</u>	<u>6,919,822,435</u>
			<u>10,402,202,105</u>	<u>7,945,171,424</u>
	Less: Current portion of long term financing		<u>(2,266,567,688)</u>	<u>(1,529,241,425)</u>
			<u>8,135,634,417</u>	<u>6,415,929,999</u>

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# LAHORE ELECTRIC SUPPLY COMPANY LIMITED

22.2 The Company has not paid its contribution towards Worker Profit Participation fund (WPPF) for the year 2011-2017 (excluding years where the Company was in losses) amounting to Rs. 2,047.56 million. WAPDA had forwarded a summary in 2006 to Economic Coordination Committee (ECC) to exempt DISCOS and National Transmission Dispatch Company (NTDC) from liability under the Companies Profit (Worker's Participation) Act 1968. However, to date no decision has been taken in this respect. Contributions to WPPF is required to be made on the first day of the next year to a separate fund constituted under the Companies Profit (Worker's Participation) Act 1968. Further, the Company has also not accrued interest on the unpaid amount of the contribution payable to fund. Being in losses during the year, the Company has made no provision in respect of WPPF contribution.

22.3 Due to associated undertakings	Note	2018 Rupees	2017 Rupees
Central Power Purchasing Agency (Guarantee) - CPPA-G	22.3.1	91,067,929,618	15,925,040,003
Multan Electric Power Company Limited		363,954,972	375,773,140
Peshawar Electric Supply Company Limited		7,329,674	2,670,835
Power Information Technology Company		-	10,056,765
		<u>91,439,214,264</u>	<u>16,313,540,743</u>

22.3.1 This represents amount due to the CPPA-G against purchase of electricity and use of system charges. Subsequent to the year end, as per the decision of ECC communicated vide Ministry of Energy letter no vide PF-05(02)/2012 dated 03 July 2019, the Company receive a non cash adjustment relating to ISP subsidy receivable balance amounting to Rs. 25.329 million against amount payable to the CPPA-G.

22.4 Inter office transaction - current accounts	Note	2018 Rupees	2017 Rupees
Net credit balance of transactions		2,530,587,937	2,782,288,917
Less: Net debit balance of transactions		(2,530,587,937)	(2,530,587,937)
Net balance payable	32.2	<u>-</u>	<u>251,700,980</u>

23. RECEIPTS AGAINST DEPOSIT WORK	23.1	<u>11,109,818,401</u>	<u>8,963,013,865</u>
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23.1 This represents amount received from the consumers for deposit works and service connections.

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

#### 24.1.1 Sales tax

(i) The Tax authorities have created sales tax demand aggregating to Rs. 22,419 million on account of alleged non-payment of sales tax collected from the steel sector and adjusted the same against their input tax for different tax period. These matters are pending at different forums which detail are mentioned below:

Sr No.	Tax Year	Amount	Appellate Forum
1	July-2011 to June 2012	99	Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
2	July-2013 to September-2013	696	Against the order of the ATIR, the Company has filed an appeal before the LHC, which is pending adjudication.
3	October-2013, January-2014 and July-2014	1,072	Against the order of the LHC, the Company has filed an appeal before the Supreme Court of Pakistan, which is pending adjudication.
4	July-2015 to March-2016	2,887	Against the order of the ATIR, the Company has filed an appeal before the LHC, which is pending adjudication.
5	April-2016 to June-2019	17,665	Against the order of the Department, the Company has filed an appeal before CIR(A), which is pending adjudication.

(ii) The tax department initiated the investigative proceedings under section 38 of the Sales Tax Act, 1990 (the Act) and conducted sales tax audit under section 25 of the Act, resultantly, created tax demand of Rs. 10,326 million vide order dated 14 December 2010 on account of alleged suppression of sales, short payment of output sales tax, non-charging of sales tax on subsidy received from the Government and other various areas. Against the subject order, the Company's management preferred an appeal before the CIR (A) who passed an appellant order dated 19 April 2011 and provided partial relief. Subsequent to the judgment of the CIR (A), the Company received a recovery notice dated 25 April 2011 amounting to Rs. 9,867 million along with default surcharge of Rs. 493 million.

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## LAHORE ELECTRIC SUPPLY COMPANY LIMITED

Being aggrieved, the taxpayer filed a second appeal before the ATIR along with miscellaneous application for stay in demand against the recovery notice. The ATIR vide his order dated 28 May 2011 granted stay subject to the deposit of Rs. 500 Million. Pursuant to the directions of ATIR, the Company deposited Rs. 500 Million. The ATIR vide its Order dated 01 February 2012 set aside the proceedings and remanded back the case for fresh proceedings to the department. The tax department issued a fresh notice to initiate remand back proceedings against which an appeal was filed before the LHC which is pending adjudication.

- (iii) The ACIR passed an order creating sales tax demand of Rs. 101 million alleging non-charging of revised sales tax rate of 17% from 16% during the tax period of June 2013. Being aggrieved, the Company filed an appeal before the CIR (A), who remanded the case back to the ACIR. Subsequently, the DCIR initiated the remand back proceedings and created the tax demand of Rs. 1 million to the extent of default surcharge and penalty. Being aggrieved, the Company filed an appeal before the CIR (A), which is pending adjudication.
  - (iv) The ACIR through an order dated 05 December 2018 created tax demand of Rs. 14 million on account of alleged non-charging of sales tax on supply of free electricity to employees. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order of the ACIR. Aggrieved with the treatment meted out, the Company preferred a second appeal before the ATIR which is pending adjudication.
  - (v) The ACIR initiated audit proceedings for tax year 2013 and then issued the show cause notice dated 10 July 2017. After completing the proceedings, the ACIR issued the order and thereby created the demand of Rs. 51,361 million vide order dated 10 July 2017 on the issues of sales tax chargeability on subsidy received from government, sales tax not charged on meter rent, re-connection fees, other income, non-payment of sales tax on receipts against deposit work, deferred credit etc. Being aggrieved, the Company preferred an appeal before the CIR (A), who annulled the demand and remanded the case back to the ACIR vide order No.18-A-II/2018 dated 31 December 2018. The DCIR has finalized the proceedings and revised the demand downwards to Rs. 20,542 million along with default surcharge and penalty vide order No. 01/2020 dated December 15, 2020. The Company has filed an appeal against the order before the CIR(A) which is pending adjudication.
  - (vi) The DCIR through an order dated 08 October 2015 created sales tax demand of Rs. 127 million along with penalty of Rs. 6 million on account of alleged short payment of sales tax on account of suppression of electricity units to the retailers in respect of tax period from July 2014 to January 2015. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order passed by the DCIR. Aggrieved with the treatment meted out, the Company preferred second appeal before the ATIR, which is remanded back to the assessing officer. The ACIR initiated the de novo proceedings and issued the order dated 12 July 2019 while creating the demand of Rs. 114 million. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order issued by the ACIR. Being aggrieved with the treatment meted out, the Company has filed a second appeal before the ATIR which is pending adjudication.
  - (vii) The DCIR initiated proceedings for tax period February 2011 to October 2015, alleging the Company for late filing of sales tax returns and late payment of sales tax and thereby created sales tax demand of Rs. 247 million and Rs. 0.12 million on account of default surcharge and penalty. Being aggrieved, the Company filed an appeal before the CIR (A) who upheld the order issued by the DCIR. Aggrieved with the treatment meted out, the Company preferred second appeal before the ATIR who vide order dated 14 March 2017 directed the assessing officer to re-examine the case along with working of penalty and default surcharge and the available refunds of the Company.
- Upon finalization of the remand-back proceedings, the DCIR issued order whereby the impugned demand was reduced to Rs. 11 million vide order dated 13 September 2019. Being aggrieved, the Company filed an appeal before CIR (A) against the order of DCIR which is pending adjudication.
- (viii) The Additional Commissioner, Enforcement issued the notice for the tax period from July 2013 to June 2016 on the basis that the Company has not withheld the amount of Punjab sales tax as per Punjab Sales Tax on Services (Withholding) Rules, 2015 (the "PSTSWH Rules") and thereby created the demand of Rs. 5,754 million along with penalty of Rs. 287 million. Being aggrieved, the Company filed an appeal before the Commissioner Appeals (PRA), who has reduced the demand to Rs. 219 million along with penalty of Rs. 11 million. Being aggrieved, both the Company and PRA filed cross appeals against the order Commissioner Appeals (PRA) before the Appellate Tribunal, PRA, which are pending adjudication. In the meanwhile, the Company has also filed writ petition against the provision of Rule 6 of the PSTSWH Rules before the honorable LHC which has stayed the proceedings pending before the Appellate Tribunal, PRA.

For all the above referred cases, the Company's counsel is of the view that the matters will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.

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## 24.1.2 Income tax

- (i) The tax authorities have raised demands aggregating to Rs. 8,786 million under section 122(5A) of Income Tax Ordinance, 2001 (the "Ordinance") for tax years ("TY") 2011, 2013, 2014, 2015, 2017 and 2018 on account of inclusion of subsidy, amortization of deferred credits and other income in turnover for the purpose of calculation of minimum tax under section 113, wrongful claim of tax credit under section 65B of the Ordinance in respect of TY 2018 and various other additions.

Further, the tax authorities have raised income tax demand aggregating to Rs. 175 million on account of rectification orders issued under section 221 of the ITO, 2001 for the tax years 2010 and 2011 on account of non-chargeability of minimum tax under section 113 of the Ordinance. These matters are pending at different forums, which are mentioned below:

Sr No.	Tax Year	Amount	Section	Appellate Forum
1	2011	344	122 (5A)	Against the order of Commissioner Inland Revenue Appeal (CIR(A)), the Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.
2	2013	153		Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
3	2014	2,239		The Department has filed a reference before the Honorable Lahore High Court (LHC) against the decision of the ATIR, which is pending adjudication.
4	2015	1,908		Against the order of the CIR(A), the Department has filed an appeal before the ATIR, which is pending adjudication.
5	2017	1,231		Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
6	2018	398		Against the order of the CIR(A), the Department has filed an appeal before the ATIR, which is pending adjudication.
7		2,513		Against the order of the Additional Commissioner Inland Revenue (ACIR), the Company has filed an appeal before the CIR (A).
8	2010	72	221	Against the order of the CIR(A), the Department has filed an appeal before the ATIR, which is pending adjudication.
9	2011	103		

- (ii) The tax authorities have raised income tax demand aggregating to Rs. 5,616 million on account of alleged default on non-withholding of taxes while making payment on account of salaries, rent and other payments under section 161 read with section 205 of the Ordinance for tax years 2009 to 2012.

Further, the tax authorities passed orders dated 25 January 2018 under section 161/205 for the tax years 2012-15 creating a total income tax demand of Rs. 343 million on account of non-withholding of tax against payment made to the National Transmission and Dispatch Company ("NTDC") for use of system charges for providing transmission services. These matters are pending at different forums, which are mentioned below:

Sr No.	Tax Year	Amount	Section	Appellate Forum
1	2009	365	161/205	Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.
2	2010	118		Against the order of the ATIR, the Company has filed an appeal before the LHC, which is pending adjudication.
3	2011	2,236		The Department has filed a reference before the Honorable Lahore High Court (LHC) against the decision of the ATIR, which is pending adjudication.
4	2012	2,897		
5	2012 to 2015	343		Against the order of the CIR(A), the Company has filed an appeal before the ATIR, which is pending adjudication.

For all the above referred cases, the Company's counsel is of the view that the matters will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.

- 24.1.3 There are several claims that have been lodged against the Company by various consumers and the Company's employees. The quantum of potential liability cannot be estimated reliably due to large number of cases against the Company. The Company is hopeful of a favorable outcome, therefore, no provision has been recognized in these financial statements.

- 24.1.4 As mentioned in Note 22.2 no provision for WPPF and mark-up on non-payment has been made in these financial statements due to the reasons that the matter is pending for decision with the Economic Coordination Committee.

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24.1.5 Up to 30 June 2014, the Company has received various invoices from the CPPA-G representing supplementary charges being the share of the Company in the markup charged to CPPA-G by independent power producers on account of delayed payments aggregating to Rs. 14,565 million. The Company has not recorded these invoices as the management is of the view that the Company has made timely payment to the CPPA-G and hence not liable to pay supplementary charges.

## 24.2 Commitments:

24.2.1 Commitments in respect of capital expenditures amount to Rs. 32,080 million (2017: Rs. 2,069.75 million).

24.2.2 Commitments against inland letters of credit and purchase orders other than for capital expenditure amount to Rs. 284.37 million (2017: Rs. 419.06 million).

25. ELECTRICITY SALES - Net	Note	2018 Rupees	2017 Rupees
Sale of electricity	25.1	213,959,874,891	168,793,783,875
Less: sales tax		(32,172,591,563)	(26,614,910,998)
		<u>181,787,283,328</u>	<u>142,178,872,877</u>

25.1 Sale of electricity has been recognized based on the notified rates and includes accrual of Rs. 3,498 million (2017: Rs. 4,336 million) relating to Fuel Price Adjustment (FPA) for the months of May and June 2018. The effect of above mentioned FPA will be passed to the consumers (2017: recovered from the consumers) after the year end in accordance with NEPRA notifications.

25.2 The tariff approved and notified by the GoP for billing to consumer in financial year ended 30 June 2018 as per SRO 570 dated 10th June 2015 and SRO 378 dated 22 March 2018. Tariff differential subsidy also calculated and accounted for on the basis of these notified rate.

26. TARIFF ADJUSTMENT	Note	2018 Rupees	2017 Rupees
	26.1	<u>47,557,000,000</u>	<u>29,161,000,000</u>

26.1 This represents adjustment of tariff related to the financial year ended 30 June 2018 which has been subsequently taken into account while determining tariff for subsequent periods by the NEPRA and notified by the GoP, respectively.

27. SUBSIDY FROM THE GOVERNMENT OF PAKISTAN ON SALE OF ELECTRICITY	Note	2018 Rupees	2017 Rupees
Tariff differential subsidy	12.1	17,960,169,695	15,562,171,122
Industrial support package	12.2	8,790,849,817	5,532,033,470
		<u>26,751,019,512</u>	<u>21,094,204,592</u>

28. COST OF ELECTRICITY	Note	2018 Rupees	2017 Rupees
	28.1	<u>239,937,231,843</u>	<u>177,574,846,984</u>

28.1 Electricity purchased during the year have been recognized according to invoices issued by the CPPA-G. The average rate for the year was Rs. 10.11 per KWH (2017: Rs. 8.61 per KWH).

29. DISTRIBUTION COSTS	Note	2018 Rupees	2017 Rupees
Salaries, wages and other benefits		10,082,294,203	8,451,364,632
Post retirement benefits	20.6	13,942,055,422	9,555,680,409
Repair and maintenance		1,641,394,805	1,850,408,308
Rent, rates and taxes		65,755,289	67,430,500
Power, light and water		57,229,488	57,685,341
Communication		15,916,150	17,676,101
Office supplies and other expenses		15,668,534	20,740,713
Travelling expenses		232,038,988	204,830,400
Professional fees		31,776,067	30,312,140
Outside services employed		6,256,434	7,117,620
Vehicle running and maintenance		261,581,498	254,124,929
Depreciation	6.5	2,842,562,640	2,632,527,676
Miscellaneous expenses		26,226,070	70,706,587
		<u>29,220,755,588</u>	<u>23,220,605,356</u>
Less: charged to capital work in progress		(748,648,846)	(434,339,260)
		<u>28,472,106,742</u>	<u>22,786,266,096</u>

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30. ADMINISTRATIVE EXPENSES	Note	2018 Rupees	2017 Rupees
Salaries, wages and other benefits		1,995,958,098	1,707,914,394
Post retirement benefits	20.6	3,118,617,660	2,139,964,655
Repair and maintenance		50,469,539	41,033,230
Rent, rates and taxes		3,049,758	2,052,659
Power, light and water		22,999,595	21,099,599
Communication		23,732,099	18,232,974
Office supplies and other expenses		87,531,769	89,934,823
Travelling expenses		67,292,658	50,377,654
Provision for doubtful debts	9.2	1,125,588,378	756,398,809
Directors' fees		12,019,000	9,763,000
Professional fees		87,780,073	68,190,988
Auditors' remuneration	30.1	3,100,000	3,100,000
Outside services employed		3,206,543	3,094,806
Management fees		138,390,249	340,691,911
Vehicle running and maintenance		106,617,427	102,238,558
Advertisement expenses		67,635,913	43,603,765
Depreciation	6.5	170,510,992	159,157,362
Advances written off		-	69,225,186
Supplementary charges	30.2	1,471,359,666	488,151,982
Provision for shortage of material	8.1	4,633,128	-
Miscellaneous expenses		8,453,450	6,159,883
		<u>8,568,945,995</u>	<u>6,120,386,338</u>

30.1 Auditors' remuneration

Statutory audit fee	2,500,000	2,500,000
Out of pocket expenses	600,000	600,000
	<u>3,100,000</u>	<u>3,100,000</u>

30.2 These charges being the share of the Company in the markup charged to CPPA-G by independent power producers on account of delayed payments. The NEPRA through its tariff determination no. NEPRA/TRF-276/LESCO-2014/4102-4104 dated 20 March 2015, directed the Company to record the charges up to the extent of late payment surcharge recovered from the consumers. Based on this the Company has fully recorded the surcharge value as the invoice received from the CPPA-G is less than the amount recovered from the consumers.

31. CUSTOMER SERVICE COSTS	Note	2018 Rupees	2017 Rupees
Salaries, wages and other benefits		1,053,929,025	925,620,505
Post retirement benefits	20.6	1,284,136,684	843,588,091
Repair and maintenance		650,297	804,742
Rent, rates and taxes		3,601,821	2,404,437
Power, light and water		2,510,063	2,851,573
Communication		1,125,837	1,119,891
Office supplies and other expenses		6,195,902	5,896,596
Travelling expenses		27,193,198	24,482,390
Electricity bills collection expenses		308,723,665	287,503,926
Outside services employed		-	3,271,821
Vehicle running and maintenance		2,781,606	2,733,934
Depreciation	6.5	3,700,602	3,748,401
Miscellaneous expenses		10,937,754	12,993,838
		<u>2,705,486,454</u>	<u>2,117,020,145</u>

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## 36.1.1 Trade debts

The Company believes that in trade debts, 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 the consumers. The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

The aging of trade receivables at the reporting date is:	2018 Rupees	2017 Rupees
Not yet due	11,341,851,189	7,772,697,907
Upto 1 year	26,775,095,796	18,318,097,814
1 to 3 years	4,126,085,478	4,734,554,856
3 to 5 years	4,039,357,062	3,490,437,515
Over 5 years	3,699,114,486	2,081,031,034
	<u>49,981,504,011</u>	<u>36,396,819,126</u>

## 36.1.2 Bank

The Company deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held at reporting date:

	Rating		
	Agency	Short term	Long term
<b>Public sectors banks</b>			
National Bank Of Pakistan	PACRA	A1+	AAA
The Bank of Khyber	PACRA	A1	A
The Bank Of Punjab	PACRA	A1+	AA
Sindh Bank Limited	JCR-VIS	A-1+	AA
<b>Specialized banks</b>			
Zarai Taraqati Bank Limited	JCR-VIS	A1+	AAA
<b>Private sectors banks</b>			
Allied Bank Limited	PACRA	A1+	AAA
Summit Bank	JCR-VIS	A-1	A-
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-Falah	PACRA	A1+	AA+
Bank Al-Habib	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
First Woman Bank	PACRA	A2	A-
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
Muslim Commercial Bank	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AAA
Punjab Provincial Cooperative Bank	JCR-VIS	B	BB+
Samba Bank	JCR-VIS	A1	AA
Silk Bank	JCR-VIS	A2	A-
SME Bank Limited	JCR-VIS	B	B
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA
<b>Islamic banks</b>			
Al-Baraka Islamic Bank	PACRA	A1	A
Bank Islami Pakistan Limited	PACRA	A1	A+
Dubai Islamic Bank	JCR-VIS	A1	AA-
Meezan Bank	JCR-VIS	A1+	AA

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.

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**36.3.1 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.

**36.3.2 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. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

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

	2018 Rupees	2017 Rupees
<b>Fixed rate instruments</b>		
<b>Financial assets:</b>		
Short term investment	19,171,452,267	17,292,822,611
<b>Financial liabilities:</b>		
Long term financing	10,402,202,105	7,945,171,424
<b>Floating rate instruments</b>		
<b>Financial assets:</b>		
Bank balances - deposit accounts	2,618,800,330	1,170,820,836

**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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

	Changes in interest rate	Effects on profit before tax
		-----Rupees-----
Bank balances - deposit accounts		
2018	+1	26,188,003
	-1	(26,188,003)
2017	+1	11,708,208
	-1	(11,708,208)

**36.3.3 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.

**36.4 Fair value of financial instruments**

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

**Fair value hierarchy**

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

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

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## 36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. 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 maturity analysis of financial liabilities:

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	One to five years	More than 5 years
----- Rupees -----					
<b>Financial liabilities</b>					
Creditors	1,800,715,322	1,800,715,322	1,800,715,322	-	-
Security deposits	50,129,406	50,129,406	50,129,406	-	-
Retention money - Contractors	154,956,754	154,956,754	154,956,754	-	-
Television fee not yet realized	204,769,236	204,769,236	204,769,236	-	-
Accrued liabilities	308,154,865	308,154,865	308,154,865	-	-
Due to associated undertakings	91,439,214,264	91,439,214,264	91,439,214,264	-	-
Others	320,607,996	320,607,996	320,607,996	-	-
Accrued interest	3,342,759,892	3,342,759,892	3,342,759,892	-	-
Long term financing	10,402,202,105	10,402,202,105	2,223,574,213	3,137,775,729	5,040,852,163
Long term security deposits	12,912,367,972	12,912,367,972	-	-	12,912,367,972
	<u>120,935,877,812</u>	<u>120,935,877,812</u>	<u>99,844,881,948</u>	<u>3,137,775,729</u>	<u>17,953,220,135</u>

	2017				
	Carrying amount	Contractual cash flows	Less than 1 year	one to five years	More than 5 years
----- Rupees -----					
<b>Financial liabilities</b>					
Creditors	1,140,000,132	1,140,000,132	1,140,000,132	-	-
Security deposits	48,963,492	48,963,492	48,963,492	-	-
Retention money - Contractors	174,244,174	174,244,174	174,244,174	-	-
Television fee not yet realized	182,626,800	182,626,800	182,626,800	-	-
Accrued liabilities	442,920,651	442,920,651	442,920,651	-	-
Due to - associated undertakings	16,313,540,743	16,313,540,743	16,313,540,743	-	-
Others	282,579,210	282,579,210	282,579,210	-	-
Accrued interest	2,349,513,040	2,349,513,040	2,349,513,040	-	-
Long term financing	7,945,171,424	7,945,171,424	1,576,461,173	3,055,960,641	3,312,749,610
Long term security deposits	11,304,037,711	11,304,037,711	-	-	11,304,037,711
	<u>40,183,597,377</u>	<u>40,183,597,377</u>	<u>22,463,629,667</u>	<u>1,038,232,317</u>	<u>15,117,424,856</u>

## 36.3 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:

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# LAHORE ELECTRIC SUPPLY COMPANY LIMITED

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 Company did not hold any financial instruments carried at fair value.

## 36.5 Financial instruments by categories

As at 30 June 2018

Assets as per balance sheet

	Cash and cash equivalent	Held to maturity investment	Loans and receivables
----- Rupees -----			
Long term loans	-	-	995,829,034
Long term deposits	-	-	744,266
Trade debts	-	-	49,981,504,011
Profit accrued on bank deposits	-	-	305,941,300
Advances and other receivables	-	-	80,133,784,448
Short term investment	-	19,171,452,267	-
Bank balances	3,585,882,262	-	-
	<u>3,585,882,262</u>	<u>19,171,452,267</u>	<u>131,417,803,059</u>

As at 30 June 2017

Assets as per balance sheet:

	Cash and cash equivalent	Held to maturity investment	Loans and receivables
----- Rupees -----			
Long term loans	-	-	578,300,509
Long term deposits	-	-	786,566
Trade debts	-	-	36,396,819,126
Profit accrued on bank deposits	-	-	141,839,247
Advances and other receivables	-	-	30,444,085,654
Short term investment	-	17,292,822,611	-
Bank balances	2,267,289,854	-	-
	<u>2,267,289,854</u>	<u>17,292,822,611</u>	<u>67,561,831,102</u>

Liabilities as per balance sheet

	Financial liabilities at amortize cost	
	2018 Rupees	2017 Rupees
Creditors	1,800,715,322	1,140,000,132
Security deposits	50,129,406	48,963,492
Retention money - Contractors	154,956,754	174,244,174
Television fee not yet realized	204,769,236	182,626,800
Accrued liabilities	308,154,865	442,920,651
Due to - associated undertakings	91,439,214,264	16,313,540,743
Others	320,607,996	282,579,210
Accrued interest	3,342,759,892	2,349,513,040
Long term loans	10,402,202,105	7,945,171,424
Security deposits	12,912,367,972	11,304,037,711
	<u>120,935,877,812</u>	<u>40,183,597,377</u>

## 37. 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.

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**38. BENAZIR EMPLOYEES STOCK OPTION SCHEME (BESOS)**

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) 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 a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, the 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 the 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 the GoP.

The Scheme, developed in compliance with the stated the 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 07 June 2011 to such entities from the application of IFRS 2 to the Scheme.

The liability of BESOS for the Company's employees is a liability of the fund and Company has no liability towards these payments. Various formalities relating to the finalization of the Scheme such as trust deed and vesting period are yet to be finalized. Moreover, due to certain administrative issues, trust fund has not yet been created by the GoP.

**39. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

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

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees					
Basic Salary	1,586,760	1,392,577	-	-	102,404,425	28,609,675
Adhoc Relief	343,285	352,452	-	-	16,238,711	6,886,814
Utilities and other benefits	849,367	362,014	-	-	9,532,986	4,919,720
Personal Pay	302,170	202,500	-	-	6,971,050	2,966,485
Conveyance Allowance	255,000	282,000	-	-	4,014,759	649,072
Engineering Allowance	-	-	-	-	4,294,286	1,570,000
Fee for attending meetings	-	-	12,019,000	9,763,000	-	-
	<u>3,336,582</u>	<u>2,591,543</u>	<u>12,019,000</u>	<u>9,763,000</u>	<u>143,456,217</u>	<u>45,601,766</u>
<b>Number of persons</b>	<u>1</u>	<u>1</u>	<u>10</u>	<u>10</u>	<u>66</u>	<u>21</u>

In addition Chief Executive Officer is also entitled to free electricity, company's maintained car, medical facility and residential telephone.

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## 40. RELATED PARTY TRANSACTIONS

Transactions with related parties are at arm's length. Prices for transactions with related parties are determined on the basis of admissible methods. The sales and purchase price of electricity are regulated by the NEPRA.

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

Name of Related Party	Nature of transactions	Month	Maximum Balance	2018	2017
-----Rupees-----					
<b>Government of Pakistan</b>					
Economic Affair Division	Receipts of loan	-	-	2,457,030,681	2,213,092,182
	Tariff differential subsidy income	-	-	17,960,169,695	15,562,171,122
	Industrial support package income	-	-	8,790,849,817	5,532,033,470
<b>Associated companies due to significant influence</b>					
Central Power Purchasing Agency (Guarantee)	Due (to) the Company	Jun-2018	(91,067,929,618)	(91,067,929,618)	(15,925,040,003)
	Cost of electricity	-	-	239,937,231,843	177,574,846,984
	Supplementary charges	-	-	1,471,359,666	488,151,982
National Transmission and Dispatch Company Limited	Due from the Company	Jun-2018	1,993,267,996	1,993,267,996	1,407,680,159
	Payment of pension	-	-	685,073,694	705,184,707
	Sale of free electricity	-	-	102,568,527	91,526,706
	Payment of medical allowance	-	-	55,940,076	157,599,638
Pakistan Electric Power Company (Private) Limited	Due from the Company	Jun-2018	1,137,133,271	1,137,133,271	951,181,670
	Payment of pension	-	-	126,990,832	192,315,704
	Sale of free electricity	-	-	21,291,389	21,276,106
	Payment of medical allowance	-	-	8,571,040	23,315,489
	Management fee	-	-	27,893,400	226,716,736
National Electric Power Regulatory Authority	Licence fee	-	-	51,170,877	48,011,326
<b>Associated companies due to common control</b>					
Water and Power Development Authority	Due from the Company	Jun-2018	10,246,703,610	10,246,703,610	9,465,114,664
	Payment of pension	-	-	1,064,424,967	1,560,397,539
	Payment of medical allowance	-	-	57,188,538	315,315,881
Gujranwala Electric Power Company Limited	Due from the Company	Feb-2018	1,801,300,138	1,761,832,744	1,192,782,417
	Payment of pension	-	-	70,902,913	76,578,641
	Sale of free electricity	-	-	36,033,516	31,335,106
	Payment of medical allowance	-	-	5,884,242	11,840,680
Northern Power Generation Company Limited	Due from the Company	Jun-2018	215,401,733	215,401,733	146,071,467
	Payment of pension	-	-	67,997,349	60,125,546
	Sale of free electricity	-	-	4,941,511	4,894,077
	Payment of medical allowance	-	-	5,655,877	13,749,055
Faisalabad Electric Supply Company Limited	Due from the Company	Feb-2018	735,538,572	715,297,156	703,949,273
	Payment of pension	-	-	46,276,067	47,151,284
	Sale of free electricity	-	-	8,487,302	7,954,843
	Payment of medical allowance	-	-	5,206,805	8,653,051

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Name of Related Party	Nature of transactions	Month	Maximum Balance	2018	2017
				-----Rupees-----	
Associated companies due to common control					
Hyderabad Electric Supply Company Limited	Due from the Company	May-2018	43,057,384	40,091,565	33,010,084
	Payment of pension	-	-	19,151,854	16,497,441
	Sale of free electricity	-	-	1,406,166	1,380,535
	Payment of medical allowance	-	-	1,616,716	2,530,827
Central Power Generation Company Limited	Due from the Company	Jun-2018	51,025,988	51,025,988	29,990,160
	Payment of pension	-	-	16,796,775	15,607,207
	Sale of free electricity	-	-	1,018,336	831,658
	Payment of medical allowance	-	-	1,703,632	3,393,415
Quetta Electric Supply Company Limited	Due from the Company	Jun-2018	49,433,106	49,433,106	41,481,236
	Payment of pension	-	-	16,437,172	16,497,441
	Sale of free electricity	-	-	1,814,566	2,058,736
	Payment of medical allowance	-	-	1,280,336	2,530,827
Sukkur Electric Power Company Limited	Due from the Company	May-2018	8,938,003	8,882,453	6,463,384
	Payment of pension	-	-	3,142,615	3,126,030
	Sale of free electricity	-	-	278,407	349,609
	Payment of medical allowance	-	-	193,567	514,181
Islamabad Electric Supply Company Limited	Due from the Company	Feb-2018	930,723,268	921,845,952	912,349,543
	Payment of pension	-	-	25,219,751	25,497,206
	Sale of free electricity	-	-	4,678,617	4,699,061
	Payment of medical allowance	-	-	2,682,176	4,281,191
Jamshoro Power Generation Company Limited	Due from the Company	Jun-2018	5,713,201	5,713,201	4,477,636
	Payment of pension	-	-	2,258,480	2,249,524
	Sale of free electricity	-	-	195,057	219,722
	Payment of medical allowance	-	-	84,403	419,335
Lakhra Power Generation Company Limited	Due from the Company	Apr-2018	1,938,473	1,883,063	1,428,213
	Payment of pension	-	-	549,125	521,325
	Sale of free electricity	-	-	112,597	109,379
	Payment of medical allowance	-	-	22,494	88,607
Tribal Area Electricity Supply Company Limited	Due from the Company	Jun-2018	700,231	700,231	375,436
	Sale of free electricity	-	-	324,796	173,968
Power Information Technology Company	Due from / (to) the Company	Jun-2018	30,564,633	30,564,633	(10,056,765)
	Billing software usage fee	-	-	58,525,952	65,963,829
	Payment of pension	-	-	7,097,511	13,616,977
	Payment of medical allowance	-	-	233,585	1,866,826
Multan Electric Power Company Limited	Due (to) the Company	Jul-2017	(375,364,507)	(363,954,972)	(375,773,140)
	Payment of pension	-	-	43,996,302	47,138,720
	Sale of free electricity	-	-	7,395,461	8,201,712
	Payment of medical allowance	-	-	4,148,960	7,248,845
Peshawar Electric Supply Company Limited	Due (to) the Company	Mar-2018	(8,718,475)	(7,329,674)	(2,670,835)
	Payment of pension	-	-	6,436,144	6,261,794
	Sale of free electricity	-	-	945,195	765,910
	Payment of medical allowance	-	-	548,185	1,423,873

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**41. NUMBER OF EMPLOYEES**

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

	<u>2018</u>	<u>2017</u>
- As at 30 June	<u>22,571</u>	<u>21,965</u>
- Average number of employees	<u>22,268</u>	<u>21,147</u>

**42. CORRESPONDING FIGURES**

Corresponding figures have been rearranged, reclassified and restated, wherever necessary. However, no significant rearrangement, reclassification and restatement have been made.

**43. GENERAL**

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

**44. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on \_\_\_\_\_ by the Board of Directors of the Company.

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

