

**Gujranwala Electric Power  
Company Limited  
Financial Statements  
For The Year Ended  
June 30, 2017**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Gujranwala Electric Power Company Limited** (the Company) as at June 30, 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 except as described in paragraph (a) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) as stated in note 15.2 of the accompanying financial statements, trade debts include an amount of Rs. 9,444 million receivable from the Government of Azad Jammu and Kashmir (AJK) against supply of electricity and delayed payment surcharge. There is a dispute between the Company and Government of AJK over tariff rates as explained fully in the above referred note and hence the Government of AJK has not acknowledged the amount payable to the Company. Management is of the view that the matter is under consideration of Ministry of Water and Power. Resultantly, we are unable to determine the amount that is likely to be recovered and the period over which such recovery will be made;
- (b) in our opinion, except for the possible effects of the matter described in paragraph (a) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (c) in our opinion:
  - (i) except for the possible effects of the matter described in paragraph (a) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of Company's business; and

- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (d) in our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in paragraph (a) above, if any, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (e) in our opinion no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

- a. note 11.2 of the accompanying financial statements, the ultimate outcome of the contingencies disclosed in the above referred note cannot be presently determined, and, hence pending the resolution thereof, no provision for the same in the accompanying financial statements have been made.
- b. note 17.2 of the accompanying financial statements that the receivable has not been confirmed by federal government and no provision has been created in the financial statements.

*Deloitte Yousuf Adil*  
**Chartered Accountants**

**Engagement Partner:**  
Rana M. Usman Khan

Dated: October 07, 2017  
Lahore

**Gujranwala Electric Power Company Limited**  
**Balance Sheet**  
**As at June 30, 2017**

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>Equity and liabilities</b>			
<b>Share capital and reserves</b>			
Authorized share capital 5,000,000,000 (2016: 5,000,000,000) ordinary shares of Rs. 10 each		<u>50,000,000,000</u>	<u>50,000,000,000</u>
Issued, subscribed and paid up share capital	4	10,000	10,000
Accumulated (losses) /Unappropriated profits		(2,626,051,699)	448,638,403
Deposit for issuance of shares	5	<u>18,942,544,149</u>	<u>20,058,408,675</u>
		<u>16,316,502,450</u>	<u>20,507,057,078</u>
<b>Non-current liabilities</b>			
Deferred credit	6	15,922,008,097	15,164,624,006
Long term financing - secured	7	7,638,159,842	7,033,110,193
Deferred liabilities	8	54,683,344,709	40,316,277,532
Security deposits	9	4,463,020,728	3,986,666,211
		<u>82,706,533,376</u>	<u>66,500,677,942</u>
<b>Current liabilities</b>			
Trade and other payables	10	11,002,266,668	12,977,855,497
Interest accrued on long term financing		1,795,325,055	1,149,164,995
Current portion of long term financing	7	<u>954,764,307</u>	<u>631,114,142</u>
		<u>13,752,356,030</u>	<u>14,758,134,634</u>
<b>Contingencies and commitments</b>	11	<u>112,775,391,856</u>	<u>101,765,869,654</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

D/K

  
Chief Executive Officer


  
Director

**Gujranwala Electric Power Company Limited**  
**Balance Sheet**  
**As at June 30, 2017**

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	44,515,797,566	41,523,877,502
Long term loans - considered good	13	548,117,518	491,148,816
		<u>45,063,915,084</u>	<u>42,015,026,318</u>
<b>Current assets</b>			
Stores and spares	14	1,070,796,319	895,135,280
Trade debts	15	18,810,788,546	14,902,461,919
Short term loans and advances	16	175,569,583	212,508,663
Interest receivable - accrued		41,260,834	25,984,039
Other receivables	17	44,391,571,439	41,727,640,911
Short term investments	18	1,244,734,027	584,000,000
Cash and bank balances	19	1,976,756,024	1,403,112,524
		<u>67,711,476,772</u>	<u>59,750,843,336</u>
		<u>112,775,391,856</u>	<u>101,765,869,654</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

*DWA*

  
Chief Executive Officer


  
Director

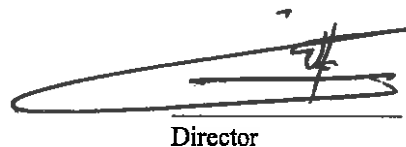
**Gujranwala Electric Power Company Limited**  
**Profit and Loss Account**  
**For the year ended June 30, 2017**

	Note	2017 Rupees	2016 Rupees
Sale of electricity - net	20	82,647,114,979	74,478,737,279
Subsidy from Government of Pakistan on sale of electricity	21	26,318,403,406	23,418,682,803
		108,965,518,385	97,897,420,082
Cost of electricity	22	(86,611,792,458)	(73,422,833,572)
<b>Gross profit</b>		22,353,725,927	24,474,586,510
Amortization of deferred credit	6	771,950,359	714,081,048
		23,125,676,286	25,188,667,558
<b>Operating costs</b>			
Distribution expenses	23	(12,033,997,909)	(11,737,970,750)
Administrative expenses	24	(3,026,025,158)	(3,099,382,481)
		(15,060,023,067)	(14,837,353,231)
<b>Operating profit</b>		8,065,653,219	10,351,314,327
Other income	25	503,159,785	721,174,943
		8,568,813,004	11,072,489,270
Finance cost	26	(1,074,723,955)	(860,785,835)
Profit before taxation		7,494,089,049	10,211,703,435
Taxation	28	(1,988,190)	(12,683,574)
<b>Profit after taxation</b>		7,492,100,859	10,199,019,861

The annexed notes from 1 to 36 form an integral part of these financial statements.

D/K

  
Chief Executive Officer

  
Director

***Gujranwala Electric Power Company Limited***  
***Statement of Comprehensive Income***  
***For the year ended June 30, 2017***

	2017 Rupees	2016 Rupees
Profit after tax for the year	7,492,100,859	10,199,019,861
<b>Other comprehensive income:</b>		
Items that will not be reclassified subsequently to profit or loss		
- Remeasurement of post retirement benefits obligations	(10,566,790,961)	(8,104,587,720)
<b>Total comprehensive income for the year</b>	<b>(3,074,690,102)</b>	<b>2,094,432,141</b>

The annexed notes from 1 to 36 form an integral part of these financial statements.

DYK

  
 Chief Executive Officer

  
 Director

**Gujranwala Electric Power Company Limited**  
**Statement of Changes in Equity**  
**For the year ended June 30, 2017**

Note	Share capital	Accumulated (losses) / profits	Deposit for issuance of shares	Total
	Rupees			
<b>Balance as at June 30, 2015</b>	10,000	(1,645,793,738)	20,058,408,675	18,412,624,937
Profit for the year	-	10,199,019,861	-	10,199,019,861
Other comprehensive income	-	(8,104,587,720)	-	(8,104,587,720)
Total comprehensive income for the year	-	2,094,432,141	-	2,094,432,141
<b>Balance as at June 30, 2016</b>	10,000	448,638,403	20,058,408,675	20,507,057,078
Profit for the year	-	7,492,100,859	-	7,492,100,859
Other comprehensive income	-	(10,566,790,961)	-	(10,566,790,961)
<b>Transaction with owners</b>	-	-	(1,115,864,526)	(1,115,864,526)
Total comprehensive income for the year	-	(3,074,690,102)	(1,115,864,526)	(4,190,554,628)
<b>Balance as at June 30, 2017</b>	10,000	(2,626,051,699)	18,942,544,149	16,316,502,450

The annexed notes from 1 to 36 form an integral part of these financial statements.

D/YA

  
Chief Executive Officer

  
Director




**Gujranwala Electric Power Company Limited**  
**Cash Flow Statement**  
**For the year ended June 30, 2017**

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>A. Cash flows from operating activities</b>			
Cash generated from operations	29	4,123,105,362	4,583,741,884
Security deposits received - net		476,354,517	464,802,965
Receipts against deposit works - net		419,368,151	(31,121,806)
Post employment benefits paid		(1,952,707,296)	(1,521,567,919)
Finance cost paid		(22,243,235)	(100,242,064)
Taxes paid		(1,988,190)	(12,683,574)
<b>Net cash generated from operating activities</b>		<b>3,041,889,309</b>	<b>3,382,929,486</b>
<b>B. Cash flows from investing activities</b>			
Addition to property, plant and equipment - net		(2,774,908,991)	(2,892,093,669)
Proceeds from sale of property, plant and equipment		21,589,109	36,473,886
Long term loans - net		(56,968,702)	(65,567,599)
Short term investments - net		(660,734,027)	(429,000,000)
Interest income received		74,076,988	28,653,426
<b>Net cash used in investing activities</b>		<b>(3,396,945,623)</b>	<b>(3,321,533,956)</b>
<b>C. Cash flows from financing activities</b>			
Proceeds from long term financing - net		928,699,814	462,456,750
<b>Net cash generated from financing activities</b>		<b>928,699,814</b>	<b>462,456,750</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>573,643,500</b>	<b>523,852,280</b>
Cash and cash equivalents at the beginning of the year		1,403,112,524	879,260,244
<b>Cash and cash equivalents at the end of the year</b>	19	<b>1,976,756,024</b>	<b>1,403,112,524</b>
<b>Non-cash financing activity</b>	30		

The annexed notes from 1 to 36 form an integral part of these financial statements.

DYN

  
Chief Executive Officer

  
Director

***Gujranwala Electric Power Company Limited***  
***Notes to the Financial Statements***  
***For the year ended June 30, 2017***

**1 The Company and its operations**

- 1.1 Gujranwala Electric Power Company Limited (the Company) is a public limited company incorporated in Pakistan under Companies Ordinance, 1984. The Company was established to take over all properties, rights, assets, obligations and liabilities of Gujranwala Area Electricity Board owned by Water and Power Development Authority (WAPDA), and such other assets and liabilities as agreed. The Company was incorporated on April 02, 1998 and commenced commercial operations on July 01, 1998. The principal activity of the Company is the distribution of electricity within defined geographical territory.
- 1.2 The Company took over certain properties, assets, rights, obligations and liabilities relating to distribution of electricity from Pakistan Water and Power Development Authority (WAPDA) under Business Transfer Agreement (BTA) dated June 29, 1998. The details of assets, liabilities and related matters as provided under clause 1.1 of the BTA were finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).
- 1.3 Council of Common Interest (CCI) in its meeting held on September 12, 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 February 17, 2009 approved privatization of certain GENCOs and DISCOs, and this decision was ratified by Federal Cabinet in its meeting, held on January 06, 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 November 22, 2010. Decision of President and Prime Minister has also been subsequently ratified by the Council of Common Interest (CCI) during its meeting held on April 28, 2011.

**2 Basis of preparation**

**2.1 Statement of compliance**

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

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 23 of 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the Companies Ordinance 1984.

## 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016
Certain annual improvements have also been made to a number of IFRSs.	

## 2.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

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

	Effective date (annual periods beginning on or after)
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 1, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely. Earlier adoption is permitted.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 1, 2017

	Effective date (annual periods beginning on or after)
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

### 3 Summary of significant accounting policies

#### 3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except to the extent of recognition of certain employee benefits at present value and financial instruments carried at fair value.

#### 3.2 Functional and presentation currency

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

#### 3.3 Use of judgments and estimates

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

	Note
- Employee retirement benefits	3.5
- Depreciation method, residual values and useful lives of depreciable assets	3.6
- Provisions and contingencies	3.10
- Taxation	3.13

### 3.4 Deferred credit

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

### 3.5 Employee retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

#### Defined benefit plans

The Company operates unfunded pension, post retirement free electricity and medical benefits schemes for all its permanent employees. Provisions are made in accordance with the actuarial recommendations. The latest valuation was carried out as at June 30, 2017. The future contribution rates of these plans include allowances for deficit and surplus. Projected Unit Credit Method with the following significant assumptions is used for valuation of these schemes:

	2017		
	Free electricity benefits	Free medical benefits	Pension and leave encashment benefits
Expected rate for discounting liabilities	9.25%	9.25%	9.25%
Expected rate for increase in electricity cost	7.25%		
Expected rate for increase in medical cost		8.25%	
Expected increase in pensionable pay			8.25%
Pension index rate			2.50%
Exposure inflation rate		9.25%	
	2016		
	Free electricity benefits	Free medical benefits	Pension and leave encashment benefits
Expected rate for discounting liabilities	9.00%	9.00%	9.00%
Expected rate for increase in electricity cost	7.00%		
Expected rate for increase in medical cost		7.00%	
Expected increase in pensionable pay			7.00%
Pension index rate			2.00%
Exposure inflation rate		7.00%	

#### Accumulating compensated absences

The employees of the Company are entitled to accumulating compensated absences, which are encashable at the time of retirement up to a maximum limit of 365 days. Provisions are made in accordance with the actuarial recommendations. The latest valuation was carried out as at June 30, 2017.

#### Other benefits

For General Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA.

### 3.6 Property, plant and equipment

#### a) Cost

Operating fixed assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of such assets when that cost is incurred and if the recognition criteria are met. Freehold land is stated at cost. Capital work-in-progress is stated at cost plus applicable overheads.

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

**b) Depreciation**

Depreciation on property, plant and equipment is charged to profit and loss account on straight line method so as to write off the carrying amount of an asset over its estimated remaining useful life at the rates given in note 12.1. Depreciation charge commences from the month in which asset is available for use and no depreciation in the month of disposal.

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

**c) Derecognition**

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

**d) Impairment of assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

**3.7 Stores and spares**

These are valued at lower of fortnightly weighted average cost and net realizable value. Provision is made for obsolete items. Furthermore 100% provision is created for the items of stores and spares which are slow moving and older than 12 months.

**3.8 Trade debts**

Trade debts are carried at original billed value less an estimate for provision for doubtful debts. 100% provision for doubtful debts, for private consumers, is made which are more than one year old, however, no provision is made for amount due from federal and provincial government consumers.

**3.9 Trade and other payables**

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

**3.10 Provisions and contingencies**

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

**3.11 Investments - Held to maturity**

Investments with fixed maturity that the management has intent and ability to hold to maturity are classified as held to maturity and are initially measured at fair value and at subsequent reporting dates measured at amortized cost using the effective interest method.

**3.12 Borrowing costs**

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



### **3.13 Taxation**

#### **Current**

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

#### **Deferred**

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

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent if 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.

### **3.14 Revenue recognition**

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

- a) Revenue from electricity sales is recognized on the basis of electricity supplied to consumers at rates determined by NEPRA and notified by GOP which may be less than as determined by NEPRA.
- b) Tariff differential subsidy is recognized in the relevant period on the basis of rates notified by NEPRA, on accrual basis up to the date of approval of financial statements by the Board of Directors of the Company.
- c) Meter and service rentals are recognized on time proportionate basis.
- d) Fuel price adjustment is recognized on the basis of rates notified by NEPRA on accrual basis.
- e) Gain or loss on installation of new connections / deposit works is recognized up to 10% variation between receipts against deposit works and actual expenditures incurred on the project.
- f) Commission on collection of PTV fee and electricity duty is recognized on the basis of actual billing collections from consumers.
- g) Interest on bank deposits is recognized on time proportionate basis.
- h) Profit on investments is recognized on the basis of effective yield.
- i) Revenue from sale of scrap is recognized on dispatch of goods.
- j) Deferred credit against consumers' contributions is released to profit and loss account over the expected useful life of the asset underlying the contribution except for separately indefinable services in which case revenue is recognized upfront upon establishing a connection network. (Also refer note 3.4).
- k) All other miscellaneous incomes are recognized on actual receipt basis.

### **3.15 Cash and cash equivalents**

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

### 3.16 Financial instruments

Financial instruments comprise long term loans, trade debts, loans and receivables, cash and bank balances, long term financings and trade and other payables. Financial assets and liabilities are recognized at fair value at the time the Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently. Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

### 3.17 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

### 3.18 Off-setting of financial assets and financial liabilities

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

	Note	2017 Rupees	2016 Rupees
<b>4 Issued, subscribed and paid up share capital</b>			
1,000 (2016: 1,000) ordinary shares of Rs. 10 each	4.1	10,000	10,000
4.1 Shares are held by the President of Pakistan and his nominees.			
<b>5 Deposit for issuance of shares</b>			
Incorporation expenses incurred by WAPDA		5,042,775	5,042,775
Allocation of net worth	5.1	138,102,633	138,102,633
Allocation of debt services liability	5.2	1,541,250,111	1,541,250,111
Against transfer of assets	5.3	1,334,241,282	1,334,241,282
Govt. of Pakistan equity/investment	5.4	15,923,907,348	17,039,771,874
		<u>18,942,544,149</u>	<u>20,058,408,675</u>
5.1 This represents net worth of the Company against which the Company will issue shares to WAPDA pursuant to the Supplementary Business Transfer Agreement (SBTA).			
5.2 This represents the debt services provided by WAPDA on foreign re-lent and cash development loans against which the Company will issue shares to WAPDA.			
5.3 This represents the reallocation of loans against assets constructed by National Transmission and Dispatch Company Limited (NTDCL) and transferred to the Company during July 01, 2002 to June 30, 2006 through WAPDA.			



- 5.4 This amount includes Rs. 17.04 billion on account of credit notes issued by Central Power Purchasing Agency-Guaranteed Limited (CPPA-G) against the clearance of circular debt by the Government of Pakistan (GOP). The Finance Division of GOP vide its letter No F.1(5) CF-1/2012-13/1017 dated July 02, 2013 had transferred Rs. 341.96 billion in Pakistan Electric Power Company's (PEPCO) account through State Bank of Pakistan on June 27, 2013 for settlement of power sector circular debt. PEPCO on the basis of above letter allocated Rs. 17.04 billion to the Company against which CPPA-G issued a credit advice to the Company being the adjustment on account of GOP's equity/investment against settlement of power sector circular debt. Finance Division, GOP vide its letter No. F.1(4)-CF.1/2015-16/443 dated April 28, 2016 instructed PEPCO to adjust the Tariff Differential Subsidy (TDS) receivable of respective distribution companies against GOP Equity/Share deposit money. Accordingly, CPPA-G had issued a credit note to the Company adjusting TDS receivable of Rs. 1.11 billion against Govt. of Pakistan-Share Deposit Money.

	Note	2017 Rupees	2016 Rupees
<b>6 Deferred credit Contribution</b>			
Opening balance		21,310,599,294	19,735,134,963
Additions during the year	6.1	1,529,334,450	1,575,464,331
		<u>22,839,933,744</u>	<u>21,310,599,294</u>
<b>Less: Amortization</b>			
Opening balance		6,145,975,288	5,431,894,240
Amortized during the year		771,950,359	714,081,048
		<u>6,917,925,647</u>	<u>6,145,975,288</u>
		<u>15,922,008,097</u>	<u>15,164,624,006</u>

- 6.1 This represents the capital contribution received from the consumers and Government against which assets are constructed by the Company.

	Note	2017 Rupees	2016 Rupees
<b>7 Long term financing - secured</b>			
<i>From banking companies and other financial institutions</i>			
The Bank of Punjab - Demand Finance	7.1	99,900,000	199,800,000
Asian Development Bank - Re-lent by GOP	7.2	4,946,596,481	3,917,996,667
Export Import Bank of Korea - Re-lent by GOP	7.3	3,546,427,668	3,546,427,668
		<u>8,592,924,149</u>	<u>7,664,224,335</u>
Less: Current maturity		<u>954,764,307</u>	<u>631,114,142</u>
		<u>7,638,159,842</u>	<u>7,033,110,193</u>

- 7.1 This represents the demand finance facility sanctioned by the Bank of Punjab (BOP) for rehabilitation, upgradation and expansion of existing network against a sanctioned limit of Rs. 999 million. The facility is repayable in twenty half yearly installments with a grace period of two years and is secured by way of hypothecation of project assets up to Rs. 1,332 million, exclusive charge over book debts/receivables of the project, letter of right of set-off and demand promissory note of Rs. 2,315 million in favor of BOP. This carries interest on average 6 months KIBOR plus 145 BPS to be paid on half yearly basis.

	Note	2017 Rupees	2016 Rupees
<b>7.2 Asian Development Bank - Re-lent by GOP</b>			
- Tranche - 1	7.2.1	551,097,916	551,097,916
- Tranche - 2	7.2.2	3,085,841,004	2,675,539,301
- Tranche - 3	7.2.3	416,059,062	110,896,667
- Tranche - 4	7.2.4	893,598,499	580,462,783
		<u>4,946,596,481</u>	<u>3,917,996,667</u>

- 7.2.1 This represents re-lent portion of term finance facility – Tranche 1 obtained by GOP from Asian Development Bank (ADB) for power distribution and enhancement project which is secured against the guarantee by GOP. Pursuant to the letter referenced 6(9)ADB-4086 dated March 30, 2009 of Ministry of Economic Affairs and Statistics, out of the total facility obtained by the GOP, US\$ 11.37 million were allocated to the Company. Company has drawn down US\$ 8.96 million (PKR 775.40 million). The facility carries interest at the rate of 17% per annum including the interest at the rate of 11% and exchange risk cover at the rate of 6% per annum payable on half yearly basis. The repayment is to be made within maximum period of 15 years including a grace period of 2 years, whereas the first installment of the loan was due on February 15, 2011. Loan is repayable to GOP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan. This project has been closed by ADB with effect from December 31, 2012 due to inability of the Company to utilize full amount of loan within given time.
- 7.2.2 This represents re-lent portion of term finance facility – Tranche 2 obtained by the GOP from Asian Development Bank (ADB) for power distribution and enhancement project which is secured against the guarantee by GOP. Pursuant to the letter number 1(3)ADB-II/06-A dated March 31, 2011 of Ministry of Economic Affairs and Statistics, out of the total facility obtained by the GOP, US\$ 48.55 million were allocated to the Company. The Company has drawn down US\$ 29.80 million (PKR3,085 million) [2016:US\$ 27.14 million (PKR 2,675 million)]. The facility carries interest at the rate of 15% per annum including interest at the rate of 8.2% and exchange risk cover at the rate of 6.8% per annum payable on half yearly basis. The loan is repayable to the GOP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan, within a period of 17 years excluding the grace period of 3 years, which has ended on May 30, 2014. However, repayment schedule in this respect has not yet been finalized.
- 7.2.3 This represents re-lent portion of term finance facility – Tranche 3 obtained by the GOP from Asian Development Bank (ADB) for power distribution and enhancement project which is secured against the guarantee by GOP. Pursuant to the letter number 2(9)ADB-II/12 dated December 31, 2013 of Ministry of Economic Affairs and Statistics, out of the total facility obtained by the GOP, US\$ 8.89 million were allocated to the Company. The Company has drawn down US\$ 4.02 million [PKR 416.08 million] [2016: US\$ 1.10 million [PKR 110.90 million]]. The facility carries interest at the rate of 15% per annum including interest at the rate of 8.2% and exchange risk cover at the rate of 6.8% per annum payable on half yearly basis. The loan is repayable to the GOP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan, within a period of 20 years excluding the grace period of 5 years, which will end on May 30, 2018. Repayment schedule in this respect has not yet been finalized.
- 7.2.4 This represents re-lent portion of term finance facility – Tranche 4 obtained by the GOP from Asian Development Bank (ADB) for power distribution and enhancement project which is secured against the guarantee by GOP. Pursuant to the letter number 2(18)ADB-II/13 dated November 07, 2014 of Ministry of Economic Affairs and Statistics, out of the total facility obtained by the GOP, US\$ 9.49 million were allocated to the Company. The Company has drawn down US\$ 8.63million [PKR 893 million] [2016: US\$ 5.633 [PKR 580.462 million]]. The facility carries interest at the rate of 15% per annum including interest at the rate of 8.2% and exchange risk cover at the rate of 6.8% per annum payable on half yearly basis. The loan is repayable to the GOP on the advice of Debt Management Wing of Economic Affairs Division of Pakistan, within a period of 20 years excluding the grace period of 5 years, which will end on May 30, 2019. Repayment schedule in this respect has not yet been finalized.

- 7.3 This represents a re-lent portion of term finance facility obtained by GOP from Export Import Bank of Korea for rural distribution construction, which is secured against the guarantee by GOP. Pursuant to the re-lent agreement between GOP and the Company, out of total facility of US\$ 45 million, US\$ 36.16 million (PKR 3,546 million) [2016: US\$ 36.16 million (PKR 3,546 million)] has been drawn down by the Company. This facility carries interest rate of 15% inclusive of relending interest of 8.2% plus exchange risk cover fee of 6.8% which shall be charged both on principal amount and interest amount separately. Repayments are to be made within maximum period of 30 years including a grace period of 10 years which will end on August 15, 2019. Repayment schedule in this respect has not yet been finalized.
- 7.4 The Central Power Purchasing Agency (CPPA) entered into a Multi-Partite Agreement for financing of Rs. 335 billion (2016: Rs. 335 billion) under agreements executed between Power Holding (Pvt.) Limited "PHPL" and syndicate Banks for the purpose of funding repayment of liabilities of DISCOs against cost of electricity purchased. The syndicate financing has been arranged by PHPL and GOP in order to reduce a portion of "Circular Debt" on mark-up basis. Accordingly the Company has received credit notes aggregating to Rs. 21,534 million (2016: 29,665 million) from the CPPA to recognize this amount as a loan from the payable balance to CPPA. The re-lending agreement between the Company and PHPL is not finalized as of the reporting date and the management of the Company believes that the Company's obligation under the arrangement will arise once the relending agreement between the Company and PHPL is finalized. Accordingly, the loan related liabilities have not been recorded in these financial statements.
- 7.5 As at June 30, 2017 overdue principal and markup has aggregated to Rs. 602.16 million (2016: Rs. 306.6 million) and Rs. 1249.5 (2016: Rs. 649.5) million against ADB loans mentioned in note 7.2.1 and 7.2.2 above.

	Note	2017 Rupees	2016 Rupees
<b>8 Deferred liabilities</b>			
Deferred taxation	8.1	-	-
Employee retirement benefits	8.2	52,499,406,252	38,664,303,245
Deferred interest payable on long term financing	8.6	2,183,938,457	1,651,974,287
		<u>54,683,344,709</u>	<u>40,316,277,532</u>
<b>8.1 Deferred taxation</b>			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation		23,470,232,190	22,200,769,412
<b>Deductible temporary differences</b>			
Unused tax losses		(23,470,232,190)	(22,200,769,412)
		<u>(23,470,232,190)</u>	<u>(22,200,769,412)</u>
		-	-

Based on prudence and considering the trend of Company's future taxable profits, deferred tax asset has not been recognized in these financial statements. Tax losses available for carry forward and other deductible timing differences approximates to Rs. 48,630 million (2016: Rs. 55,035 million) including tax depreciation amounting to Rs. 24,892 million (2016: Rs.22,035 million).

	Note	2017 Rupees	2016 Rupees
<b>8.2 Employee retirement benefits</b>			
Post employment benefits	8.2.1	49,804,075,758	36,880,921,516
Accumulating compensated absences	8.2.1	2,695,330,494	1,783,381,729
		<u>52,499,406,252</u>	<u>38,664,303,245</u>

## 8.2.1 Employee retirement benefits

		2017			
Note	Post employment benefits			Total	Accumulating compensated absences
	Medical	Free electricity facility	Pension		
	Rupees				
These are composed of:					
Present value of defined benefit obligation	8,777,878,442	4,240,336,315	36,785,861,001	49,804,075,758	2,695,330,494
Fair value of defined benefit plans	-	-	-	-	-
Liability recognized in the balance sheet	8,777,878,442	4,240,336,315	36,785,861,001	49,804,075,758	2,695,330,494
Movement in net liability					
Liability at the beginning of the year	5,274,641,037	3,871,541,069	27,734,739,411	36,880,921,517	1,783,381,729
Charge for the year	8.2.2 566,344,252	406,525,273	3,202,443,302	4,175,312,827	1,045,706,514
Benefits paid during the year	(202,723,292)	(81,796,447)	(1,534,429,808)	(1,818,949,547)	(133,757,749)
Remeasurement loss / (gain) - OCI	3,139,616,445	44,066,420	7,383,108,096	10,566,790,961	-
Liability at the end of the year	8,777,878,442	4,240,336,315	36,785,861,001	49,804,075,758	2,695,330,494
Charge for the year					
Current service cost	100,749,107	61,767,417	775,366,096	937,882,620	32,346,945
Interest cost	465,595,145	344,757,856	2,427,077,206	3,237,430,207	154,485,257
Remeasurement	-	-	-	-	858,874,312
	566,344,252	406,525,273	3,202,443,302	4,175,312,827	1,045,706,514
Less: Allocation to capital work-in-progress	28,207,009	20,247,159	159,499,008	207,953,176	52,081,844
	538,137,243	386,278,114	3,042,944,294	3,967,359,651	993,624,670

		2016				
		Post employment benefits			Accumulating compensated absences	
Note		Medical	Free electricity facility	Pension		Total
Rupees						
-----						
These are composed of:						
	Present value of defined benefit obligation	5,274,640,437	3,871,541,069	27,734,739,411	36,880,920,917	1,783,381,729
	Fair value of defined benefit plans	-	-	-	-	-
	Liability recognized in the balance sheet	5,274,640,437	3,871,541,069	27,734,739,411	36,880,920,917	1,783,381,729
<b>Movement in net liability</b>						
	Liability at the beginning of the year	2,343,562,470	3,187,047,257	18,960,070,068	24,490,679,795	1,108,129,250
8.2.2	Charge for the year	305,404,248	382,669,588	5,030,150,151	5,718,223,987	764,250,413
	Benefits paid during the year	(179,072,054)	(79,812,840)	(1,111,773,338)	(1,370,658,232)	(88,997,934)
	Pension paid to employees by other DISCOs	-	-	(61,912,353)	(61,912,353)	-
	Remeasurement-other comprehensive income	2,804,745,773	381,637,064	4,918,204,883	8,104,587,720	-
	Liability at the end of the year	5,274,640,437	3,871,541,069	27,734,739,411	36,880,920,917	1,783,381,729
<b>Charge for the year</b>						
	Current service cost	68,731,472	52,219,800	503,025,883	623,977,155	21,168,599
	Interest cost	236,672,776	330,449,788	1,932,439,257	2,499,561,821	111,681,180
	Past service cost	-	-	-	-	-
	Remeasurement	-	-	2,594,685,011	2,594,685,011	631,400,634
		305,404,248	382,669,588	5,030,150,151	5,718,223,987	764,250,413
	Less: Allocation to capital work-in-progress	(20,804,251)	(17,336,876)	(270,455,263)	(308,596,390)	(38,141,127)
		284,599,997	365,332,712	4,759,694,888	5,409,627,597	726,109,286

8.2.2 The charge for the year has been allocated as follows:

	Note	2017 Rupees	2016 Rupees
Distribution expenses	23.1	3,968,787,456	4,908,589,504
Administrative expenses	24.1	992,196,865	1,227,147,379
Allocation to capital work-in-progress	12.2	260,035,020	346,737,517
		<b>5,221,019,341</b>	<b>6,482,474,400</b>



### 8.3 Sensitivity analysis

#### Medical:

If the discount rate is 100 basis points higher (lower), the defined benefit obligations would decrease by Rs. 1,608.93 million (increase by Rs. 1,257.13 million)

#### Free electricity:

If the discount rate is 100 basis points higher (lower), the defined benefit obligations would decrease by Rs. 651.09 million (increase by Rs. 846.38 million)

#### Pension:

If the discount rate is 100 basis points higher (lower), the defined benefit obligations would decrease by Rs. 4,218.69 million (increase by Rs. 5,224.33 million)

### 8.4 Risks associated with defined benefit plans

#### Longevity risks:

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

#### Salary increase risk:

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

#### Withdrawal risk:

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

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

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

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Control 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 pre-purchase commitment would be met by GOP.

Upto June 30, 2017, no trust fund has been created by the Company.

- 8.6 This relates to the re-lent loan mentioned in note 7.3 of these financial statements. As per re-lent loan agreement the mark-up is to be deferred till the expiry of grace period i.e. February 2019 after which the mark-up along with principal will become due. During the year, mark up ABD loans that had been classified in the deferred mark up, being reclassified from deferred mark up to the accrued mark up on long term financing.

	2017 Rupees	2016 Rupees
Interest reclassified from deferred to accrued interest	2,183,938,457	98,140,605

## 9 Security deposits

	<i>Note</i>	2017 Rupees	2016 Rupees
Opening balance as at 01 July		3,986,666,211	3,521,863,246
Addition during the year		476,354,517	464,802,965
Refund to consumers		-	-
Closing balance as at 30 June		<u>4,463,020,728</u>	<u>3,986,666,211</u>

These represent security deposits received against energy debtors. These are adjustable / refundable on disconnection of electricity supply.

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>10 Trade and other payables</b>			
Accrued liabilities		92,402,465	101,042,989
Capital contribution awaiting connections		1,211,535,344	999,019,121
Compact Fluorescent Lamps cost payable	10.1	504,213,965	504,213,965
Creditors		1,063,709,151	503,512,979
Due to associated undertakings - unsecured	10.2	1,232,774,415	1,237,185,613
Electricity duty payable		720,359,258	135,392,125
EQ surcharge payable	10.3	1,274,249,595	1,270,214,624
Financing cost surcharge payable	10.4	728,962,207	4,069,692,902
General sales tax not yet realized		171,579,670	171,588,019
Income tax payable collected on electricity bills		215,605,730	259,271,468
Late Payment Surcharge payable to CPPA		-	54,586,222
Neelam Jehlum surcharge payable		165,773,563	241,022,733
Pension payable to associated undertakings	10.5	14,702,217	44,760,906
PTV license fee payable		69,561,143	73,208,240
Receipt against deposit works		1,929,532,897	1,510,164,746
Retention money - contractors		444,888,806	205,952,273
Tariff rationalization surcharge payable	10.6	792,312,460	1,279,381,167
Workers' profit participation fund payable	10.7	270,351,281	270,351,281
Others		99,752,501	47,294,124
		<u>11,002,266,668</u>	<u>12,977,855,497</u>

10.1 During the year ended June 30, 2014, the Company has received Compact Fluorescent Lamps (CFLs) from Pakistan Electric Power Company (PEPCO) under Clean Development Mechanism Program (CDM) of activities "National CFL Project-Pakistan". CFLs cost had been borne by the Company from its distribution margin hence was recorded as payable, however, no formal arrangement for the payment of this liability to PEPCO has yet been finalized.

	2017 Rupees	2016 Rupees
<b>10.2 Due to associated undertakings - unsecured</b>		
Faisalabad Electric Supply Company Limited (FESCO)	25,270,308	24,030,278
Lahore Electric Supply Company Limited (LESCO)	1,088,962,718	1,088,580,988
Multan Electric Power Company Limited (MEPCO)	3,918,525	3,391,465
Pakistan Electric Power Company Limited (PEPCO)	5,697,038	5,575,826
Peshawar Electric Supply Company Limited (PESCO)	1,155,067	1,120,742
Sukker Electric Power Company Limited (SEPCO)	172,307	-
Water and Power Distribution Authority (WAPDA)	107,598,452	114,486,314
	<u>1,232,774,415</u>	<u>1,237,185,613</u>

- 10.3 Equalization Surcharges (EQ) are levied on all consumers at the rate 0.43 per unit consumed by the consumers of the Company. The equalization surcharge (EQ) payable to Government of Pakistan amounting to Rs. 1,274 million (2016: Rs. 1,270 million). The amounts have accumulated over the year while no payment has been made in respect of equalization surcharge.
- 10.4 Financing cost surcharge has also been notified by GOP vide SRO.571 (1) / 2015 dated June 10, 2015, at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the Company. The amount of surcharge is to be kept in escrow account of CPPA for the payment of the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GOP.

	2017 Rupees	2016 Rupees
<b>10.5 Pension payable to associated undertakings</b>		
Lahore Electric Supply Company Limited (LESCO)	14,702,217	17,882,836
Faisalabad Electric Supply Company Limited (FESCO)	-	7,799,673
Peshawar Electric Supply Company Limited (PESCO)	-	19,078,397
	<u>14,702,217</u>	<u>44,760,906</u>

- 10.6 Tariff rationalization surcharge has been notified by GOP vide SRO.571 (1) / 2015 dated June 10, 2015, at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the Company to maintain uniform rates of electricity across the country for each of the consumer category.

- 10.7 The Company has held payment of its contribution towards Workers' Profit Participation Fund (WPPF) relating to profit for the year ended June 30, 2005. The matter is pending for decision with the Economic Coordination Committee upon a recommendation submitted by WAPDA to exempt the corporatized entities under its umbrella from the requirements of the Companies Profit (Workers' Participation) Act, 1968. However, during the previous years, the income tax authorities raised a demand of the said amount and accordingly, an amount of Rs. 23.44 million was deposited in government treasury. As far as remaining amount is concerned, it has been held by the Company till the matter is decided.

The Company has not paid its contribution towards WPPF for the year ended June 30, 2005 amounting to Rs. 23.44 million upon directions from WAPDA. In connection therewith, provision for interest on delayed payment has also not been made in these financial statements.

## 11 Contingencies and commitments

### 11.1 Commitments

- 11.1.1 Commitments against inland letters of credit and purchase orders for capital store items aggregate to Rs. 327.53 million (2016: Rs. 182.70 million).
- 11.1.2 The Company has issued a bank guarantee in the favor of Pakistan State Oil Company Limited amounting to Rs. 26 million (2016: Rs. 26 million) from National Bank of Pakistan.

### 11.2 Contingencies

- 11.2.1 Claims related to disconnections, detection bills and over billing against the Company not acknowledged as debt amount to Rs. 314 million (2016: Rs. 450 million)
- 11.2.2 In 1990, a land measuring 74 Kanals and 5 Marlas acquired by WAPDA for construction of 132 KV grid station situated at Lahore Road (WAPDA Town) Gujranwala for Rs. 8.19 million. Three out of ten land owners representing 27 Kanals and 11 Marlas challenged acquisition process before Senior Civil Judge, Gujranwala. The Civil Judge declared the entire acquisition process null and void. The Company filed appeals before District & Session Judge, Gujranwala and Honorable Lahore High Court which were dismissed by all the courts.



The Company filed an appeal before Supreme Court of Pakistan which was also dismissed. Thereafter, the Company filed Civil Review Petition before Supreme Court of Pakistan against Supreme Court's judgment dated July 14, 2009 which were converted into Civil Appeals. These appeals have been dismissed by Supreme Court of Pakistan vide judgment dated January 24, 2013. The Company has filed Civil Review Petitions before Supreme Court against said judgment. After hearing the arguments from both sides Supreme Court allowed the Civil Review Petitions.

During the current year, the Supreme Court of Pakistan (SCP) dismissed civil review petition filed by the Company against the decision of SCP vide its order dated November 15, 2016. In pursuance of the said judgement of SCP, management of the Company has decided to re-acquire the land from the owners and the Company has approached the Punjab Revenue Department for reinitiation of the acquisition process. The valuation process by Revenue Department is pending, hence no provision has been recorded in the financial statements.

- 11.2.3** In 1973, a plot of land measuring 11 kanals and 9 marlas situated at 565 A, Model Town, Gujranwala was transferred to WAPDA by GDA (formerly Gujranwala Improvement Trust). In 2004, while transferring the plot from WAPDA to GEPCO under the Supplementary Business Transfer Agreement (SBTA), transfer deed of the plot was missing in WAPDA record. WAPDA requested GDA to provide the same. However, GDA found that 4 Kanals and 1 marla of land was not allotted to WAPDA and raised a demand of Rs 81.74 million for this disputed piece of land.

In 2009, the Company, in order to resolve the issue, agreed to put the matter before District Price Assessment Committee (DPAC). DPAC, having considered the matter from both parties, decided to increase the demand to Rs.163.30 million on just and equitable basis. On May 16, 2011, the Company received a notice from GDA for taking enforced possession of disputed land on account of failure to pay the demanded dues. The Company filed a declaratory suit against GDA before Civil Judge, Gujranwala along with stay application for status quo. The Court granted status quo to the Company. GDA challenged the stay for status quo in Session Court, which was dismissed vide judgment dated November 27, 2012 by the said court. The Company's legal counsel believes that the matter will be decided in the Company's favor, hence, no provision has been made in these financial statements.

- 11.2.4** The Company has received certain debit and credit notes issued by CPPA / PEPCO against allocation of advertisement expenses, fuel price adjustment, adjustment of 13th invoices and other adjustments etc. aggregating to Rs. 5,793 million which have not been booked by the Company. In view of the ongoing reconciliations with CPPA / PEPCO no provision for the above adjustments has been made in these financial statements.

- 11.2.5** Upto June 30, 2017, the Company has received various invoices from Central Power Purchasing Agency (CPPA) representing supplementary charges being the share of the Company in the markup charged to CPPA by independent power producers on account of delayed payments aggregating to Rs. 6,903 million.

- 11.2.6** The Company received debit notes aggregating Rs. 3,248 million (2016: Rs. 6,647 million) issued by Central Power Purchasing Agency against markup on syndicated loans as referred in note 7.4 which have not been recorded in these financial statements.

- 11.2.7** As mentioned in note 10.6, 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.

- 11.2.8** As mentioned in note 17, the Other Receivable include Power purchase price adjustment amounting to Rs. 2,193.13 million (2016: 2,193.13) that is outstanding since 2015. The Company has filed claim with Ministry of finance for the adjustment of this amount, however, till now no adjustment has been made/acknowledged by the ministry of finance.

**11.2.9** A total of 2,407 cases have been filed against the Company primarily involving land cases, consumers billing and disconnection, pensioners and employees. Because of the large number of cases and their uncertain nature, it is not possible to quantify their financial impact at present. No provision on account of these cases has been made in these financial statements as the management and the legal counsel of the Company are of the view that these matters will eventually be settled in favor of the Company.

#### **11.2.10 Sales tax**

Inland Revenue Department raised a demand against the Company on following issues:

- (i) Inland Revenue Department has raised a demand amounting to Rs. 1,235.8 million and Rs. 717 million for the tax periods April 2011 to August 2011 and October 2011 and for tax periods from July 2008 to December 2010 respectively on ground of alleged non-payment of sale tax collected from the steel melters and alleged illegal adjustment of such output tax against its input tax. The matter has been taken up by Company before the Commissioner Appeals and the same has been set aside by the learned CIR (A). The Company has preferred an appeal before Appellate Tribunal Inland Revenue (ATIR) and it was disposed of by passing an order to follow the directions of the Lahore High Court. The LHC directed the department to look into the matter and resolve inconsistency/error, if any, in the sales tax and Federal Excise payment challan form for the benefits of taxpayers. The Company being aggrieved by the decision of Lahore High Court filed an appeal in the Supreme Court of Pakistan. The said appeal is pending for adjudication.
- (ii) RTO Gujranwala has raised a demand of Rs 4,861 million for the periods from July 2011 to June 2012 in respect of general sales tax recoverable on various heads. The Company filed an appeal before the Commissioner Inland Revenue (Appeals). In order no. 13/ST/2014 dated May 21, 2014, the case was decided in favor of the Company by Commissioner Inland Revenue (Appeals) while upholding the order of assessing officer on issue of non-payment of sales tax on free supply of electricity sustaining the demand of Rs. 5.9 million. The Company has preferred an appeal before Appellate Tribunal Inland Revenue (ATIR) against substantial demand of Rs. 5.9 million. The matter is still pending for adjudication.
- (iii) The DCIR in his order dated February 3, 2015 raised a demand of Rs. 47.86 million u/s 11(2) and u/s 33(5) of Sales Tax Act, 1990. The learned DCIR alleged that taxpayer charged sales tax at the rate of 16% instead of 17% on taxable supplies. The Company filed appeal before CIR(A) against the above mentioned order. However, CIR (A) upheld the order-in-original and being aggrieved by the order of the CIR (A), the Company preferred an appeal before the ATIR which is still pending for adjudication.
- (iv) The DCIR has issued order on the ground that the Company has granted fuel price adjustment to consumers from January 2015 to October 2015 under different heads which is out of sales tax previously charged, collected and deposited in Government treasury and credit has already been claimed by the consumers through their monthly sales tax returns. Hence the adjustment of Rs. 1,385 million as fuel price adjustment against current liability is inadmissible. Being aggrieved by the order the Company filed an appeal in CIR (A). The CIR (A) upheld the decision of the DCIR. Being aggrieved by the decision of the CIR (A), the Company filed an appeal in the ATIR. However, the matter is still pending for adjudication.
- (v) A demand amounting Rs. 1.83 million has been raised by the learned officer by passing order No.18/ ST/GRW/2016 dated May 11, 2016 alleging that Company has claimed input tax on inadmissible goods during the period from July 2014 to June 2015. Being aggrieved by the order the Company filed an appeal in CIR (A). However, the CIR (A) upheld the decision of learned officer and being aggrieved by the decision the Company preferred an appeal before ATIR and the matter is still pending for adjudication before ATIR.

- (vi) A demand has been raised amounting to Rs. 9.29 million and Rs. 60 million in respect of default surcharges u/s 34(1)(a) and penalty u/s 33(5) respectively. Being aggrieved with the order of the DCIR, the Company has filed appeal against the order of the learned DCIR challenging the alleged default surcharges and penalty and contending therein that taxpayer is mere a collector of extra tax and further tax through electricity bills and paid to the Government on collection basis. The CIR (A) upheld the order in original. Being aggrieved by the appellate order, the Company preferred an appeal before ATIR and the same is pending for adjudication.
- (vii) The learned officer has passed an order creating demand amounting to Rs. 757.5 million u/s 11(2) along with default surcharge u/s 34 and penalty amounting to Rs. 662 million u/s 33(11) and 33(5) of Sales Tax Act 1990 for the period of July 2012 to June 2013 in respect of inadmissibility of input tax claimed and zero rated supplies. Being aggrieved by the order Company filed an appeal in CIR (A). CIR (A) deleted the demand of inadmissible input tax and penalty except of Rs. 1.8 million and data for zero rated supplies amounting Rs. 657 million is submitted for verification. Being aggrieved by the decision the Company preferred an appeal before ATIR and the matter is still pending for adjudication before ATIR.
- (viii) The DCIR through its order no. 79 dated February 16, 2015 imposed a penalty of Rs. 1.36 million u/s 33(5) of Sales Tax Act, 1990 due to non-withholding of sales tax for the period of November 2013, December 2013 and February 2014. The Company filed appeal before CIR (A) against the above mentioned order. The learned CIR (A) upheld the penalty of Rs. 1.36 million in his order dated April 1, 2015. The Company being aggrieved with the decision of learned CIR (A) filed an appeal u/s 46 of Sales Tax Act, 1990 before the ATIR. The matter is pending for adjudication.
- (ix) The DCIR has issued order against the Company demanding Rs. 5,175.80 million on the ground that there is difference between sales declared in sales tax returns and income tax returns for the period of July 2012 to June 2013 thus made short payment of sales tax of differential amount. Being aggrieved by the decision the Company preferred an appeal before CIR (A) and the same is pending for proceeding.
- (x) The DCIR has issued order against the Company demanding Rs. 2,664 million under section 11(2) and penalty amounting Rs. 133 million under section 33(5) of the Sales Tax Act 1990 on the ground that the Company has made short payment of tax under different heads for the period of January 2015 to October 2015 as the Company has allowed other adjustments to the consumers and sales tax thereon was neither charged nor collected/paid by it. Being aggrieved by the decision the Company the preferred an appeal before CIRA and the same is pending for proceeding.
- (xi) The learned officer passed an order against the Company demanding Rs. 794.20 million along with default surcharge and penalty alleging that company has illegally adjusted output tax collected from steel melters at fixed rate as per rule 58(H) of Special Procedure Rules 2007 against input tax for the period of July 2013 to June 2014. Being aggrieved by the decision the Company filed an appeal before CIR (A) which is still pending for 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.

#### **11.2.11 Income Tax**

- (i) Inland Revenue Department has raised a demand from the Company amounting to Rs. 41.89 million for tax year 2007 on the ground that Company claims exemption from minimum tax under section 113 of the Income Tax Ordinance, 2001 without any basis. Being aggrieved by the decision Company filed appeal before CIRA. The CIR (A) decided the case against Company. Being aggrieved by the decision the Company filed appeal before the ATIR.

The ATIR decided the case in favor of the Company. Being aggrieved by the decision tax department filed appeal before Honorable Lahore High Court and matter is still pending for adjudication

- (ii) Inland Revenue Department has raised a demand against the Company amounting to Rs. 35.8 million for the tax year 2011. The demand has been raised on the ground that tariff differential subsidy from GOP is part of gross revenue for calculation of minimum tax under section 113 of the Income Tax Ordinance, 2001. The Company has preferred an appeal before Commissioner Inland Revenue (Appeals). The CIR (A) upheld the order in original. Being aggrieved by the decision the Company preferred an appeal in ATIR. The appeal is still pending for adjudication.
- (iii) Inland Revenue Department has raised a demand against the Company amounting to Rs. 31.58 million for the periods from July 2013 to October 2013 respectively under section 161, 205 and 235 of the Income Tax Ordinance, 2001. The demand was upheld by CIR (A) through various orders dated October 2, 2014. Being aggrieved with order of CIR (A) the Company has filed appeal before ATIR. The matter is still pending for adjudication.
- (iv) Inland Revenue Department has raised a demand against the Company amounting to Rs. 937 million and Rs. 983 million for the tax year 2014 and 2015 respectively. The demand has been raised on the ground that tariff differential subsidy from GOP and other income falls under the definition of turnover for calculation of minimum tax under section 113 of the Income Tax Ordinance, 2001. However, the Company's contention is that minimum tax is not applicable due to declared gross losses and also the subsidy is exempt from tax. The Company has preferred an appeal before CIR (A) who upheld the order-in-original. Being aggrieved by the decision of CIR (A), the Company preferred appeal before ATIR. The ATIR decided the case against the Company and being aggrieved by the decision Company take up the matter before Honorable Lahore High Court. The appeal is still pending for adjudication.
- (v) A demand has been raised amounting to Rs. 5 million in respect of short collection and deduction of income tax u/s 153 of ITO, 2001 against service charges to NADRA during the period from the July, 2013 to December, 2013. The Company has filed appeal against order of DCIR before CIR (A). The CIR (A) decided the case against the Company. Being aggrieved by the decision the Company filed appeal before the ATIR and the matter is still pending for adjudication.
- (vi) A demand has been raised amounting to Rs. 359 million in respect of short collection and deduction of income tax under different heads during the tax period 2013 u/s 161/205 of ITO, 2001. The demand raised comprised Rs. 243 million u/s 161 along with default surcharges Rs. 117 million. The Company has filed appeal against order of DCIR before CIR (A). The CIR (A) decided the case against the Company. Being aggrieved by the decision Company filed appeal before the ATIR and the matter is still pending for adjudication.
- (vii) Inland Revenue Department has raised a demand against the Company amounting to Rs. 1,012 million for the tax year 2016. The demand has been raised firstly on the ground that tariff differential subsidy from GOP and other income falls under the definition of turnover for calculation of minimum tax under section 113 of the Income Tax Ordinance, 2001 and secondly the Company has offered minimum tax in income tax return 2016 at the rate of 0.20% instead of 1%. The Company has preferred an appeal before CIR (A) and the appeal is still pending for 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.



	Note	2017 Rupees	2016 Rupees
12 Property, plant and equipment			
Operating fixed assets	12.1	36,936,920,432	35,523,885,735
Capital work in progress	12.2	7,578,877,134	5,999,991,767
		<u>44,515,797,566</u>	<u>41,523,877,502</u>
12.1 Operating fixed assets			

Particulars	2017				Depreciation				BOOK VALUE AS ON 30 JUNE 2017	Rate %	
	Cost			Transferred from WAPDA Under Agreement as on 01 July 1998	Adjustments/ (deletions) thereafter						
	As on 30 June 2017	Additions/ (deletions) thereafter			As on 30 June 2017	Depreciation Expense					
		Up to last year	During the year			Up to last year	During the year				
								Up to last year			During the year
Rupees											
Land - freehold	29,050,506	427,414,298	-	456,464,804	-	-	-	-	456,464,804	-	
Building on freehold land	225,461,025	1,245,747,601	41,293,607	1,512,502,233	61,758,809	271,769,289	29,219,772	53,463,570	416,211,440	1,096,290,793	2
Furniture and fixtures	2,730,458	26,162,343	1,587,426	30,480,227	748,098	16,549,657	2,207,045	(1,020,142)	18,484,658	11,995,569	10
Distribution equipment	4,596,020,025	42,871,829,647	3,146,716,779	50,614,566,451	1,258,936,440	12,224,917,767	1,702,106,948	499,925,689	15,685,886,844	34,928,679,607	3.50
Mobile plant equipment	163,928	23,399,828	-	23,563,756	44,914	17,830,317	1,628,368	2,566,193	22,069,792	1,493,964	10
Tools, plant and equipment	43,306,782	229,702,105	28,306,736	301,315,623	11,865,312	153,137,293	17,195,168	(6,363,198)	175,834,575	125,481,048	10
Vehicles	210,925,584	579,453,667	6,732,128	716,869,858	57,787,152	389,195,868	43,569,318	(77,851,866)	400,355,211	316,514,647	10
		(52,220,900)	(28,020,621)					(12,345,261)			
	5,107,658,308	45,351,488,589	3,196,616,055	53,655,762,952	1,391,140,725	13,073,400,191	1,795,926,619	470,720,246	(12,345,261)	16,718,842,520	36,936,920,432
Particulars	2016				Depreciation				BOOK VALUE AS ON 30 JUNE 2016	Rate %	
	Cost			Transferred from WAPDA Under Agreement as on 01 July 1998	Adjustments/ (deletions) thereafter						
	As on 30 June 2016	Additions/ (deletions) thereafter			As on 30 June 2016	Depreciation Expense					
		Up to last year	During the year			Up to last year	During the year				
								Up to last year			During the year
Rupees											
Land - freehold	29,050,506	427,414,298	-	456,464,804	-	-	-	-	456,464,804	-	
Building on freehold land	225,461,025	1,173,133,995	72,613,606	1,471,208,626	61,758,809	243,972,836	27,796,453	53,463,570	386,991,668	1,084,216,958	2
Furniture and fixtures	2,730,458	25,127,422	1,034,921	28,892,801	748,098	14,306,116	2,243,541	(1,020,142)	16,277,613	12,615,188	10
Distribution equipment	4,596,020,025	38,509,679,093	4,362,150,554	47,467,849,672	1,258,936,440	10,650,272,914	1,574,644,853	499,925,689	13,983,779,896	33,484,069,776	3.50
Mobile plant equipment	163,928	23,399,828	-	23,563,756	44,914	16,201,952	1,628,365	2,566,193	20,441,424	3,122,332	10
Tools, plant and equipment	43,306,782	187,037,816	42,664,289	273,008,887	11,865,312	137,891,515	15,245,778	(6,363,198)	158,639,407	114,369,480	10
Vehicles	210,925,584	240,650,858	338,802,809	738,158,351	57,787,152	356,736,473	32,459,395	(36,381,808)	(41,470,058)	369,131,154	10
		(52,220,900)									
	5,107,658,308	40,586,443,310	4,765,045,279	50,459,146,897	1,391,140,725	11,419,381,806	1,654,018,385	512,190,304	(41,470,058)	14,935,261,162	35,523,885,735

12.1.1 As explained in note 1.2, the property and rights in the above assets were transferred to the Company on 01 July 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement between WAPDA and the Company. However, the transfer of titles of the freehold land, under litigation disclosed in note 11.2.2 and 11.2.3, is pending in the name of Company, in the land revenue records.

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>12.1.2</b> The depreciation charge for the year has been allocated as follows:			
Distribution expenses	<b>23</b>	<b>1,688,171,022</b>	1,554,591,191
Administrative expenses	<b>24</b>	<b>107,755,597</b>	99,427,194
		<b>1,795,926,619</b>	<b>1,654,018,385</b>
<b>12.2 Capital work in progress</b>			
Civil works		<b>26,821,579</b>	20,867,464
Distribution equipment		<b>2,729,255,507</b>	2,155,337,667
Distribution equipment against deposit works		<b>681,316,274</b>	581,912,285
Works under Asian Development Bank loan		<b>3,186,454,196</b>	2,270,143,683
Stores held for capital expenditure		<b>955,029,578</b>	971,730,668
		<b>7,578,877,134</b>	<b>5,999,991,767</b>
<b>12.3 Movement in Capital Work in Progress</b>			
Balance at the beginning of the year		<b>5,999,991,767</b>	5,998,209,522
Additions during the year		<b>3,223,072,318</b>	2,694,626,775
Less: Transferred to operating fixed assets		<b>1,644,186,951</b>	2,692,844,530
Balance at the end of the year		<b>7,578,877,134</b>	<b>5,999,991,767</b>

**12.4** The cost of the assets as on June 30, 2017 include fully depreciated assets amounting to Rs. 517 million (2016: Rs. 467 million) but are still in use of the Company.

**12.5** During the year, borrowing cost amounting to Rs. 122 million (2016: Rs. 277 million) has been included in the cost of capital work in progress.

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>13 Long term loans - considered good</b>			
To employees			
- House building / purchase of plots	<b>13.1</b>	<b>496,633,022</b>	452,416,920
- Vehicles		<b>126,434,748</b>	104,966,985
		<b>623,067,770</b>	557,383,905
Less: Current portion of long term loans	<b>16</b>	<b>74,950,252</b>	66,235,089
		<b>548,117,518</b>	<b>491,148,816</b>

**13.1** Loans for house building and purchase of plots are recoverable in 10 years, while the loans for car and motor-cycle loans in 5 years and bicycle loans in 4 years. Interest is charged on these advances at the same rate as that payable on employees' balances in General Provident Fund maintained by WAPDA.

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>14 Stores and spares</b>			
Distribution equipment		<b>1,042,782,920</b>	870,412,317
Grid station equipment		<b>38,105,309</b>	13,357,279
Office supplies		<b>17,122,940</b>	18,391,257
		<b>1,098,011,169</b>	902,160,853
Less: Provision for slow moving stores and spares	<b>14.1</b>	<b>27,214,850</b>	7,025,573
		<b>1,070,796,319</b>	<b>895,135,280</b>
<b>14.1</b> Balance of provision as on 01 July		<b>7,025,573</b>	5,457,777
Add: Provision for the year	<b>23</b>	<b>20,189,277</b>	1,567,796
Balance of provision as on 30 June		<b>27,214,850</b>	<b>7,025,573</b>

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>15 Trade debts</b>			
Considered good			
- Billed	<b>15.2</b>	<b>17,098,531,277</b>	<b>13,031,509,058</b>
- Unbilled		<b>1,712,257,269</b>	<b>1,870,952,861</b>
		<b>18,810,788,546</b>	<b>14,902,461,919</b>
Considered doubtful - billed		<b>227,725,856</b>	<b>193,313,351</b>
		<b>19,038,514,402</b>	<b>15,095,775,270</b>
Less: Provision for doubtful debts	<b>15.3</b>	<b>227,725,856</b>	<b>193,313,351</b>
		<b>18,810,788,546</b>	<b>14,902,461,919</b>

**15.1** Trade debts are secured to the extent of corresponding consumers security deposits.

**15.2** This includes Rs. 9,444 million (2016: Rs. 7,940 million) receivable from the Government of Azad Jammu and Kashmir (AJK) on account of electricity sales and delayed payment surcharge. As per agreement executed between WAPDA, GOP and Government of AJK, the tariff rate as fixed at Rs. 4.2 per unit with effect from September 2002. Out of this tariff rate Rs. 0.71, Rs. 2.44 and Rs. 1.05 per unit were to be borne by WAPDA, Government of AJK and GOP, respectively. Till March 2007, the Company billed electricity to the Government of AJK at the tariff rate as per the agreement and payments were cleared, accordingly. Subsequent to March 2007, the electricity is billed to Government of AJK at tariff rates notified by GOP after determination by NEPRA. The accumulating balance receivable from Government of AJK represents the difference between rates applied on electricity bills to Government of AJK based on tariffs notified by GOP after determination by NEPRA and the tariff approved by the sub-committee on Raising of Mangla Dam project. The tariff determined by the sub-committee was Rs. 2.32 per unit, which was increased to Rs. 2.59 per unit subsequently. Government of AJK claims, it does not fall under the purview of NEPRA, hence, it has been settling its dues at the tariff rates determined by sub-committee. Management has taken up the matter with Ministry of Water and Power, who is catering its resolution and accordingly, no provision had been created against the recoverability of this amount in these financial statements. In response to Company's letter reference no. GEPCO/CSD/No:2063-64 dated October 27, 2014, Ministry of Water and Power (MoWP) Coordination, Policy and Finance Wing has stated that the above referred matter is under consideration of the Ministry. Further, during the year 2014-15, the Ministry of Water and Power had decided in a meeting held on May 29, 2015 to constitute a committee to deliberate the tariff issue with NEPRA and sort out an amicable tariff for all stake-holders. During the year, said committee has formulated a proposal to revise the tariff by increasing up to 5.79 KWH, with effect from, July 01, 2015 which has also been agreed by Govt. of AJK vide letter no. SE/PS/70-82/2016 dated 27.01.2016. However, Ministry Water and Power is further deliberating the matter, thus no official notification has been received in this regard. Further more, Ministry Water and Power, in its meeting with Secretary WAPDA, has directed to reverse the delayed payment surcharge receivable amounted to Rs.719 million up to December 2015, pertaining to AJK. However, Management is of the view that this matter will also be resolved with ministry thus no provision / reversal has been made in this regard.

	<i>Note</i>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>15.3 Provision for doubtful debts</b>			
Opening balance		<b>193,313,351</b>	<b>168,814,999</b>
Charge for the Year	<b>24</b>	<b>34,412,505</b>	<b>24,519,618</b>
		<b>227,725,856</b>	<b>193,334,617</b>
Less: Bad debts for the year		<b>-</b>	<b>21,266</b>
		<b>227,725,856</b>	<b>193,313,351</b>

		2017 Rupees	2016 Rupees
<b>16 Short term loans and advances</b>	<i>Note</i>		
Advances to employees			
against salary			
- Considered good		3,806,979	5,963,971
- Considered doubtful		935,527	935,527
		4,742,506	6,899,498
against expenses - considered good		15,108,289	7,910,102
		19,850,795	14,809,600
Less: Provision for doubtful advances to employees		935,527	935,527
		18,915,268	13,874,073
Advances to suppliers / contractors - considered good		81,704,063	132,399,501
Current portion of long term loans - considered good	13	74,950,252	66,235,089
		175,569,583	212,508,663
<b>17 Other receivables</b>			
Advance tax		512,957,256	443,729,489
Agricultural subsidy receivable		65,501,252	65,501,252
Due from WAPDA and other associated undertakings	17.1	5,022,443,987	8,339,443,510
Fuel Price Adjustment subsidy receivable from GOP	17.2	3,394,747,839	3,394,747,839
Duties and taxes receivables/payable but not yet realized	17.3	-	-
General sales tax receivable from GOP		348,316,066	550,300,127
General sales tax protected receivable from GOP		887,245,507	620,888,964
Pension receivable from associated undertakings	17.6	1,756,767,928	1,568,674,962
Power purchase price adjustment		2,193,130,565	2,193,130,565
Receivable from steel melters		469,232,763	351,606,715
Taxes paid under protest		3,267,213,774	675,955,575
Store shortages recoverable from employees	17.4	17,901,106	15,109,147
Tariff differential subsidy receivable from GOP	17.5	25,961,736,939	22,976,795,266
Others		494,376,457	531,757,500
		44,391,571,439	41,727,640,911
<b>17.1 Due from WAPDA and other associated undertakings</b>			
Central Power Generation Company Limited (GENCO-II)		2,058,649	1,915,676
Central Power Purchasing Agency (CPPA)		4,689,889,470	8,064,114,444
Hyderabad Electric Supply Company Limited (HESCO)		1,329,457	1,213,278
Islamabad Electric Supply Company Limited (IESCO)		27,779,868	25,367,641
Jamshoro Power Generation Company Limited (GENCO-I)		694,269	612,348
Lakhra Power Generation Company Limited (GENCO-IV)		655,552	606,448
Northern Power Generation Company Limited (GENCO-III)		34,071,079	26,927,056
Quetta Electric Supply Company Limited (QESCO)		8,272,397	7,185,763
Sukker Electric Power Company (Sepco)		-	10,048
Tribal Electric Supply Company Limited (TESCO)		90,244	79,676
WAPDA - Welfare Fund		257,603,002	211,411,132
		5,022,443,987	8,339,443,510
<b>17.2</b>	This amount represents the subsidy claimed by the Company against Fuel Price Adjustment related to consumers having consumption of 51-350 units in pursuance of NEPRA tariff determination for the financial year 2012-2013 notified through SRO 703(I)/2013 dated August 05, 2013. The receivable has neither been confirmed by federal government and the recovery has been disallowed by NEPRA and no provision has been created in the financial statements.		



	2017 Rupees	2016 Rupees
<b>17.3 Duties/charges and taxes receivables/payable but not yet realized</b>		
<b>Receivables billed but not yet realized</b>		
10% Advance Tax Receivables Domestic	316,777	8,363
Electricity duty	150,729,222	162,420,675
Equalization Surcharge	34,481,260	38,540,217
Extra Tax receivables	39,741,680	36,602,710
Financing cost surcharge	437,546,449	376,668,976
Further Tax receivables	24,471,410	22,854,647
General sales tax - steel melters	880,084,171	1,150,670,956
Late payment surcharge receivable from customers	54,586,222	54,586,222
Neelam jhelum surcharge	201,326,854	188,716,270
PTV license fee	37,626,213	42,650,414
Sales Tax Receivable on Retailers	28,063,676	3,391,471
Tariff rationalization surcharge	54,792,254	102,658,638
Tax Receivable on Steel Metlers	29,070,591	8,105,278
Withholding income tax	175,148,095	210,447,459
	<b>2,147,984,874</b>	<b>2,398,322,296</b>
<b>Payables accrued</b>		
10% Advance Tax Receivables Domestic	316,777	8,363
Electricity duty	150,729,222	162,420,675
Equalization Surcharge	34,481,260	38,540,217
Extra tax receivables	39,741,680	36,602,710
Financing cost surcharge	437,546,449	376,668,976
Further tax receivables	24,471,410	22,854,647
General sales tax - steel melters	880,084,171	1,150,670,956
Late payment surcharge receivable from customers	54,586,222	54,586,222
Neelam jhelum surcharge	201,326,854	188,716,270
PTV license fee	37,626,213	42,650,414
Sales tax receivable on retailers	28,063,676	3,391,471
Tariff rationalization surcharge	54,792,254	102,658,638
Tax receivable on steel metlers	29,070,591	8,105,278
Withholding income tax	175,148,095	210,447,459
	<b>2,147,984,874</b>	<b>2,398,322,296</b>
<b>17.4 Store shortages recoverable from employees</b>		
Considered good	17,901,106	15,109,147
Considered doubtful	23,835,896	23,835,896
	<b>41,737,002</b>	<b>38,945,043</b>
Less: Provision for doubtful recoverable	23,835,896	23,835,896
	<b>17,901,106</b>	<b>15,109,147</b>
<b>17.5 Tariff differential subsidy receivable from GOP</b>		
Opening balance	22,976,795,266	10,995,139,614
Subsidy receivable accrued during the year	26,318,403,406	23,418,682,803
	<b>49,295,198,672</b>	<b>34,413,822,417</b>
Less: Amount received / adjusted	23,333,461,733	11,437,027,151
Closing balance	<b>25,961,736,939</b>	<b>22,976,795,266</b>

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>17.6 Pension receivable from associated undertakings</b>			
Central Power Generation Company Limited (GENCO-II)		5,661,342	4,061,412
Director Pension WAPDA		1,414,920,533	1,413,800,879
Faisalabad Electric Supply Company Limited (FESCO)		11,568,507	-
Hyderabad Electric Supply Company Limited (HESCO)		5,454,932	1,105,868
Islamabad Electric Supply Company Limited (IESCO)		124,052,504	72,796,294
Jamshoro Power Company Limited (GENCO-I)		1,007,762	947,822
Lahore Electric Supply Company Limited (LESCO)		53,281,775	-
Lakhra Power Generation Company Limited (GENCO-IV)		375	9,137
Multan Electric Power Company Limited (MEPCO)		31,864,380	22,031,885
National Transmission & Dispatch Company Limited (NTDC)		75,847,712	35,484,230
Northern Power Generation Company Limited (GENCO-III)		16,818,007	7,813,057
Pakistan Electric Power Company Limited (PEPCO)		7,012,128	6,351,539
Quetta Electric Supply Company Limited (QESCO)		7,364,564	3,080,372
Sukkar Electric Power Company Limited (SEPCO)		1,913,407	1,192,467
		<u>1,756,767,928</u>	<u>1,568,674,962</u>

#### 18 Short term investments - held to maturity

This represent term deposit receipts carrying mark-up rate at 6.10% to 6.42% (2016: 6.5% to 7.2%) per annum maturing during the next twelve months.

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>19 Cash and bank balances</b>			
Cash in hand		196	430
Cash with banks on:			
- Deposit accounts	19.1	480,042,748	455,799,089
- Current accounts		1,496,713,080	947,313,005
		<u>1,976,755,828</u>	<u>1,403,112,094</u>
		<u>1,976,756,024</u>	<u>1,403,112,524</u>

19.1 Profit on balances in deposit accounts ranges from 3.8% to 4.5% (2016: 6.4% to 7.4%) per annum.

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>20 Sale of electricity</b>			
Sale of electricity	20.1	94,636,020,081	85,488,876,498
Less: General sales tax		11,988,905,102	11,010,139,219
Sale of electricity - net		<u>82,647,114,979</u>	<u>74,478,737,279</u>

20.1 Sale of electricity has been recognised based on the notified rates and includes Rs. 1,564 million (2016: Rs. 2,093 million) relating to Fuel Price Adjustment (FPA) for the months of May and June 2017 (2016: May and June 2016). The effect of above mentioned FPA is passed to the consumers after the year end in accordance with NEPRA notifications.

#### 21 Subsidy from Government of Pakistan on sale of electricity

Tariff differential subsidy relates to difference between the rates notified by NEPRA and the rates charged to the consumers in accordance with the tariff notifications issued by GOP.

## 22 Cost of electricity

Electricity purchased during the year have been incorporated according to invoices issued by CPPA-G and adjusted in accordance with monthly Fuel Price Adjustment determined and notified by NEPRA. The average rate for the year was Rs. 8.96 (2016: Rs. 7.86) per Kilo Watt Hour (KWH).

In the current year, the Company received 13th invoices pertaining to the financial year 2014-15 and 2015-16. The cost of electricity increased by Rs.1,254 million and decreased by Rs. 2,220 million in respect of the financial year 2014-15 and 2015-16 respectively with the net impact of decreasing the cost by Rs.966 million and the effect of the same is taken in the cost of electricity in the current year financial statements.

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>23 Distribution expenses</b>			
Salaries, wages and other benefits	23.1	8,815,003,650	8,935,161,457
Repair and maintenance		1,171,355,221	901,338,125
Rent, rates and taxes		5,196,529	4,023,795
Power, light and water		20,594,741	19,157,677
Postage and telephone		17,696,186	17,773,185
Provision for slow moving stores and spares	14.1	20,189,277	1,567,796
Office supplies and other expenses		22,594,485	22,996,631
Traveling and conveyance		234,209,273	216,199,953
Vehicle running and maintenance		128,148,718	139,376,693
Advances written off		1,563,560	1,067,466
Depreciation	12.1.2	1,688,171,022	1,554,591,191
Professional fees		23,673,791	18,786,868
		<u>12,148,396,453</u>	<u>11,832,040,837</u>
Less: Expenses capitalized		<u>114,398,544</u>	<u>94,070,087</u>
		<u>12,033,997,909</u>	<u>11,737,970,750</u>

23.1 It includes employee retirement benefits amounting to Rs. 3,969 million (2016: 4,909 million)

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>24 Administrative expenses</b>			
Salaries, wages and other benefits	24.1	2,211,255,373	2,419,079,288
Power, light and water		11,631,663	9,493,582
Rent, rates and taxes		663,775	649,361
Postage and telephone		8,012,793	7,927,722
Office supplies and other expenses		72,142,845	63,942,424
Traveling and conveyance		67,465,104	62,556,094
Vehicle running and maintenance		73,439,058	61,332,021
Provision for doubtful debts-Energy debtors	15.3	34,412,503	24,519,618
Electricity bills collection charges		214,682,048	189,678,024
Professional fees		109,379,359	59,770,792
Auditors' remuneration		1,600,000	1,000,000
Depreciation	12.1.2	107,755,597	99,427,194
Advertisement and publicity		5,998,231	43,588,795
Other charges		107,586,809	56,417,566
		<u>3,026,025,158</u>	<u>3,099,382,481</u>

24.1 It includes employee retirement benefits amounting to Rs. 992 million (2016: 1,227 million)

	<i>Note</i>	2017 Rupees	Rupees Rupees
<b>25 Other income</b>			
Income from financial assets	25.1	89,353,783	48,782,941
Income from non-financial assets	25.2	413,806,002	672,392,002
		<u>503,159,785</u>	<u>721,174,943</u>
<b>25.1 Income from financial assets</b>			
Return on bank deposits and Short term investment		89,353,783	48,782,941
<b>25.2 Income from non-financial assets</b>			
Meter / service rent		33,035,464	33,964,911
Reconnection fees		7,288,193	7,813,623
Gain on installation of new connections / deposit works		117,351,894	325,787,985
Gain on sale of scrap		10,558,398	11,631,408
Gain on disposal of operating fixed assets		5,913,749	25,723,044
Commission on electricity duty		27,559,485	25,057,607
PTV fee commission		24,262,293	90,047,455
Non-utility operations		174,720,409	137,938,005
Miscellaneous		13,116,117	14,427,964
		<u>413,806,002</u>	<u>672,392,002</u>

<b>26 Finance cost</b>			
Interest on long term loans		1,069,445,328	857,291,597
Bank and other charges		5,278,627	3,494,238
		<u>1,074,723,955</u>	<u>860,785,835</u>

**27 Remuneration of Chief Executive Officer and Finance Director**

The aggregate amount charged in the financial statements for the year in respect of remuneration including certain benefits to the Chief Executive Officer and Finance Director of the Company is as follows:

	2017 Rupees	2016 Rupees
Managerial remuneration	6,647,539	5,742,106
Other perquisites	663,738	497,356
	<u>7,311,277</u>	<u>6,239,462</u>

In addition, Chief Executive is also provided with company maintained vehicle and free accommodation.

The aggregate amount charged in financial statements for the year against meeting fees of the Board meetings was Rs. 4.36 million (2016: Rs. 2.46 million).

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>28 Taxation</b>			
Current			
For the year	28.1	1,988,190	12,683,574
		<u>1,988,190</u>	<u>12,683,574</u>
Deferred	28.2	-	-
		<u>1,988,190</u>	<u>12,683,574</u>

**28.1** This represents final tax on commission income on collection of PTV fee.

**28.2** In view of the available tax losses and provisions of section 113, clause 102 (A) of second schedule of the Income Tax Ordinance, 2001, no provision for taxation has been made for the year.

	<i>Note</i>	2017 Rupees	2016 Rupees
<b>29 Cash generated from operations</b>			
Profit / (loss) before taxation		7,494,089,049	10,211,703,435
<i>Adjustments for non-cash charges and other charges:</i>			
Depreciation		1,795,926,619	1,654,018,385
Amortization of deferred credit		(771,950,359)	(714,081,048)
Return on term deposits and short term investments		(89,353,783)	(48,782,941)
Provision for doubtful trade debts		34,412,503	24,519,618
Gain on installation of new connections/ deposit works		(117,351,894)	(325,787,985)
Provision for slow moving stores and spare parts		20,189,277	1,567,796
Gain on disposal of fixed assets		(5,913,749)	(25,723,044)
Provision for employee benefits		4,960,984,321	6,482,474,400
Finance cost		1,074,723,955	860,785,835
Advances written off		1,563,560	1,067,466
Working capital changes	<b>29.1</b>	<b>(10,274,214,137)</b>	<b>(13,538,020,033)</b>
		<b>4,123,105,362</b>	<b>4,583,741,884</b>
<b>29.1 Working capital changes</b>			
<i>Decrease / (increase) in current assets:</i>			
Stores and spare parts		(195,850,316)	290,234,741
Trade debts		(3,942,739,130)	(1,328,083,780)
Short term advances		35,375,520	148,851,076
Other receivables		(3,779,795,054)	(16,586,080,228)
<i>(Decrease) / increase in current liabilities:</i>			
Trade and other payables		(2,391,205,157)	3,937,058,158
		<b>(10,274,214,137)</b>	<b>(13,538,020,033)</b>
<b>30 Non-cash financing activity</b>			
Share deposit money	<b>5.4</b>	<b>1,115,864,526</b>	
<b>31 Transactions with related parties</b>			

Prices for transactions with related parties are determined on the basis of comparable uncontrolled price method. The sale and purchase prices of electricity are controlled by the National Electric Power Regulatory Authority (NEPRA). The related parties comprise of WAPDA, 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:

<b>Nature of transactions</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b><u>Associated undertakings</u></b>		
Electricity sales	40,904,221	39,462,999
Electricity purchases	87,577,957,427	73,422,833,572
Services	49,116,970	72,560,807
Purchase of material	51,460,190	26,852,600
Sale of material	101,316,765	60,139,876
<b><u>Others</u></b>		
Remuneration to key management personnel	80,430,419	65,943,096

The transactions with key management under the terms of employment are excluded from such transactions.

## 32 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

### 32.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

#### Exposure to credit risk

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

	2017 Rupees	2016 Rupees
Loans and advances	641,983,038	571,257,978
Trade debts	18,810,788,546	14,902,461,919
Interest accrued on bank deposits	41,260,834	25,984,039
Other receivables	42,643,052,610	40,607,955,847
Short term investments	1,244,734,027	584,000,000
Cash at bank	1,976,755,828	1,403,112,094
	<u>65,358,574,883</u>	<u>58,094,771,877</u>

Geographically there is no concentration of credit risk as the Company operates in the same geographical area and the Company believes that it is not exposed to major concentration of credit risk.

**32.1.1** The maximum exposure to credit risk for advances to employees and trade receivables by type of product at the reporting date was:

	2017 Rupees	2016 Rupees
Loans and advances	641,983,038	571,257,978
Electricity consumers	18,810,788,546	14,902,461,919

Trade debts are secured to the extent of corresponding consumers' security deposits against electricity connection. Advances to employees are secured against mortgage of house / plot and hypothecation on vehicles for which loans were sanctioned. The Company has arrangements with all the financial institutions for collection of bills from consumers. The Company has issued standing instructions to all these financial institutions to transfer funds in the main account. At the end of the day the Company has funds lying in the bank accounts of financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts and advances to employees.



- 32.1.2 Cash at Banks and Short term investments comprise of term deposit receipts (TDRs) obtained from different financial institutions. These are carried at face values. Long term and short term credit ratings of these financial institutions are as follows:

	<i>Credit rating as at June 30, 2017</i>		
	Long term	Short term	Rating Agency
Allied Bank Limited	AA+	A1+	PACRA
Bank Alfalah Limited	AA+	A1+	PACRA
Bank of Punjab	AA	A1+	PACRA
Faysal Bank Limited	AA	A1+	PACRA
Habib Metropolitan Bank Limited	AA+	A-1+	PACRA
MCB Bank Limited	AAA	A1+	PACRA
National Bank of Pakistan	AAA	A1+	JCR-VIS
Sindh Bank Limited	AA	A-1+	PACRA
Soneri Bank Limited	AA-	A1+	PACRA
Zarai Taraqati Bank Limited	AAA	A1+	JCR-VIS
		2017	2016
		Rupees	Rupees

### 32.1.3 Impairment losses

*The aging of trade receivables at the reporting date is:*

Not past due date	5,522,168,229	4,771,634,525
Past due 0 - 180 days	5,254,854,647	3,565,261,512
Past due 180 - 365 days	118,083,948	235,747,470
1 - 3 years		
Unimpaired	325,780,799	14,315,409
Impaired	122,290,446	63,050,298
More than 3 years		
Unimpaired	7,590,586,450	6,315,503,003
Impaired	105,459,418	130,263,053
	19,039,223,937	15,095,775,270
Less: Provision for doubtful debts	227,725,856	193,313,351
	18,811,498,081	14,902,461,919

Based on past experience the management believes that provision for doubtful debts is made in full against all permanently disconnected consumers, full provision is made against the balances (other than government debtors) outstanding for more than one year. Movement in the provision in respect of the trade receivables during the year is as disclosed in note 15.3.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As public interest company, it is liable to provide electricity connections to all of the customers falling within its distribution area. Credit risk is being managed by effective and continuous monitoring of its receivables and disconnection of electricity.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk as the consumers of the Company are of diversified nature, which include domestic, commercial, agriculture, 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 in time.

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

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

2017						
Carrying amount	Contractual cash flows	Less than six months	Up to one year	Two to five years	Over five years	
-----R u p e e s-----						
<b><i>Financial liabilities</i></b>						
Long term financing	8,592,924,149	(8,592,924,149)	(1,090,934,485)	(300,222,080)	(462,446,972)	(6,739,320,612)
Security deposits	4,463,020,728	(4,463,020,728)	-	-	-	(4,463,020,728)
Trade and other payables	11,002,266,668	(11,002,266,668)	(11,002,266,668)	-	-	-
Interest accrued	1,795,325,055	(1,795,325,055)	(1,054,235,296)	-	(741,089,759)	-
	<u>25,853,536,600</u>	<u>(25,853,536,600)</u>	<u>(13,147,436,449)</u>	<u>(300,222,080)</u>	<u>(1,203,536,731)</u>	<u>(11,202,341,340)</u>
2016						
Carrying amount	Contractual Cash flows	Less than six months	Up to one year	Two to five years	Over five years	
-----R u p e e s-----						
<b><i>Financial Liabilities</i></b>						
Long term financing	7,201,767,585	(7,201,767,585)	(300,222,080)	(162,224,892)	(1,204,361,913)	(5,534,958,699)
Security deposits	3,521,863,246	(3,521,863,246)	-	-	-	(3,521,863,246)
Trade and other payables	9,397,707,130	(9,397,707,130)	(9,397,707,130)	-	-	-
Interest accrued	567,923,221	(567,923,221)	(558,746,808)	-	(37,205,839)	(1,093,152,440)
	<u>20,689,261,182</u>	<u>(20,689,261,182)</u>	<u>(10,256,676,018)</u>	<u>(162,224,892)</u>	<u>(1,241,567,752)</u>	<u>(10,149,974,385)</u>

The contractual cash flows relating to the loan related financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in note 7 to these financial statements.



### 32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company believes that it is not exposed to any significant market risk.

#### 32.3.1 Interest rate risk

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

	Effective rate		Carrying amount	
	2017 %	2016 %	2017 Rupees	2016 Rupees
<b>Fixed rate instruments</b>				
<i>Financial assets</i>				
Short term investments	6.10 - 6.42	6.50 - 7.20	1,244,734,027	584,000,000
<i>Financial liabilities</i>				
Long term financing	15.00 - 17.00	15.00 - 17.00	8,493,024,149	7,464,424,335
<b>Variable rate instruments</b>				
<i>Financial assets</i>				
Bank balances - deposit accounts	3.80 - 4.50	6.40 - 7.40	480,042,748	455,799,089
<i>Financial liabilities</i>				
Long term financing	7.50 - 7.60	6.18 - 7.06	99,900,000	199,800,000

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit 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

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) the profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

		Profit and loss 100 bps	
		Increase	Decrease
		Rupees	Rupees
<b>As at 30 June 2017</b>			
<b>32.4</b>	<b>Cash flow sensitivity-Variable rate financial instrumen</b>	<b>76,381,598</b>	<b>76,381,598</b>
<b>As at 30 June 2016</b>			
	Cash flow sensitivity-Variable rate financial liabilities	76,642,243	76,642,243
The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.			
<b>32.4</b>	<b>Other price risk</b>		
	Other price risk is 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 The Company is not exposed to any other price risk at the reporting date.		
<b>32.5</b>	<b>Fair value of financial instruments</b>		
	The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.		
<b>32.6</b>	<b>Financial Instruments by Category</b>		
		<b>2017</b>	<b>2016</b>
		<b>Rupees</b>	<b>Rupees</b>
	<i>Assets as per balance sheet</i>		
	<i>Loans and receivables</i>		
	Loans to employees	548,117,518	557,383,905
	Trade debts	18,810,788,546	14,902,461,919
	Loans, advances, deposits,	175,569,583	146,273,574
	Other receivables	44,391,571,439	41,727,640,911
	Cash and bank balances	1,976,756,024	1,403,112,524
	<i>Liabilities as per balance sheet</i>		
	<i>Financial liabilities measured at amortized cost</i>		
	Long term loans	8,592,924,149	7,664,224,335
	Security deposits	4,463,020,728	3,986,666,211
	Trade and other payables	11,002,266,668	12,977,855,497
	Interest accrued	1,795,325,055	1,051,024,390
	<i>Fair Value estimation</i>		
	The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:		
	<ul style="list-style-type: none"> <li>- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.</li> <li>- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).</li> <li>- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).</li> </ul>		
	The Company has no financial assets measured at above mentioned levels.		
	<b>Currency risk</b>		
	Foreign currency risk is the risk that the value of a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly when payables exist due to transactions entered		
	<b>Exposure to currency risk</b>		
	The Company is not exposed to any currency risk at the reporting date.		

### 32.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

### 32.8 Capital management

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

## 33 Number of employees

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

	2017	2016
	(Number of persons)	
- As at June 30	13,268	13,286
- Average number of employees	13,139	12,979

**34 Reclassification**

Corresponding figures have been reclassified where necessary to reflect more appropriate presentation of events and transactions for the purpose of presentation.

From	To	Reason	Amount in Rs.
Deferred Interest	Accrued Interest	For better presentation	2,183,938,457

**35 Date of authorization for issue**


These financial statements were authorized for issuance by the Board of Directors of the Company on **07 OCT 2017**

**36 Figures**

Figures have been rounded off to the nearest rupee except where stated.

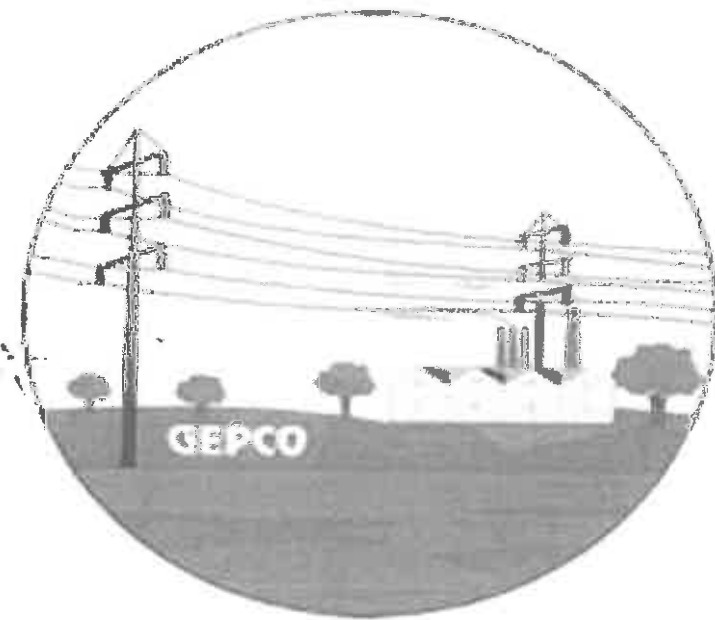
DYA

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

2017

# Gujranwala Electric Power Company Limited



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## **DIRECTORS' REPORT TO THE MEMBERS**

### **VISION**

**To become the Leader among Power Distribution Companies in Pakistan**

### **MISSION**

**To deliver Safe, Accessible and uninterrupted Power to its consumers, through continuous up-gradation and improvement of system, by optimally utilizing technological, human and organizational resources, best practices, performance standards and high ethical values.**

### **CORE VALUES**

#### **COMMITMENT**

**We are committed to our vision, mission and to creating and delivering stakeholders' value.**

#### **COURTESY**

**We are courteous - with our customers, stakeholders, and towards each other and encourage open communication.**

#### **COMPETENCE**

**We are competent and strive to continuously develop and improve our skills and business practices.**

#### **RESPONSIBILITY**

**We are responsible - as Individuals and as teams -for our work and our actions. We welcome scrutiny, and we hold ourselves accountable.**

#### **INTEGRITY**

**We have Integrity - as individuals and as teams – our decisions are characterized by honesty and fairness.**

## **CODE OF CONDUCT**

GEPCO requires its entire employees and Board members to observe the highest ethical standards, professional standards and personal integrity in the conduct of its business activities to minimize the significant risk associated with non-compliance. GEPCO staff will act and ensure all times to protect and safeguard the reputation of the Company. Contravention of the code will be regarded as misconduct and forms the basis of strict disciplinary action against them. GEPCO will ensure that its entire staff must be aware of the required standards, rules and regulations. Following are salient features of code of conduct;

### **a. CONFLICT OF INTEREST**

Each staff member has a primary responsibility to the Company and is expected to avoid any activity that could interfere with that responsibility. Staff should not engage in activities or transactions which may give rise to, or which may be seen to be giving rise to conflict between their personal interests and the interest of the Company. Each Staff member must be vigilant to any situation and avoid any kind of conflict between personal interests and those of GEPCO.

### **b. CONFIDENTIALITY**

Each Staff member must maintain confidentiality about Company's information and business secrets. Such information must not be disclosed to any irrelevant person inside GEPCO and outside GEPCO without prior approval of the competent authority.

### **c. CONTRIBUTIONS**

No contribution shall be made to any organization or to any individual who either holds public office or is candidate for public office.

### **d. INDUCEMENT PAYMENTS**

Staffs members should not receive payments that are intended to influence a business decision or to compromise independent judgment; nor should receive money for having given Company business to an outside agency.

### **e. HEALTH AND SAFETY**

Every staff member should take reasonable care to ensure the health and safety of him/her and others, who may be affected by his/her acts or omissions at work. Staff members should not tamper with or misuse any item provided by the Company to secure the safety, health and welfare of its staff and for the protection of the environment.

**f. ENVIRONMENT**

To preserve and protect the environment, all GEPCO staff members should; design and operate the Company's facilities and processes so as to ensure the trust of adjoining communities.

- Promote resource conservations, waste minimization and the minimization of the pollution in to environment.
- Provide employees customers, supplies, public authorities and communities with appropriate information for informed decision making; and

**g. WORK PLACE HARASSMENT**

GEPCO staff will maintain an environment that is free from harassment and in which all employees are equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, religion, race or ethnicity.

**h. REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE**

GEPCO fully co-operates with all governmental and regulatory bodies and is committed to high standards of Corporate Governance. We are fully compliant to our obligations as envisaged under the Public Sector Companies Corporate Governance Rules, 2013.

## **CORPORATE GOVERNANCE**

The success of any organization depends on the adoption and implementation of good Corporate Governance; therefore, the Board of Gujranwala Electric Power Company Limited is fervent to ensure the highest standards of Corporate Governance and promoting transparency at all levels in the Company.

As a result of evolving laws, policies and practices, the Company regularly reviews these Corporate Governance practices and policies to ensure that the Company complies with all applicable requirements and implements best practices to its operations.

GEPCO's Board is committed to protect the rights of its shareholders, while employing tactics of high transparency through an empowered Board of Directors.

The business and affairs of the Company are managed under the supervision of the Board. The Board of Directors ensures that highest standards are maintained, which in turn enhances the shareholders' and Company's worth by optimally utilizing all available

resources. Moreover, the Company complies with Public Sector Companies (Corporate Governance) Rules, 2013.

## **HEALTH, SAFETY AND ENVIRONMENT**

GEPCO HSE policy focuses on protecting health and safety of its employees, consumers and stakeholders. GEPCO employs standardized techniques in accordance with relevant codes to ensure that all its activities are carried out safely. Company's Integrated HSE Management System ensures that continuous improvement is made in the implementation of HSE initiatives.

## **INDUSTRIAL RELATIONS**

Cordial relations between Management and CBA have brought industrial harmony while removing potential causes of disputes, thereby ensuring round the clock operations of the Company. Since establishment of the Company, all the matters are settled through bilateral negotiations with CBA.

## **BUSINESS ETHICS AND ANTI CORRUPTION MEASURES**

All employees of the Company are required to observe the highest ethical standards in the conduct of their business activities to minimize the significant risk associated with non-compliance. Contravention of this policy is regarded as misconduct on the part of the employee.

Furthermore, in line with the Company's core values, all employees are responsible - as individuals and as teams for their work and their actions. The workers welcome scrutiny and they hold themselves accountable.

## **INTERNAL AUDIT**

The Board has approved the scope of internal audit on the recommendations of the Audit Committee, which broadly covers review and evolution of its internal control system in accordance with business risk assessments. This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and

compliance with laws and regulations. Moreover, suggestions and recommendations are also given to the Management for improvement in internal controls and risk management systems.

## **RISK MANAGEMENT**

The Company is facing a challenge of increasing gap between demand and supply of electricity due to lack of power supply and the circular debt. At operational level, the Company's main concern is to minimize Line Losses, improve recovery against billing and attain accuracy in the meter reading. The Company is also facing challenges in the areas of credit and liquidity risks in respect of financial risks. The Board is determined to effectively combat these challenges through intensive planning, timely decision making and strategic load management. Concerted efforts are being made by increasing the vigilance and physical inspections at the consumer's premises in order to curtail the admin line losses within permissible limits. The Company is also considering to conduct an Energy Efficiency Audit for the industrial units in order to get optimum benefits from the available resources.

## **BOARD OF DIRECTORS**

Presently the Company's Board consists of twelve (11) Directors; of which one is an Executive Director/Chief Executive Officer and three (3) are Non-Executive Directors. In line with Public Sector Companies (Corporate Governance) Rules, 2013, the positions of Chairman and Chief Executive Officer are kept separate. The Chairman of the Board is an Independent Director. Board members bring with them a wide range of relevant business, financial experience which carries significant weight while decision-making and managerial suggestions. Board members fulfill a vital role of corporate accountability through the advocacy of fairness and transparency within all independent decisions. The Board has constituted four (4) Sub-Committees viz Audit, Procurement, Human Resources & Nomination and Legal Committees, comprising of various Board Members based upon their professional experience. Sub-Committees give their best input and expert opinion on different strategic issues, for final approval by the Board.

## **DIRECTORS' REPORT**

The Board of Directors presents the 19<sup>th</sup> Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2017 along with the Auditors' Report thereon.

### **i. OPERATIONAL REVIEW**

During the year under review, the overall unit line loss reduced by 0.35%. Your Company is taking several steps including, but not limited to, increased surveillance and particular monitoring of areas susceptible to Line losses and pilferage of material, timely electricity theft detection and its rectification and continuous checking and up gradation of transmission and distribution system etc.

Your Company is confident that with the right focus on the issues, it will be able to bring down line losses at an acceptable level. While the Company is taking all possible measures to reduce the Line losses, the Management has also taken up the matter regarding line losses with NEPRA, after proper justification given by GEPCO to NEPRA, the benchmark of line losses has been changed from 9.98% to 10.03% in tariff reconsideration of FY 2015-16.

Further, vigorous initiatives are being taken by the management to attain accuracy in the snapshot meter reading i.e. rotation of meter readers after every six months, snapshots of mobile meter reading ensuring effective and wide scale supervision at various tiers of the operational management, prompt replacement of defective meters, accuracy in the detection bill as per policy, a periodic random checking of meters through surveillance department and maintenance of accurate Kalamazoo cards segregating the units consumed into peak hours and off-peak hours.

### **SECONDARY TRANSMISSION AND DISTRIBUTION SYSTEM**

Following is the brief portrayal of the Secondary Transmission of GEPCO as at 30<sup>th</sup> June 2017;

Description	As at 30 <sup>th</sup> June 2017	Added during the year 2016-17	Added during the year 2015-16
<b>Grid Stations</b>			
• 132 KV Grid Stations.	54 No.	0 No.	02 No.



• 66 KV Grid Stations.	05 No.	1 No	0 No.
<b>Power Transformers.</b>	162 No.	6 No.	03 No.
<b>Secondary Transmission Lines.</b>	2,529 KM	103 KM	68 KM
<b>Distribution Lines</b>			
• HT Lines	22,695 KM.	249 KM.	143 KM.
• LT Lines	18,176 KM.	153 KM.	107 KM
• 11 Kv feeders	816 No.	41 No.	13 No.
• Distribution Transformers.	61,661 No	1581 No.	1,455 No

During the current financial year 41 No. villages were electrified (2016: 93 No.)

### **BILLING & RECOVERY**

During the current year, special emphasis has been given to monitoring and control on meter reading by employing meter reading with snaps taken at the time of meter reading. Your Company continued to expand for the meter reading and now 99 % of the domestic consumer base is read through this technology. Your Company is committed for provision of timely and error free bills at the doorstep of their valued consumers. All out efforts and measures are being undertaken to ensure expeditious action against electricity theft.

Overall recovery against billing is decreased by 2% due to increase in arrears from Government of Azad Jammu Kashmir by 19.48% i.e. up to June 30,2017 Rs 9,444 million as compared to June 30, 2016 Rs. 7,904 million and this matter is under consideration with Ministry of Water & Power and Government of Pakistan.

## **ii. FINANCIAL REVIEW**

During the year under review, your Company earned profit after tax of Rs. 7,492 million as compared to Rs 10,199 million of last year. Reduction in profit after tax is due to Increase In Cost of Electricity as compared to previous year due to which G.P Ratio has decreased from 25% of last year to 20.51% of Current year. Another reason for increase in Accumulated losses (now stands at Rs. (2,626) Million as compared to accumulated Profit of last year 2016 were Rs. 449

Million) is due to increase in loss on re-measurement of postretirement benefit obligation by Rs. 2,462 Million as compared to last year.

### REVENUE

The tariff differential subsidy worth Rs. 26,318 million (2016: Rs 23,419 million) mentioned above is the difference between the tariff determined by NEPRA and the tariff notified by GOP. Overall tariff revenue of GEPCO is increased by 11.31 % with respect to that of the last year. Number of consumers were increased by 3.89 % (2017: 3,172,969, 2016: 3,054,017) and consequently number of units sold were increased by 8.52% (2017: 8,778 Mkw, 2016: 8,089 Mkw) as well as increase average price per KWH is by 2.56 % i.e. Rs. 0.31 per unit (2017: Rs. 12.41 per unit, 2016: Rs. 12.10).

(In Mkw)			
Consumer Category	FY 2016-17	FY 2015-16	% Change
Domestic	5,081	4,564	11%
Commercial	545	478	14%
Industrial	2,424	2,371	2%
Bulk	154	147	5%
Agricultural tube wells	364	309	18%
AJK	202	212	-5%
Others	8	8	0%
<b>Total Consumption</b>	<b>8,778</b>	<b>8,089</b>	<b>8.52%</b>

Purchase of power during the year under review was 9,779 Mkw (2016: 9,045 Mkw) i.e. an increase of 8.10%. During the year under review, energy losses were 10.23% (2016: 10.58%). i.e. percentage decrease by 0.35%.

**a) SUMMARY OF SIX YEARS**

**Profit and Loss Account**

Rupees in million

<i>Revenue</i>	<b>2011-12</b>	<b>2012-13</b>	<b>2103-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Sales Of Electricity	53,379	51,807	66,851	70,265	74,479	82,647
Subsidy From GOP	15,147	31,447	23,979	24,574	23,419	26,318
<b>Total Revenue</b>	<b>68,526</b>	<b>83,254</b>	<b>90,829</b>	<b>94,839</b>	<b>97,897</b>	<b>108,966</b>
Cost Of Electricity	69,527	69,723	84,146	75,762	73,423	86,612
<b>Gross Profit</b>	<b>-1,001</b>	<b>13,531</b>	<b>6,683</b>	<b>19,077</b>	<b>24,475</b>	<b>22,354</b>
Amortization Of Deferred Credit	507	541	600	659	714	772
	-494	14,072	7,283	19,736	25,189	23,126
<b>Operating Expenses:</b>						
O&M Cost	6,176	7,159	8,977	13,427	13,183	13,264
Depreciation	1,000	1,122	1,303	1,513	1,654	1,796
	7,176	8,281	10,280	14,940	14,837	15,060
<b>Operating Profit</b>	<b>-7,671</b>	<b>5,791</b>	<b>-2,997</b>	<b>4,796</b>	<b>10,351</b>	<b>8,066</b>
Other Income	1,453	1,446	1,664	1,878	721	503
<b>Earnings Before Interest and Tax</b>	<b>-6,218</b>	<b>7,236</b>	<b>-1,333</b>	<b>6,674</b>	<b>11,072</b>	<b>8,569</b>
Financial Charges	197	152	229	863	861	1075
<b>Profit/Loss Before Taxation</b>	<b>-6,414</b>	<b>7,084</b>	<b>-1,562</b>	<b>5,811</b>	<b>10,212</b>	<b>7,494</b>
Taxation	25	10	10	11	13	2
<b>Profit/Loss After Taxation</b>	<b>-6,439</b>	<b>7,074</b>	<b>-1,572</b>	<b>5,799</b>	<b>10,199</b>	<b>7,492</b>

# Gujranwala Electric Power Company Limited 2017

## **Balance Sheet- Liabilities**

**Rupees in million**

<b>Balance Sheet</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2103-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>Share Capital &amp; Liabilities</b>						
Share Capital						
Accumulated Loss	-7,144	-2,759	-5,646	-1,646	449	-2,626
Deposit For Shares	3,019	3,019	20,058	20,058	20,058	18,943
<b>Total Equity</b>	<b>-4,125</b>	<b>259</b>	<b>14,412</b>	<b>18,413</b>	<b>20,507</b>	<b>16,316</b>
Deferred Credit	10,841	12,253	13,197	14,303	15,165	15,922
Long term Loans	1,737	4,509	6,231	6,739	7,033	7,638
Employees' Retirement Benefits/Deferred Liability	11,523	15,265	18,446	26,720	40,316	54,683
Security Deposits	2,418	2,749	3,140	3,522	3,987	4,463
<b>Long Term Liabilities</b>	<b>26,519</b>	<b>34,776</b>	<b>41,015</b>	<b>51,284</b>	<b>66,501</b>	<b>82,707</b>
<b>Current Liabilities</b>						
Creditors, Accrued And Other Liabilities	34,159	38,222	25,829	9,398	12,978	11,002
Interest Accrued On Long Term Financing	242	572	127	568	1,149	1,795
Current Portion Of Long Term Financing	189	323	307	462	631	955
<b>Total Current Liabilities</b>	<b>34,590</b>	<b>39,117</b>	<b>26,263</b>	<b>10,428</b>	<b>14,758</b>	<b>13,752</b>
<b>Total Liabilities</b>	<b>56,984</b>	<b>74,153</b>	<b>81,691</b>	<b>80,125</b>	<b>101,766</b>	<b>112,775</b>

# Gujranwala Electric Power Company Limited 2017

## **Balance Sheet- Assets**

**Rupees in million**

<b>Balance Sheet</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2103-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Operating Fixed Assets	21,992	24,513	30,363	32,371	35,524	36,937
Capital Work In Progress	2,811	6,869	5,415	5,998	6,000	7,579
Long Term Loans To Employees	127	179	325	426	491	548
<b>Total Fixed Assets</b>	<b>24,930</b>	<b>31,562</b>	<b>36,104</b>	<b>38,795</b>	<b>42,015</b>	<b>45,064</b>
<b>Current Assets</b>						
Stores And Spares	833	725	694	1,187	895	1,071
Trade Debts	13,716	14,967	12,484	13,599	14,902	18,811
Loans And Other Receivables	14,480	23,724	28,493	25,142	41,728	44,392
Interest Accrued	59	90	109	6	26	41
Short Term Investment	1,700	2,200	2,771	155	584	1,245
Short Term Advances	50	50	63	362	213	175
Cash And Bank Balances	1,216	835	973	879	1,403	1,977
<b>Total Current Assets</b>	<b>32,054</b>	<b>42,591</b>	<b>45,587</b>	<b>41,330</b>	<b>59,751</b>	<b>67,711</b>
<b>Total Assets</b>	<b>56,984</b>	<b>74,153</b>	<b>81,691</b>	<b>80,125</b>	<b>101,766</b>	<b>112,775</b>

## b) FINANCIAL PERFORMANCE / PROFIT & LOSS 2017

### SALE OF ELECTRICITY:

Rs. in Million

Description	June-2017	June-2016	% Change
Sale of Electricity	82,647	74,479	10.97
Subsidy from GOP	26,318	23,419	12.38
<b>Total</b>	<b>108,966</b>	<b>97,897</b>	<b>11.31</b>

### ANALYSIS:-

GEPCO has registered an increase in Sales of Electricity amounting to 11.31%, which is attributed to increase in units sold mainly due to reduced load shedding, reduction in Line Losses to a tune 0.35% and increased number of Consumers (118,952) as compared to last year as below:-

Description	June-2017	June-2016	% Change
Unit Sold (Million kWh)	8,778	8,089	8.52
Consumers (In Millions)	3,172,969	3,054,017	3.89
Line Losses	10.23%	10.58%	(0.35)

### COST OF ELECTRICITY:

Rs. in Million

Description	Jun-2017	Jun-2016	% Change
(a)-Capacity Charges	32,912.26	28,058.46	17.30
(b)-Energy Charges	50,667.39	42,710.07	18.63
(c)-Use of System Charges	3,032.14	2,654.30	14.23
<b>Total Cost of Electricity (a+b+c)</b>	<b>86,611.79</b>	<b>73,422.83</b>	<b>17.96</b>
Unit Purchased (Million kWh)	9,779	9,045	8.10
<b>Total Cost per Unit</b>	<b>8.86</b>	<b>8.12</b>	<b>9.12</b>



**ANALYSIS:-**

The cost of electricity has drastically increased by 17.96% in aggregate when compared with the previous corresponding period. Although the company augmented its purchased units to the tune of 8.10% from the previous year. The Component wise breakup of total and per unit cost tabulated above clearly reflects that the all the three components of Cost of Electricity i.e. "Capacity Charges", "Energy Charges" and "Use of System Charges" have increased by 17.30%, 18.63% and 14.23% respectively as compared to the previous corresponding year. The cost per unit has been increased from Rs. 8.12 to Rs. 8.86.

**GROSS PROFIT:**

Rs. In Million

Description	June-2017	June-2016	% Change
Gross Profit	22,354	24,475	(8.67)

**ANALYSIS:-**

Gross profit has decreased by 8.67% as a consequence of increase in Cost of Electricity already discussed above.

**OPERATING EXPENSES**

Rs. In Million

Description	June-2017	June-2016	% Change
Salaries, Wages and Other Benefits (a)	11,026	11,354	(2.89)
Salaries, Wages and Other Benefits Paid	6,065	5,219	16.23
Repair & Maintenance (b)	1,171	901	29.96
Office Supplies and other expenses	95	87	8.97
Travelling (c)	302	279	8.22
Transport	202	201	0.44
Depreciation	1,796	1,654	8.58
Electricity bill collection charges (d)	215	190	13.18
Injuries And Damages (e)	104	51	103.52
Other charges (f)	150	121	24.37
<b>Total</b>	<b>15,060</b>	<b>14,837</b>	<b>1.50</b>

**ANALYSIS:-**

The operating expenses increased by Rs. 223 million as compared to the previous corresponding, the major increase/decrease is explained below;

- a) Salaries Wages and Other benefits have decreased by 2.89% due to reduction in Provision for Retirement Benefits as compared to last year. However, actual expense has been 16.23 % higher when compared with corresponding period.
- b) Repair & Maintenance expense has been increased by 29.96% mainly due to increased number of Electricity Meters changed for correct snapshots / billing by Rs. 232 Million as compared to previous year.
- c) The Increase under this head by an amount of 8.22% is mainly due to the new induction of Staff (80 Officers and 1,000 Non Official) during the current year.
- d) The Bill collection charges have increased due to increase of 118,952 "new customers" during the current period.
- e) The increase under this head is due to the increase in widows assistance package resulted on adoption of the same by GEPCO.
- f) Other charges include License Fee of NEPRA, PITC Software Fee, Audit Fee, Postage & Telephone, Power, Light and water, Provisions for doubtful debts and slow moving store items, Legal & Professional Fees etc.

**OTHER INCOME**

Rs. In Million

Description	June-2017	June-2016	%Change
Income from financial assets	89	49	83.33
Income from non-financial assets	414	672	(56.03)
Total	503	721	(30.23)

**ANALYSIS:-**

- The increase in Income from Financial Asset is due to increase in Short term Investment from Rs. 584 million to Rs. 1,245 million.

## Gujranwala Electric Power Company Limited 2017

- The decline in income from non-financial asset is due to reduction in "PTV Commission" Rate from Rs.5/- to Rs.1/- Per Customer as approved by Ministry of Water & Power.

### **FINANCE COST:**

Rs. In Million

Description	June-2017	June-2016	Change
Finance Cost	1,075	861	24.85%

### **ANALYSIS:-**

The reason of increase in Finance Cost is due to the capitalization of CWIP in fixed assets. The mark up on loan term loans was initially charged to CWIP but after capitalization, now markup is being charged to Profit and Loss Account.

### **TAXATION:**

Rs. In Million

Description	June-2017	June-2016	Change
Taxation	2	13	(84.32)%

### **ANALYSIS:-**

The reduction in Taxation is due to the Reduction in PTV Commission from Rs.5 to Rs.1per consumer as compared to last year.

### **RE-MEASUREMENT OF POST RETIREMENT BENEFITS OBLIGATION:**

The Increase in the above head is due to increase in loss on postretirement benefit provision as provided by Auctorial Evaluator.

## **c) FINANCIAL POSITION / BALANCE SHEET 2017**

### **Equity and Liabilities**

#### **1. Deposit for Share**

The adjustment amounting to Rs. 1,116 Million has been made under this head on receipt of debit and credit notes from CPPA. {Rs. 20,058 Million (June-2016) to Rs. 18,943 Million (June-2017)}.

**2. Deferred Credit**

Deferred Credit is the amount of Capital Contribution received from consumers against the new connections. This figure has increased by 757 Million during this period.

**3. Long Term Financing**

Long Term Financing has been increased due to the increase in the ADB loan availed during the period.

**4. Deferred Liabilities**

It consists of Employees Retirement Benefit Provision that has been charged during the period.

**5. Security Deposit**

Security Deposit is the amount of Security received from consumers against the new connections. This figure has increased by 476 Million during this period.

**6. Trade and Other Payables**

The significant change in Trade and Other Payables is due to the adjustment made in TR Surcharge, FC Surcharge and LP Surcharge.

**7. Interest accrued on Long Term Financing**

The Amount under this head has increased by Rs. 646 Million due to the markup provision charged during the period against long term loans. However, payment has only been made to BOP.

**Assets**

**1. Property, Plant and Equipment**

Fixed Assets have been increased by 7.21%, this is majorly due to increase in "Distribution Equipment" by 3,146 Million as compared to June-2016.

## Gujranwala Electric Power Company Limited 2017

### Current Assets

Rs In Million

Description	June-2017	June-2016	%Change
Stores and spares	1,071	895	19.66
Trade Debts (a)	18,811	14,902	26.23
Short term loans and advances	176	213	(17.37)
Interest receivable	41	26	57.69
Other receivables (b)	44,392	41,728	6.38
Short term investments	1,245	584	113.10
Cash and bank balances	1,977	1,403	40.88
<b>TOTAL</b>	<b>67,711</b>	<b>59,751</b>	<b>13.32</b>

- a) Trade debts have been increased by 26.23%, the reasons being increase in AJK Receivables, Government Receivables, Spill Over and EID Holidays in the last decade of June-2017.
- b) Other Receivable has been considerably increased by Rs. 2,664 Million due to increase in Tariff Differential Subsidy receivable from GOP.

### d) FINANCIAL RATIOS

FINANCIAL RATIOS	2011-12	2012-13	2103-14	2014-15	2015-16	2016-17
G.P. Ratio	(1.46)	16.25	7.36	20.12	25.00	20.51
Net Profit Ratio	(9.40)	8.50	(1.73)	6.11	10.42	6.88
Interest Coverage in times.	(31.58)	47.57	(5.81)	7.73	12.86	7.97
Current Ratio	0.93	1.09	1.74	3.96	4.05	4.92
Debtors Turnover	3.89	3.46	5.36	5.17	5.00	4.39
Collection Period	94	105	68	71	73	83

Payable Turnover	2.04	1.82	3.26	8.06	5.66	7.87
Payment Period	179	200	112	45	65	46

### e) KEY OPERATIONAL INDICATORS

KPIs in % age.	2011-12	2012-13	2103-14	2014-15	2015-16	2016-17
Distribution losses	9.75	9.35	9.33	9.25	9.15	8.85
Transmission Losses	1.64	1.55	1.84	1.61	1.57	1.51
Overall Losses.	11.23	10.75	11	10.72	10.58	10.23
Collection Govt	80.9	84.1	65.4	68.1	81	66
Collection Private	99.5	99.2	98.4	99.1	101	100
Overall Collection	98.5	98.2	96.1	97.1	99.6	98.01

### iii. EARNING PER SHARE

The earnings/loss per share (EPS) of the company for the year ended June 30, 2017 has been Rs. 7.492 Million (2016: Rs. 10.199 Million).

### iv. FUTURE OUTLOOK

Your Company has completed one 66 KV Grid Station, added Six Power Transformers of 130 MVA, augmented Five Power Transformers of 109 MVA during the year under STG program. With this, GEPCO will be able to improve the voltage profile of its system, extend more connections to the consumers besides increasing sales which will help in economic uplift of the area under jurisdiction. In order to facilitate its customer's management is considering to establish mobile customer services center at each circle and to launch a Centralized Complaint Center "Madadgar". Your Company is taking a number of steps to reduce the line losses of your Company and is taking right focused steps to address the situation. Detailed plan has been drawn which includes:

1. Area Planning of overloaded i.e. high loss and high voltage drop feeders;



2. Reconductoring/ Bifurcation of 11kV feeders where required;
3. Installation of capacitors to improve power factor;
4. New Lines for system expansion;
5. Augmentation of overloaded transformers;
6. Reconductoring /Bifurcation of LT system where required;
7. Replacement of lengthy PVC 2/C cables with new LT Lines.

Management of your Company is confident that with the action plan brief of which is set out above, your Company will be able to turn-around and show promising results in near future. One of the leading objectives for the next year is to attain accuracy in the meter reading. Management is considering to implement Advance Metering Infrastructure. Considering the utmost importance of technology, management is considering to;

1. Install Biometric system at GEPCO HQ as well as Circles Phase-I and Divisions;
2. GEPCO has award the contract to M/S A.F Ferguson as Quality Assurer for ERP System Implementation in GEPCO and;
3. Installation of Advance Metering Infrastructure meters against industrial consumers of above 40kw etc.

#### **v. MATERIAL CHANGES**

There have been no material changes since June 30, 2016 and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended June 30, 2017.

#### **vi. REMUNERATION OF BOARD OF DIRECTORS**

The remuneration to be paid to the Directors for attending the Board or Committee Meetings is determined by the Board of Directors in terms of Clause 53 of GEPCO Articles of Association, in view of the directions of the Ministry of Water & Power, Government of Pakistan. During the Financial year 2016-17 meeting fee has been between Rs. 25000-35,000/- per meeting plus boarding, lodging and transportation. Further, the regularly paid Chief Executive Officer/ Executive Director is not paid any remuneration for attending the Board or Committee Meetings of the Company.

### **vii. MEETINGS OF BOARD OF DIRECTORS**

Your Directors held Nine (9) meeting for the period July 1, 2016 to June 30, 2017 and the attendance by each Director is given below:

Sr. No.	NAME	Designated	MEETING ATTENDED
1.	Mr. Ghiasuddin Ahmed	Chairman	5/5
2.	Cap. Muhammad Asif	Director	0/5
3.	Mr. Afzaal Bhatti	Director	6/9
4.	Lt. Col(Retd) Shah Jahan Khan	Director	8/9
5.	Mr. Rizwan Faiz Muhammad	Director	5/5
6.	Mr. Khalid Ishaq	Director	4/5
7.	Prof. Dr. Fahat Saleemi	Director	2/5
8.	Mr. Afzaal Ahmed Gondal	Director	2/9
9.	Mr. Zafar Abbas	Director	9/9
10.	Mr. Muhammad Anwar Sheikh	Director	5/5
11.	Mr. Babar Iqbal	Retired	4/4
12.	Mr. Khawaja Muhammad Tanveer	Retired	4/4
13.	Mr. Fawad Butt	Retired	1/4
14.	Mr. Khwaja Amer Hassan	Retired	4/4
15.	Ch. Muhammad Ishaque Aulakh	Retired	4/4
16.	Mr. Muhammad Zargham Eshaq Khan	Retired	%

### **viii. STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Board of Directors hereby declares that for the year ended June 30, 2017:

- i. The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These financial statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity;

- ii. Proper books of account have been maintained by the Company;
- iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- iv. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements;
- v. The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function;
- vi. There are no doubts upon the Company's ability to continue as a going concern;
- vii. There has been no material departure from the best practices of corporate governance as detailed in code of corporate governance;
- viii. Significant deviations from last year's operating results have been disclosed as deemed appropriate in this Directors' Report and in the notes to the accounts, annexed to this report;
- ix. Key operating and financial data of the last six years in summarized form is a part of this Annual Report;
- x. All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as on June 30, 2017, have been cleared subsequent to the year end;
- xi. Value of investment in employee's retirement funds based on audited accounts of the funds for the year ended June 30, 2017 is 100 million.
- xii. As at June 30, 2017 overdue principal and markup has aggregated to Rs. 602.16 million and Rs 1,245.5 million against ADB loans mentioned in note 7.2.1 and 7.2.2 due to non-finalization of the Repayment Schedule;
- xiii. Auditor's Report to the Shareholders for the financial year 2017, is modified to the extent of an amount of Rs. 9,444 Million receivable from Government of Azad Jammu and Kashmir (AJK) on account of supply of electricity and delayed payment surcharge. There is dispute between GEPCO and Government of AJK over tariff rates as fully disclosed in note 15.2 of the Financial Statements and hence the Government of AJK has not acknowledged the said payable. The matter is under consideration with the Ministry of Energy (Power Wing), Government of Pakistan;

- xiv. Further, we would like to draw your attention to the emphasis of matter paragraph added to the Auditor's report to highlight the contingencies disclosed in note 11.2 of the accompanying financial statements, the ultimate outcome of which cannot be presently determined, and, hence pending the resolution thereof, no provision for the same is made in the financial statements.

#### **ix. PATTERN OF SHAREHOLDING**

Out of 1,000 ordinary shares of Rs. 10/- each, 997 shares are held in the name of President of Islamic Republic of Pakistan.

#### **x. ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the continued support and patronage received from shareholders and its valued customers. We wish to acknowledge the dedication and commitment of all the employees who contributed valuable services, to sustain all operations of the Company. We also place on record our acknowledgement for the continued guidance and support received from the Government of Pakistan, Ministry of Water & Power. We wish to offer the members of the Board our profound gratitude for their hard work and precious time which contributed towards successful operations of your Company.

For and on behalf of  
The Board of Directors.

  
Muhammad Zahid Saleem  
CHIEF EXECUTIVE OFFICER

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**STATEMENT OF COMPLIANCE WITH THE  
PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

**Name of Company:** *Gujranwala Electric Power Company Limited.*

**Name of the line ministry:** *Ministry of Water and Power*

**For the year ended:** June 30, 2016

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing framework of good governance, whereby a public sector Company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule No.	Yes	No																														
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	Y																															
2	<p>The Board has the requisite percentage of independent directors. As at June 30, 2016 the Board of directors includes:</p> <table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td rowspan="8">Independent Directors</td><td>Mr. Baber Iqbal (Chairman)</td><td>21-08-2013</td></tr><tr><td>Mr. Khawaja Amer Hassan</td><td>08-11-2013</td></tr><tr><td>Mr. Khawaja Muhammad Tanweer</td><td>08-11-2013</td></tr><tr><td>Lt. Col. Shah Jahan Khan (Retd)</td><td>08-11-2013</td></tr><tr><td>Mr. Afzaal Bhatti</td><td>08-11-2013</td></tr><tr><td>Mr. Afzal Ahmad Gondal</td><td>08-11-2013</td></tr><tr><td>Mr. Fawad Butt</td><td>08-11-2013</td></tr><tr><td>Mr. Ch. Muhammad Ishaq Aulakh</td><td>08-11-2013</td></tr><tr><td>Executive Directors</td><td>Mr. Muhammad Akram (Chief Executive Officer)</td><td>16-06-2016</td></tr><tr><td rowspan="3">Non-Executive Directors</td><td>Mr. Anwer Sheikh</td><td>31-10-2015</td></tr><tr><td>Mr. Zargham Eshaq Khan</td><td>07-02-2011</td></tr><tr><td>Mr. Zafar Abbas</td><td>16-02-2015</td></tr></table>	Category	Names	Date of appointment	Independent Directors	Mr. Baber Iqbal (Chairman)	21-08-2013	Mr. Khawaja Amer Hassan	08-11-2013	Mr. Khawaja Muhammad Tanweer	08-11-2013	Lt. Col. Shah Jahan Khan (Retd)	08-11-2013	Mr. Afzaal Bhatti	08-11-2013	Mr. Afzal Ahmad Gondal	08-11-2013	Mr. Fawad Butt	08-11-2013	Mr. Ch. Muhammad Ishaq Aulakh	08-11-2013	Executive Directors	Mr. Muhammad Akram (Chief Executive Officer)	16-06-2016	Non-Executive Directors	Mr. Anwer Sheikh	31-10-2015	Mr. Zargham Eshaq Khan	07-02-2011	Mr. Zafar Abbas	16-02-2015	3(2)	Y	
Category	Names	Date of appointment																																
Independent Directors	Mr. Baber Iqbal (Chairman)	21-08-2013																																
	Mr. Khawaja Amer Hassan	08-11-2013																																
	Mr. Khawaja Muhammad Tanweer	08-11-2013																																
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3	A casual vacancy occurring on the Board was filled up by the directors within ninety days.	3(4)	No casual vacancy occurred during the year under review.
4	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	N
5	The appointing authorities have applied the fit and proper criteria given in the Annexure to the rules in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	N
6	The chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	Y
7	The chairman has been elected from amongst the independent directors.	4(4)	Y
8	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	Y
9	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website.  (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	N
10	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	N
11	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests and the procedure for disclosing such interest.	5(5)(b)(ii)	N
12	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	N
13	(a) The board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	Y

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	(b) A Committee has been formed to investigating deviations from the Company's code of conduct.			N
14	The board has ensured compliance with the law as well as the company's internal and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c)(iii)	Y	
15	The board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)		N
16	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)	Y	
17	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	Y	
18	The Board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis.	8		N
19	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. Party wise records of transactions entered into with the related parties during the year have been maintained.	9	Y	
20	The Board has approved the profit and loss account for, and balance sheet as at the end of; <ul style="list-style-type: none"> <li>The first, second and third quarter of the year</li> <li>As well as the financial year end, and has placed the annual financial statements on the Company's website.</li> </ul> Monthly accounts were also prepared and circulated amongst the board members.	10	Y	
21	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the rules.	11	Y	




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22	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table><tr><th><i>Committee</i></th><th><i>Number of members</i></th><th><i>Name of Chairman</i></th></tr><tr><td>Audit Committee.</td><td>07</td><td>Mr. Khawaja Muhammad Tanweer</td></tr><tr><td>Risk Management Committee.</td><td>Nil</td><td>Not formed yet.</td></tr><tr><td>Human Resources and Nomination Committee.</td><td>06</td><td>Mr. Afzaal Bhatti</td></tr><tr><td>Procurement Committee.</td><td>07</td><td>Lt. Col. Shah Jahan Khan (Retd)</td></tr></table>	<i>Committee</i>	<i>Number of members</i>	<i>Name of Chairman</i>	Audit Committee.	07	Mr. Khawaja Muhammad Tanweer	Risk Management Committee.	Nil	Not formed yet.	Human Resources and Nomination Committee.	06	Mr. Afzaal Bhatti	Procurement Committee.	07	Lt. Col. Shah Jahan Khan (Retd)	12	Y Y	N
<i>Committee</i>	<i>Number of members</i>	<i>Name of Chairman</i>																	
Audit Committee.	07	Mr. Khawaja Muhammad Tanweer																	
Risk Management Committee.	Nil	Not formed yet.																	
Human Resources and Nomination Committee.	06	Mr. Afzaal Bhatti																	
Procurement Committee.	07	Lt. Col. Shah Jahan Khan (Retd)																	
23	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	Y																
24	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.	16	Y																
25	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	Y																
26	The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.	18	Y																
27	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director's	19	Y																
28	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	Y																

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29	<p>The board has formed an audit committee, with defined and written terms of reference and having the following members:</p> <table><tr><td><i>Name of member</i></td><td><i>Category</i></td><td><i>Professional Background</i></td></tr><tr><td>Mr. Khawaja Muhammad Tanweer</td><td>Chairman</td><td>Business Man</td></tr><tr><td>Mr. Khawaja Amer Hassan</td><td>Member</td><td>Business Man</td></tr><tr><td>Mr. Afzaal Bhatti.</td><td>Member</td><td>Business Man</td></tr><tr><td>Mr. Afzaal Gondal,</td><td>Member</td><td>Business Man</td></tr><tr><td>Mr. Fawad Butt</td><td>Member</td><td>Business Man</td></tr></table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	<i>Name of member</i>	<i>Category</i>	<i>Professional Background</i>	Mr. Khawaja Muhammad Tanweer	Chairman	Business Man	Mr. Khawaja Amer Hassan	Member	Business Man	Mr. Afzaal Bhatti.	Member	Business Man	Mr. Afzaal Gondal,	Member	Business Man	Mr. Fawad Butt	Member	Business Man	21	Y	
<i>Name of member</i>	<i>Category</i>	<i>Professional Background</i>																				
Mr. Khawaja Muhammad Tanweer	Chairman	Business Man																				
Mr. Khawaja Amer Hassan	Member	Business Man																				
Mr. Afzaal Bhatti.	Member	Business Man																				
Mr. Afzaal Gondal,	Member	Business Man																				
Mr. Fawad Butt	Member	Business Man																				
30	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	Y																			
31	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	Y																			
32	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Y																			
33	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	Y																			
34	The Company has complied with all the corporate and financial Reporting requirements of the Rules except for the non-compliances reported in Schedule II.		Y																			

  
CHIEF EXECUTIVE OFFICER  
Muhammad Akram

  
CHAIRMAN BOD  
Baber Iqbal

**SCHEDULE II**

**EXPLANATION FOR NON-COMPLIANCE WITH THE  
PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with (except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year):

<b>Sr. No.</b>	<b>Rule(sub-rule) No.</b>	<b>Provision of the Rule.</b>	<b>Reasons for non-compliance</b>	<b>Future course of action</b>
1.	3(5)	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	As per the particulars submitted by all independent directors in the form of their updated CVs submitted during August and November 2013, it is evident that they are not serving as director on more than five public sector companies and listed companies simultaneously. However formal declaration(s) of the fact, duly signed by the directors were not available at the date of the report.	Formalized process for obtaining the requisite information, details and confirmation from the directors is in the process of being implemented.

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2.	3(7)	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	The Ministry of Water and Power, Government of Pakistan, being the sole beneficial owner of the distribution companies, nominates/appoints the members of the Board of Directors via notification(s) issued by the Ministry of Water and Power, considering their reputation and experience in relevant fields such as industry, agriculture, media and commerce. Therefore, no evidence is available to ensure the compliance of the Fit and Proper criteria.	Nominations are made by the Ministry of Water and Power, Government of Pakistan.  Documents evidencing application of prescribed criteria have been requested from the Ministry.
3.	5(4)	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website.  (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	a) The Company has adopted code of conduct envisaged in WAPDA manual. However, it is not formally adopted by the Board of Directors of the Company.  b) No system is designed to address the grievances arising from unethical practices.	Code of Conduct as required will be prepared and approved by the Board in next year. Board will also take necessary steps to disseminate it including placing the Code of Conduct on the Company's website and to set in place adequate systems of internal controls for redressal of grievances arising from unethical practices.



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5.	5(5)	The board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	As at June 30, 2016 the adoption of the "Code of Conduct" and "Anticorruption Policy" was under-process. The Board in its meeting held on December 31, 2015 has initiated the process for the adoption of the "WAPDA Conduct Rules 1978" as "Code of Conduct" and "the Pakistan WAPDA Employees (Efficiency and Discipline) Rules 1978 and Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance 1968" as "Anticorruption Policy" of the Company. The proposed policies shall be prepared by the legal department of GEPCO, be legally vetted by the legal committee and appraised by the HR committee and finally shall be placed for approval before BOD during next financial year.	The same will be implemented during the next financial year as required in the Rules.
6.	5(5)(b)(ii)	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests and the procedure for disclosing such interest.	During the audit period no conflict of interest policy was designed and enforced.	A policy shall be designed and placed before the Board of Directors for final approval after vetting from legal department.
7.	5(5)(b)(vi)	The Board has developed and implemented a policy on anticorruption	Though WAPDA Employee efficiency and disciplinary rules are being followed.	A policy shall be designed and placed before the Board of Directors for final

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		to minimize actual or perceived corruption in the Company.	However, these do not specifically corruption risk and therefore sufficient to mitigate the same, Further these rules have not formally adopted by the Board of Directors.	approval after vetting from legal department.
7.	5(5)(c)(ii)	A Committee has been formed to investigating deviations from the company's code of conduct.	<p>The code of conduct has not approved by the Board yet, therefore the requisite committee is also not formed.</p> <p>WAPDA inquiry committee is conducting all investigations for non-compliances of terms and conditions of services.</p>	<p>The code of conduct shall be designed and placed before the Board of Directors for final approval after vetting from legal department.</p> <p>Subsequent to the approval of the code of conduct the existing WAPDA Inquiry committee will amend its TORs.</p>
8.	5(6)	<p>The board has developed a vision or mission statement, corporate strategy and significant policies of the company.</p> <p>A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.</p>	A mission statement of the Company is published on the web. However, the corporate strategies and other significant policies are under the process of development.	<p>The corporate strategy and significant policies shall be developed and placed before the Board of Directors for approval.</p> <p>Legal Department is setting up a library of all applicable rules and regulations.</p>

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9.	8	The board has carried out performance evaluation of its members, including the chairman and the Chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis.	The parameters for performance evaluation of members of the board have been designed and are under the process of approval.	Company Secretary has designed a system for 360 <sup>0</sup> evaluation of all the members of the Board. Performance evaluation shall be made for the new appointments to the board through Pakistan Institute of Corporate Governance (PICG).
10.	12	(a) The board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition.	The board has formed all requisite committees except the Risk Management committee.	The Risk Management committees will be formed and the TORs of the said committees will be approved by the Board in accordance with the Rules during the next financial year.

  
CHIEF EXECUTIVE OFFICER

*Muhammad Akram*

  
CHAIRMAN BOD

*Baber Iqbal*