# Sindh Transmission & Dispatch Company (Private) Limited

Financial Statements
For the year ended June 30, 2017

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
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# Auditors' Report to the Members

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

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

**Other Matter**

The financial statements for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated July 07, 2017 issued an un-qualified opinion.

Deloitte Yousuf Adil

**Chartered Accountants**

**Engagement Partner:**
Nadeem Yousuf Adil

**Dated:** 19 NOV 2018
**Place:** Karachi

SINDH TRANSMISSION & DISPATCH COMPANY (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ............... Rupees ............... | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Plant and equipment | 5 | 1,814,990,556 | 1,162,517,540 |
| **CURRENT ASSETS** | | | |
| Trade deposits and short-term prepayments | 6 | 2,959,566 | - |
| Advance income tax | | 7,280,060 | 2,048,981 |
| Cash and bank balances | 7 | 239,158,874 | 1,034,562,346 |
| | | 249,398,500 | 1,036,611,327 |
| **TOTAL ASSETS** | | 2,064,389,056 | 2,199,128,867 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 8 | 1,000,000 | 1,000,000 |
| Accumulated losses | | (43,144,192) | (17,713,363) |
| Advance against issue of shares | 9 | 608,000,000 | - |
| Discount on interest free loan | 10 | 230,002,821 | 230,002,821 |
| | | 795,858,629 | 213,289,458 |
| **NON CURRENT LIABILITIES** | | | |
| Long-term finance | 10 | 1,241,126,760 | 506,591,468 |
| **CURRENT LIABILITIES** | | | |
| Creditors and other payables | 11 | 21,674,430 | 1,479,147,386 |
| Provision for income tax | 15 | 5,729,237 | 100,555 |
| | | 27,403,667 | 1,479,247,941 |
| **CONTIGENCIES AND COMMITMENTS** | 12 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 2,064,389,056 | 2,199,128,867 |
| | | - | - |

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

CHIEF EXECUTIVE

CHAIRMAN/DIRECTOR

SINDH TRANSMISSION & DISPATCH COMPANY (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Administrative and maintenance expenses | 13 | **(34,305,058)** | (21,425,630 |
| Other income | 14 | **14,603,466** | 4,070,995 |
| Loss before taxation | | **(19,701,592)** | (17,354,635 |
| Taxation | 15 | **(5,729,237)** | (117,215 |
| Loss for the year | | **(25,430,829)** | (17,471,850 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | **(25,430,829)** | (17,471,850 |

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

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**CHIEF EXECUTIVE** **CHAIRMAN/DIRECTOR**

**SINDH TRANSMISSION & DISPATCH COMPANY (PRIVATE) LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2017**

| | Note | Share capital | Accumulated loss | Advance against issue of shares | Discount on interest free loan | Total |
|---|---|---|---|---|---|---|
| | | ........................................... Rupees | | | | ............................................ |
| **Balance at June 30, 2015** | | 1,000,000 | (241,513) | - | - | 758,487 |
| Loss for the year as previously reported | | - | (11,487,328) | - | - | (11,487,328) |
| **Balance at June 30, 2016 - previously reported** | | 1,000,000 | (11,728,841) | - | - | (10,728,841) |
| Effect of restatement as explained in note-4 | | - | (5,984,522) | - | 230,002,821 | 224,018,299 |
| **Balance at June 30, 2016- restated** | | 1,000,000 | (17,713,363) | | 230,002,821 | **213,289,458** |
| Advance against issue of shares | | | | 608,000,000 | | 608,000,000 |
| Loss for the year | | - | (25,430,829) | - | - | (25,430,829) |
| Other comprehensive income for the year | | - | - | - | - | - |
| **Total comprehensive income for the year** | | - | (25,430,829) | | - | (25,430,829) |
| **Balance at June 30, 2017** | | **1,000,000** | **(43,144,192)** | **608,000,000** | **230,002,821** | **795,858,629** |

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

CHIEF EXECUTIVE

CHAIRMAN/DIRECTOR

SINDH TRANSMISSION & DISPATCH COMPANY (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..........Rupees.......... | |
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | (19,701,592) | (17,354,635) |
| **Adjustments for** | | | |
| Depreciation | 5.1 | 1,329,959 | 1,145,506 |
| **Operating cash flows before working capital** | | (18,371,633) | (16,209,129) |
| **(Increase) / decrease in current assets** | | | |
| Trade deposits and short-term prepayments | | (2,959,566) | 166,602 |
| **(Decrease) / increase in current liability** | | | |
| Creditors and other payables | | (158,472,956) | 1,179,784,386 |
| **Cash (used in) / generated from operations** | | (179,804,155) | 1,163,741,859 |
| Income taxes paid | | (5,331,634) | (2,049,181) |
| Net cash (used in) / generated from operating activities | | (185,135,789) | 1,161,692,678 |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Project cost of equipment | | (610,267,683) | (1,157,068,757) |
| Net cash used in investing activities | | (610,267,683) | (1,157,068,757) |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Long-term finance obtained | | - | 730,000,000 |
| **Net cash generated from financing activities** | | - | 730,000,000 |
| **Net (decrease) / increase in cash and cash equivalent (A+B+C)** | | (795,403,472) | 734,623,921 |
| **Cash and cash equivalents at beginning of the year** | | 1,034,562,346 | 299,938,425 |
| **Cash and cash equivalents at end of the year** | 7 | 239,158,874 | 1,034,562,346 |

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

CHIEF EXECUTIVE

CHAIRMAN/DIRECTOR

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Sindh Transmission & Dispatch Company (Private) Limited (the Company) is a private limited company incorporated in Pakistan on January 07, 2015 under the Companies Ordinance, 1984 . The registered office of the Company is situated at State Life Insurance Building No.3, Dr.Ziauddin Ahmed Road, Karachi in the province of Sindh. The Company is wholly owned subsidiary of Sindh Energy Holding Company (Private) Limited (the Holding Company) and ultimately controlled by Government of Sindh (GoS) (i.e. the ultimate controlling party). The principal activity of the Company is to facilitate distribution companies (buyer) and generation projects (seller) by providing transmission wheeling services through its transmission infrastructure and network facilities. The Company has obtained special purpose transmission license from National Electric Power Regulatory Authority (NEPRA) and No Objection Certificate (NOC) from Environmental Protection Agency, Sindh for the execution of double circuit transmission line project of 99.244 km from Sindh Nooriabad Power Company (Pvt.) Limited (SNPC & SNPC-II) to K-Electric KDA-33 grid station, Karachi.

The NEPRA has granted the license for 30 years from December 17, 2015. The Company expects revenues from the project after the commercial operation date.

## 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 (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under 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 October 04, 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 Basis of measurement

These financial statements have been prepared under the historical cost convention except long-term finance and its current maturity.

### 2.3 Functional and presentation currency

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

### 2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes:

- useful lives of plant and equipment (note 3.1)
- impairment of financial and non-financial assets (note 3.6)
- taxation (note 3.9)
- borrowing cost (note 3.10)

## 2.5 Initial application of standards and amendments to existing standards

### a) Standards and amendments which became effective during the year

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.

| Standards / Amendments / Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| 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 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': Clarification on acceptable methods of depreciation and amortization. | July 01, 2016 |

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

### b) Standards and amendments 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.

| Standards / Amendments / Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | January 01, 2017 |
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | January 01, 2017 |
| 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 01, 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 Plant and equipment

#### Operating fixed assets

Plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in note 5. Depreciation on all additions is charged from the month on which the asset is available for use and continued till the month preceding the month of disposal.

The depreciation method and assets' useful lives are reviewed and adjusted, if appropriate, at each reporting date.

When parts of an item of plant and equipment have different useful lives, they are recognised as separate items of property and equipment.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets so replaced, if any, are derecognised.

Any gain and loss on disposal of assets are taken to the profit and loss account in the year asset is derecognized.

#### Capital work-in-progress

Capital work-in-progress mainly includes construction of transmission line and grid stations. Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditures including borrowing costs as referred in Note 3.11, connected to specific assets incurred during installation and construction period are carried under Capital Work In Progress (CWIP).

Projects of capital work-in-progress are transferred to operating fixed assets of the Company, when 100% progress is certified by third party consultants and verified by the Company's own engineers after commencement / energization of such assets.

### 3.2 Trade and other receivables

Trade and other receivables are stated initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost. A provision for impairment of trade and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Trade and other receivables are written off when considered irrecoverable.

3.3 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalents consists of cash in hand and balances with banks.

3.4 **Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.5 **Offsetting of financial assets and financial liabilities**

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

3.6 **Impairment of financial instruments**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

**Non-financial assets**

The Company assesses at each balance sheet date whether there is any indication that assets except inventories and deferred tax asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. Reversal of impairment loss is recognised as income.

3.7 **Provisions**

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of the past event and it is probable that an outflow of resources embodying 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 reporting date and adjusted to reflect the current best estimate.

3.8 **Trade and other payables**

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

## 3.9 Taxation

### Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

### Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

## 3.10 Borrowing cost

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. The relevant investment income is proportionated based on average bank balances and average funds of available borrowings.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

## 4. PRIOR PERIOD ADJUSTMENTS

During the year, management has rectified errors relating to prior periods. The management has restated the financial statements to rectify errors in accordance with the requirements of IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors' as mentioned below.

In the prior year, the entity had erroneously recorded interest free loan from ultimate controlling party i.e. Government of Sindh at cost where as IAS 39 - 'Financial Instruments: Recognition and Measurement' requires that loans and receivables be recorded at amortized cost using effective rate of interest (Note 10.1) . Furthermore, as per IAS 23- 'Borrowing Costs' the income earned on specific borrowing was not netted off with the borrowing costs incurred during the relevant period. These errors are rectified in the current year along with the retrospective adjustment in prior year.

| | Note | 2016<br>Rupees |
|---|---|---|
| **Profit and loss account** | | |
| Loss after tax as reported previously | | (11,487,328) |
| Effect of prior year restatement | | |
| Interest income earned on specific borrowing netted off in CWIP | 5.2 | (5,984,522) |
| Loss after tax - restated | | (17,471,850) |

| | Note | 2016<br>Rupees |
|---|---|---|
| **Balance sheet** | | |
| **Long-term finance** | | |
| Long-term finance as reported previously | | 730,000,000 |
| Effect of prior year restatement | | |
| Present value adjustment of loan from ultimate controlling parent | 10 | 230,002,821 |
| Unwinding of interest on loan from ultimate controlling parent | 10 | (6,594,289) |
| Long-term finances at year end - restated | | **953,408,532** |
| **Plant and equipment** | | |
| Plant and equipment as reported previously | | 1,161,907,773 |
| Effect of prior year restatement | | |
| Capitalization of borrowing cost | 5.2 | 6,594,289 |
| Interest income earned on specific borrowing netted off in CWIP | 5.2 | (5,984,522) |
| Plant and equipment at year end - restated | | **1,162,517,540** |
| **Statement of changes in equity** | | |
| *Accumulated loss as reported previously* | | (11,487,328) |
| Unwinding of interest on loan from ultimate controlling parent | | (6,594,289) |
| Capitalization of borrowing cost | 5.2 | 6,594,289 |
| Interest income earned on specific borrowing netted off in CWIP | 5.2 | (5,984,522) |
| Accumulated loss - restated | | **(17,471,850)** |
| *Discount on interest free loan as reported previously* | | - |
| Present value adjustment of loan from parent | 10 | (230,002,821) |
| Discount on interest free loan - restated | | **(230,002,821)** |

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..............Rupees............ | |

## 5. PLANT AND EQUIPMENT

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| Operating fixed assets | 5.1 | 7,615,835 | 8,828,994 |
| Capital work in progress | 5.2 | 1,807,374,721 | 1,153,688,546 |
| | | 1,814,990,556 | 1,162,517,540 |

### 5.1 Operating fixed assets

| Particulars | Cost at July 01, 2016 | Additions | Cost at June 30, 2017 | Accumulated depreciation at July 01, 2016 | Depreciation for the year | Accumulated depreciation at June 30, 2017 | Carrying value at June 30, 2017 | Rate |
|---|---|---|---|---|---|---|---|---|
| | ----- | ----- | -----Rupees----- | ----- | ----- | ----- | ----- | % |
| Office equipment | 374,000 | 116,800 | 490,800 | 65,450 | 101,668 | 167,118 | 323,682 | 30 |
| Vehicles | 9,600,500 | - | 9,600,500 | 1,080,056 | 1,228,291 | 2,308,347 | 7,292,153 | 15 |
| **June 30, 2017** | **9,974,500** | **116,800** | **10,091,300** | **1,145,506** | **1,329,959** | **2,475,465** | **7,615,835** | |

**For comparative period**

| Particulars | Cost at July 01, 2015 | Additions | Cost at June 30, 2016 | Accumulated depreciation at July 01, 2015 | Depreciation for the year | Accumulated depreciation at June 30, 2016 | Carrying value at June 30, 2016 | Rate |
|---|---|---|---|---|---|---|---|---|
| | ----- | ----- | -----Rupees----- | ----- | ----- | ----- | ----- | % |
| Office equipment | - | 374,000 | 374,000 | - | 65,450 | 65,450 | 308,550 | 30 |
| Vehicles | - | 9,600,500 | 9,600,500 | - | 1,080,056 | 1,080,056 | 8,520,444 | 15 |
| **June 30, 2016** | **-** | **9,974,500** | **9,974,500** | **-** | **1,145,506** | **1,145,506** | **8,828,994** | |

### 5.2 Capital work in progress

**Construction of 132 KV transmission line**

| | Note | 2,017 | 2016 Restated |
|---|---|---|---|
| | | ..............Rupees............ | |
| As at June 1 | | 1,153,688,546 | - |
| Addition during the year | | 626,436,693 | 1,153,078,779 |
| Borrowing cost capitalized during the year | | 43,535,292 | 6,594,289 |
| Less: interest income earned on specific borrowing | | (16,285,810) | (5,984,522) |
| Net borrowing cost capitalized during the year | | 27,249,482 | 609,767 |
| As at June 30 | 5.2.1 | 1,807,374,721 | 1,153,688,546 |

5.2.1 The Company had awarded Engineering, Procurement & Construction (EPC) Contract on June 12, 2015 for execution of transmission line to M/s. Technoman Kinetics (Private) Limited (the Contractor), by following the relevant Sindh Public Procurement Rules, 2010 (SPPRA Rules) amended from time to time. The contract was awarded based on the recommendation of 4th meeting of procurement committee dated April 10, 2015 which initially amounted Rs. 1,275 million (excluding Sindh Sales Tax) with further variation of 47% amounting Rs. 605 million (excluding Sindh Sales Tax) vide letter of contractor dated August 18, 2016.

The Company have incurred capital expenditure of Rs. 626 million during the year with further committed expenditure of Rs. 102.16 million (2016: Rs. 756.76 million) as disclosed in note 12. It includes construction, installation, stringing and other service charges in addition to transmission equipment. The company initiated cleaning and testing process of the transmission line on May 31, 2017 and for the purpose had incurred operating expenses as disclosed in Note 13.

## 6. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | .........Rupees......... | |
| Security deposits | | 1,095,479 | - |
| Bank guarantee | | 25,000 | - |
| Short-term prepayments | 6.1 | 1,839,087 | - |
| | | 2,959,566 | - |

6.1 It includes advance rent paid for new office and accommodation of operation staff.

## 7. CASH AND BANK BALANCES

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | .........Rupees......... | |
| Balances with banks | 7.1 | 239,158,815 | 1,034,526,589 |
| Cash in hand | | 59 | 35,757 |
| | | 239,158,874 | 1,034,562,346 |

7.1 These carry markup @ 3.75% to 4% (2016: 3.75% to 4%) per annum. The interest income amounting Rs.30.88 million (2016: Rs.6.59 million) is netted off with borrowing cost capitalized in capital work-in-progress .

## 8. SHARE CAPITAL

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| Number of ordinary shares | | | .........Rupees......... | |
| | | **Authorized capital** | | |
| 100,000 | 100,000 | Ordinary shares of Rs. 10 each | 1,000,000 | 1,000,000 |
| | | **Issued, subscribed and paid-up capital** | | |
| 100,000 | 100,000 | Ordinary shares of Rs. 10 each fully paid in cash | 1,000,000 | 1,000,000 |

8.1 100 % of shares of the Company are held by the Holding Company.

8.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. One share at par has been issued to each nominee director of the Company.

8.3 The Company has no reserved shares for issuance under options and sales contracts.

## 9. ADVANCE AGAINST ISSUE OF SHARES

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | .........Rupees......... | |
| Sindh Energy Holding Company (Private) Limited | 9.1 | 608,000,000 | - |

9.1 An amount of Rs. 1,300 million has been received by the Company from GoS in three different tranches vide letter No. P.E.D/SO (B&A) / 1-5/ 2015-16 (STDC) dated May 06, 2015 amounting Rs. 300 million, No. ED/SO (B&A) / 1-5/ 2015-16 (STDC) dated October 20, 2015 amounting Rs. 400 million and No. ED/SO (B&A) / 1-5/ 2015-16 (STDC) dated January 26, 2016 amounting Rs. 600 million. One million rupees out of the total amount had been classified as paid up share capital. The respective correspondences of GoS specified the amount given as grant-in-aid.

However , a clarification has been received bearing No. FD (FMH) 212(1)/ 2015-16 dated February 23, 2018 stated that the total grant in aid of Rs. 1,300 million and loan of Rs. 730 million is to be treated as 70% debt and 30% equity voiding the earlier correspondence received from the Finance Department bearing no. FD (FMH) 212(1) / 2015-16 dated March 27, 2017 stated that funds to be treated as equity on behalf of holding company. Accordingly, based on latest correspondence of GoS dated February 23, 2018, the Company classified an amount of Rs. 608 million as advance against issue of shares on behalf of Sindh Energy Holding Company (Pvt.) Limited.

| | 2017 | 2016 Restated |
|---|---|---|
| | ..........Rupees.......... | |
| **10. LONG-TERM FINANCE** | | |
| **From related parties - secured** | | |
| Term finance | 1,421,000,000 | 730,000,000 |
| Less: present value adjustment | 230,002,821 | 230,002,821 |
| | (50,129,581) | (6,594,289) |
| Unwinding of interest | (179,873,240) | (223,408,532) |
| **Less: Current portion shown under current liabilities** | - | - |
| | **1,241,126,760** | 506,591,468 |

**10.1** The Company has received an interest free loan of Rs. 730 million from Government of Sindh (the ultimate controlling party) to finance execution of 132 KV double circuit transmission line vide letter No. F.D (FMH) 212 (1) 2015-16 dated May 13, 2016. The loan is secured against hypothecation charge on assets and repayable in nine semiannual installments by December 2022. The fair value of loan is estimated at Rs. 499.9 million using prevailing market interest rate for an equivalent loan of 8.4% per annum. The difference of Rs. 230 million between the gross proceeds and fair value is the benefit derived from interest free loan and is recognised as equity. Interest expense of Rs. 43.5 million (2016: Rs.6.6 million) is recognised in the capital work in progress.

As explained in note-9.1, the debt portion of the loan from the holding company amounts to Rs. 691 million to finance construction of 132 KV double circuit transmission line. The loan is secured against hypothecation charge on assets. The loan carry an interest rate of 6 months KIBOR + 3% per annum which will be payable from the commercial date of operation with a grace period of one year in eighteen semi annual installments by December 2027, as mentioned in the loan agreement between the Company and its holding company dated April 25, 2018.

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..........Rupees.......... | |
| **11. CREDITORS AND OTHER PAYABLES** | | | |
| Creditors- capital expenditure | 11.1 | **21,135,330** | 179,992,986 |
| Accrued liabilities | | **539,100** | 154,400 |
| Other | 11.2 | - | 1,299,000,000 |
| | | **21,674,430** | **1,479,147,386** |

**11.1** It includes Rs. 17.16 million (2016:Rs. 179.99 million) payable to M/S Technoman Kinetics (Private) Limited.

**11.2** The Company has reclassified the amount based on the letter of Finance Department of Government of Sindh dated March 27, 2017 (refer note 9.1).

## 12. CONTINGENCIES AND COMMITMENTS

**12.1** There were no contingent liability or contingent asset as at year end. (2016: nil)

| | 2017 | 2016 Restated |
|---|---|---|
| | ..........Rupees.......... | |
| **12.2 Commitments** | | |
| Commitments for project expenditure | 177,230,659 | 803,667,352 |
| Outstanding bank guarantee | 25,000 | - |

## 13. ADMINISTRATIVE AND MAINTENANCE EXPENSES

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Staff salaries and benefits | 16 | 22,642,467 | 15,645,464 |
| Depreciation | 5.1 | 1,329,959 | 1,145,506 |
| Legal and professional | | 1,071,196 | 595,400 |
| Staff's training and development | | 566,000 | 48,000 |
| Fees and subscription | | 580,025 | 1,108,919 |
| Utilities | | 13,522 | 14,032 |
| Traveling and conveyance | | 1,309,232 | 1,253,007 |
| Entertainment | | 99,889 | 19,130 |
| Vehicles running and maintenance | | 259,484 | 1,059,699 |
| Printing and stationery | | 134,713 | 321,191 |
| Purchase of accounting software | | 145,050 | - |
| Auditors' remuneration | | 100,000 | 59,400 |
| Advertisement | | 540,861 | - |
| Vehicles' insurance | | 487,000 | - |
| Others | | 451,572 | 155,882 |
| Maintenance of transmission line | 13.1 | 4,574,088 | - |
| | | 34,305,058 | 21,425,630 |

### 13.1 Maintenance of transmission line

| | 2017 | 2016 Restated |
|---|---|---|
| Maintenance of towers, poles and fixtures | 192,920 | - |
| Manpower supply services | 1,485,950 | - |
| Vehicles supplies and maintenance | 2,813,609 | - |
| Accommodation of maintenance staff | 81,609 | - |
| | 4,574,088 | - |

## 14. OTHER INCOME

| | Note | 2017 | 2016 Restated |
|---|---|---|---|
| **Income from financial assets** | | | |
| Profit on savings accounts | | 30,883,276 | 9,920,517 |
| Less: interest income netted to borrowing cost | 5.2 | (16,285,810) | (5,984,522) |
| | | 14,597,466 | 3,935,995 |
| **Income from non-financial assets** | | | |
| Bidding fees | | 6,000 | 135,000 |
| | | 14,603,466 | 4,070,995 |

| 15. TAXATION | Note | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Current | | | |
| - for the year | | 4,527,074 | 100,555 |
| - for prior year | | 1,202,163 | 16,660 |
| | | 5,729,237 | 117,215 |

## 16. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration and benefits to the Chief Executive and other Executives are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Chief Executive | Executives | Chief Executive | Executives |
| | .............................. Rupees .............................. | | | |
| Remuneration | 10,200,000 | 9,884,586 | 10,200,000 | 7,200,000 |
| Reimbursement of medical expenses | - | - | 155,019 | - |
| | 10,200,000 | 9,884,586 | 10,355,019 | 7,200,000 |
| No. of person | 1 | 5 | 1 | 2 |

16.1 An amount of Rs.0.12 million (2016: Rs 0.415 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

| 17. NUMBER OF EMPLOYEES | 2017 | 2016 |
|---|---|---|
| Average number of employees during the year | 5 | 3 |
| Number of employees as at June 30 | 10 | 3 |

## 18. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise parent company and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 16. Other significant transactions with related parties are as follows:

| Name & relationship with the Company | Nature of transactions | 2017 | 2016 Restated |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Sindh Energy Holding Company (Private) Limited - Holding Company | Advance against equity shares | - | 1,299,000,000 |

## 19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 19.1 Financial instrument by category

| | 2017 | 2016 Restated |
|---|---|---|
| | ..........Rupees.......... | |
| **Financial assets as per balance sheet** | | |
| **Financial assets measured at amortized cost** | | |
| - Trade deposits | **1,120,479** | - |
| - Cash and bank balances | **239,158,874** | 1,034,562,346 |
| | **240,279,353** | 1,034,562,346 |
| **Financial liabilities as per balance sheet** | | |
| **Financial liabilities measured at amortized cost** | | |
| - Long-term finance | **1,241,126,760** | 506,591,468 |
| - Creditors and other payables | **21,674,430** | 1,479,147,386 |
| | **1,262,801,190** | 1,985,738,854 |

### 19.2 Financial risk management objectives and policies

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

#### 19.2.1 Financial risk factors

**Introduction and overview**

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

- market risk
- credit risk
- liquidity risk

This note presents information about the nature and extent of risk to which the Company is exposed, in particular those arising from financial instruments and the risk management framework of the Company.

#### 19.2.2 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

### (a) Foreign currency risk management

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivable and payables exist due to transactions in foreign currency. As at the balance sheet date, the Company is not exposed to the risk.

### (b) Price risk management

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 currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2017, the Company is not exposed to price risk.

### (c) Interest rates consideration

Interest rate risk is the exposure of the Company's financial conditions to adverse movements in the interest rates including credit spreads. The Company's interest rate risk arises from savings accounts with banks, these are benchmarked to variable rates which exposes the Company to cash flow interest risk only. Total financial assets of Rs. 239,158,874 (2016: Rs.1,034,562,346 ) are subject to interest risk.

## 19.2.3 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party to the financial instrument fails to perform as contracted. The Company is not exposed to credit risk and concentration of credit risk.

## 19.2.4 Liquidity risk

Liquidity risk reflects the Company's inability to raising funds to meet commitments. The Company manages liquidity risk by maintaining adequate cash reserves.

### Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

| | Interest rate | Less than 1 month | 1 - 3 months | 3 months - 1 year | | 1 - 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| 2017 | | ........................ | ........................ | Rupees | ........................ | ........................ | ........................ | ........................ |
| Long-term financing | 0% - Kibor +3% | - | - | | | 1,241,126,760 | - | 1,241,126,760 |
| Creditors and other payables | - | - | 21,674,430 | - | | - | - | 21,674,430 |
| | | - | **21,674,430** | - | - | **1,241,126,760** | - | **1,262,801,190** |

| | Interest rate | Less than 1 month | 1 - 3 months | 3 months - 1 year | | 1 - 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| 2016 | | ............................................ Rupees | ............ | ............ | ............ | ............ | ............ | ............ |
| Long-term financing | 0% | - | - | - | | 730,000,000 | | 730,000,000 |
| Trade and other payables | | - | 1,479,147,386 | - | - | - | - | 1,479,147,386 |
| | | - | 1,479,147,386 | - | - | 730,000,000 | - | 2,209,147,386 |

## 20. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Fair value is the price 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.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

(b) Fair value estimation

The Company discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **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).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2017 and June 30, 2016, the Company does not have any financial assets and liabilities which can be classified under above levels. The carrying values of all financial assets and liabilities approximates their respective fair values.

## 21. CAPITAL RISK MANAGEMENT

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and bank balances. Adjusted capital comprises of net debts and all components of equity (i.e. share capital and unappropriated profit).

22. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison, significant reclassifications are as follows:

| From | To | Nature of transactions | 2016 Rupees |
|---|---|---|---|
| *Prepaid and advances* | Advance income tax | Advance income tax paid | 2,048,981 |
| ISO certification fee<br>SECP challan fee | Fees and subscription | Certification & filing fees | 332,575 |
| Security guard expense<br>Medical expense<br>Honorarium expense | Staff salaries and benefits | Salaries, benefits & other remune | 976,019 |
| Vehicles expenses | Vehicles running and maintenance | Cost of running and maintenance of vehicles | 796,864 |
| Bank charges<br>Company logo expense<br>Janitorial expense | Others | Sundry expenses | 77,754 |

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 06 SEP 2018

24. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFIC

DIRECTOR / CHAIRMAN