YOUSUF ADIL

Yousuf Adil
Chartered Accountants

Sindh Transmission and Dispatch Company (Private) Limited

Financial Statements
For the year ended June 30, 2019

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders, your directors take immense pleasure in presenting their 2^{nd} director's report together with the audited financial statements of Sindh Transmission & Dispatch Company (Private) Limited for the year ended on 30th June 2019 duly Audited by M/s Yousuf Adil (Chartered Accountants).

Economic Overview of Pakistan

Pakistan's economic performance in 2019 was stressed due to multiple corrective measures taken by Federal Government, which ultimately resulted in economic slowdown.

GDP fell to 3.3% from 5.5% of 2018, Financial Institutions made adjustments in the policy and exchange rate to contain demand while easing pressure on balance of payments.

There has been an improvement on external fronts resulting in 4.6% appreciation of Rupee against U.S Dollar. Pakistan witnessed increase in foreign exchange reserves along with significant decline in current account deficit.

Following the successful review of IMF, Pakistan credit rating outlook was upgraded to stable by Moody's. The stock market also rebounded by touching 40,735 points from its lowest level of 28,765. These positive developments indicate that Pakistan's economy is poised to make a rebound in the medium term.

Company Overview

Sindh Transmission & Dispatch Company (Pvt.) Limited (STDC) was incorporated on 7^{th} January 2015 with a scope of provision of catering the need of extra high voltage electric power infrastructure. STDC is a subsidiary of Sindh Energy Holding Company (Pvt.) Limited owned by Government of Sindh. The company has successfully executed and taken over all rights, obligations, assets properties and liabilities of its first ever provincial 132KV Double Circuit Transmission Line Project of 95.47 km for evacuation of 100 MW electric power from Sindh Nooriabad Power Company (Pvt.) Limited (first ever PPP mode Power Plant in Pakistan, a joint venture of Government of Sindh with a private company having 49% equity of GoS and 51% equity of Private Company) to K-Electric KDA-33 Grid Station, Karachi.

Sindh Transmission & Dispatch Company (Pvt.) Limited,
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Financial Performance

The management of STDC has given its business segment reporting presentation relating to its operating activities in notes to the accounts of the financial statements which are produced hereunder:

Profit and loss Account (PKR)

	2019	2018
SERVICE INCOME	**416,673,818**	**179,043,958**
COST OF SERVICE	(152,895,634)	(103,405,928)
GROSS PROFIT	**263,778,184**	**75,638,030**
ADMINISTRATIVE EXPENSES	(39,331,177)	(29,278,365)
OTHER OPERATING EXPENSES	(10,088,136)	---
OTHER INCOME	18,510,313	771,786
FINANCIAL CHARGES	(99,629,772)	(44,254,113)
PROFIT BEFORE TAXATION	**133,239,412**	**2,877,338**
TAXATION	(100,677,997)	(2,238,049)
PROFIT / (LOSS) FOR THE YEAR	**32,561,415**	**639,289**

During the year under review, the company earned total revenue of Rs. 416 million in 2019 (2018: Rs 179 million). The fixed capacity wheeling charges are based on tariff determination by National Electric Power Regulatory Authority (NEPRA).

Normal operating expenses / Cost of service of STDC for the year FY2019 was Rs. 152 million against operating expense of Rs. 103 million in the previous year. Gross Profit of STDC for the FY2019 was Rs. 263 million compared to Rs. 75 million in FY2018. Administrative expenses for FY2019 stood at Rs. 39 million against Rs. 29 million in FY2018. Financial charges stood at Rs. 99 million for FY2019 against 44 million charges of previous year, arising out of the Fair Market Value calculations of the interest free loan.

STDC had a Net Profit of Rs. 32 million in FY2019 compared to a profit of Rs. 0.64 million in the previous year due to deferred tax asset/liability calculations.

Operating fixed assets of the company amounting to Rs. 2.3 million were added to property, plant and equipment during FY2019.

The Financial performance of STDC is summarized into ratio analysis, which is as follows:

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	UOM	2019	2018
PROFITABILITY RATIOS			
GROSS PROFIT TO SALES	%	63%	42%
NET PROFIT / PROFIT BEFORE TAX TO SALES		32%	1.6%
NET PROFIT / PROFIT AFTER TAX TO SALES		7.8%	0.34%
OPERATING EXPENSES TO SALES RATIO		12%	16%
RETURN ON EQUITY BEFORE TAX		**20%**	**0.5%**
RETURN ON EQUITY BEFORE TAX		**5%**	**0.1%**
LIQUIDITY RATIOS			
CURRENT RATIO	TIMES	0.99	0.84
QUICK RATIO / ACID TEST RATIO		0.98	0.84
FINANCING RATIOS			
DEBT/EQUITY RATIO	%	111%	138%
GEARING RATIO		130%	183%

Return on Equity is lower than the benchmark 15% mainly due to the following reasons:

- Tariff awarded by NEPRA is based on a cost of Rs. 1.7 billion whereas STDC has capitalized Transmission Line amounting to Rs. 1.955 billion. STDC has also filed a Writ Petition with Islamabad High Court for the same.

- Deferred Tax assets/liabilities on taxable temporary differences arising in respect of accelerated tax depreciation allowance.

The policies of STDC regarding dividend and other management affairs are yet to be approved by board/shareholders.

STDC is 100% owned by Sindh Energy Holding Company (Pvt.) Limited (a Government of Sindh owned company).

STDC Development projects 2018-19

The management of STDC takes high prestige for its excellent team work regarding timely completion (as per industry practice) of its 1st double circuit transmission line project from SNPC Power Generation Complex (SNPC-I and SNPC-II) to K-Electric Karachi, in the year FY2018.

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The details of the project are as under:

Project Description	Length (km)	Cost (Billion PKR)	Commercial Operations Date	Remarks
132 KV Double Circuit Transmission Line Project	95.47	1.955	18th January, 2018	In Operations & Maintenance phase

STDC Future Projects

STDC has recently acquired Provincial Grid Company (PGC) License from National Electric Power Regulatory Authority (NEPRA) for a period of 30 years to engage in extra high voltage electric power transmission business for its different future projects to be executed in the province of Sindh within the territorial limits in accordance with the terms of the license.

Under this license, the management of STDC is in process of initiating new projects on a fast pace.

Currently, as mandated by Public Private Partnership Policy Board of Government of Sindh, STDC is working on the Grid Station and Transmission Line component for the KW&SB K-IV Project which is in negotiations stage with the stakeholders.

Auditor's Qualification

The company has capitalized the transmission line amounting to Rs. 1.955 billion during the year ended June 30, 2018. The tariff approved by NEPRA is based on a cost of Rs. 1.7 billion due to which there is an indication that the asset value in use might be lower than its carrying amount. However the company has not evaluated the value in use of the said assets by discounting the future cash flows, due to which auditors were unable to determine the carrying value of these assets.

Management's Response on the Qualification:

After availing all the legal options, the STDC has filed writ petition in Islamabad High court having W.P. No. 246/2019 in February 2019 regarding the grievances on various matters of tariff as the company encountered cost escalations and the non-existence of Appellate Tribunal which is the forum on which company can appeal regarding determination of tariff under the NEPRA Act. The matter is in sub judice and yet to be determined by court.

The company has also recently acquired Provincial Grid Company (PGC) License from NEPRA to engage in transmission business for its different projects to be executed in the province of Sindh as per the territorial limits in accordance with terms of the license. Further, the company is desiring avenues of new projects which will enhance the future outlook of the company.

Significant events during the year

1. BOD Meetings

In total four (04) meetings of board of directors were held during the year FY 2018-19, details of which are mentioned below:

BOD Meeting	Date
10th	12th July 2018
11th	06th September 2018
12th	21st December 2018
13th	20th June 2019

The attendance details of each director are as under:

Name	Capacity	No. of Meetings attended
Mr. Khizer Pervaiz	Chairman / Independent Director	04
Mr. Abu Bakar Ahmed Madani	Director	04
Mr. Mehfooz Ahmed Qazi	Director	03
Ms. Rahaila Aleem	Independent Director	04
Mr. Syed Muhammad Ishaq Shah*	Independent Director	02
Mr. Rehan Hamid	Chief Executive Officer	04

*Resigned from BoD effective from 25th March, 2019

2. Increase in Capital

STDC requested Secretary Energy GoS for Rs. 100 Mln Seed Money/Grant-in-aid as approved in 12th PPP Policy Board meeting held on September 12, 2014 which was never disbursed. Summary was moved by Energy Department dated January 30, 2018 requesting disbursal of Rs. 100 Mln Seed Money/Grant-in-aid.

Following was recommended by Finance Department for the summary as per para-8 which was approved by the Honorable Chief Minister Sindh:

"Since there is no budgetary allocation for this amount of Rs. 100 million, it is thus proposed that the amount of Rs. 50 million may please be released outside of budget' to the SEHCL during current fiscal year 2018 and remaining Rs. 50 m be allocated in the budget of 2018-19 for onward release to the STDC."

Hence, the first tranche of Rs. 50 mln were received by STDC during the year through SEHCL's dated March 04, 2019.

Executive Remuneration

Please refer note-23 of Financial Statements.

Corporate social Responsibility

As per SECP's Corporate Social Responsibility Voluntary Guidelines 2013, the company established an in-house CSR Guidelines to be implemented in due course of time. Awareness trainings to the employees are provided from time to time.

Pattern of Shareholding

The pattern of Shareholding as of 30th June 2019 of the company is as under:-

S.No.	Name	Capacity	Number of Shares
1.	Sindh Energy Holding Company (Pvt.) Limited	Parent Company	65,899,995
2.	Mr. Khizar Pervaiz	Chairman/ Independent Director	1
3.	Mr. Abu Bakar Ahmed Madani	Director	1
4.	Mr. Mehfooz Ahmed Qazi	Director	1
5.	Ms. Rahaila Aleem	Independent Director	1
6.	Mr. Rehan Hamid	Deemed Director (CEO)	1
	TOTAL SHARES		**65,900,000**

Auditors

The present auditors, M/s Yousuf Adil (Chartered Accountants), being eligible, has provided letter of consent for re-appointment as auditors for the year ending 30th June 2020. The appointment of the auditors for the year ending 2020 is under consideration by the board of directors on the suggestion of Audit Committee.

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Acknowledgement

As per Clause 17 of Public Sector Companies (Corporate Governance) rules, 2013, as amended from time to time, it is acknowledged as under:-

A. The board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with, and reasons for such non-compliance as under:-

Sr.#	Rule	Provision of Rules	Future Course of Action to make it compliant
1	3A(2)	A casual vacancy occurring on the Board was filled up by the Directors	Compliance with the requirement to fill the casual vacancy, as and when they arises, in accordance with the requirement of the Companies Act 2017 will be ensured in the future.
2	5(4)(c)	The board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices	Management of the Company is in the process of preparing grievances policy which will be devised in due course of time.
3	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	The Company has been making all efforts to ensure compliance with the same in future years.
4	5-7	The board has developed 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	Compliance will be ensured in the future years.
5	6-1	The board has met atleast four times during the year	Compliance will be ensured in the future years.
	6-2	In case of non-compliance, the reason of non-compliance shall be reported to the commission within 14 days of the end of the quarter in which the meeting should have been held	Compliance will be ensured in the future years.
6	9	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of	Management will ensure compliance and conduct as much audit committee meetings so that all the

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		transactions entered into with the related parties during the year has been maintained.	related party transaction can be presented before them.
7	10	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end	The company has initiated efforts to ensure compliance in future years.
8	11	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	The Company is making all efforts to ensure remaining BOD member get the certification in order to be in compliance with the rule.
9	20	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the committee and the board	General Manager finance endorses the financials till the appointment of CFO.
10	22	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee	The Company has been making efforts to establish the Internal Audit Function in due course of time.
11	24	The Company has published and circulated a statement along with its annual report to disclose status of its compliance with PSC rules 2013.	Compliance with the requirement of publication of statement along with the annual report will be ensured.

B. The Financial statements prepared by the management of the STDC, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

C. Proper books of account of the STDC have been maintained;

D. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

E. The board recognized their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored; and

F. The appointment of chairman and other members of the board and the terms of their appointment along with the remuneration policy are in the best interests of STDC as well as in line with the best practices

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The Board of directors is pleased to place on record its appreciation to the workers, staff, officers and management of the company who have performed with dedication and perseverance for the betterment of the company.

The Board is also thankful to the shareholders for their cooperation and the confidence they reposed in the management.

For and on behalf of board of directors

Chairman STDC **Chief Executive STDC**

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REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Sindh Transmission and Dispatch Company (Private) Limited (the Company) for the year ended June 30, 2019.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Rules as applicable to the Company for the year ended June 30, 2019.

Yousuf Adil

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Place: Karachi
Date: March 17, 2021

Statement of Compliance with the

Public Sector Companies (Corporate Governance) Rules, 2013

Name of company	Sindh Transmission and Dispatch Company
Name of the line ministry	Energy Department, Government of Sindh
For the year ended	June 30, 2019

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a 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:

S No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓	
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes:	3(2)	✓	

Category	Names	Date of appointment
Independent Directors	Mr. Khizar Pervaiz (Chairman of Board)	22-05-2018
	Mr. Rahaila Aleem	22-05-2018
	Mr. Syed Muhammad Ishaq Shah	16-01-2017* *Resigned on March 25, 2019
Executive Directors	Mr. Rehan Hamid (Chief Executive Officer)	16-01-2017
Non-Executive Directors	Mr. Abu Bakar Ahmed Madani	16-01-2017
	Mr. Mehfooz Ahmed Qazi	16-01-2017

S No.	Provision of the Rules	Rule No.	Y	N
	A casual vacancy occurring on the Board was filled up by the Directors	3A(2)		✓
3.	The directors have confirmed that none of them is serving	3(5)	✓	

S No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
	as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.			
4.	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 Act.	3(6)	N/A	
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓	
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓	
7.	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. (Not applicable where the chief executive has been nominated by the Government)	5(2)	N/A	
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓	
	(b) The Board 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.		✓	
	(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.			✓
9.	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)		✓
10.	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)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓	
12.	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)	✓	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public	5(5)(c)	✓	

S No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
	procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	(iii)		
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed 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(7)		✓
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 has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	N/A	
18.	(a) The Board has met at least four times, each quarter, during the year.	6(1)		✓
	In case of non-compliance, the reason of non-compliance shall be reported to the commission within 14 days of the end of the quarter in which the meeting should have been held	6(2) 6(3)	✓	✓
	(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.		✓	
	(d) The minutes of meetings shall be circulated after approval of the chairman, to directors and officers entitled to attend Board meetings, not later than fourteen days of the approval.			
19.	The Board has monitored and assessed the performance of senior management on annual and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9		✓
21.	(a) The Board has approved the statement of profit and loss for, and statement of financial position as at the end of, the first, second and third quarter of the year as well as the financial year end.	10		✓
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		N/A	

<table>
<tr><td></td><td>(c) The Board has placed the annual financial statements on the company's website.</td><td></td><td>✓</td><td></td></tr>
<tr><td>22.</td><td>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.</td><td>11</td><td></td><td>✓</td></tr>
<tr><td>23.</td><td>(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.

(c) The minutes of the meetings of the committees were circulated to all the Board members.

(d) The committees were chaired by the following non-executive directors:

<table>
<tr><th>Committee</th><th>Number of members</th><th>Name of Chairman</th></tr>
<tr><td>Audit Committee</td><td>2</td><td>Ms. Rahaila Aleem</td></tr>
<tr><td>Human Resources Committee</td><td>2</td><td>Mr.Khizar Pervaiz</td></tr>
</table></td><td>12</td><td>✓

✓

✓

✓

The procurement committee is formed as per need and case to case basis.</td><td></td></tr>
<tr><td>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td colspan="2">N/A</td></tr>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td colspan="2">N/A</td></tr>
<tr><td>26.</td><td>The Chief Financial Officer and the Company Secretary have attended all meetings of the Board.</td><td>15</td><td colspan="2">N/A</td></tr>
<tr><td>27.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td></tr>
<tr><td>28.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td></tr>
<tr><td>29.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>✓</td><td></td></tr>
<tr><td>30.</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.

(b) The annual report of the company contains criteria and details of remuneration of each director.</td><td>19</td><td colspan="2">N/A

N/A</td></tr>
<tr><td>31.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.</td><td>20</td><td></td><td>✓</td></tr>
</table>

<table>
<tr><td>32.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Ms. Rahaila Aleem</td><td>Chairman</td><td>Chartered Accountant</td></tr>
<tr><td>Mr. Abu Bakar Ahmed Madani</td><td>Non-executive director</td><td>Engineer</td></tr>
<tr><td>Mr. Sajjad Ahmed Junejo</td><td>Secretary</td><td>Business Management</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (1) and 21(2)</td><td>✓
✓</td><td></td></tr>
<tr><td rowspan="3">33.</td><td>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</td><td rowspan="3">21(3)</td><td colspan="2">N/A</td></tr>
<tr><td>(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</td><td>✓</td><td></td></tr>
<tr><td>(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</td><td colspan="2">N/A</td></tr>
<tr><td>34.</td><td>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.
(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.
(b) The internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td></td><td>✓
✓
✓</td></tr>
<tr><td>35.</td><td>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.</td><td>23(4)</td><td>✓</td><td></td></tr>
<tr><td>36.</td><td>The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.</td><td>23(5)</td><td>✓</td><td></td></tr>
<tr><td>37.</td><td>The Company has published and circulated a statement along with its annual report to disclose status of its compliance with PSC rules 2013.</td><td>24</td><td></td><td>✓</td></tr>
</table>

CHIEF EXECUTIVE OFFICER

CHAIRMAN

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]:

Sr. No.	Rule / Sub Rule No.	Reasons for non-compliance	Future course of action
	3A(2)	Casual vacancy of the director was not filled due to compliance with the minimum number of independent directors on the Board.	Compliance with the requirement to fill the casual vacancy, as and when they arises, in accordance with the requirement of the Companies Act 2017 will be ensured in the future.
1	5(4)c	The Company is being developed and trying to formulate required policies along with others therefore an adequate systems and controls for the identification and redressal of grievances arising from unethical practices is not yet in place.	Management of the Company is in the process of preparing grievances policy which will be devised in due course of time.
2	5(5)	The Company is being developed therefore a system of sound internal control has not been established 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.	The Company has been making all efforts to ensure compliance with the same in future years.
3	5(7)	On the way to formulation of policies along with others, as required by the Rules, we were unable to prepare all the policies however few policies have been formulated subsequent to the year end.	Compliance will be ensured in the future years.
	6(1)	The Company tried to comply with the requirement but due to certain circumstances the Board was not able to meet in a single quarter only.	Compliance will be ensured in the future years.

Sr. No.	Rule / Sub Rule No.	Reasons for non-compliance	Future course of action
	6(2)	The Management, erroneously, not reported the non-compliance to the commission within the prescribed time.	Compliance will be ensured in the future years.
4	9	Only one audit committee meeting held during the year therefore all the related party transactions was not approved by the Board nor presented before the audit committee.	Management will ensure compliance and conduct as much audit committee meetings so that all the related party transaction can be presented before them.
5	10	The company does not prepare monthly and quarterly accounts due to shortage of staff.	The company has initiated efforts to ensure compliance in future years.
6	11	No orientation session was conducted during the year.	The Company is making all efforts to ensure remaining BOD member get the certification in order to be in compliance with the rule.
8	20	Chief Financial Officer is not employed in the Company due to which endorsement of financials is not made by him.	General Manager Finance endorses the financials till the appointment of CFO.
9	22	Since the Company is being developed, the Board has not yet setup Internal Audit Function nor has appointed any head of internal audit function.	The Company has been making efforts to establish the Internal Audit Function in due course of time.
	24	The statement was not published along with the annual report as the Company has published responses to the non-compliance reported in the statement of compliance for the year ended June 30, 2018 and considered it sufficient.	Compliance with the requirement of publication of statement along with the annual report will be ensured.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Sindh Transmission and Dispatch Company (Private) Limited

Report on the Audit of the Financial Statements

Qualified Opinion

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

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

Basis for Qualified Opinion

As disclosed in note 5.1, the Company has capitalized the transmission line amounting to Rs. 1.955 billion during the year ended June 30, 2018. The tariff approved by National Electric Power Regulatory Authority (NEPRA) is based on a cost of Rs. 1.7 billion due to which there is an indication that the assets value in use might be lower than its carrying amount. However, the Company has not evaluated the value in use of the said assets by discounting the future cash flows as the Company has filed a writ petition regarding the revision in the approved tariff. Consequently, we were unable to determine the carrying value of these assets.

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

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

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of financial statements of the Company, we have been advised by management that there is no other information that is attached by them along with the financial statements and our auditor's report thereon, therefore we have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Except for the matter described in the basis for qualified opinion section of the report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) Except for the matter described in the basis for qualified opinion section of the report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

Yousuf Adil

Chartered Accountants

Place: Karachi
Date: March 17, 2021

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		------------- (Rupees)	-------------
ASSETS			
NON CURRENT ASSET			
Plant and equipment	4	1,850,695,958	1,928,839,185
Long term deposit		1,095,000	1,095,000
		1,851,790,958	1,929,934,185
CURRENT ASSETS			
Stores, spares and loose tools		6,153,085	-
Trade deposits and prepayments	5	5,143,751	3,249,181
Trade debts	6	72,707,614	179,043,958
Short term investments	7	100,000,000	-
Accrued markup		12,368,587	535
Advance income tax		8,864,571	8,132,206
Cash and bank balances	8	205,074,130	32,935,381
		410,311,738	223,361,261
TOTAL ASSETS		2,262,102,696	2,153,295,446
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	609,000,000	609,000,000
Accumulated loss		39,358,834	(27,092,218)
Advance against issue of shares	10	50,000,000	-
Interest free element of loan		177,654,499	211,544,136
		876,013,333	793,451,918
NON CURRENT LIABILITIES			
Long-term finance	11	919,001,430	1,094,679,840
Deferred tax	12	55,258,624	-
CURRENT LIABILITIES			
Current portion of long term finance	11	360,665,813	218,753,959
Creditors, accrued and other payables	13	39,617,665	38,442,443
Provision for income tax		11,545,831	7,967,286
		411,829,309	265,163,688
Contigencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		2,262,102,696	2,153,295,446

The annexed notes from 1 to 31 form an integral part of these financial statements.

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CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		..........Rupees..........	
Service income	15	**416,673,818**	179,043,958
Cost of service	16	**(152,895,634)**	(103,405,928)
Gross profit		**263,778,184**	75,638,030
Administrative expenses	17	**(39,331,177)**	(29,278,365)
Other operating expenses	18	**(10,088,136)**	-
Other income	19	**18,510,313**	771,786
Financial charges	20	**(99,629,772)**	(44,254,113)
Profit before taxation		**133,239,412**	2,877,338
Taxation	21	**(100,677,997)**	(2,238,049)
Profit / (loss) for the year		**32,561,415**	639,289
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**32,561,415**	639,289

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---- (Rupees) ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		133,239,412	2,877,338
Adjustments for			
Financial charges		99,629,772	44,254,113
Depreciation	4	80,458,466	40,856,518
Interest income		(18,510,313)	771,786
Operating cash flows before working capital		294,817,337	88,759,755
(Increase) / decrease in current assets			
Stores, spares and loose tools		(6,153,085)	-
Trade deposits and prepayments		(1,894,570)	(1,385,150)
Trade debts		106,336,344	(179,043,958)
Increase / (decrease) in current liability			
Creditors, accrued and other payables		1,152,736	16,768,013
Cash generated from / (used in) operations		394,258,762	(74,901,340)
Taxes paid		(42,573,193)	(852,146)
Financial charges paid		(99,629,773)	-
Net cash generated from / (used) in operating activities		252,055,796	(75,753,486)
CASH FLOWS FROM INVESTING ACTIVITIES			
Project cost of equipment		-	(119,584,627)
Additions to plant and equipments		(2,315,238)	(7,067,594)
Interest income received		6,142,261	(771,786)
Net cash generated from / (used) in investing activities		3,827,023	(127,424,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of shares		50,000,000	-
Share issue cost		-	(3,046,000)
Repayment of long term finance	11	(33,744,070)	-
Net cash generated from / (used) in financing activities		16,255,930	(3,046,000)
Net increase / (decrease) in cash and cash equivalent		272,138,749	(206,223,493)
Cash and cash equivalent at the beginning of the year		32,935,381	239,158,874
Cash and cash equivalent at the end of the year		305,074,130	32,935,381
Cash and cash equivalent at the end of the year			
- Cash and bank balance	8	205,074,130	32,935,381
- Short term investment	7	100,000,000	-
		305,074,130	32,935,381

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Share capital	Accumulated loss	Advance against issue of shares	Interest free element of loan (12.2.1)	Total
	(Rupees)				
Balance at July 01, 2017	1,000,000	(43,144,192)	608,000,000	230,002,821	795,858,629
Transactions with owners					
Issue of 60,800,000 shares of Rs. 10 each	608,000,000	-	(608,000,000)	-	-
Share issue cost	-	(3,046,000)	-	-	(3,046,000)
Amostisation of interest free element of loan	-	18,458,685	-	(18,458,685)	-
Profit for the year	-	639,289	-	-	639,289
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	639,289	-	-	639,289
Balance at June 30, 2018	609,000,000	(27,092,218)	-	211,544,136	793,451,918
Transactions with owners					
Advance against issue of shares	-	-	**50,000,000**	-	50,000,000
Amostisation of interest free element of loan	-	**33,889,637**	-	**(33,889,637)**	-
Profit for the year	-	**32,561,415**	-	-	**32,561,415**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	**32,561,415**	-	-	**32,561,415**
Balance at June 30, 2019	**609,000,000**	**39,358,834**	**50,000,000**	**177,654,499**	**876,013,333**

The annexed notes from 1 to 31 form an integral part of these financial statements.

YA

CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR

1. LEGAL STATUS AND NATURE OF BUSINESS

Sindh Transmission and Dispatch Company (Private) Limited (the Company) is a private limited company incorporated in Pakistan on January 07, 2015 under the repealed Companies Ordinance, 1984 now Companies Act, 2017. 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 procure electric power from electricity generation projects and transmission of it to distribution companies through its transmission infrastructure and network facilities. The Company has obtained special purpose transmission license from National Electric Power Regulatory Authority (NEPRA) and Electrical Contractor license from Government of Sindh for the construction of double circuit transmission line project of 95km from Nooriabad Power Project to K-Electric grid station.

The NEPRA has granted the transmission license for a period of 30 years from December 17, 2015. The Company has physically completed its transmission line by June 24, 2017 and revenue from the project is generated after the commercial operation date i.e. January 18, 2018.

The NEPRA determined tariff, to be charged by the Company for the provision of tramission service, for a period of 25 years from the commercial operation date.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

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 accounting and reporting 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 5)
- impairment of financial and non-financial assets (note 2.5.1)
- taxation (note 3.6)

2.5 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. 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 except for IFRS-09 and IFRS-15.

	Effective from accounting period beginning on or after:
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
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

2.5.1 Impact of initial application of IFRS 9 'Financial Instruments'

The Company has applied IFRS 9 'Financial Instruments' (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for the annual period that begins on or after July 1, 2018.

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below:

The Company has applied IFRS 9 in accordance with the transitional provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the entity has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income and expenditure as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to reserves.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Management has reviewed and assessed the Company's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has no material impact on the Company's financial assets and financial liabilities except for their classifications.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at July 01, 2018:

	Original classification under IAS 39	**New Classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			--------------- (Rupess)	---------------
Financial assets				
Trade deposits and prepayments	LR	AC	1,120,535	1,120,535
Trade debts	LR	AC	179,043,958	179,043,958
Cash and bank balances	LR	AC	32,935,381	32,935,381
Accrued Mark-up	LR	AC	535	535
Financial liabilities				
Long term finance	OFL	AC	1,094,679,840	1,094,679,840
Current portion of long term finance	OFL	AC	218,753,959	218,753,959
Creditors, accrued and other payables	OFL	AC	38,442,443	38,442,443

- "LR" is loans and receivables
- "AC" is amortised cost
- "OFL" is other financial liabilities

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the entity to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. IFRS 9 does not require the entity to measure the loss allowance for debt and equity investments measured at FVTPL as any impairment is incorporated through changes in fair value of the investment.

There is no impact of the said change on these financial statements except for classification of financial assets and liabilities.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. This change has no impact on the classification and measurement of the entity's financial statements.

(d) General hedge accounting

The new general hedge accounting requirements retain three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

There is no impact of the said change on these financial statements as the entity does not carry out any hedging activity.

2.5.2 Impact of initial application of IFRS 15 'Revenue from Contracts with Customers'

On May 28, 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 Revenue, IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The principal activity of the Company is to procure electric power from electricity generation projects and transmission of it to distribution companies through its transmission infrastructure and network facilities. The Company has assessed that the performance obligations in the contract with the customers are satisfied at a point-in-time. The Company has concluded that changs laid down by this standard does not have material impact on these financial statements.

2.6 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 from accounting period beginning on or after:
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

	Effective from accounting period beginning on or after:
IFRS 14 'Regulatory Deferral Accounts': specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	July 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' -	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
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 17 – Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Plant and equipment

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

Depreciation is charged to statement of profit or loss by applying the straight line 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 plant and equipment.

Maintenance and normal repairs are charged to statement of profit or loss 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 or loss on disposal of assets are taken to the statement of profit or loss in the year when the asset is derecognised.

3.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the reporting date.

3.3 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in statement of profit or loss.

3.3.1 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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Classification

- Financial assets measured at amortized cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in the statement of profit or loss.

Interest income is recognised using effective interest rate method for debt instrument.

- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of profit or loss and other comprehensive income in the period in which it arises.

The classification depends on entity's business model and contractual terms of the cashflows.

Recognition and derecognition

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on the irrevocable option made by the Company at initial recognition to account for equity instruments at FVTOCI.

All purchases and sales of securities that require delivery within the time frame established by regulation or market conventions are recognised at trade date, which is the date, that the Company commits to purchase or sell the instrument.

Financial assets are derognised when rights to receive contractual cashflows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus in case of an asset not at FVTPL, transaction costs that are directly attributable to the acquisition of a financial asset. Transaction cost on FVTPL financial asset are expensed in the statement of profit or loss and other comprehensive income.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company's classifies its debt instruments:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

Interest income is recognised using effective interest rate method for debt instruments subsequently measured at amortized cost.

FVTOCI:

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the statement of profit or loss and other comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Other financial assets

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Company recognises a loss allowance for expected credit loss (ECL) on trade debts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company always recognises lifetime ECL for trade debts. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Company employs statistical models to analyze the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

3.3.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss and other comprehensive income.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss and other comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of profit or loss and other comprehensive income.

Financial liabilities are derecognised when obligation under the liability is discharged, cancelled or expired.

3.3.3 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 where 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.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried at reporting date at cost. For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand and balances with banks.

3.5 Provisions

Provisions are recognised 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.

3.6 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 as defined in section 153(1)(b) of the Income Tax Ordinance, 2001 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 / finalised during the year.

Deferred

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

Deferred income tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits and taxable temporary differences will be available against such temporary differences and tax losses can be utilized.

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

3.7 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 statement of profit or loss in the year in which they are incurred.

3.8 Share capital

Share capital is classified as equity and recognised at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

3.9 Interest free element of loan

Interest free loan is initially recognised at the present value of future payments discounted at a market rate of return/interest for a similar debt instrument. The difference between the cash paid and present value on initial recognition is recognised as an addition to its equityin order to reflect the economic substance of the transaction.

3.10 Advance against issue of shares

Advance received on account equity investment from the parent company is classified as advance against issue of shares until shares are issued.

3.11 Revenue recognition

Revenue is recognised when or as performance obligations are satisifed by transferring control of a promised goods or services to the customer, and control with transfer over time or at a point in time.

Revenue from transmission of electricity

Revenue from transmission of electricity is recognised when promised goods or services are transferred to third party i.e. at the time of transmission of electricity to the Karachi Electric limited.

Interest / Mark-up income

The Company recognises interest income / mark-up on bank balances and deposits and on investments when the right ot receive is established.

3.12 Operating lease

An operating lease is a lease other than a finance lease, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit and loss on a straight-line basis over the lease term.

4. PLANT AND EQUIPMENT

Particulars	Cost at July 01, 2018	Additions	Cost at June 30, 2019	Accumulated depreciation at July 01, 2018	Depreciation for the year	Accumulated depreciation at June 30, 2019	Carrying value at June 30, 2019	Rate
	(Rupees)							%
Transmission line (5.1)	1,955,012,274	-	1,955,012,274	39,100,243	78,200,491	117,300,734	1,837,711,540	04
Lease hold improvements	1,513,546	-	1,513,546	46,081	220,120	266,201	1,247,345	15
Office equipment	883,702	351,904	1,235,606	349,541	215,882	565,423	670,183	30
Vehicles	9,600,500	1,585,500	11,186,000	3,748,422	1,027,398	4,775,820	6,410,180	15
Furniture and fixtures	5,161,146	377,835	5,538,981	87,696	794,575	882,271	4,656,710	15
	1,972,171,168	**2,315,239**	**1,974,486,407**	**43,331,983**	**80,458,466**	**123,790,449**	**1,850,695,958**	

For comparative period

Particulars	Cost at July 01, 2017	Additions	Cost at June 30, 2018	Accumulated depreciation at July 01, 2017	Depreciation for the year	Accumulated depreciation at June 30, 2018	Carrying value at June 30, 2018	Rate
	(Rupees)							%
Transmission line	-	1,955,012,274	1,955,012,274	-	39,100,243	39,100,243	1,915,912,031	04
Lease hold improvements	-	1,513,546	1,513,546	-	46,081	46,081	1,467,465	15
Office equipment	490,800	392,902	883,702	167,118	182,423	349,541	534,161	30
Vehicles	9,600,500	-	9,600,500	2,308,347	1,440,075	3,748,422	5,852,078	15
Furniture and fixtures	-	5,161,146	5,161,146	-	87,696	87,696	5,073,450	15
	10,091,300	1,962,079,868	1,972,171,168	2,475,465	40,856,518	43,331,983	1,928,839,185	

4.1 The Company had incurred capital expenditure amounting to Rs. 1.955 billion which was transferred from capital work in progress to property plant and equipment. The tariff approved by National Electric Power Regulatory Authority (NEPRA) on February 10, 2017 and later on June 14, 2018 as per the agreement is based on a cost of Rs. 1.7 billion due to which the cost of the project may not be recovered. In this regard, the Company has filed a writ petition in the Islamabad High Court regarding the grievances on various matters of tariff and the non-existence of Appellate Tribunal which is the forum on which the Company can appeal regarding determination of tariff under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the NEPRA Act). The Company has also recently acquired Provincial Grid Company (PGC) license from NEPRA to engage in Transmission Business for its different projects to be executed in the Province of Sindh. Further, the Company is desiring avenues of new projects which will enhance the future outlook of the Company.

4.2 On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all companies from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". Therefore, the Company has not recognised financial asset under IAS-17 "Leases".

	Note	2019	2018
		------------- (Rupees) -------------	

4.3 Depreciation charged during the year

Cost of service		78,200,492	39,100,243
Administrative expenses		2,257,975	1,756,275
		80,458,467	40,856,518

5. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Bank guarantee		25,000	25,000
Advances		1,923,250	-
Prepayments	5.1	3,195,501	3,224,181
		5,143,751	3,249,181

5.1 It includes advance rent paid for accomodation of operation staff and insurance premium of transmission towers.

	2019	2018
	------------- (Rupees) -------------	

6. TRADE DEBTS

Trade debts	72,707,614	179,043,958

6.1 Trade debts consist of the customers, Sindh Nooriabad Power Company (Private) Limited (SNPC) and Sindh Nooriabad Power Company Phase-II (Private) Limited (SNPC-II). Both the entities are a Public Private Partnership Project engaged in the Generation of Electrical Power. As per the Tripartite Wheeling Agreements between the Company, KE and SNPC & SNPC-II, the Company invoices fixed capacity wheeling charges to SNPC and SNPC-II based on NEPRA approved tariff.

6.2 The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance was Rs. 77.55 million.

	Note	2019	2018
		------------- (Rupees) -------------	

6.3 Aging of past due but not impaired receivables are:

Not due		72,707,614	135,253,025
0-90 days		-	43,790,933
		72,707,614	179,043,958

7. SHORT TERM INVESTMENTS

Amortised cost

Term deposit receipts	7.1	100,000,000	-

7.1 This represent Term Deposits Receipts (TDRs) carrying effective interest rate of 9.75% per annum maturing on August 08, 2019.

	Note	2019	2018
		------------- (Rupees) -------------	

8. CASH AND BANK BALANCES

Balances with banks - saving accounts	8.1	205,050,573	32,929,317
Cash in hand		23,557	6,064
		205,074,130	32,935,381

8.1 These carry mark-up @ 4% to 5% (2018: 3.75% to 4%) per annum.

9. SHARE CAPITAL

2019	2018		2019	2018
Number of ordinary shares			---- (Rupees) ----	
		Authorised capital		
60,900,000	60,900,000	Ordinary shares of Rs. 10 each	609,000,000	609,000,000
		Issued, subscribed and paid-up capital		
60,900,000	60,900,000	Ordinary shares of Rs. 10 each fully paid in cash	609,000,000	609,000,000

9.1 100 % of shares of the Company are held by the Holding Company.

9.2 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.

	Note	2019	2018
		---- (Rupees) ----	
Movement in share capital during the year			
Opening		609,000,000	1,000,000
Add: Issued during the year		-	608,000,000
Closing		609,000,000	609,000,000

10. ADVANCE AGAINST ISSUE OF SHARES

	Note	2019	2018
Sindh Energy Holding Company (Private) Limited	10.1	50,000,000	-

10.1 This represents an amount received during the year as equity investment from Sindh Energy Holding Company (Pvt.) Ltd which has been classified as advance against issue of shares.

	Note	2019	2018
		---- (Rupees) ----	
11. LONG-TERM FINANCE			
From Sindh Energy Holding Company (Private) Limited			
Parent company - secured	11.1		
- Non current		598,116,470	659,498,688
- Current portion		113,063,474	56,531,737
		711,179,944	716,030,425
- From Government of Sindh	11.2		
- Non current		320,884,960	435,181,152
- Current portion		247,602,339	162,222,222
		568,487,299	597,403,374

11.1 From Sindh Energy Holding Company (Private) Limited
Parent company - secured

	Note	2019	2018
Term finance	11.1.1	691,000,000	691,000,000
Less: Repayment of loan		(56,531,737)	-
Add: Cumulative unwinding of interest			
- Opening		25,030,425	-
- Charged for the year		51,681,256	25,030,425
		76,711,681	25,030,425
		20,179,944	25,030,425
Less: Current portion shown under current liabilities		(113,063,474)	(56,531,737)
		598,116,470	659,498,688

	Note	2019	2018
		------------- (Rupees) -------------	
11.2 From Government of Sindh			
Term finance	11.2.1	**730,000,000**	730,000,000
Less: Present value adjustment		**(230,002,821)**	(230,002,821)
Repayment of loan		**(76,842,105)**	-
Add: Cumulative unwinding of interest			
- Opening		**97,406,195**	50,129,581
- Charged for the year		**47,926,030**	47,276,614
		145,332,225	97,406,195
		(161,512,701)	(132,596,626)
Less: Current portion shown under current liabilities			
- Amount due but not paid	11.2.2	**(85,380,117)**	-
- Current portion		**(162,222,222)**	(162,222,222)
		(247,602,339)	(162,222,222)
		320,884,960	435,181,152
		919,001,430	1,094,679,840

11.1.1 The Company has received a loan of Rs. 691 million from holding company Sindh Energy Holding Company (Pvt) Limited to finance construction of 132 KV double circuit transmission line vide letter No. F.D (FMH) 212 (1) 2015-16 dated February 23, 2018. The loan is secured against hypothecation charge on assets. The loan carry an interest rate of 6 months KIBOR + 3% per annum.

During the year, an addendum to the above contract was signed on May 29, 2019 in which both the parties has agreed to change the spread on the loan from 6 months KIBOR + 3% to 6 months KIBOR + 2.75% p.a.

11.2.1 The Company has received an interest free loan of Rs. 730 million from Government of Sindh (the ultimate controlling party) to finance construction 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 semi-annual instalments 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 (interest free element of loan) and is recognised as equity.

Interest free element of loan amounting to Rs. 230 million includes Rs. 75 million, capitalised in the transmission lines as borrowing cost, which is amortised over the life of transmission lines and the remaining portion of Rs. 155 million is amortised over the period of loan.

11.2.2 As per the terms of the loan as described in note 12.2.1, the Company is required to pay nine semi-annual installments amounting Rs. 81.11 million commencing from December 31, 2018.

Chief Minister on behalf of Finance Department of Government of Sindh approved the request of the Company regarding the rescheduling the repayment of interest free loan obtained from Government of Sindh on May 11, 2018 according to which the Company shall pay 19 installment over the period of 10 years with a grace period of 6 months starting from December 31, 2018.

On April 23, 2019, the Company received a letter from the Finance Department of Government of Sindh in which the Company is required to refer the matter of the rescheduling the repayment of interest free loan, approved by the Chief Minister, before the standing committee of the Cabinet (the Cabinet) for final approval. The Company submitted the matter for approval before the Cabinet which is still pending and no addendum to contract has been made for such rescheduling of loan.

During the year, the Company has made two semi-annual payments in accordance with the rescheduled repayment of loan, approved by Chief Minister of Sindh, in the absence of addendum to contract, amounting Rs. 38.4 million each installment whereas as per the terms of the loan as described in note 12.2, the Company is required to pay nine semi-annual installments, each installment of Rs. 81.11 million, commencing from December 31, 2018 therefore an amount of Rs. 85.4 million has been due but not paid by the Company.

12. DEFERRED TAXATION

	Balance at July 01, 2018	Deferred tax recognised in Profit or loss	Deferred tax recognised in Other comprehensive income	Balance at June 30, 2019
	(Rupees)			
Movement for the year ended June 30, 2019				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- Accelerated tax depreciation allowance	-	225,919,320	-	225,919,320
- Unused tax losses		(170,660,696)	-	(170,660,696)
Deferred tax liability / (assets)	-	55,258,624	-	55,258,624

13. CREDITORS, ACCRUED AND OTHER PAYABLES

	Note	2019	2018
		(Rupees)	
Creditors		8,663,083	10,782,091
Retention money	13.1	17,156,289	17,156,289
Accrued liabilities		3,687,671	10,504,063
Sindh Workers' Welfare Fund	13.2	2,777,892	-
Sindh Workers' Profit Participation Fund	13.3	7,332,730	-
		39,617,665	38,442,443

13.1 It represents payable to M/S Technoman Kinetics (Private) Limited, the contractor of the Company.

13.2 **Sindh Workers' Welfare Fund**	Note	2019	2018
		(Rupees)	
Balance as at July 1,		-	-
Add: Charged for the year	18	2,777,892	-
Less: Paid during the year		-	-
Balance as at June 30,		2,777,892	-

13.3 Sindh Workers' Profit Participation Fund

	Note	2019	2018
Balance as at July 1,		-	-
Add: Charged for the year	18	7,332,730	-
Interest on funds utilised in the Company's busines	13.3.1	22,486	-
Less: Paid during the year		-	-
Balance as at June 30,		7,355,217	-

13.3.1 Interest on funds utilised in the business of the Company is charged at KIBOr + 2.5%.

14. CONTINGENCIES AND COMMITMENTS

14.1 Commitments

	2019	2018
Commitments for project expenditure	-	53,120,541

14.2 Contingencies

	2019	2018
14.2.1 Outstanding bank guarantee	25,000	25,000

14.2.2 The Company has filed modification petition with The National Electric Power Regulatory Authority (NEPRA) to modify / clarify the applicability of transmission line losses limit. Initially the Company claimed 3% tariff against which NEPRA allowed 1.5% on provisional basis. NEPRA determined the tariff of the Company and allowed 2% transmission losses from the date of decision of NEPRA. The Company has filed the modification petition claiming that transmission losses should be allowed from the date of Commercial Operation Date (COD) instead of date of decision.

On November 04, 2020, NEPRA vide letter No. NEPRA/ADG(Tariff).TRF-346/ST&DCPL-2015/39283 has disallowed the claim made by the Company and decided to maintain its earlier decision.

On December 03, 2020, the Company has filed an appeal against above order with the Appelate Tribunal National Electric Power Regulatory Authority. Management is confident that decision will be in the favor of Company.

		Note	2019	2018
			(Rupees)	
15.	**SERVICE INCOME**			
	Service income		416,673,818	179,043,958

			2019	2018
			Units	
15.1	**Disaggregation of revenue**			
	Number of units transmitted (MWh)			
	Sindh Nooriabad Power Company I		442,643	205,566
	Sindh Nooriabad Power Company II		442,643	205,566
15.2	**Capacity**			
	Actual capacity (MWh)		885,286	885,286
	Utilised capacity (MWh)	15.2.1	885,286	411,132

15.2.1 The operations of the company started from January 18, 2018 last year resulting in lower utilization of the capacity.

		Note	2019	2018
			(Rupees)	
16.	**COST OF SERVICE**			
	Depreciation	4.3	78,200,492	39,100,243
	Manpower supply services		22,549,294	21,642,122
	Vehicles supply service		22,238,400	20,418,738
	Insurance		16,217,254	12,744,247
	Staff salaries and benefits		9,618,000	7,200,000
	Accommodation of maintenance staff		3,707,593	2,033,188
	Maintenance of towers, poles and fixtures		364,601	267,390
			152,895,634	103,405,928
17.	**ADMINISTRATIVE EXPENSES**			
	Staff salaries and benefits	22	26,331,029	20,269,188
	Legal and professional		2,494,250	4,569,537
	Depreciation	4.3	2,257,975	1,756,275
	Utilities		1,416,223	7,509
	Vehicles running and maintenance		1,249,767	623,303
	Advertisement		1,229,190	77,886
	Fees and subscription		991,950	449,405
	Traveling and conveyance		899,455	559,141
	Entertainment		551,515	127,666
	Printing and stationery		240,231	82,071
	Auditors' remuneration	17.1	712,800	415,800
	Insurance		436,294	-
	Staff training and development		90,152	16,500
	Others		430,346	324,083
			39,331,177	29,278,365

		Note	2019	2018
			(Rupees)	
17.1	**Auditors' remuneration**			
	Audit fee		**600,000**	350,000
	Out of pocket		**60,000**	35,000
	Sales Tax		**52,800**	30,800
			712,800	415,800

		Note	2019	2018
18.	**OTHER OPERATING EXPENSES**			
	Sindh Workers' Welfare Fund		2,777,892	-
	Sindh Workers' Profit Participation Fund		7,310,244	-
			10,088,136	-

		Note	2019	2018
19.	**OTHER INCOME**			
	Profit on savings accounts		**16,098,478**	4,665,510
	Less: interest income net to borrowing cost		**-**	(3,915,724)
			16,098,478	749,786
	Profit on term deposits receipts		**2,383,835**	-
	Bidding fees		**28,000**	22,000
			18,510,313	771,786

		Note	2019	2018
20.	**FINANCIAL CHARGES**			
	- Unwinding of loan from Sindh Energy Holding Company (Private) Limited Parent company	11.1	**51,681,256**	23,515,490
	- Unwinding of loan from Government of Sindh	11.2	**47,926,030**	20,738,623
	- Interest on funds utilised in the Company's business	13.3	**22,486**	-
			99,629,772	44,254,113

		Note	2019	2018
21.	**TAXATION**			
	Current	21.1		
	- for the year		**33,333,905**	2,238,049
	- for prior year		**12,085,467**	-
			45,419,373	2,238,049
	Deferred tax charge		**55,258,624**	-
			100,677,997	2,238,049

		2019	2018
21.1	**Relationship between tax expense and accounting profit**		
	Profit before taxation	**133,239,412**	2,877,338
	Tax at the applicable rate of 29% (2018: 29%)	**38,639,429**	834,428
	Tax effects of:		
	Prior year tax	**12,085,467**	-
	Minimum tax	**(5,305,524)**	1,403,621
		45,419,373	2,238,049

22. 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:

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Remuneration	**11,425,000**	**15,666,667**	10,200,000	9,884,586
No. of person	**1**	**5**	1	5

22.1 An amount of Rs. 0.73 million (2018: Rs 0.1 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

22.2 Chief executive and executives are provided with company maintained vehicles.

23. NUMBER OF EMPLOYEES

Average number of employees during the year	**19**	17
Number of employees as at June 30	**19**	18

24. 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 22. Other significant transactions with related parties are as follows:

Name and Relationship with the Company	Nature of transactions	2019	2018
		(Rupees)	
Sindh Energy Holding Company (Private) Limited - Holding Company	Advance against equity shares	**50,000,000**	-
Sindh Nooriabad Power Company & Sindh Nooriabad Power Company Phase-II - associate company	Wheeling services	**416,673,818**	179,043,958
Sindh Energy Holding Company (Private) Limited - Holding Company	Repayment of loan	**56,531,737**	-

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

25.1 Financial instrument by category

Financial assets as per statement of financial position

Amortised cost		
- Trade debts	**72,707,614**	179,043,958
- Trade deposits	**1,120,000**	1,120,535
- Short term investments	**100,000,000**	-
- Cash and Bank balance	**205,074,130**	32,935,381
	378,901,744	213,099,874

Financial liabilities as per statement of financial position

Other financial liabilities		
- Long-term finance	**1,279,667,243**	1,313,433,799
- Creditor, accrued and other payables	**29,507,043**	38,442,443
	1,309,174,286	1,351,876,242

25.2 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:

25.2.1 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.

25.2.2 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 reporting 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, 2019, the Company is not exposed to price risk.

(c) Interest rates consideration

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company has obtained a loan amounting to Rs. 691 million which is based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account other financing options available.

Interest rate sensitivity analysis

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2019 would decrease/increase by Rs. 7.1 million (2018 : Rs. 6.6 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

25.2.3 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 378.90 million (2018: Rs. 213.1 million), the financial assets which are subject to credit risk amounted to Rs. 375.68 million (2018: Rs. 213.093 million).

The Company is exposed to credit risk from its operating activities primarily for trade debts and trade deposits and other financial instruments. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings i.e. A-1+ to A-1 in short term and AAA to A+ for long term. Further the credit risk on trade debt is also limited because there are only two customers SNPC and SNPC-II and the Company have a tripartite agreement with these companies and KE according to which the Company invoices fixed capacity wheeling charges to these customers based on NEPRA approved charges.

25.2.4 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 years	1 - 5 years	More than 5 years	Total
2019		(Rupees)					
Long-term financing	0% - 12%	-	-	360,665,812	1,253,531,613	-	1,614,197,425
Creditor, accrued and other payables		-	29,507,043	-	-	-	29,507,043
		-	29,507,043	360,665,812	1,253,531,613	-	1,643,704,468

	Interest rate	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
2018		(Rupees)					
Long-term financing	0% - 9%	-	-	-	1,671,315,449	-	1,671,315,449
Creditor, accrued and other payables		-	38,442,443	-	-	-	38,442,443
		-	38,442,443	-	1,671,315,449	-	1,709,757,892

26. 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, 2019 and June 30, 2018, the Company do not have any financial assets and liabilities which can be classified under above levels.

27. 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 statement of financial position) less cash and bank balances. Adjusted capital comprises of net debts and all components of equity (i.e. share capital and unappropriated profit). The Company is not required to maintain any Debt : Equity ratio.

28. CORRESPONDING FIGURES

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary for the purpose of better presentation and comparison.

29. SUBSEQUENT EVENT

The Company received a letter No. NABR20190131159667/2019/IW/Inv/284 from National Accountability Bureau (NAB) dated August 05, 2019, against the plea bargaining deal between Engineering, Procurement and Construction Contractor (EPC Contractor) and NAB, directing to the Company to encash performance guarantees of Rs. 93,991,750 deposited by EPC with the Company against the EPC Contact. NAB also instructed to stop payments against any pending invoices or against any unused store items.

The Company complied with directions of NAB and informed NAB through a letter having number 2019-092 dated October 16, 2019.

29.1 Impact of COVID-19

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

During the lockdown that lasted from March to May 2020, the Company did not fully stop its activity and continued to operate at a lower capacity. The management of the Company is of the view that while COVID-19 and its resulting containment measures have affected the economy, adequate steps from the government and regulators have spearheaded recovery and subsequent events reflect that in due course, things would be normalised.

30. GENERAL

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

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on ~~11~~ 2 FEB 2021
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CHIEF EXECUTIVE OFFICER

DIRECTOR / CHAIRMAN