YOUSUF ADIL

Yousuf Adil
Chartered Accountants

Sindh Transmission and Dispatch Company (Private) Limited

Financial Statements
For the year ended June 30, 2020

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders, your directors take immense pleasure in presenting their 3rd director's report together with the audited financial statements of Sindh Transmission & Dispatch Company (Private) Limited for the year ended on 30th June 2020 duly Audited by M/s Yousuf Adil (Chartered Accountants).

Economic Overview of Pakistan[1]

The economy of Pakistan like other economies has a diverse structure with three main sectors -Agriculture, Industry and Services. Provisional GDP growth rate for FY2020 is estimated at negative 0.38 percent. Due to the lock down situation in the country because of COVID-19, Services sector has witnessed significant impact and has declined provisionally to 0.59 percent.

During July-March, FY2020, fiscal deficit has been reduced to 4.0 percent of GDP, while current account deficit reduced by 71 percent during July-April, FY2020. In addition stable exchange rate, healthy growth in FDI (126.8 percent), improved ranking in World Bank's ease of doing business index, and 'Stable'' credit outlook to B3 from 'Negative' by Moody's, reaffirmed the successful policies of Government in stabilizing the economy and laying a foundation for robust growth.

To invigorate the growth, the government announced Rs 1.24 trillion relief package for the economy. The SBP has also taken various steps including reduction in interest rate to 8 percent, refinancing schemes for medical centers and various incentives for export-oriented industries etc.

During first seven months of current fiscal year, inflationary pressures were observed and headline inflation rose to 14.6 percent in January 2020. The inflation rate started easing out due to government policies after January and for the period July-April FY2020 recorded at 11.2 percent against 6.5 percent during the same period last year

A sharp decline in real effective exchange rate due to market based exchange rate and the government's initiative to provide cheaper electricity to the textile sector have enhanced the competitiveness of the Pakistani products in the global market. The total imports during July-April FY2020 declined to $ 36.1 billion as compared to $ 40.3 billion same period last year, thus registered a decline of 16.9 percent.

[1] Pakistan Economic Survey 2019-2020

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Company Overview

Sindh Transmission & Dispatch Company (Pvt.) Limited (STDC) was incorporated on 7th January 2015 with a scope of provision of catering the need of extra high voltage electric power infrastructure. STDC is 100% owned by Sindh Energy Holding Company (Pvt.) Limited (a Government of Sindh owned company). 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.

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)

	2020	2019
SERVICE INCOME	**414,117,200**	**416,673,818**
COST OF SERVICE	(153,699,728)	(152,895,634)
GROSS PROFIT	**260,417,472**	**263,778,184**
ADMINISTRATIVE EXPENSES	(47,837,530)	(39,331,177)
OTHER OPERATING EXPENSES	(10,715,834)	(10,088,136)
OTHER INCOME	31,700,460	18,510,313
FINANCIAL CHARGES	(89,524,863)	(99,629,772)
PROFIT BEFORE TAXATION	**144,039,705**	**133,239,412**
TAXATION	(51,140,676)	(100,677,997)
PROFIT / (LOSS) FOR THE YEAR	**92,899,029**	**32,561,415**

During the year under review, the company earned total revenue of Rs. 414 million in 2020 (2019: Rs 416 million). The fixed capacity wheeling charges are based on tariff determination by National Electric Power Regulatory Authority (NEPRA).

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Normal operating expenses / Cost of service of STDC for the year FY2020 was Rs. 154 million approximately against operating expense of Rs. 153 million approximately in the previous year. Gross Profit of STDC for the FY2020 was Rs. 260 million compared to Rs. 263 million in FY2019. Administrative expenses for FY2020 stood at Rs. 48 million against Rs. 39 million in FY2019. Financial charges stood at Rs. 89 million for FY2020 against 99 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. 92 million in FY2020 compared to a profit of Rs. 32 million in the previous year due to deferred tax asset/liability calculations.

Operating fixed assets of the company amounting to Rs. 0.7 million were added to property, plant and equipment during FY2019.

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

	UOM	2020	2019
PROFITABILITY RATIOS			
GROSS PROFIT TO SALES	%	63%	63%
PROFIT BEFORE TAX TO SALES		35%	32%
PROFIT AFTER TAX TO SALES		22%	7.8%
OPERATING EXPENSES TO SALES RATIO		14%	12%
RETURN ON EQUITY BEFORE TAX		22%	20%
RETURN ON EQUITY AFTER TAX		14%	5%
LIQUIDITY RATIOS			
CURRENT RATIO	TIMES	1.01	0.99
QUICK RATIO / ACID TEST RATIO		0.97	0.98
FINANCING RATIOS			
DEBT/EQUITY RATIO	TIMES	1.27	1.46

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.

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

STDC Project Performance 2019-20

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.

Since Commercial Operations Date, the transmission line is successfully transmitting electric power within the NEPRA allowed annual wheeling outage allowance limit.

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 following initiating new projects on a fast pace:

- STDC is in process of hiring of consultant for construction of two 132 kV Grid Stations and around 30 Kilometers double circuit Transmission Line for supplying of power to pumping station-I and Pumping station-II of K-IV project of KW&SB for water supply to Karachi from Kinjhar Lake, Jhimpir, Sindh, at an estimated cost of PKR 3.5 billion.
- STDC is in negotiation stage with Bahria Town for construction of 220 kV Double Circuit Transmission Line of 24 Kilometers length in which Engineering Procurement & Construction (EPC) Supervision and Right of Way (RoW) will be conducted by STDC along with Operations & Maintenance of the transmission line for 30 years period.

- Evacuation of power from various renewable and coal generation projects being developed by Energy Department GoS highlighted in the Indicative Generation Capacity Expansion Plan (IGCEP).
- Several other transmission line projects in early negotiation stages.

Auditor's Qualification

The company has capitalized the transmission line amounting to Rs. 1.955 billion during the year ended June 30, 2020. 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 recoverable 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 two (02) meetings of board of directors were held during the year FY 2019-20, details of which are mentioned below:

BOD Meeting	Date
14th	31st July 2019
15th	18th March 2020

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The attendance details of each director are as under:

Name	Capacity	No. of Meetings attended
Mr. Khizer Pervaiz	Chairman / Independent Director	02
Mr. Abu Bakar Ahmed Madani	Director	02
Mr. Mehfooz Ahmed Qazi	Director	02
Ms. Rahaila Aleem	Independent Director	02
Mr. Rehan Hamid	Chief Executive Officer	02
Mr. Taha Noman Khan	Company Secretary	02

2. 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.

Since, it falls under essential services hence, during the lockdown from March 2020 to May 2020, the Company continued to operate with minimum workforce or work from home. 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 normalized.

3. Sindh Sales Tax Applicability

During the year as per the amendment in Finance Act, 2019, Sindh Sales Tax has been made applicable on electric power transmission services at rate of 13%.

4. Receivables / Trade Debts

Till June 30, 2019, trade debts consist of the customers, Sindh Nooriabad Power Company (Private) Limited (SNPC) and Sindh Nooriabad Power Company Phase-II (Private) Limited (SNPC-II), entities under Public Private Partnership Project engaged in the Generation of Electrical Power. As per the Tripartite Wheeling Agreements between the three stakeholders, the Company had a wheeling agreement where KE is the Power Purchaser, which purchases

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power from SNPC through a power purchase agreement between KE and SNPC using wheeling services provided by the Company through its dedicated transmission line. The Company used to invoice fixed capacity wheeling charges to SNPC and SNPC-II based on NEPRA approved tariff.

On January 27, 2020 the Company filed a review petition with NEPRA for amending the tariff determination due to introduction of sales tax on transmission services and its implications on the parties to wheeling agreement (the parties). After hearing with NEPRA and subsequent meetings with the parties, on March 05, 2021 a Tripartite Agreement initialed between the three stakeholders was submitted to NEPRA where it is decided that the Company will bill to KE directly in respect of transmission of electric power services, same was decided by the NEPRA in its determination dated April 06, 2021.

Subsequent to these developments, the Company issued invoices to KE on April 12, 2021 and revised the Sindh Sales Tax Returns submitted during the year after getting approval from SRB vide letter no SRB/KHI/UNIT-23/4684 dated May 06. 2021 for condonation and revision of previously submitted returns. Based on revised invoices all the outstanding payments were received on June 17, 2021.

Executive Remuneration

Please refer note-24 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 2020 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**

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Auditors

The present auditors, M/s Yousuf Adil (Chartered Accountants), being eligible, has provided consent for re-appointment as auditors for the year ending 30th June 2021. The appointment of the auditors for the year ending 2021 is under consideration by the board of directors on the suggestion of Audit Committee.

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	5(4)(c)	The board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices	Company Grievances Policy was approved by the Board in subsequent year.
2	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.	Compliance will be ensured in the future years.
3	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 has been ensured subsequent to year end.
4	6-1	The board has met atleast four times during the year.	Compliance will be ensured in the future years.
5	8(2)	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.	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 transactions entered into with the related parties during the year has been maintained.	Management has initiated efforts to ensure compliance and conduct required audit committee meetings so that all the related party transaction can be presented before them.

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7	10(a)	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	One remaining Board member underwent Directors Training Program course in subsequent year.
9	12	The Board has formed the requisite committees, as specified in the Rules. Nomination Committee	Compliance will be ensured in the future years.
10	14	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	Compliance will be ensured in the future years.
11	15	The Chief Financial Officer and the Company Secretary have attended all meetings of the Board.	Compliance will be ensured in the future years.
12	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	Compliance will be ensured in the future years.
13	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 established an Internal Audit Function in subsequent year. Assistant Manager in Internal Audit Department has been recruited.
14	8(2)	The Government has undertaken the performance evaluation of members of the Board including the Chairman and Chief Executive annually.	Compliance will be ensured in the future years.

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

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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

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

Chief Executive STDC

Chairman 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 for the year ended June 30, 2020.

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 best practices contained in the Rules as applicable to the Company for the year ended June 30, 2020.

Yousuf Adil
Chartered Accountants

Place: Karachi
Dated: August 30, 2021

Statement of Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company	**Sindh Transmission and Dispatch Company (Private) Limited**
Name of the line ministry	**Energy Department, Government of Sindh**
For the year ended	**June 30, 2020**

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:

<table>
<tr><th>S No.</th><th>Provision of the Rules</th><th>Rule no.</th><th>Yes</th><th>No</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td></tr>
<tr><td rowspan="2">2.</td><td>The Board has at least one-third of its total members as independent directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Independent Directors</td><td>Mr. Khizar Pervaiz (Chairman of Board)

Ms. Rahaila Aleem</td><td>22-05-2018

22-05-2018</td></tr>
<tr><td>Executive Director</td><td>Mr. Rehan Hamid (Chief Executive Officer)*</td><td>22-05-2018</td></tr>
<tr><td>Non-Executive Directors</td><td>Mr. Abu Bakar Ahmed Madani

Mr. Mehfooz Ahmed Qazi</td><td>22-05-2018

22-05-2018</td></tr>
</table>
</td><td>3(2)</td><td>✓</td><td></td></tr>
<tr><td>A casual vacancy occurring on the Board was filled up by the Directors.

* Chief Executive Officer of the Company has resigned subsequent to year end and casual vacancy of the same has been filled by the Board.</td><td>3A(2)</td><td colspan="2">N/A</td></tr>
<tr><td>3.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✓</td><td></td></tr>
<tr><td>4.</td><td>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.</td><td>3(7)</td><td colspan="2">N/A</td></tr>
<tr><td>5.</td><td>The chairman of the Board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>✓</td><td></td></tr>
<tr><td>6.</td><td>The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.</td><td>4(4)</td><td>✓</td><td></td></tr>
<tr><td>7.</td><td>The Board has evaluated the candidates for the position of the chief executive</td><td>5(2)</td><td colspan="2">N/A</td></tr>
</table>

S No.	Provision of the Rules	Rule no.	Yes	No
	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)			
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensure 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. (http://www.stdc.com.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓	 ✓
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 where 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 procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(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. 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. (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 after approval of the chairman, to directors and officers entitled to attend Board meetings, not later than fourteen days of the approval.	6(1) 6(2)	 ✓	✓ ✓

[signature]

S No.	Provision of the Rules	Rule no.	Yes	No
		6(3)	✓	
19.	(a) 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 or 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. (b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the company's website.	10	(a) — (b) N/A (c) ✓	(a) ✓ (b) N/A (c) —
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11		✓
23.	(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:	12	(a) ✓ (b) ✓ (c) ✓ (d) ✓ The procurement committee is formed as per need and case to case basis.	✓

Committee	Number of members	Name of Chairman
Audit Committee	3	Ms. Rahaila Aleem
Risk Management Committee	N/A	N/A
Human Resources Committee	2	Mr.Khizar Pervaiz
Procurement Committee	N/A	N/A
Nomination Committee	No	No

S No.	Provision of the Rules	Rule no.	Yes	No
24.	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.	13	N/A	

<table>
<tr><th>S No.</th><th>Provision of the Rules</th><th>Rule no.</th><th>Yes</th><th>No</th></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></td><td>✓</td></tr>
<tr><td></td><td>The Chief Financial Officer and the Company Secretary have attended all meetings of the Board.</td><td>15</td><td></td><td>✓</td></tr>
<tr><td>26.</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>27.</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>28.</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>29.</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</td></tr>
<tr><td>30.</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>
<tr><td>31.</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>Mehfooz Qazi</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>32.</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>21(3)</td><td colspan="2">N/A</td></tr>
<tr><td></td><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><td></td></tr>
<tr><td></td><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></td><td colspan="2">N/A</td></tr>
</table>

S No.	Provision of the Rules	Rule no.	Yes	No
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22		✓
	(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.			✓
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	
36.	The Company has published and circulated a statement along with its annual report to disclose status of its compliance with PSC rules 2013.	24	✓	
37.	We confirm that all other requirements of the Regulations have been complied.		✓	
	Except for sub regulation 1 of regulation 8 which requires the Government has undertaken the performance evaluation of members of the Board including the chairman and chief executive annually.			✓

Yes

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
1	5(4)c	The Company is 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.	Company Grievances Policy was approved by the Board in subsequent year.
2	5(5)	The Company is trying to establish a required system of sound internal control to ensure compliance with the fundamental principles.	Compliance will be ensured in the future years.
3	5(7)	The Board has not developed significant policies of the company.	Compliance has been ensured subsequent to year end.
4	6(1)	The Company tried to comply with the requirement but due to certain circumstances the Board was not able to meet two quarters and non-compliance was not reported to the Commission within the prescribed criteria provided by report.	Compliance will be ensured in the future years.
5	8(2)	The Company tried to comply with the requirement but due to certain circumstances the Board was not able to monitor and assessed the performance of senior management.	Compliance will be ensured in the future years.
6	9	Only two audit committee meetings held during the year therefore all the related party transactions was not approved by the Board.	Management has initiated efforts to ensure compliance and conduct required audit committee meetings so that all the related party transaction can be presented before them.
7	10(a)	The company initiated efforts and half year accounts from January to June 2020 were presented in subsequent year.	The company has initiated efforts to ensure compliance in future years.
8	11	No orientation session was conducted during the year.	One remaining Board member underwent Directors Training Program course in subsequent year.
9	12	The Board has not formed the Nomination Committee.	Compliance will be ensured in the future years.

Sr. No.	Rule / Sub Rule No.	Reasons for non-compliance	Future course of action
10	14	Chief Financial Officer is not employed. Company Secretary was appointed by the Government.	Compliance will be ensured in the future years.
11	15	Chief Financial Officer is not employed. Company Secretary has attended all the meetings of the Board.	Compliance will be ensured in the future years.
12	20	Chief Financial Officer is not employed. Chief Executive endorsed the Financial Statements	Compliance will be ensured in the future years.
13	22	The Board has not yet setup Internal Audit Function nor has appointed any head of internal audit function.	The Company has established an Internal Audit Function in subsequent year. Assistant Manager in Internal Audit Department has been recruited.
14	8(2)	Government has not undertaken the performance evaluation of members of the Board including the chairman and chief executive annually.	Compliance will be ensured in the future years.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

◆YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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www.yousufadil.com

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,** which comprise the statement of financial position as at June 30, 2020, 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, 2020 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 4.1 to the financial statements, 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 recoverable amount. However, the Company has not evaluated the value in use of the said asset 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 recoverable amount of the asset.

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. The other information comprises the Director's Report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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: August 30, 2021

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
NON CURRENT ASSETS			
Plant and equipment	4	**1,771,059,930**	1,850,695,958
Right of use asset	5	**3,510,629**	-
Long term deposit		**1,095,000**	1,095,000
		1,775,665,559	1,851,790,958
CURRENT ASSETS			
Stores, spares and loose tools		**24,297,740**	6,153,085
Trade deposits and prepayments	6	**3,145,960**	5,143,751
Trade debts	7	**467,952,436**	72,707,614
Short term investments	8	**-**	100,000,000
Accrued markup		**1,047,794**	12,368,587
Advance income tax		**20,975,841**	8,864,571
Cash and bank balances	9	**191,320,634**	205,074,130
		708,740,405	410,311,738
TOTAL ASSETS		**2,484,405,964**	2,262,102,696
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	**609,000,000**	609,000,000
Advance against issue of shares	11	**50,000,000**	50,000,000
Interest free element of long term finance		**126,016,826**	177,654,499
Unappropriated profit		**183,895,536**	39,358,834
		968,912,362	876,013,333
NON CURRENT LIABILITIES			
Long-term finance	12	**731,506,336**	919,001,430
Deferred tax	13	**81,912,550**	55,258,624
		813,418,886	974,260,054
CURRENT LIABILITIES			
Current portion of long-term finance	12	**502,577,665**	360,665,813
Lease liabilities	14	**2,498,880**	-
Creditors, accrued and other payables	15	**146,668,366**	39,617,665
Sales tax payable		**14,297,224**	-
Provision for income tax		**36,032,581**	11,545,831
		702,074,716	411,829,309
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		**2,484,405,964**	2,262,102,696

The annexed notes from 1 to 32 form an integral part of these financial statements.

YA

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, 2020

	Note	2020	2019
		---------- (Rupees) ----------	
Service income	17	**414,117,200**	416,673,818
Cost of service	18	**(153,699,728)**	(152,895,634)
Gross profit		**260,417,472**	263,778,184
Administrative expenses	19	**(47,837,530)**	(39,331,177)
Other operating expenses	20	**(10,715,834)**	(10,088,136)
Other income	21	**31,700,460**	18,510,313
Financial charges	22	**(89,524,863)**	(99,629,772)
Profit before taxation		**144,039,705**	133,239,412
Taxation	23	**(51,140,676)**	(100,677,996)
Profit for the year		**92,899,029**	32,561,416
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**92,899,029**	32,561,416

The annexed notes from 1 to 32 form an integral part of these financial statements.

YA

CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		---------- (Rupees) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		144,039,705	133,239,412
Adjustments for			
Financial charges		89,524,863	99,629,772
Depreciation on property and equipment	4	80,378,543	80,458,466
Depreciation on right of use asset	5	2,217,239	-
Other income		(31,700,460)	(18,510,313)
Operating cash flows before working capital changes		284,459,890	294,817,337
(Increase) / decrease in current assets			
Stores, spares and loose tools		(18,144,655)	(6,153,085)
Trade deposits and prepayments		1,997,791	(1,894,570)
Trade debts		(395,244,822)	106,336,344
Increase / (decrease) in current liability			
Creditors, accrued and other payables		105,862,833	1,152,736
Sales tax payable		14,297,224	-
Cash generated (used in) / from operations		(6,771,739)	394,258,762
Taxes paid		(12,111,270)	(42,573,193)
Financial charges paid		(87,790,602)	(99,629,773)
Net cash generated (used) / from in operating activities		(106,673,611)	252,055,796
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to plant and equipment		(742,515)	(2,315,238)
Interest income received		43,021,253	6,142,261
			-
Net cash generated from investing activities		42,278,738	3,827,023
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of shares		-	50,000,000
Repayment of long term finance	12	(45,583,242)	(33,744,070)
Repayment of lease liabilties		(3,775,381)	-
Net cash (used) / generated from in financing activities		(49,358,623)	16,255,930
Net (decrease) / increase in cash and cash equivalent		(113,753,496)	272,138,749
Cash and cash equivalents at the beginning of the year		305,074,130	32,935,381
Cash and cash equivalents at the end of the year		191,320,634	305,074,130
Cash and cash equivalent at the end of the year			
- Cash and bank balance	9	191,320,634	205,074,130
- Short term investments	8	-	100,000,000
		191,320,634	305,074,130

The annexed notes from 1 to 32 form an integral part of these financial statements.

4A

CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Advance against issue of shares	Interest free element of long term finance (12.2.1)	General Reserve Unappropriated profit	Total
	(Rupees)				
Balance at July 01, 2018	609,000,000	-	211,544,136	(27,092,218)	793,451,918
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	-	-	-	32,561,416	32,561,416
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	32,561,416	32,561,416
Balance at June 30, 2019	609,000,000	50,000,000	177,654,499	39,358,834	876,013,333
Amostisation of interest free element of loan	-	-	**(51,637,673)**	**51,637,673**	-
Profit for the year	-	-	-	**92,899,029**	**92,899,029**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**92,899,029**	**92,899,029**
Balance at June 30, 2020	**609,000,000**	**50,000,000**	**126,016,826**	**183,895,536**	**968,912,362**

The annexed notes from 1 to 32 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 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 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 transmission 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 except for right of use asset and lease liability at present value.

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 3.1)
- right of use asset (3.2)
- impairment of financial and non-financial assets (note 3.4.1)
- taxation (note 3.6)

2.5 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. 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, except for IFRS 16 which we disclosed in 2.5.1.

	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 1, 2019
IFRS 14 – Regulatory Deferral Accounts - IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, SECP has adopted from Julv 01. 2019.	July 1, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 1, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 1, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 1, 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 1, 2019

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

2.5.1 Impact of initial application of IFRS 16 'Leases'

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment for both lessors and lessees. IFRS 16 superseded the current lease guidance including IAS 17 'Leases' and the related interpretations when it becomes effective for accounting periods beginning on or after January 01, 2019. The date of initial application of IFRS 16 for the Company is July 01, 2019. The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

Impact on Lease Accounting

IFRS 16 changed how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-statement of financial position.

On initial application of IFRS 16, for all leases except for short term leases and leases of low value assets, the Company:

a) Recognise right of use asset and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation on right of use asset and interest on lease liabilities in the statement of profit or loss; and

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right of use asset and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right of use asset will be tested for impairment in accordance with IAS 36 'Impairment of Assets'. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Following are the effects of the IFRS 16 - 'Leases' on July 01, 2019:

	As at June 30, 2019	Adjustment	As at July 01, 2019
		(Rupees)	
Impact on Statement of Financial Position			
ASSET			
Right of use asset	-	5,727,868	5,727,868
LIABILITY			
Lease liabilities	-	5,727,868	5,727,868

Impact on Statement of Profit or Loss and Other Comprehensive Income

	2020
	Rupees
(Decrease) / increase in profit for the year	
Rent expense	2,331,247
Depreciation on right of use asset	(2,217,239)
Interest on lease liability	(546,393)
Decrease in profit before tax	(432,385)

Had IFRS 16 not been applied then the profit before tax for the year would have been increased by Rs. 432,385 for the year.

2.6 Amendments to accounting standards that are not yet effective

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

Standards / amendments and interpretations	Effective from accounting period beginning on or after:
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020

	Effective from accounting period beginning on or after:
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 1, 2022
Amendment to IFRS 16 'Leases' - COVID-19 related rent concessionsAmendments 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'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 1, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

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 in Pakistan by the Securities and Exchange Commission of Pakistan (SECP):

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

The above standard and ammendments are not expected to have any material impact on the company financial statements in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied / adopted for all periods presented in these financial statements.

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 reducing balance method except for transmission line which is depreciated by applying straight line method at the rates specified in note 4. 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 Right of use asset and lease liabilities

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. From July 01, 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease, or if this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured (at amortised cost) by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit and loss if the carrying amount of right of use asset has been reduced to zero.

The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right of use asset is depreciated on a straight line method over the shorter of lease-term or assets economic life as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in the statement of profit or loss.

3.3 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.

3.4 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.

3.4.1 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.

- *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 in the period in which it arises.

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

Recognition and derecognition

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (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.

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 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:

All financial assets at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income (OCI).

For debt instruments classified as financial assets at FVTOCI, the amounts in other comprehensive income are reclassified to income statement on derecognition of financial assets. This treatment is in contrast to equity instruments classified as financial assets at FVTOCI, where there is no reclassification on derecognition.

FVTPL:

All financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the statement of profit or loss and other comprehensive income.

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.

3.4.2 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.

3.4.3 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.

3.5 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 base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and 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 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 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.

3.8 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.

3.9 Interest free element of long term finance

Interest free long term finance 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 or recieved and present value at inital recognition is recognised as an addition to its equity in order to reflect the economic substance of the transaction. Subsequently, this amount is amortized over the life of Plant.

3.10 Advance against issue of shares

Advance received on account of equity investment by the parent 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, over time or at a point in time.

Revenue from transmission of electricity

Revenue from transmission of electricity is recognised when electricity is transferred to third party i.e. at the time of transmission of electricity to the K-Electric Limited.

Interest / Mark-up income

The Company recognises interest income / mark-up using effective interest rate on bank balances, deposits and investments when the right to receive is established.

4. PLANT AND EQUIPMENT

Particulars	Cost at July 01, 2019	Additions	Cost at June 30, 2020	Accumulated depreciation at July 01, 2019	Depreciation for the year	Accumulated depreciation at June 30, 2020	Carrying value at June 30, 2020	Rate
	(Rupees)							%
Transmission line (4.1)	1,955,012,274	-	1,955,012,274	117,300,734	78,200,492	195,501,226	1,759,511,048	04
Lease hold improvements	1,513,546	138,600	1,652,146	266,201	194,990	461,191	1,190,955	15
Office equipment	1,235,606	603,915	1,839,521	565,423	323,027	888,450	951,071	30
Vehicles	11,186,000	-	11,186,000	4,775,820	961,527	5,737,347	5,448,653	15
Furniture and fixtures	5,538,981	-	5,538,981	882,271	698,507	1,580,778	3,958,203	15
	1,974,486,407	**742,515**	**1,975,228,922**	**123,790,449**	**80,378,543**	**204,168,992**	**1,771,059,930**	

For comparative period

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 (4.1)	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	

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 on January 18, 2018. The tariff approved by National Electric Power Regulatory Authority (NEPRA) on February 10, 2017 and later revised 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 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. Subsequently, Appellate Tribunal was formed by Islamabad High Cout, but the bench is still not yet completed.

These transmission line comprises of 522 towers at different locations for which the Company had obtained right to install the towers from relevant authority.

		Note	2020	2019
			(Rupees)	
4.2	**Depreciation charged during the year**			
	Cost of service	18	**78,200,492**	78,200,492
	Administrative expenses	19	**2,178,051**	2,257,974
			80,378,543	80,458,466

			2020	
			(Rupees)	
5.	**RIGHT OF USE ASSET**		**Rental property**	**Total**
	Recognition according to IFRS - 16		5,727,868	**5,727,868**
	Cost as at June 30,		5,727,868	**5,727,868**
	Charge for the year	5.1	2,217,239	**2,217,239**
	Accumulated depreciation as at June 30,		2,217,239	**2,217,239**
	Net book valueas at June 30,		3,510,629	**3,510,629**
	Useful life (in months)		**31**	

5.1	**Allocation of depreciation**			
	Administrative expenses	19	**2,217,239**	-

			2020	2019
			(Rupees)	
6.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Bank guarantee		-	25,000
	Advances		-	1,923,250
	Prepayments	6.1	**3,145,960**	3,195,501
			3,145,960	5,143,751

6.1 It includes advance rent paid for accomodation of operation staff and their insurance premium.

		2020	2019
		(Rupees)	
7.	**TRADE DEBTS**		
	Trade debts	467,952,436	72,707,614

7.1 Till June 30, 2019, trade debts consist of the customers, Sindh Nooriabad Power Company (Private) Limited (SNPC) and Sindh Nooriabad Power Company Phase-II (Private) Limited (SNPC-II), entities under Public Private Partnership Project engaged in the Generation of Electrical Power. As per the Tripartite Wheeling Agreements between the three stakeholders, the Company had a wheeling agreement where KE is the Power Purchaser, which purchases power from SNPC through a power purchase agreement between KE and SNPC using wheeling services provided by the Company through its dedicated transmission line. The Company used to invoice fixed capacity wheeling charges to SNPC and SNPC-II based on NEPRA approved tariff.

On January 27, 2020 the Company filed a review petition with NEPRA for amending the tariff determination due to introduction of sales tax on transmission services and its implications on the parties to wheeling agreement (the parties). After hearing with NEPRA and subsequent meetings with the parties, on March 05, 2021 a Tripartite Agreement initialed between the three stakeholders was submitted to NEPRA where it is decided that the Company will bill to KE directly in respect of transmission of electric power services, same was decided by the NEPRA in its determination dated April 06, 2021.

Subsequent to these developments, the Company issued invoices to KE on April 12, 2021 and revised the Sindh Sales Tax Returns submitted during the year after getting approval from SRB vide letter no SRB/KHI/UNIT-23/4684 dated May 06. 2021 for condonation and revision of previously submitted returns. Based on revised invoices all the outstanding payments were received on June 17, 2021.

7.2 The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance was Rs. Nil (2019: Rs. 72.71 million).

	Note	2020	2019
		(Rupees)	
7.3 Aging of past due but not impaired receivables are:			
Not due		467,952,436	72,707,614
		467,952,436	72,707,614

8. SHORT TERM INVESTMENTS

Amortised cost

Term deposit receipts	8.1	-	100,000,000

8.1 It represented Term Deposits Receipts (TDRs) of Bank Al - Baraka carrying effective interest rate of 9.75% per annum matured on August 08, 2019.

	Note	2020	2019
		(Rupees)	
9. CASH AND BANK BALANCES			
Balances with banks - saving accounts	9.1	191,298,036	205,050,573
Cash in hand		22,598	23,557
		191,320,634	205,074,130

9.1 These carry mark-up @ 5.8% to 12% (2019: 4% to 5%) per annum. Further, it includes encashment of performace guarantees of Rs.93,991,750 as per the instructions of National Accounting Bureua (NAB), Refer note no. 15.4.

10. SHARE CAPITAL

2020	2019		2020	2019
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

10.1 100 % of shares of the Company are held by the Sindh Energy Holding Company (Pvt.) Ltd.

10.2 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	2020	2019
			(Rupees)	
11.	**ADVANCE AGAINST ISSUE OF SHARES**			
	Received From;			
	Sindh Energy Holding Company (Private) Limited	11.1	**50,000,000**	50,000,000

11.1 This represents an amount received in the previous year as equity investment which has been classified as advance against issue of shares. Subseuqent, to the year end shares have been issued against these advances.

		Note	2020	2019
			(Rupees)	
12.	**LONG-TERM FINANCE**			
	Sindh Energy Holding Company (Private) Limited	12.1	**704,335,128**	711,179,944
	Government of Sindh	12.2	**529,748,873**	568,487,299
			1,234,084,001	1,279,667,243
	Less: Current portion shown under current liabilities			
	- Sindh Energy Holding Company (Private) Limited		**(169,595,211)**	(113,063,474)
	- Government of Sindh		**(332,982,454)**	(247,602,339)
			(502,577,665)	(360,665,813)
			731,506,336	919,001,430
12.1	**From Sindh Energy Holding Company (Private) Limited Parent company - secured**			
	Term finance	12.1.1	**691,000,000**	691,000,000
	Add: Cumulative amount of interest			
	- Opening		**76,711,681**	25,030,425
	- Charged for the year	22	**49,686,921**	51,681,256
			126,398,602	76,711,681
	Less: Repayment made to date		**(113,063,474)**	(56,531,737)
			704,335,128	711,179,944
	Less: Current portion shown under current liabilities			
	- Amount due but not paid		**(56,531,737)**	-
	- Current portion		**(113,063,474)**	(113,063,474)
			(169,595,211)	(113,063,474)
			534,739,917	598,116,470
12.2	**From Government of Sindh**			
	Term finance	12.2.1	**730,000,000**	730,000,000
	Less: Present value adjustment		**(230,002,821)**	(230,002,821)
			499,997,179	499,997,179
	Add: Cumulative unwinding of interest			
	- Opening		**145,332,225**	97,406,195
	- Charged for the year	22	**38,103,681**	47,926,030
			183,435,906	145,332,225
	Repayment made to date		**(153,684,212)**	(76,842,105)
			529,748,873	568,487,299
	Less: Current portion shown under current liabilities			
	- Amount due but not paid	12.2.2	**(170,760,232)**	(85,380,117)
	- Current portion		**(162,222,222)**	(162,222,222)
			(332,982,454)	(247,602,339)
			196,766,419	320,884,960

12.1.1 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.

In the previous 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.

During the year, the Company has made one semi-annual payments in accordance with the rescheduled repayment of loan, approved by Sindh Energy Holding Company, amounting to Rs. 56.53 million of installment whereas as per the terms of the loan as described in note 12.1.1 the Company is required to pay eighteen semi-annual installments, each installment of Rs. 56.53 million, commencing from June 30, 2019 therefore an amount of Rs. 56.53 million has been due but not paid by the Company. However, the said amount has been paid by the Company subsequent to the year end dated June 21, 2021.

12.2.1 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.

12.2.2 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, amounting Rs. 38.4 million each. As per the original terms of the loan as described in note 12.2.1 the Company was required to pay semi-annual installments, each installment of Rs. 81.11 million, commencing from December 31, 2018 therefore a cumulative amount of Rs. 170.7 million (2019: 85.3 million) although due but has not been paid by the Company as the management expect the approval of the Cabinet to come through.

13. DEFERRED TAXATION

	Balance at July 01, 2020	Deferred tax recognised in: Profit or loss	Deferred tax recognised in: Other comprehensive income	Balance at June 30, 2020
	(Rupees)			
Movement for the year ended June 30, 2020				
Deferred tax liabilities on taxable / (deductible) temporary differences arising in respect of :				
- Accelerated tax depreciation allowance	225,919,320	23,708,640	-	249,627,960
- Unabsorbed tax depreciation	(170,660,696)	21,220,278	-	(149,440,418)
- Excess of corporate tax	-	(18,274,992)	-	(18,274,992)
Deferred tax liability	**55,258,624**	**26,653,926**	**-**	**81,912,550**

	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 / (deductible) 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	-	55,258,624	-	55,258,624

14. LEASE LIABILITIES

	2020	2019
	(Rupees)	
Recognized at initial application i.e. July 01, 2019	**5,727,868**	-
Interest on lease liabilities	**546,393**	-
Repayment	**(3,775,381)**	-
Lease liabilities	**2,498,880**	-
Less: Current portion shown under current liabilities	**(2,498,880)**	-
Balance as on June 30,	-	-

The future payments of lease liabilities are as follows:

	2020 Future minimum lease payments	2020 Financial charges	2020 Principal repayments
	(Rupees)		
Not later than one year	2,723,226	224,346	2,498,880
later than one year but not later than five years	-	-	-
	2,723,226	**224,346**	**2,498,880**

15. CREDITORS, ACCRUED AND OTHER PAYABLES

	Note	2020	2019
		(Rupees)	
Creditors		**6,399,886**	8,663,083
Retention money	15.1	**17,156,289**	17,156,289
Accrued liabilities		**3,910,211**	3,687,671
Sindh Workers' Welfare Fund	15.2	**5,728,629**	2,777,892
Sindh Workers' Profit Participation Fund	15.3	**16,308,182**	7,332,730
Encash guarantee	15.4	**94,689,509**	-
Other Payable		**2,475,660**	-
		146,668,366	39,617,665

15.1 It represents retention money deducted from payment to M/S Technoman Kinetics (Private) Limited, the contractor of the Company. In the current year, as per instruction of NAB it is holded in pursuance of further instruction of NAB refer note 15.4.

15.2 Sindh Workers' Welfare Fund

	Note	2020	2019
		(Rupees)	
Balance as at July 1,		**2,777,892**	-
Add: Provision for the year	20	**2,950,737**	2,777,892
Balance as at June 30,		**5,728,629**	2,777,892

	Note	2020	2019
		---------- (Rupees) ----------	
15.3 Sindh Workers' Profit Participation Fund			
Balance as at July 1,		7,355,217	-
Add: Charged for the year	20	7,765,097	7,332,730
Interest on funds utilised in the Company's busines	15.3.1	1,187,868	22,486
Balance as at June 30,		16,308,182	7,355,217

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

15.4 The Company received a letter No. NABR20190131159667/2019/IW/Inv/284 from 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.

16. CONTINGENCIES AND COMMITMENTS

	2020	2019
	---------- (Rupees) ----------	
16.1 Commitments		
Rental	125,970	-
Outstanding bank guarantee	-	25,000
	125,970	25,000

16.2 Contingencies

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%\ line losses in 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 but the application has been returned by NEPRA on jurisdiction grounds throught letter no. NEPRA/R/TRF-100/2457 dated January 15, 2021.

The Company has filed writ petition in the honourable Islamabad High Court and Management is confident that decision will be in the favor of the Company.

17. SERVICE INCOME

	Note	2020	2019
		---------- (Rupees) ----------	
Service income - gross		467,952,436	416,673,818
Less: Sindh sales tax	17.1	53,835,236	-
		414,117,200	416,673,818

17.1 During the year as per the amendment in Finance Act, 2019, Sindh sales tax has been made applicable on electric power transmission services at rate of 13%.

	2020	2019
17.2 Disaggregation of revenue	(Units)	
Number of units transmitted (MWh) from:		
Sindh Nooriabad Power Company I	443,856	442,643
Sindh Nooriabad Power Company II	443,856	442,643

	2020	2019
17.3 Capacity		
Actual capacity (MWh)	887,711	885,286
Utilised capacity (MWh)	887,711	885,286
No. of days	366	365

	Note	2020	2019
		(Rupees)	
18. COST OF SERVICE			
Depreciation on plant and equipment	4.2	78,200,492	78,200,492
Manpower supply services		23,014,890	22,549,294
Vehicles supply service		22,238,400	22,238,400
Insurance		16,682,218	16,217,254
Staff salaries and benefits		8,664,000	9,618,000
Accommodation of maintenance staff		2,162,070	3,707,593
Maintenance of towers, poles and fixtures		2,737,658	364,601
		153,699,728	152,895,634

	Note	2020	2019
19. ADMINISTRATIVE EXPENSES			
Staff salaries and benefits	24	27,257,322	26,331,029
Legal and professional		5,626,035	2,494,250
Depreciation on property and equipment	4.2	2,178,051	2,257,974
Depreciation on right of use asset	5.1	2,217,239	-
Utilities		1,133,059	1,416,223
Vehicles running and maintenance		1,617,013	1,249,767
Advertisement		968,852	1,229,190
Fees and subscription		1,951,885	991,950
Traveling and conveyance		1,403,153	899,455
Entertainment		867,585	551,515
Printing and stationery		225,481	240,231
Auditors' remuneration	19.1	712,800	712,800
Insurance		441,820	436,294
Staff training and development		457,000	90,152
Others		780,235	430,347
		47,837,530	39,331,177

	2020	2019
19.1 Auditors' remuneration		
Audit and Code of Corporate Governance fees	600,000	600,000
Out of pocket	60,000	60,000
Sales Tax	52,800	52,800
	712,800	712,800

	Note	2020	2019
		---------- (Rupees) ----------	

20 OTHER OPERATING EXPENSES

	Note	2020	2019
Sindh Workers' Welfare Fund	15.2	2,950,737	2,777,892
Sindh Workers' Profit Participation Fund	15.3	7,765,097	7,310,244
		10,715,834	10,088,136

21. OTHER INCOME

	Note	2020	2019
Profit on savings accounts		29,005,528	16,098,478
Profit on term deposits receipts		2,654,932	2,383,835
Bidding fees		40,000	28,000
		31,700,460	18,510,313

22. FINANCIAL CHARGES

	Note	2020	2019
- Interest on loan from Sindh Energy Holding Company (Private) Limited Parent company	12.1	49,686,921	51,681,256
- Unwinding of loan from Government of Sindh	12.2	38,103,681	47,926,030
- Interest on funds utilised in the Company's business	15.3	1,187,868	22,486
- Interest on lease liabilites		546,393	-
		89,524,863	99,629,772

23. TAXATION

	Note	2020	2019
Current			
- for the year	23.1	24,486,750	33,333,905
- for prior year		-	12,085,467
		24,486,750	45,419,372
Deferred tax charge	13	26,653,926	55,258,624
		51,140,676	100,677,996

23.1 Relationship between tax expense and accounting profit

	2020	2019
Profit before taxation	144,039,705	133,239,412
Tax at the applicable rate of 29% (2019: 29%)	41,771,514	38,639,429
Tax effects of:		
Prior year tax	-	12,085,467
Minimum tax	(17,284,764)	(5,305,525)
	24,486,750	45,419,371

24. 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:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	---------- (Rupees) ----------			
Remuneration	12,040,000	15,666,667	11,425,000	15,666,667
No. of person	1	5	1	5

24.1 An amount of Rs. 0.6 million (2019: Rs. 0.73 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

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

25. NUMBER OF EMPLOYEES

	2020	2019
	(Rupees)	
Average number of employees during the year	26	19
Number of employees as at June 30	27	19

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

Name and Relationship with the Company	Nature of transactions	2020	2019
		(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 companies	Wheeling services	467,952,436	416,673,818
Sindh Energy Holding Company (Private) Limited - Holding Company	Repayment of loan	56,531,737	56,531,737
Government of Sindh	Repayment of loan	76,842,105	76,842,105

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

27.1 Financial instrument by category

Financial assets as per statement of financial position

Amortised cost

	2020	2019
- Trade debts	467,952,436	72,707,614
- Trade deposits	1,095,000	1,120,000
- Short term investments	-	100,000,000
- Cash and bank balance	191,320,634	205,074,130
- Accrued Markup	1,047,794	12,368,587
- Trade deposits and prepayments	3,145,960	5,143,751
	664,561,824	396,414,082

Financial liabilities as per statement of financial position

Other financial liabilities

	2020	2019
- Long-term finance	1,234,084,001	1,279,667,243
- Creditor, accrued and other payables	124,631,555	29,507,043
- Lease liabilities	2,498,880	-
	1,361,214,436	1,309,174,286

27.2 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:

27.2.1 Financial risk factors

Introduction and overview

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

- market risk
- credit risk
- liquidity risk

27.2.2 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 reporting date, 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 long term financing 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 would decrease/increase by Rs. 13.97 million (2019 : Rs. 7.1 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

27.2.3 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. 663.74 million (2019: Rs. 396.41 million), the financial assets which are subject to credit risk amounted to Rs. 472.42 million (2019: Rs. 191.33 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 debts 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 refer note 7.1.

Bank balances

The credit quality of the Company's bank balances as at June 30, 2020 with respect to external credit

Banks	Rating agency	Long term	Short term	2020	2019
				(Rupees)	
National Bank of Pakist:	PACRA	AAA	A-1+	91,244,943	203,158,616
Sindh Bank Limited	VIS	A+	A-1	38,810	1,018,888
Al Baraka Bank (Pakist:	PACRA	A	A-1	100,014,283	873,069
				191,298,036	205,050,573

The exposure to banks are managed by dealing with of major banks and monitoring exposure limits on continuous basis.

27.2.4 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
2020		(Rupees)					
Long-term financing	0% - 12%	-	-	502,577,665	731,506,336	-	1,234,084,001
Creditor, accrued and other payables		-	124,631,555	-	-	-	124,631,555
Lease liabilty		-	-	2,498,880	-		2,498,880
		-	124,631,555	505,076,545	731,506,336	-	1,361,214,436

	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

28. 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, 2020 and June 30, 2019, the Company do not have any financial assets and liabilities which can be classified under above levels.

29. 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.

30. 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.

Since, it falls under essential services hence, during the lockdown from March to May 2020, the Company continued to operate.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.

31. GENERAL

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

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on 0 ~~2 JUL~~ 2021

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHAIRMAN