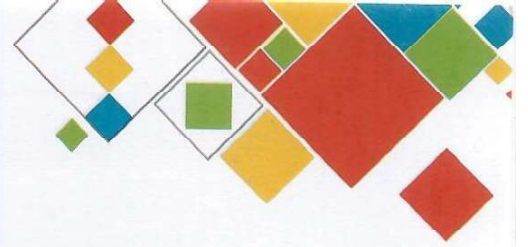


**Sindh Transmission and  
Dispatch Company  
(Private) Limited**

Financial Statements  
For the year ended June 30, 2021





## DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders, your directors take immense pleasure in presenting their 4<sup>th</sup> Director's Report together with the audited financial statements of Sindh Transmission & Dispatch Company (Private) Limited for the year ended on 30th June 2021 duly Audited by M/s Yousuf Adil (Chartered Accountants).

### Economic Overview of Pakistan<sup>1</sup>

Alhamdulillah, the economy is steadily progressing towards more sustainable and inclusive growth. The economy has witnessed a V-shaped recovery with 3.94 percent growth in FY2021 against the negative growth of 0.47 percent last year. It is worth mentioning that after 15 years, the economic growth has surpassed its target. On the basis of a rebound in almost all sectors, for FY2021, the provisional GDP growth rate is estimated at 3.9 percent on account of 2.8 percent growth in Agriculture, 3.6 percent in the Industrial sector and 4.4 percent growth in the Services sector. Moreover, GDP at current market prices stood at Rs 47,709 billion, showing a growth of 14.8 percent during FY2021 over last year (Rs 41,556 billion).

The current account balance is in surplus, fiscal deficit is manageable with the primary balance in surplus, the rupee is stable and foreign exchange reserves (SBP and commercial) have reached \$ 23.2 billion (as of 3rd June 2021). Furthermore, improvements in the services and primary income account also provided a cushion to turn the current account deficit of \$ 4.7 billion in FY2020 into a surplus of \$ 773 million during July-April FY2021.

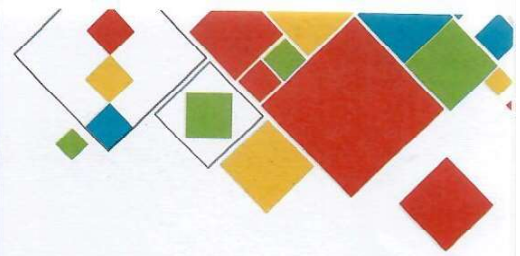
Pakistan's total liquid foreign exchange reserves increased to \$ 22.7 billion by the end of April 2021, up by \$ 3.8 billion, indicating a growth of 20.1 percent over the end-June 2020. On account of increased foreign exchange reserves, supported by remittances, exports and financial support from International Financial Institutions, the Pakistani Rupee started to appreciate. The introduction of a market-based exchange rate regime also helped to stabilize the Rupee and the exchange rate reached Rs 153.5 per \$ by the end of April 2021, effectively appreciating by 9.5 percent over end-June 2020.

The Consumer Price Index (CPI) inflation for the period July-May FY2021 was recorded at 8.8 percent against 10.9 percent during the same period last year. The other inflationary indicators like the Sensitive Price Indicator (SPI) was recorded at 13.5 percent against 14.0 percent last year. Wholesale Price Index (WPI) was recorded at 8.4 percent in July-May FY2021 compared to 11.1 percent last year.

<sup>1</sup> Pakistan Economic Survey 2020-2021







## Company Overview

Sindh Transmission & Dispatch Company (Pvt.) Limited (STDC) was incorporated on 7<sup>th</sup> 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 & Loss Account (PKR)

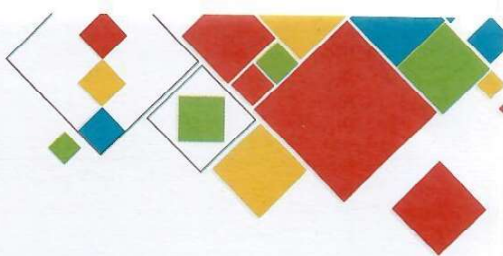
	2021	2020	2019	2018	2017	2016
<b>SERVICE INCOME</b>	<b>412,985,736</b>	<b>414,117,200</b>	<b>416,673,818</b>	<b>179,043,958</b>	---	---
<b>COST OF SERVICE</b>	<b>(162,999,118)</b>	<b>(153,699,728)</b>	<b>(152,895,634)</b>	<b>(103,405,928)</b>	---	---
<b>GROSS PROFIT</b>	<b>249,986,618</b>	<b>260,417,472</b>	<b>263,778,184</b>	<b>75,638,030</b>	---	---
<b>ADMINISTRATIVE EXPENSES</b>	<b>(55,627,756)</b>	<b>(47,837,530)</b>	<b>(39,331,177)</b>	<b>(29,278,365)</b>	<b>(34,305,058)</b>	<b>(21,425,630)</b>
<b>OTHER OPERATING EXPENSES</b>	<b>(8,411,705)</b>	<b>(10,715,834)</b>	<b>(10,088,136)</b>	---		
<b>OTHER INCOME</b>	<b>1,896,993</b>	<b>31,700,460</b>	<b>18,510,313</b>	<b>771,786</b>	<b>14,603,466</b>	<b>4,070,995</b>
<b>FINANCIAL CHARGES</b>	<b>(74,347,091)</b>	<b>(89,524,863)</b>	<b>(99,629,772)</b>	<b>(44,254,113)</b>		
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>113,347,091</b>	<b>144,039,705</b>	<b>133,239,412</b>	<b>2,877,338</b>	<b>(19,701,592)</b>	<b>(17,354,635)</b>
<b>TAXATION</b>	<b>(102,636,759)</b>	<b>(51,140,676)</b>	<b>(100,677,997)</b>	<b>(2,238,049)</b>	<b>(5,729,237)</b>	<b>(117,215)</b>
<b>PROFIT / (LOSS)</b>	<b>10,860,301</b>	<b>92,899,029</b>	<b>32,561,415</b>	<b>639,289</b>	<b>(25,430,829)</b>	<b>(17,471,850)</b>

During the year under review, the company earned total revenue of Rs. 413 million in 2021 (2020: Rs 414 million). The fixed capacity wheeling charges are based on tariff determination by National Electric Power Regulatory Authority (NEPRA).

*JG*







Normal operating expenses / Cost of service of STDC for the year FY2021 was Rs. 163 million approximately against operating expense of Rs. 154 million approximately in the previous year. Gross Profit of STDC for the FY2021 was Rs. 250 million compared to Rs. 260 million in FY2020. Administrative expenses for FY2021 stood at Rs. 56 million against Rs. 48 million in FY2020. Financial charges stood at Rs. 74 million for FY2021 against 89 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. 10 million in FY2021 compared to a profit of Rs. 92 million in the previous year due to deferred tax asset/liability calculations.

The major reasons of decrease in profitability as compared to last year are mentioned below:

- Due to lower fund reserves of the company, the income earned on the investment of these funds decreased by Rs. 30 mln
- The company received its pending receivables from July 2019 till March 2021 in the FY2021 and the company has already opted Receipt Basis for Minimum Tax which has resulted in increase of tax amount by Rs. 50 mln approx.

Operating fixed assets of the company amounting to Rs. 1.4 million against 0.7 million last year which were added to property, plant and equipment.

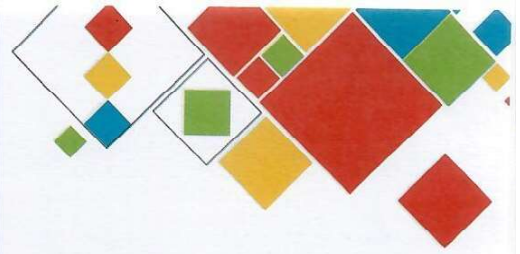
The Financial performance of STDC is summarized into ratio analysis, which is as follows:

	UOM	2021	2020
<b>PROFITABILITY RATIOS</b>			
GROSS PROFIT TO SALES	%	61%	63%
PROFIT BEFORE TAX TO SALES		27%	35%
PROFIT AFTER TAX TO SALES		3%	22%
OPERATING EXPENSES TO SALES RATIO		16%	14%
RETURN ON EQUITY BEFORE TAX		17%	22%
RETURN ON EQUITY AFTER TAX		1.7%	14%
<b>LIQUIDITY RATIOS</b>			
CURRENT RATIO	TIMES	0.91	1.01
QUICK RATIO / ACID TEST RATIO		0.87	0.97
<b>FINANCING RATIOS</b>			
DEBT/EQUITY RATIO	TIMES	1.08	1.27

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







- Tariff awarded by NEPRA is based on a cost of Rs. 1.7 billion whereas STDC has capitalized Transmission Line amounting to Rs. 1.955 billion. STDC has also filed a Writ Petition with Islamabad High Court for the same.
- Deferred Tax assets/liabilities on taxable temporary differences arising in respect of accelerated tax depreciation allowance.
- The company received its pending receivables from July 2019 till March 2021 in the FY2021 and the company has already opted Receipt Basis for Minimum Tax which has resulted in increase of tax amount by Rs. 50 mln approx.

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

### STDC Project Performance 2020-21

The management of STDC takes high prestige for its excellent team work regarding timely completion (as per industry practice) of its 1<sup>st</sup> 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.

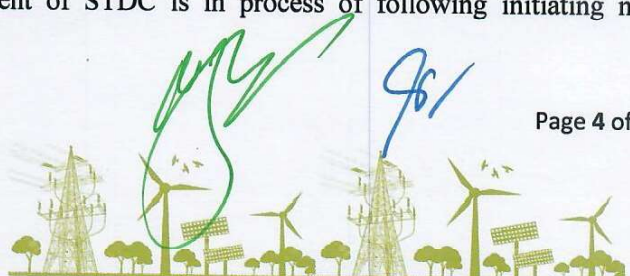
The details of the project are as under:

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

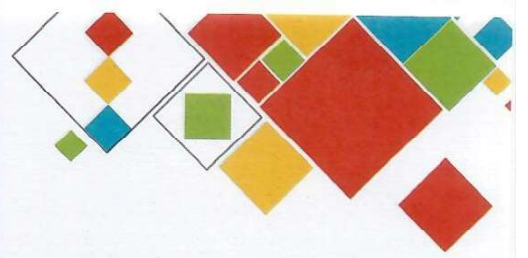
### STDC Future Projects

In 2019, STDC 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:





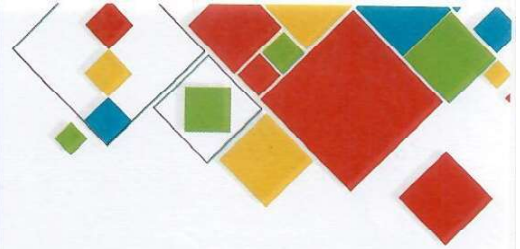


- STDC is in process of hiring of consultant for construction of two 132 kV Grid Stations and around 30 Kilometers double circuit Transmission Line for supplying of power to pumping station-I and Pumping station-II of K-IV project of KW&SB for water supply to Karachi from Kinjhar Lake, Jhimpir, Sindh, at an estimated cost of PKR 3.5 billion.
- STDC has signed a Memorandum of Understanding (MoU) with the Directorate of Alternate Energy (DAE) and Engro Energy Limited (EEL), to establish a renewable energy park at Jhimpir, that will provide electricity to industry at Port-Qasim and Dhabeji. Under the terms of the MoU, Engro will be responsible to build the first hybrid solar PV and wind park in the country whereas STDC and DAE will be responsible for laying the transmission network and facilitate the provision of required land for the project, respectively.
- 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.

*Handwritten signature*







## Significant events during the year

### 1. BOD Meetings

In total five (05) meetings of board of directors were held during the year FY 2020-21, details of which are mentioned below:

BOD Meeting	Date
16 <sup>th</sup>	27 <sup>th</sup> July 2020
17 <sup>th</sup>	28 <sup>th</sup> December 2020
18 <sup>th</sup>	12 <sup>th</sup> February 2021
19 <sup>th</sup>	17 <sup>th</sup> March 2021
20 <sup>th</sup>	04 <sup>th</sup> June 2021

The attendance details of each director are as under:

Name	Capacity	No. of Meetings attended
Mr. Khizer Pervaiz	Chairman / Independent Director	05
Mr. Abu Bakar Ahmed Madani	Director	05
Mr. Mehfooz Ahmed Qazi	Director	05
Ms. Rahaila Aleem	Independent Director	05
Mr. Rehan Hamid*	Chief Executive Officer	03
Mr. Muhammad Saleem Shaikh*	Chief Executive Officer (Acting)	02
Ms. Riffat Mughal**	Independent Director	01
Mr. Taha Noman Khan	Company Secretary	05

\*Resignation of Mr. Rehan Hamid accepted by BoD w.e.f the date of assumption of acting charge by Mr. Muhammad Saleem Shaikh i.e. 15<sup>th</sup> February 2021. Subsequently, Mr. Muhammad Saleem Shaikh joined the company on 29<sup>th</sup> July, 2021 as CEO for a term of 3 years as per notification issued by Government of Sindh.

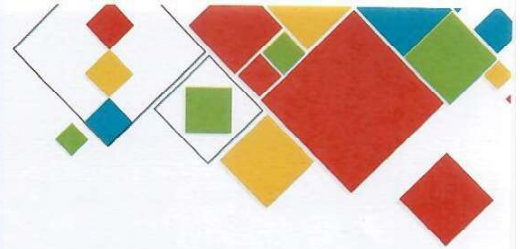
\*\*BoD in 19<sup>th</sup> meeting held on 17<sup>th</sup> March 2021 approved the appointment of Ms. Riffat Mughal as Independent Director as casual vacancy for the remainder of the term of Director.

### 2. Resolution of Double Taxation Issue

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.

### 3. Recovery of Receivables / Trade Debts

Subsequent to above development, 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 amounting to more than Rs. 700 million 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.

Also, the in-house HSE department is constantly sending compliance reports to NEPRA.

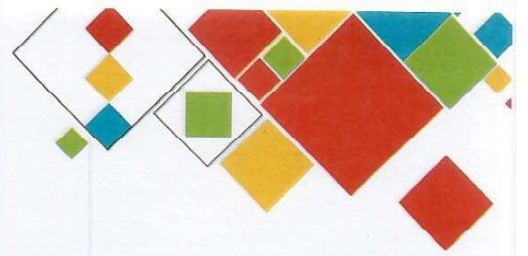
The company also sponsored for a Sindh Literature Festival which aimed to promote Education, Culture etc. in the general public.

### Pattern of Shareholding

The pattern of Shareholding as of 30<sup>th</sup> June 2021 of the company is as under:-







S.No.	Name	Capacity	Number of Shares
1.	Sindh Energy Holding Company (Pvt.) Limited	Parent Company	65,899,994*
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.	Ms. Riffat Mughal	Independent Director	1
7.	Mr. Muhammad Saleem Shaikh	Deemed Director (Acting CEO)	1
<b>TOTAL SHARES</b>			<b>65,900,000</b>

\*Value of 5,000,000 shares has been classified as Advance against Issue of Shares.

### Auditors

The present auditors, M/s Yousuf Adil (Chartered Accountants), being eligible, has provided consent for re-appointment as auditors for the year ending 30<sup>th</sup> June 2022. The appointment of the auditors for the year ending 2022 is under consideration by the board of directors on the suggestion of Audit Committee.

### Acknowledgement

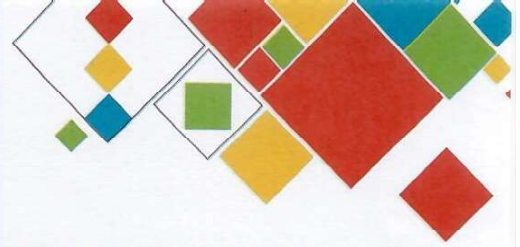
As per Clause 17 of Public Sector Companies (Corporate Governance) rules, 2013, as amended from time to time, it is acknowledged as under:-

- 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(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.
2	6(2)	Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	Compliance will be ensured in the future years.
3	8(1)	The Government has undertaken the performance evaluation of members of the	The company will comply in future by informing the





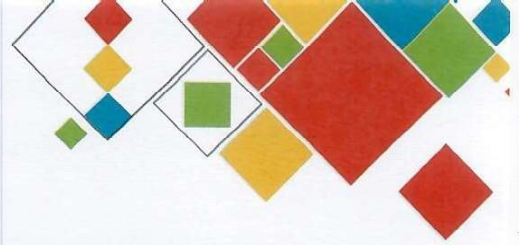


		Board including the chairman and chief executive annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment.	Government for evaluation of the performance.
4	11	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the rules	Company is considering to hold orientation courses in subsequent year.
5	14 & 15	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules. The Chief Financial Officer and the Company Secretary have attended all meetings of the Board.	The process of appointing CFO of the Company has already been initiated and the Nomination committee interviewed and shortlisted applicants for CFO position in subsequent year.
6	24	The Company has published and circulated a statement along with its annual report to disclose status of its compliance with PSC rules 2013.	Company has taken special approval from SECP for conducting AGM in the month of November 2021 and will file the statement accordingly.
7	20	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.	General Manager Finance endorses the financials till the appointment of CFO.

- B. The Financial statements prepared by the management of the STDC, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- C. Proper books of account of the STDC have been maintained;
- D. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- E. The board recognized their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored; and







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

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 Officer STDC**

**Chairman STDC**





## **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, 2021.

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, 2021.

  
Chartered Accountants

Place: Karachi  
Dated: February 17, 2022



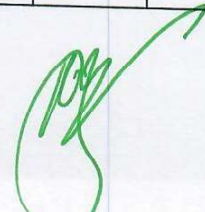
## Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company	Sindh Transmission and Dispatch Company
Name of the line ministry	Energy Department, Government of Sindh
For the year ended	June 30, 2021

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

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

S. No.	Provision of the Rules	Rule no.	Yes	No	N/A																		
			Tick the relevant box																				
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																				
2.	<p>The Board has at least one-third of its total members as independent directors. At present the Board includes:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>Mr. Khizar Pervaiz (Chairman of Board)</td> <td>25-10-2019</td> </tr> <tr> <td>Ms. Rahaila Aleem</td> <td>25-10-2019</td> </tr> <tr> <td>Ms. Riffat Sultana</td> <td>17-03-2021</td> </tr> <tr> <td>Executive Directors</td> <td>Mr. Rehan Hamid (Chief Executive Officer)*</td> <td>25-10-2019</td> </tr> <tr> <td rowspan="2">Non-Executive Directors</td> <td>Mr. Abu Bakar Ahmed Madani</td> <td>25-10-2019</td> </tr> <tr> <td>Mr. Mehfooz Ahmed Qazi</td> <td>25-10-2019</td> </tr> </tbody> </table> <p>* Chief Executive Officer of the Company has resigned on 8<sup>th</sup> February 2021. Mr. Muhammad Saleem Shaikh has been appointed by the Board as acting CEO in its meeting held on 12<sup>th</sup> February 2021. Subsequently, he has been appointed as CEO 29<sup>th</sup> July, 2021 by Government.</p> <p>A casual vacancy occurring on the Board was filled up by the Directors.</p>	Category	Names	Date of Appointment	Independent Directors	Mr. Khizar Pervaiz (Chairman of Board)	25-10-2019	Ms. Rahaila Aleem	25-10-2019	Ms. Riffat Sultana	17-03-2021	Executive Directors	Mr. Rehan Hamid (Chief Executive Officer)*	25-10-2019	Non-Executive Directors	Mr. Abu Bakar Ahmed Madani	25-10-2019	Mr. Mehfooz Ahmed Qazi	25-10-2019	3(2)	✓		
Category	Names	Date of Appointment																					
Independent Directors	Mr. Khizar Pervaiz (Chairman of Board)	25-10-2019																					
	Ms. Rahaila Aleem	25-10-2019																					
	Ms. Riffat Sultana	17-03-2021																					
Executive Directors	Mr. Rehan Hamid (Chief Executive Officer)*	25-10-2019																					
Non-Executive Directors	Mr. Abu Bakar Ahmed Madani	25-10-2019																					
	Mr. Mehfooz Ahmed Qazi	25-10-2019																					
		3A(2)	✓																				
3.	No Independent Director shall participate in share options or any similar schemes of the Public Sector Company which entitle him to acquire any interest in the Public Sector Company.	3(3)	✓																				






S. No.	Provision of the Rules	Rule no.	Yes	No	N/A
			Tick the relevant box		
4.	The directors have confirmed that none of them is serving as a director on more than five Public Sector Companies and listed Companies simultaneously, except their subsidiaries.	3(5)	✓		
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓		
6.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓		
7.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government	4(4)	✓		
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive has been nominated by the Government)	5(2)			✓
9.	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.  (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. ( <a href="https://www.stdc.com.pk">https://www.stdc.com.pk</a> )  (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓  ✓  ✓		
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)		✓	
11.	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)	✓		
12.	A declaration by the directors and executives that they shall not offer or accept any payment, bribe, favor or inducement which might influence, or appear to influence, their decisions and actions.	5(5)(b) (v)	✓		
13.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b) (vi)	✓		



S. No.	Provision of the Rules	Rule no.	Yes	No	N/A
			Tick the relevant box		
14.	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)	✓		
15.	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)	✓		
16.	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	✓		
17.	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)	✓		
18.	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)			✓
19.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)			✓
	(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.	6(1)	✓		
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)		✓	
	(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(3)	✓		
20.	(a) The Government has undertaken the performance evaluation of members of the Board including the chairman and chief executive annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment.	8(1)		✓	
	(b) 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)	✓		
21.	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	✓		



S. No.	Provision of the Rules	Rule no.	Yes	No	N/A																		
			<b>Tick the relevant box</b>																				
22.	<p>(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.</p> <p>(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.</p> <p>(c) The Board has placed the annual financial statements on the Company's website.</p>	10	✓		✓																		
23.	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		✓																			
24.	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Committee</th> <th style="width: 20%;">Number of members</th> <th style="width: 50%;">Name of Chairperson</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td style="text-align: center;">3</td> <td>Ms. Rahaila Aleem</td> </tr> <tr> <td>Risk Management Committee</td> <td style="text-align: center;">N/A</td> <td>N/A</td> </tr> <tr> <td>Human Resources Committee</td> <td style="text-align: center;">2</td> <td>Mr. Khizar Pervaiz</td> </tr> <tr> <td>Procurement Committee</td> <td style="text-align: center;">N/A</td> <td>N/A</td> </tr> <tr> <td>Nomination Committee</td> <td style="text-align: center;">3</td> <td>Mr. Abu Bakar Ahmed Madani</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chairperson	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	3	Mr. Abu Bakar Ahmed Madani	12	✓		
Committee	Number of members	Name of Chairperson																					
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	3	Mr. Abu Bakar Ahmed Madani																					
			The procurement committee is formed as per need and case to case basis.																				
25.	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			✓																		
26.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14		✓																			
27.	The Chief Financial Officer and the Company Secretary have attended all meetings of the Board.	15		✓																			



S. No.	Provision of the Rules	Rule no.	Yes	No	N/A	
			<b>Tick the relevant box</b>			
28.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓			
29.	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.	17	✓			
30.	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.	18	✓			
31.	(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.	19			✓	
	(b) The annual report of the Company contains criteria and details of remuneration of each director.				✓	
32.	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.	20		✓		
33.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:	21 (1) and 21(2)	✓			
	<b>Name of Member</b>		<b>Category</b>	<b>Professional background</b>		
	Ms. Rahaila Aleem		Chairperson	Chartered Accountant		
	Mr. Abu Bakar Ahmed Madani		Non-executive director	Engineer		
	Mehfooz Qazi		Non-executive director	Engineer		
	Mr. Azaz Muhuddin		Secretary	ACCA Finalist		
	The chief executive and chairman of the Board are not members of the audit committee.		✓			
34.	(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.	21(3)			✓	
	(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.		✓			
	(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.				✓	



S. No.	Provision of the Rules	Rule no.	Yes	No	N/A
			<b>Tick the relevant box</b>		
35.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	✓		✓
36.	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)	✓		
37.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓		
38.	The Company has published and circulated a statement along with its annual report to disclose status of its compliance with PSC rules 2013.	24		✓	
39.	We confirm that all other requirements of the regulations have been compiled.		✓		

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*[Handwritten signature]*

CHIEF EXECUTIVE OFFICER

*[Large handwritten signature]*

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]:

S. No.	Rule / Sub Rule No.	Reasons for non-compliance	Future course of action
1	5(5)	The company has established various policies as mentioned in the rule. However, few are still in development stage.	Compliance will be ensured in the future years.
2	6(2)	The agenda of the 17th BOD meeting was circulated 6 days in place of 7 days before the meeting as CEO was not available.	Compliance will be ensured in the future years.
3	8(1)	The Company has not informed to the Government for undertaking the performance evaluation of members of the Board including the chairman and chief executive annually.	The Company will comply in future by informing the Government for evaluation of the performance
4	11	No orientation session was conducted during the year because of less financial reserves and the budgetary constraints.	Company is considering to hold orientation courses in subsequent year.
5	14 & 15	Chief financial Officer is not employed because of less financial reserves and the budgetary constraints. Company Secretary was appointed by the Government.	The process of appointing CFO of the Company has already been initiated and the Nomination committee interviewed and shortlisted applicants for CFO position in subsequent year.
6	24	Although, Annual accounts are published on the Company's website. But the accounts were not filed to commissioner because annual accounts were prepared after stipulated time period due to which Company was not able to conduct AGM for the year ending June 30, 2020 as a result of which audited accounts are not submitted within the timeline.	Company has taken special approval from SECP for conducting AGM in the month of November 2021 and will file the statement accordingly.
7	20	Chief Financial Officer is not employed in the Company due to which endorsement of financials is not made by him.	General Manager Finance endorses the financials till the appointment of CFO.

4/2

CHIEF EXECUTIVE OFFICER

CHAIRMAN



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Sindh Transmission and Dispatch Company (Private) Limited (the Company)**, which comprise the statement of financial position as at June 30, 2021, 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, 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, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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 Liaison Office 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 opinion.

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of financial statements of the Company, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work 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) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) 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:** February 17, 2022



**SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2021**

	Note	2021 ----- (Rupees) -----	2020 -----
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Plant and equipment	4	1,692,192,300	1,771,059,930
Right of use asset	5	1,293,390	3,510,629
Long term deposit		1,095,000	1,095,000
		<u>1,694,580,690</u>	<u>1,775,665,559</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		49,759,497	24,297,740
Prepayments	6	4,402,785	3,145,960
Trade debts	7	77,992,072	467,952,436
Short term investments	8	100,000,000	-
Accrued markup		2,595,130	1,047,794
Advance income tax		22,074,473	20,975,841
Cash and bank balances	9	407,062,476	191,320,634
		663,886,433	708,740,405
		<u>2,358,467,123</u>	<u>2,484,405,964</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
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		87,986,655	126,016,826
Unappropriated profit		232,786,008	183,895,536
		979,772,663	968,912,362
<b>NON CURRENT LIABILITIES</b>			
Long-term finance	12	528,737,029	731,506,336
Deferred tax	13	117,317,987	81,912,550
		646,055,016	813,418,886
<b>CURRENT LIABILITIES</b>			
Current portion of long-term finance	12	531,426,044	502,577,665
Lease liabilities	14	-	2,498,880
Creditors, accrued and other payables	15	159,890,600	146,668,366
Sales tax payable		8,972,539	14,297,224
Provision for tax		32,350,261	36,032,581
		732,639,444	702,074,716
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16		
		<u>2,358,467,123</u>	<u>2,484,405,964</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

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, 2021**

	2021	2020
Note	----- (Rupees) -----	-----
Service income	17 <b>412,985,736</b>	414,117,200
Cost of service	18 <b>(162,999,118)</b>	<b>(153,699,728)</b>
Gross profit	<b>249,986,618</b>	<b>260,417,472</b>
Administrative expenses	19 <b>(55,627,756)</b>	<b>(47,837,530)</b>
Other operating expenses	20 <b>(8,411,705)</b>	<b>(10,715,834)</b>
Other income	21 <b>1,896,993</b>	<b>31,700,460</b>
Financial charges	22 <b>(74,347,091)</b>	<b>(89,524,863)</b>
Profit before taxation	<b>113,497,060</b>	<b>144,039,705</b>
Taxation	23 <b>(102,636,759)</b>	<b>(51,140,676)</b>
Profit for the year	<b>10,860,301</b>	<b>92,899,029</b>
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<b>10,860,301</b>	<b>92,899,029</b>

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

YD

CHIEF EXECUTIVE

CHAIRMAN / DIRECTOR



**SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020
Note	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	113,497,060	144,039,705
<b>Adjustments for</b>		
Depreciation on property and equipment	80,262,499	80,378,543
Depreciation on right of use asset	2,217,239	2,217,239
Other income	(1,896,993)	(31,700,460)
Financial charges	74,347,091	89,524,863
<b>Operating cash flows before working capital changes</b>	<b>268,426,895</b>	<b>284,459,890</b>
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(25,461,757)	(18,144,655)
Trade debts	389,960,364	(395,244,822)
Prepayments	(1,256,825)	1,997,791
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued and other payables	11,615,878	105,862,833
Sales tax payable	(5,324,685)	14,297,224
<b>Cash generated from / (used in) operations</b>	<b>637,959,871</b>	<b>(6,771,739)</b>
Taxes paid	(72,012,274)	(12,111,270)
Financial charges paid	(72,516,389)	(87,790,602)
<b>Net cash generated from / (used in) operating activities</b>	<b>493,431,208</b>	<b>(106,673,611)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to plant and equipment	(1,394,869)	(742,515)
Other income received	349,657	43,021,253
<b>Net cash generated from investing activities</b>	<b>(1,045,212)</b>	<b>42,278,738</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finance	(173,920,928)	(45,583,242)
Repayment of lease liabilities	(2,723,226)	(3,775,381)
<b>Net cash used in financing activities</b>	<b>(176,644,154)</b>	<b>(49,358,623)</b>
<b>Net increase / (decrease) in cash and cash equivalent</b>	<b>315,741,842</b>	<b>(113,753,496)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>191,320,634</b>	<b>305,074,130</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>507,062,476</b>	<b>191,320,634</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>507,062,476</b>	<b>191,320,634</b>
- Short term investments	100,000,000	-
- Cash and bank balance	407,062,476	191,320,634
	<b>507,062,476</b>	<b>191,320,634</b>

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

  
**CHIEF EXECUTIVE**

  
**CHAIRMAN / DIRECTOR**



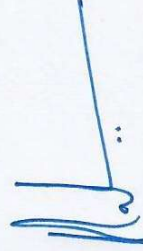
**SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Issued, subscribed and paid capital	Advance against issue of shares	Interest free element of long term finance	General reserve Unappropriated profit	Total
Balance at July 01, 2019	609,000,000	50,000,000	177,654,499	39,358,834	876,013,333
			(12.2.1) (Rupees)		
Amortisation 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	-	-	-	-	-
Total comprehensive income	-	-	-	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
Amortisation of interest free element of loan	-	-	(38,030,171)	38,030,171	-
Profit for the year	-	-	-	10,860,301	10,860,301
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	10,860,301	10,860,301
Balance at June 30, 2021	609,000,000	50,000,000	87,986,655	232,786,008	979,772,662

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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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 lease liability against for right of use asset which are measured 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 and depreciation rates of plant and equipment (note 3.1 & 4)
- useful life and depreciation rates of right of use asset (3.2 & 5)
- investments, its clarification, valuation and impairments (note 3.4.1 & 8)
- impairment of financial and non-financial assets (note 3.4.1)
- assumption and estimation in recognition of current and deferred taxation (note 3.6)

## 2.5 Amendments to IFRS that are effective for the year ended June 30, 2021

The following amendments are effective for the year ended June 30, 2021. 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.

	<b>Effective from accounting period beginning on or after:</b>
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions.	June 1, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 1, 2020
Amendments to IFRS 3 'Business Combinations' - definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - definition of material	January 01, 2020
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
Certain annual improvements have also been made to a number of IFRSs.	

## 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.

<b>Amendments</b>	<b>Effective from accounting period beginning on or after:</b>
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
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021



Amendments	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended	April 01, 2021
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 1, 2023

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

Other than the aforesaid 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 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

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Right of use asset

At the commencement date of the lease, the right of use assets is initially measured at the present value of lease liability. Subsequently, right of use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.



## Lease liabilities

At the commencement date of the lease, the Company recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

### 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

#### 3.4.1 Financial assets

Initial recognition, classification and measurement. Consequent to the adoption of IFRS 9, financial assets are classified as financial assets at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) 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.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss. Financial assets carried at FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income / (loss). Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income, in profit or loss for the period. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

#### 3.4.2 Financial Liabilities

The Company recognises a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.



### 3.4.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- a) Transferred substantially all of the risks and rewards of the asset or;
- b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### 3.4.4 Offsetting of financial assets and financial liabilities

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

### 3.4.5 Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. When there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as follows:

#### Financial Assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Non-financial assets

The Company assesses at each reporting date whether there is any indication that non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in statement of profit or loss.

### 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 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 received and present value at initial 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.

### **3.9 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.

### **3.10 Revenue recognition**

Revenue is recognised when or as performance obligations are satisfied 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, 2020	Additions	Cost at June 30, 2021	Accumulated depreciation at July 01, 2020	Depreciation for the year	Accumulated depreciation at June 30, 2021	Carrying value at June 30, 2021	Rate	
								%	
				(Rupees)					
Transmission line (4.1)	1,955,012,274	-	1,955,012,274	195,501,226	78,200,492	273,701,718	1,681,310,556	04	
Lease hold improvements	1,652,146	200,000	1,852,146	461,191	188,013	649,204	1,202,942	15	
Office equipment	1,839,521	715,790	2,555,311	888,450	435,360	1,323,810	1,231,501	30	
Vehicles	11,186,000	-	11,186,000	5,737,347	817,298	6,554,645	4,631,355	15	
Furniture and fixtures	5,538,981	479,079	6,018,060	1,580,778	621,336	2,202,114	3,815,946	15	
	1,975,228,922	1,394,869	1,976,623,791	204,168,992	80,262,499	284,431,491	1,692,192,300		

For comparative period

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		

4.1

The Company had incurred capital expenditure amounting to Rs. 1.955 billion which was transferred from capital work in progress to 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. 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 Court, but the bench is still not yet completed. Further, subsequent to the year end as disclosed in note 30, NEPRA has provided Indexation through interim relief tariff components.

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



		2021 ----- (Rupees) -----	2020 -----
<b>4.2 Depreciation charged during the year</b>	<b>Note</b>		
Cost of service	18	78,200,492	78,200,492
Administrative expenses	19	2,062,007	2,178,051
		<u>80,262,499</u>	<u>80,378,543</u>
<b>5. RIGHT OF USE ASSET</b>			
<b>Premises on Rent</b>			
Balance at the beginning of the year		5,727,868	5,727,868
Accumulated depreciation as at July 01, Depreciation for the year	19	2,217,239	-
Accumulated depreciation as at June 30,		2,217,239	2,217,239
Net book value as at June 30,		4,434,478	2,217,239
Useful life (in months)		1,293,390	3,510,629
		<u>31</u>	<u>31</u>
<b>6. PREPAYMENTS</b>			
Prepaid insurance		2,697,786	-
Prepayments	6.1	1,704,999	3,145,960
		<u>4,402,785</u>	<u>3,145,960</u>
6.1 It includes advance rent paid for accomodation of operation staff and vehicles insurance premium.			
<b>7. TRADE DEBTS</b>		<b>2021</b>	<b>2020</b>
		----- (Rupees) -----	-----
<b>Considered good - unsecured</b>			
Trade debts		<u>77,992,072</u>	<u>467,952,436</u>
7.1 The length of credit period offered to K-Electric is 35 days.			
7.2 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 K-Electric 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 K-Electric 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.			
<b>8. SHORT TERM INVESTMENTS</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		----- (Rupees) -----	-----
<b>Amortised cost</b>			
Term deposit receipts	8.1	<u>100,000,000</u>	-



8.1 It represents Term Deposits Receipts (TDRs) carrying effective interest rate @ 6.5% per annum maturing on August 05, 2021.

9. CASH AND BANK BALANCES	Note	2021	2020
		----- (Rupees) -----	
Balances with banks - current accounts		34,045	38,810
Balances with banks - saving accounts	9.1	406,984,309	191,259,226
Cash in hand		44,122	22,598
		<u>407,062,476</u>	<u>191,281,824</u>

9.1 These carry mark-up @ 5.5% to 6.5% (2020: 5.8% to 12%) per annum.

## 10. SHARE CAPITAL

2021		2020		2021	2020
Number of ordinary shares		Number of ordinary shares		----- (Rupees) -----	
<b>Authorised capital</b>					
<u>60,900,000</u>	<u>60,900,000</u>	Ordinary shares of Rs. 10 each		<u>609,000,000</u>	<u>609,000,000</u>
<b>Issued, subscribed and paid-up capital</b>					
<u>60,900,000</u>	<u>60,900,000</u>	Ordinary shares of Rs. 10 each fully paid in cash		<u>609,000,000</u>	<u>609,000,000</u>

10.1 100% of shares of the Company are held by the Sindh Energy Holding Company (Private) Limited (Parent Company).

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.

11. ADVANCE AGAINST ISSUE OF SHARES	Note	2021	2020
		----- (Rupees) -----	
Received from;			
Sindh Energy Holding Company (Private) Limited	11.1	<u>50,000,000</u>	<u>50,000,000</u>

11.1 This represents an amount received in March 06, 2019 as equity investment which has been classified as advance against issue of shares. The Company currently is in process of increasing authorised capital which is pending the approval of SECP.

12. LONG-TERM FINANCE	Note	2021	2020
		----- (Rupees) -----	
Sindh Energy Holding Company (Private) Limited	12.1	579,819,083	704,335,128
Government of Sindh	12.2	480,343,990	529,748,873
		<u>1,060,163,073</u>	<u>1,234,084,001</u>
Less: Current portion shown under current liabilities			
- Sindh Energy Holding Company (Private) Limited		(113,063,474)	(169,595,211)
- Government of Sindh		(418,362,570)	(332,982,454)
		<u>(531,426,044)</u>	<u>(502,577,665)</u>
		<u>528,737,029</u>	<u>731,506,336</u>



	Note	2021 ----- (Rupees) -----	2020 -----
<b>12.1 From Sindh Energy Holding Company (Private) Limited Parent Company - Secured</b>			
Term finance	12.1.1	691,000,000	691,000,000
Add: Cumulative amount of interest			
- Opening		126,398,602	76,711,681
- Charged for the year	22	45,079,166	49,686,921
		171,477,768	126,398,602
Less: Cumulative repayment of loan		(282,658,685)	(113,063,474)
		579,819,083	704,335,128
Less: Current portion shown under current liabilities			
- Amount due but not paid		-	(56,531,737)
- Current portion		(113,063,474)	(113,063,474)
		(113,063,474)	(169,595,211)
		466,755,609	534,739,917
<b>12.2 From Government of Sindh</b>			
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		183,435,906	145,332,225
- Charged for the year	22	27,437,223	38,103,681
		210,873,129	183,435,906
Less: Cumulative repayment of loan		(230,526,318)	(153,684,212)
		480,343,990	529,748,873
Less: Current portion shown under current liabilities			
- Amount due but not paid	12.2.2	(256,140,348)	(170,760,232)
- Current portion		(162,222,222)	(162,222,222)
		(418,362,570)	(332,982,454)
		61,981,420	196,766,419

**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 and repayable in semi-annual instalments of Rs. 56.53 million by December 2027 commencing from June 2019. The loan carry an interest rate of 6 months KIBOR + 3% per annum.

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

**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 of Rs. 81.11 million each 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 being 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 to Rs. 81.11 million commencing from December 31, 2018.



Chief Minister on behalf of finance department Government of Sindh approved request of the Company regarding the rescheduling the repayment of interest free loan obtained from Government of Sindh on May 13, 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 Cabinet Sub-Committee on Financial Matters for approval. The Company submitted the matter for approval before the Cabinet Sub-Committee on Financial Matters which in its meeting held on December 03, 2021 decided that the case may be placed in the Cabinet for approval since it pertains to restructuring the term of loan. Subsequently, the matter was placed in the Cabinet Sindh's meeting held on January 18, 2022 which granted approval for rescheduling the loan with 19 installments over a period of 10 years with a grace period of 6 months starting from December 31, 2018. However, addendum to the loan agreement for such rescheduling of loan is in process.

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. 256.1 million (2020: Rs. 170.7 million) although due but has not been paid by the Company as the management expect the addendum to the loan agreement to such rescheduling of loan to be made in due course.

### 13. DEFERRED TAX

	Balance at July 01, 2020	Deferred tax recognised in		Balance at June 30, 2021
		Profit or loss	Other comprehensive income	
----- (Rupees) -----				
<b>Movement for the year ended June 30, 2021</b>				
Deferred tax liabilities on taxable / (deductible) temporary differences arising in respect of :				
- Accelerated tax depreciation allowance	249,627,960	16,585,423	-	266,213,383
- Unabsorbed tax depreciation	(149,440,418)	18,820,014	-	(130,620,404)
- Minimum Tax	(18,274,992)	-	-	(18,274,992)
<b>Deferred tax liability</b>	<b>81,912,550</b>	<b>35,405,437</b>	<b>-</b>	<b>117,317,987</b>

	Balance at July 01, 2019	Deferred tax recognised in		Balance at June 30, 2020
		Profit or loss	Other comprehensive income	
----- (Rupees) -----				
<b>Movement for the year ended June 30, 2020</b>				
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)
- Minimum Tax	-	(18,274,992)	-	(18,274,992)
<b>Deferred tax liability</b>	<b>55,258,624</b>	<b>26,653,926</b>	<b>-</b>	<b>81,912,550</b>



14. LEASE LIABILITIES	Note	2021 ----- (Rupees) -----	2020 ----- (Rupees) -----
Balance at the beginning		2,498,880	-
Recognized at initial application i.e. July 01, 2019		-	5,727,868
Interest on lease liabilities		224,346	546,393
Repayment		<u>(2,723,226)</u>	<u>(3,775,381)</u>
Lease liabilities		-	2,498,880
Current portion shown under current liabilities		-	<u>(2,498,880)</u>
Balance as on June 30,		<u>-</u>	<u>-</u>
<b>15. CREDITORS, ACCRUED AND OTHER PAYABLES</b>			
Creditors		4,532,988	6,399,886
Retention money	15.1	17,156,289	17,156,289
Accrued liabilities		2,379,984	3,910,211
Sindh Workers' Welfare Fund	15.2	8,044,896	5,728,629
Sindh Workers' Profit Participation Fund	15.3	24,009,976	16,308,182
Encash guarantee	15.4	94,689,509	94,689,509
Other Payable		<u>9,076,958</u>	<u>2,475,660</u>
		<u>159,890,600</u>	<u>146,668,366</u>
<b>15.1</b>	It represents retention money deducted from payment to M/S Technoman Kinetics (Private) Limited, the contractor of the Company. In the previous year, as per instruction of NAB it was held in pursuance of further instruction of NAB refer note 15.4.		
<b>15.2 Sindh Workers' Welfare Fund</b>	Note	2021 ----- (Rupees) -----	2020 ----- (Rupees) -----
Balance as at July 1		5,728,629	2,777,892
Provision for the year	20	<u>2,316,267</u>	<u>2,950,737</u>
Balance as at June 30		<u>8,044,896</u>	<u>5,728,629</u>
<b>15.3 Sindh Workers' Profit Participation Fund</b>			
Balance as at July 1		16,308,182	7,355,217
Charged for the year	20	6,095,438	7,765,097
Interest on funds utilised in the Company's business	15.3.1	<u>1,606,356</u>	<u>1,187,868</u>
Balance as at June 30		<u>24,009,976</u>	<u>16,308,182</u>
<b>15.3.1</b>	Interest on funds utilised in the business of the Company is charged at 6 months KIBOR + 2.5%.		
<b>15.4</b>	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 Contract. 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.		
<b>16. CONTINGENCIES AND COMMITMENTS</b>		2021 ----- (Rupees) -----	2020 ----- (Rupees) -----
<b>16.1 Commitments</b>			
Rental - less than 1 year		<u>952,308</u>	<u>881,790</u>
Monthly rental payments are to be made in respect of accomodation of operation staff.			



## 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 Appellate Tribunal National Electric Power Regulatory Authority but the application has been returned by NEPRA on jurisdiction grounds through letter no. NEPRA/R/TRF-100/2457 dated February 15, 2021.

The Company has filed writ petition dated March 2021 in the honourable Islamabad High Court and Management is confident that decision will be in the favor of the Company.

		2021	2020
		----- (Rupees) -----	
<b>17. SERVICE INCOME</b>	<b>Note</b>		
Service income - gross		<b>466,673,882</b>	467,952,436
Less: Sindh sales tax	17.1	<b>53,688,146</b>	53,835,236
		<b>412,985,736</b>	414,117,200

17.1 Sindh sales tax on services is applicable on electric power transmission services at rate of 13%.

		2021	2020
		----- (Units) -----	
<b>17.2 Disaggregation of revenue</b>	<b>Note</b>		
<b>Number of units transmitted (MWh) to / from:</b>			
K-Electric Limited	17.4	<b>885,286</b>	-
Sindh Nooriabad Power Company I		-	443,856
Sindh Nooriabad Power Company II		-	443,856

<b>17.3 Capacity</b>			
Actual capacity (MWh)		<b>885,286</b>	887,711
Utilised capacity (MWh)		<b>885,286</b>	887,711
No. of days		<b>365</b>	366

17.4 Till June 30, 2019, 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, were treated as customers. As per the Tripartite Wheeling Agreements between the three stakeholders, the Company had a wheeling agreement where K-Electric is the Power Purchaser, which purchases power from SNPC through a power purchase agreement between K-Electric 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 among three stakeholders was submitted to NEPRA where it is decided that the Company will bill to K-Electric directly in respect of transmission of electric power services, same was decided by the NEPRA in its determination dated April 06, 2021 and invoicing is being done accordingly.

18. COST OF SERVICE	Note	2021 ----- (Rupees) -----	2020 -----
Depreciation on plant and equipment	4.2	78,200,492	78,200,492
Manpower supply services		26,741,733	23,014,890
Vehicles supply service		23,176,300	22,238,400
Insurance		16,630,329	16,682,218
Staff salaries and benefits		11,183,285	8,664,000
Accommodation of maintenance staff		2,939,368	2,162,070
Maintenance of towers, poles and fixtures		4,127,611	2,737,658
		<u>162,999,118</u>	<u>153,699,728</u>
<b>19. ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits	24	34,284,558	27,257,322
Legal and professional		6,845,000	5,626,035
Depreciation on plant and equipment	4.2	2,062,007	2,178,051
Depreciation on right of use asset	5	2,217,239	2,217,239
Utilities		1,186,040	1,133,059
Vehicles running and maintenance		1,776,569	1,617,013
Advertisement		1,766,205	968,852
Fees and subscription		726,114	1,951,885
Traveling and conveyance		62,602	1,403,153
Entertainment		860,441	867,585
Printing and stationery		283,947	225,481
Auditor's remuneration	19.1	891,000	712,800
Insurance		473,484	441,820
Staff training and development		1,308,000	457,000
Others		884,549	780,235
		<u>55,627,756</u>	<u>47,837,530</u>
<b>19.1 Auditor's remuneration</b>			
Audit and review of Code of Corporate Governance fees		600,000	600,000
Other fees		150,000	-
Out of pocket		75,000	60,000
Sales tax on services		66,000	52,800
		<u>891,000</u>	<u>712,800</u>
<b>20. OTHER OPERATING EXPENSES</b>			
Sindh Workers' Welfare Fund		2,316,267	2,950,737
Sindh Workers' Profit Participation Fund		6,095,438	7,765,097
		<u>8,411,705</u>	<u>10,715,834</u>



	Note	2021 ----- (Rupees) -----	2020 -----
<b>21. OTHER INCOME</b>			
Profit on saving accounts		758,733	29,005,528
Profit on term deposits receipts		997,260	2,654,932
Bidding fees		141,000	40,000
		<u>1,896,993</u>	<u>31,700,460</u>
<b>22. FINANCIAL CHARGES</b>			
- Interest on loan from Sindh Energy Holding Company (Private) Limited Parent Company	12.1	45,079,166	49,686,921
- Unwinding of loan from Government of Sindh	12.2	27,437,223	38,103,681
- Interest on Sindh Workers' Profit Participation funds utilised in the Company's business	15.3	1,606,356	1,187,868
- Interest on lease liabilities	14	224,346	546,393
		<u>74,347,091</u>	<u>89,524,863</u>
<b>23. TAXATION</b>			
Current			
- for the year	23.1	68,530,739	24,486,750
- for prior year		(1,299,417)	-
Deferred tax	13	35,405,437	26,653,926
		<u>102,636,759</u>	<u>51,140,676</u>
<b>23.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>113,497,060</u>	<u>144,039,705</u>
Tax at the applicable rate of 29% (2020: 29%)		32,914,147	41,771,514
Tax effects of:			
Prior year tax		(1,299,417)	-
Minimum tax		(31,614,730)	(41,771,514)
		<u>-</u>	<u>-</u>

**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:

	2021		2020	
	Chief Executive	Executive	Chief Executive	Executive
	----- (Rupees) -----			
Remuneration	<u>9,202,419</u>	<u>14,826,117</u>	<u>12,040,000</u>	<u>12,276,000</u>
No. of person	<u>1</u>	<u>2</u>	<u>1</u>	<u>3</u>



24.1 An amount of Rs. 2.1 million (2020: Rs. 0.6 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

Average number of employees during the year

Number of employees as at June 30

	2021 ----- (Rupees) -----	2020 -----
Average number of employees during the year	29	26
Number of employees as at June 30	31	27

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	Note	2021 ----- (Rupees) -----	2020 -----
Sindh Energy Holding Company (Private) Limited - Holding Company	Repayment of loan	12.1.1	100,228,522	31,132,339
Sindh Energy Holding Company (Private) Limited - Holding Company	Payment of interest	12.1.1	69,366,689	25,399,398
Government of Sindh	Repayment of loan	12.2.1	76,842,106	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

- Trade debts	77,992,072	467,952,436
- Long-term deposit	1,095,000	1,095,000
- Short term investments	100,000,000	-
- Cash and bank balance	407,062,476	191,320,634
- Accrued Markup	2,595,130	1,047,794
	<u>588,744,678</u>	<u>661,415,864</u>

Financial liabilities as per statement of financial position

Other financial liabilities

- Long-term finance	1,060,163,073	1,234,084,001
- Creditor, accrued and other payables	127,835,728	124,631,555
- Lease liabilities	-	2,498,880
	<u>1,187,998,801</u>	<u>1,361,214,436</u>



## **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. 466.76 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. Moreover, the Company has invested in Term Deposit Receipts with interest charged @ 6.5% and is earning profit from banks that carry mark-up @ 5.5% to 6.5% per annum. 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 held constant, the Company's profit for the year would decrease / increase by Rs. 8.42 million (2020 : Rs. 18.0 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. 592.02 million (2020: Rs. 663.47 million), the financial assets which are subject to credit risk amounted to Rs. 592 million (2020: Rs. 663.44 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 is only one customer K-Electric Limited.

#### Bank balances

The credit quality of the Company's bank balances as at June 30, 2021 with

Banks	Rating agency	Long term	Short term	2021	2020
				----- (Rupees) -----	
National Bank of Pakistan	PACRA	AAA	A-1+	214,905,510	91,244,943
Sindh Bank Limited	VIS	A+	A-1	34,045	38,810
Al Baraka Bank (Pakistan) Limited	PACRA	A	A-1	192,078,799	100,014,283
				<b>407,018,354</b>	<b>191,298,036</b>

The exposure to banks are managed by dealing with of major banks and monitoring exposure limits on continuous basis. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the State Bank of Pakistan. Accordingly, management of the Company estimates that loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month Expected Credit Loss (ECL). Taking into account the historical default experience and the current credit ratings of the banks, the management of the Company have assessed that there is no impairment, and therefore have not recorded any loss allowances on these balances.

#### 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	Total
<b>2021</b>						
				(Rupees)		
Long-term financing	10%	-	-	531,426,044	528,737,029	1,060,163,073
Creditor, accrued and other payables		-	127,835,728	-	-	127,835,728
		-	127,835,728	531,426,044	528,737,029	1,187,998,801
<b>2020</b>						
				(Rupees)		
Long-term financing	10%	-	-	502,577,665	731,506,336	1,234,084,001
Creditor, accrued and other payables		-	124,631,555	-	-	124,631,555
Lease liabilities		-	-	2,498,880	-	2,498,880
		-	124,631,555	505,076,545	731,506,336	1,361,214,436

## 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, 2021 and June 30, 2020, 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. SUBSEQUENT EVENT**

On August 05, 2021, NEPRA vide letter no. NEPRA/ADG(Tariff)TRF-346/ST&DCPL-2015/33473-33475 decided to allow indexation against letter no. 2021 - 076 dated June 18, 2021 filed for Interim Relief by the Company requesting NEPRA to allow indexation in its tariff components.

This period from January 2018 to June 2021, which was later extended till December 31, 2021. The Company submitted that it is invoicing on reference tariff of June 14, 2018 whereas there has been significant increase in inflation due to which the O&M and other cost of the company have increased which is impacting the return on equity of the company.

In view thereof, additional revenue of Rs. 239.10 million invoiced on September 01, 2021 pertaining to indexation of tariff has been invoiced to K-Electric pertaining to revenue for the prior periods, however, it will be recognised in future years.

**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

~~01 FEB 2022~~

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CHIEF EXECUTIVE OFFICER

DIRECTOR / CHAIRMAN