

**SINDH TRANSMISSION AND DISPATCH
COMPANY (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023**

Private & Confidential



Crowe Hussain Chaudhury & Co.
Chartered Accountants

**SINDH TRANSMISSION AND DISPATCH
COMPANY (PRIVATE) LIMITED**

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FOR THE YEAR ENDED
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DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders, your directors take immense pleasure in presenting their 6th Director's Report together with the audited financial statements of Sindh Transmission & Dispatch Company (Private) Limited for the year ended on 30th June 2023 duly Audited by M/s Crowe Hussain Chaudhary & Company Chartered Accountants.

Economic Overview of Pakistan¹

At the beginning of the FY2023, The economy confronted four major challenges that posed threats to Pakistan's socio-economic growth. These challenges include regaining sustainable macroeconomic stability, reducing poverty, fiscal consolidation and addressing weaknesses in the external account.

The importance of sound governance, managerial and systemic mechanisms were also emphasized to ensure that the social sector investments remain cost-effective; thus, focusing on output-oriented service delivery. These measures along with recent trends in most macroeconomic variables suggest that the disciplined implementation of the macroeconomic stabilization program has started paying dividends in current fiscal year.

The efforts contributed to containing the fiscal deficit at 3.6 percent of GDP during the first three quarters of FY2023, a decrease from the 3.9 percent of GDP recorded in the corresponding period last year. The current account turned to a surplus of US\$ 750 million in March 2023 and US\$18 million in April 2023 marking the first monthly current account surplus since 2020. The current account deficit is likely to decelerate from as high as US\$ 17.5 billion in FY2022 to around US\$ 3.7 billion by the end of the out-going fiscal year.

Economy still faces pressures from an uncertain global security situation, higher inflation driven by a spike in food prices.

In FY2023, Pakistan's GDP grew by 0.29 percent, with 1.55 percent growth in agriculture, -2.94 percent in industrial sector, and 0.86 percent in services sector. The GDP at current market prices recorded Rs 84,658 billion, showing a 27.10 percent growth over the previous year Rs 66,624 billion (US\$ 341 billion). The per capita income decreased from US\$ 1765 to US\$ 1568 in FY2023. This deceleration was attributed to the significant depreciation of PKR and the contraction in economic activity. For FY2023, the Investment to-GDP ratio stood at 13.6 percent as compared to 15.6 percent in FY2022. The estimates of Gross Fixed Capital Formation (GFCF) stood at Rs 10093.5 billion showing an increase of 8.1 percent compared to FY2022.

¹ Pakistan Economic Survey 2022-2023



Company Overview

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

Financial Performance

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

Profit & Loss Account (PKR)

	2023	2022 Restated	2021	2020	2019	2018
REVENUE	585,036,744	714,492,664	412,985,736	414,117,200	416,673,818	179,043,958
COST OF REVENUE	(180,066,541)	(172,954,723)	(162,999,118)	(153,699,728)	(152,895,634)	(103,405,928)
GROSS PROFIT	404,970,203	541,537,941	249,986,618	260,417,472	263,778,184	75,638,030
ADMINISTRATIVE EXPENSES	(107,397,169)	(87,741,879)	(55,627,756)	(47,837,530)	(39,331,177)	(29,278,365)
OTHER OPERATING EXPENSES	(20,352,744)	(38,221,987)	(8,411,705)	(10,715,834)	(10,088,136)	---
OTHER INCOME	139,459,378	185,168,023	1,896,993	31,700,460	18,510,313	771,786
FINANCIAL CHARGES	(142,065,123)	(99,881,209)	(74,347,091)	(89,524,863)	(99,629,772)	(44,254,113)
PROFIT/LOSS BEFORE TAXATION	274,614,546	500,860,890	113,347,091	144,039,705	133,239,412	2,877,338
TAXATION	(99,296,194)	(217,713,652)	(102,636,759)	(51,140,676)	(100,677,997)	(2,238,049)
ACTUARIAL GAIN/(LOSS)	412,807	379,944				
OTHER COMPREHENSIVE INCOME						
PROFIT / (LOSS)	175,731,159	283,527,182	10,860,301	92,899,029	32,561,415	639,289

During the year under review, the company earned total revenue of Rs. 585 million in 2023 (2022: Rs 714 million). The fixed capacity wheeling charges are based on tariff determination by National Electric Power Regulatory Authority (NEPRA).



Normal operating expenses / Cost of service of STDC for the year FY2023 was Rs. 180 million approximately against operating expense of Rs. 172 million approximately in the previous year. Gross Profit of STDC for the FY2023 was Rs. 405 million compared to Rs. 541 million in FY2022. Administrative expenses for FY2023 stood at Rs. 107 million against Rs. 87 million in FY2022. Financial charges stood at Rs. 142 million for FY2023 against 99 million charges of previous year, arising out of the Fair Market Value calculations of the interest free loan and increase in KIBOR rates.

STDC had a Net Profit of Rs. 175 million in FY2023 compared to a profit of Rs. 283 million in the previous year.

Following are brief factors and major reasons as compared to last year:

- During the last year, pending indexations from Commercial Operations Date (COD) of 18th January 2018 till December 2021 were claimed with NEPRA whose determination was granted on 5th August, 2021. Subsequently indexation payments were received by the company in FY22 which increase one-time revenues and profitability.
- Timely half yearly indexation claims are filed with NEPRA and subsequent indexed payments are received by the company.
- Company fund reserves sharply increased and the same were utilized by the company with better yielding Term Deposit Placements and Market Treasury Bills which increased the Other Income of the company.
- Deferred tax asset/liability due to taxable temporary differences also impacted taxation.
- The company also invested in rehabilitation of the transmission line to cater the damages caused by flood and rain.
- Gratuity for employees was also incorporated from FY22 on the basis of valuations conducted by Actuary using Projected Unit Credit Method.
- Sindh Workers Welfare Fund (SWWF) and provision for Sindh Workers Profit Participation Fund (SWPPF) was also incorporated as per applicable laws.
- The company contributed towards CSR as per NEPRA Social Investment Guidelines and SECP CSR Guidelines by distributing relief Items such as food and shelter to the affectees/victims in line with the relevant FBR and SRB exemptions provided by Federal and Provincial Governments.

Operating fixed assets of the company amounting to Rs. 109 million against 65.5 million last year were added to property, plant and equipment. Rehabilitation of Transmission Line work was carried out in order to prolong the life of Transmission Line.

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



STDC Project Performance 2022-23

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

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

The details of the project are as under:

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

Detailed annual technical performance of the transmission line has been duly submitted with NEPRA as regulatory compliance.

Regulatory Annual Accounts applicable as per NEPRA Uniform System of Accounts Rules 2009 have also been duly complied during the year.

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 new projects on a fast pace:

- Energy department is executing the KWSB Greater Water Bulk Supply KIV Project through STDC. For this purpose construction of 132 KV STDC Grid Station near K-IV Pumping Station and Construction of around 20 KM 132 KV Double Circuit Transmission Line on loop-in & loop-out arrangement between HESCO Jhimpir and Thatta Grid to supply 50 MW Power to K-IV Pumping Station is underway with an estimated cost of Rs. 1.7 billion. KWSB Greater Water Bulk Supply K-IV Project:



Allocation of 80% Loan to be financed through Sindh Energy Holding Company (SEHCL) or Government of Sindh.

- Amreli Steels Limited Project: Construction of Double Circuit Transmission Line for the supply of 200 MW hybrid renewable energy on B2B Basis.
- Engro Energy Limited Project: Energy Department Government of Sindh and STDC has recently entered into a MoU with Engro Energy Limited for supplying of 400 MW hybrid renewable energy on B2B basis for which Transmission Line to be constructed by STDC.
- Several other transmission line projects in early negotiation stages.

Significant events during the year

1. BOD Meetings

In total five (05) meetings of board of directors were held during the year FY 2022-23, details of which are mentioned below:

BOD Meeting	Date
26 th	11 th August 2022
27 th	30 th September 2022
28 th	20 th December 2022
29 th	20 th March 2023
30 th	26 th June 2023

The attendance details of each director are as under:

Name	Capacity	No. of Meetings attended
Mr. Imtiaz Ahmed Shaikh (Minister for Energy GoS)*	Chairman	01
Mr. Khizer Pervaiz	Chairman	04
Mr. Imtiaz Ali Shah	Director	04
Mr. Shahnawaz Farhan Khahro**	Director	03
Ms. Rahaila Aleem	Director	04
Ms. Riffat Sultana	Independent Director	05
Mr. Amir Hyder***	Independent Director	02
Mr. Muhammad Bilal Kaleem****	Independent Director	01
Mr. Zulqarnain Mushtaq*****	Independent Director	01
Mr. Muhammad Saleem Shaikh	Chief Executive Officer	05
Mr. Taha Noman Khan	Company Secretary	05




*Mr. Imtiaz Ahmed Shaikh nominated as Chairman of the board as per notification issued by Government of Sindh.

**Mr. Shahnawaz Farhan Khahro nominated as director of the company in place of Mr. Muneer Ahmed Shaikh as per notification issued by Government of Sindh.

***Mr. Amir Hyder appointed as Independent Director by the Board of Directors through nomination committee.

****Mr. Muhammad Bilal Kaleem appointed as Independent Director by the Board of Directors through nomination committee in place of Ms. Rahaila Aleem.

*****Mr. Zulqarnain Mushtaq appointed as Independent Director by the Board of Directors through nomination committee in place of Mr. Khizer Pervaiz.

2. Timely Half-Yearly Indexations

The management has been filing timely half yearly indexations and invoicing accordingly. Half-yearly indexation application for the period July 2022 to December 2023 was filed with NEPRA on 1st July, 2022 and NEPRA granted its decision on 17th August, 2022. Similarly, half-yearly indexation application for the period January 2023 to June 2023 was filed with NEPRA on 6th January, 2023 and NEPRA granted its decision on 15th May, 2023.

3. Compliance of SECP Matters

AGM for the year 2022 was held on 25th October, 2022 at 12 noon to receive, consider and adopt the financial statements for the year ended 30th June, 2022 together with the auditor's report and Directors' Report. SECP compliance of annual returns has been duly made. Forms A & 29 for the year 2022 was filed and duly approved by SECP. Form 29 for appointment of external auditors of the company for the audit of year ended 30th June 2023 was approved by SECP subsequent to approval by shareholders in the Extra Ordinary General Meeting (EOGM) held on 26th May, 2023. Form 7 and 26 for increase in Authorized Capital and Form 3 for Allotment of Paid up Capital was duly approved by SECP.

4. SWWF payments to SRB

The Board was informed that the payment of SWWF for the year 2022 as per audited financial statements amounting to Rs. 11,017,644/- has been duly complied during the year and will also be complied in future.



5. Health Insurance Coverage

Health Insurance coverage for employees and their dependants was provided through Sindh Insurance Limited during the current financial year.

6. Gratuity Scheme to Employees

Board of the company approved establishment of Gratuity scheme for the employees of the company in the light of Sindh Terms of Employment Standing Orders Act 2015. Provisions in the financial statements of the company have been duly incorporated through Actuarial valuation firm using projected unit credit method.

Executive Remuneration

Please refer note-26 of Financial Statements.

Corporate Social Responsibility

As per SECP's Corporate Social Responsibility Voluntary Guidelines 2013, the company had already established an in-house CSR Guidelines in the company. Awareness trainings to the employees of the company as well as third party workers are provided from time to time.

During the year, the board of the company made the following donation:

Flood/Rain Emergency in the Province:

During the rain/flood emergency situation in the province of Sindh last year, the company contributed towards CSR as per NEPRA Social Investment Guidelines and SECP CSR Guidelines by distributing relief Items such as food and shelter to the affectees/victims in line with the relevant FBR and SRB exemptions provided by Federal and Provincial Governments.

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

Detailed CSR reports are being duly submitted with NEPRA as regulatory compliance.



Pattern of Shareholding

The pattern of Shareholding as of 30th June 2023 of the company is as under:-

S.No.	Name	Capacity	Number of Shares
1.	Sindh Energy Holding Company (Pvt.) Limited	Parent Company	75,899,993
2.	Mr. Imtiaz Ali Shah	Non-Executive Director	1
3.	Mr. Shah Nawaz Farhan Khahro	Non-Executive Director	1
4.	Ms. Rifat Sultana	Independent Director	1
5.	Mr. Amir Hyder	Independent Director	1
6.	Mr. Zulqarnain Mushtaq Shaikh	Independent Director	1
7.	Mr. Muhammad Bilal Kaleem	Independent Director	1
8.	Mr. Muhammad Saleem Shaikh	Deemed Director (CEO)	1
TOTAL SHARES			75,900,000

Auditors

The present auditors were M/s Crowe Hussain Chaudhary & Company Chartered Accountants for the year ended 30th June 2023. The appointment of the auditors for the year ending 30th June 2024 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	13	The Company does not have CIA.	The Company will comply in future by taking approval from the board for appointment of CIA.
2	21 (3)	Chief Internal Auditor is not employed in the Company due to which CIA do not attended all meetings of the audit committee.	Compliance will be ensured in the future years.



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



Chairperson STDC



Review Report to the Members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

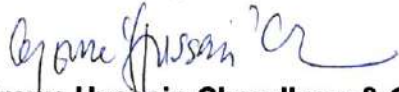
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of **Sindh Transmission and Dispatch Company (Private) Limited** for the year ended **June 30, 2023**.

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 requires 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, 2023**.



Crowe Hussain Chaudhury & Co.
Chartered Accountants

Karachi
Dated: **13 NOV 2023**

UDIN: CR202310207XHD4FhBUe

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

Name of Company	Sindh Transmission & Dispatch Company
Name of the line ministry	Energy Department, Government of Sindh
For the year ended	June 30, 2023

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																					
			Tick the relevant box																						
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																						
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes:	3(2)	✓																						
	<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="5">Independent Directors</td> <td>Mr. Imtiaz Ahmed Shaikh (Chairman, Minister for Energy)</td> <td>26-May-23</td> </tr> <tr> <td>Ms. Riffat Sultana</td> <td>17-Mar-21</td> </tr> <tr> <td>Mr. Amir Hyder</td> <td>26-Jan-23</td> </tr> <tr> <td>Mr. Zulqarnain Mushtaq</td> <td>12-Jun-23</td> </tr> <tr> <td>Mr. Bilal Kaleem</td> <td>12-Jun-23</td> </tr> <tr> <td>Executive Directors</td> <td>Muhammad Saleem Shaikh</td> <td>29-Jul-21</td> </tr> <tr> <td rowspan="2">Non-Executive Directors</td> <td>Mr. Imtiaz Ali Shah</td> <td>21-Sep-21</td> </tr> <tr> <td>Mr. Shahnawaz Farhan Khahro</td> <td>27-Oct-22</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Mr. Imtiaz Ahmed Shaikh (Chairman, Minister for Energy)	26-May-23	Ms. Riffat Sultana	17-Mar-21	Mr. Amir Hyder	26-Jan-23	Mr. Zulqarnain Mushtaq	12-Jun-23	Mr. Bilal Kaleem	12-Jun-23	Executive Directors	Muhammad Saleem Shaikh	29-Jul-21	Non-Executive Directors	Mr. Imtiaz Ali Shah	21-Sep-21	Mr. Shahnawaz Farhan Khahro	27-Oct-22		
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Non-Executive Directors	Mr. Imtiaz Ali Shah	21-Sep-21																							
	Mr. Shahnawaz Farhan Khahro	27-Oct-22																							
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)	✓																						
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)	✓																						

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S No.	Provision of the Rules	Rule no.	Yes	No
			Tick the relevant box	
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. (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)	✓	
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)	✓	

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S No.	Provision of the Rules	Rule no.	Yes	No
			Tick the relevant box	
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)	Not applicable	
19.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	Not applicable	
	(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.	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	✓	
22.	(a) The Board has approved the statement of profit or loss for, and statement of financial position as at the end of, the first, second and third quarter of the year as well as the financial year end. (b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the Company's website.	10	✓	
			Not applicable as the company is not listed on PSX.	
			✓	
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	✓	

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S No.	Provision of the Rules	Rule no.	Yes	No	
			Tick the relevant box		
24.	(a) The Board has formed the requisite committees, as specified in the Rules.	12	<input checked="" type="checkbox"/>		
	(b) The committees were provided with written term of reference defining their duties, authority and composition.		<input checked="" type="checkbox"/>		
	(c) The minutes of the meetings of the committees were circulated to all the Board members.		<input checked="" type="checkbox"/>		
	(d) The committees were chaired by the following non-executive directors:		<input checked="" type="checkbox"/>		
	Committee		Number of members	Name of Chairperson	The procurement committee is formed as per need and case to case basis.
	Audit Committee		3	Ms. Rifat Sultana Mughal	
	Risk Management Committee		N/A	N/A	
Human Resources Committee	3	Ms. Rifat Sultana Mughal			
Procurement Committee	N/A	N/A			
Nomination Committee	3	Mr. Imtiaz Ali Shah			
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		<input checked="" type="checkbox"/>	
26.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	<input checked="" type="checkbox"/>		
27.	The Chief Financial Officer and the Company Secretary have attended all meetings of the Board.	15	<input checked="" type="checkbox"/>		
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	<input checked="" type="checkbox"/>		
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	<input checked="" type="checkbox"/>		

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S No.	Provision of the Rules	Rule no.	Yes	No															
			Tick the relevant box																
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)	✓																
	<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Ms.Riffat Mughal</td> <td>Chairperson (Independent director)</td> <td>Lawyer</td> </tr> <tr> <td>Mr. Imtiaz Ali Shah</td> <td>Non-executive director</td> <td>Engineer</td> </tr> <tr> <td>Mr. Bilal Kaleem</td> <td>Independent director</td> <td>Chartered Accountant</td> </tr> <tr> <td>Mr. Azaz Muhuddin</td> <td>Secretary (Internal Auditor)</td> <td>ACCA Member</td> </tr> </tbody> </table>		Name of Member	Category	Professional background	Ms.Riffat Mughal	Chairperson (Independent director)	Lawyer	Mr. Imtiaz Ali Shah	Non-executive director	Engineer	Mr. Bilal Kaleem	Independent director	Chartered Accountant	Mr. Azaz Muhuddin	Secretary (Internal Auditor)	ACCA Member		
	Name of Member		Category	Professional background															
	Ms.Riffat Mughal		Chairperson (Independent director)	Lawyer															
	Mr. Imtiaz Ali Shah		Non-executive director	Engineer															
	Mr. Bilal Kaleem		Independent director	Chartered Accountant															
Mr. Azaz Muhuddin	Secretary (Internal Auditor)	ACCA Member																	
	The chief executive and chairman of the Board are not members of the audit committee.		✓																

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S No.	Provision of the Rules	Rule no.	Yes	No
			Tick the relevant box	
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.		Not applicable as there is no CIA in the company	
35.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓	
	(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.		Not applicable as there is no CIA in the company.	
	(b) The internal audit reports have been provided to the external auditors for their review.		✓	
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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CHIEF EXECUTIVE OFFICER

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CHAIRMAN

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

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

Sr. No.	Rule / Sub Rule No.	Reasons for non-compliance	Future course of action
1	13	The Company does not have CIA.	The Company will comply in future by taking approval from the board for appointment of CIA.
2	21 (3)	Chief Internal Auditor is not employed in the Company due to which CIA do not attended all meetings of the audit committee.	Compliance will be ensured in the future years.



CHIEF EXECUTIVE OFFICER



CHAIRPERSON

**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 the **Sindh Transmission and Dispatch Company (Private) Limited** which comprise the statement of financial position as at 30 June 2023 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, the profit or loss statement and other comprehensive income, the statement of cash flows, the statement of changes in equity, 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 30 June 2023 and of its 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The 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 or conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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).

Other Matter

The financial statements of the Company for the year ended 30 June 2022 were audited by another firm of chartered accountants who expressed unmodified opinion dated 20 October 2022.

The engagement partner on the audit resulting in this independent auditor's report is Imran Shaikh.



Crowe Hussain Chaudhury & Co.
Chartered Accountants

Place: Karachi

Date:

13 NOV 2023

UDIN: AR202310207TM6IKV7GO

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 -----	Restated 2022 (Rupees)	Restated 2021 -----
ASSETS				
NON CURRENT ASSETS				
Plant and equipment	4	1,698,792,119	1,685,830,722	1,692,192,300
Right of use asset	5	5,430,649	-	1,293,390
Long term deposits		1,949,800	1,679,800	1,095,000
		1,706,172,568	1,687,510,522	1,694,580,690
CURRENT ASSETS				
Stores, spares and loose tools		76,503,733	77,958,412	49,759,497
Advances and prepayments	6	8,952,641	8,734,380	4,402,785
Trade debts	7	190,651,375	99,993,694	77,992,072
Short term investments	8	475,931,000	-	100,000,000
Accrued markup	9	15,432,184	7,172,494	2,595,130
Advance income tax	17	50,291,608	-	-
Cash and bank balances	10	293,743,066	783,706,507	407,062,476
		1,111,505,607	977,565,487	641,811,960
TOTAL ASSETS		2,817,678,175	2,665,076,009	2,336,392,650
EQUITY AND LIABILITIES				
EQUITY				
Share capital	11	759,000,000	659,000,000	609,000,000
Advance against issuance of shares		-	-	50,000,000
Interest free element of long term finance		149,713,845	190,650,986	87,986,655
Unappropriated profit		726,377,208	510,651,003	189,786,555
		1,635,091,053	1,360,301,989	936,773,210
NON CURRENT LIABILITIES				
Long-term finance	12	595,697,063	772,235,832	895,226,930
Deferred liability - Staff gratuity	13	18,232,456	14,323,833	-
Lease liabilities	14	2,735,732	-	-
Deferred tax	15	293,084,200	228,013,429	117,317,987
		909,749,451	1,014,573,094	1,012,544,917
CURRENT LIABILITIES				
Current portion of long-term finance	12	106,652,693	97,975,775	207,935,596
Current Portion Lease liabilities	14	3,432,165	-	-
Creditors, accrued and other payables	16	92,356,912	72,328,448	159,890,600
Sales tax payable		70,395,901	11,675,250	8,972,539
Taxation - net	17	-	108,221,453	10,275,788
		272,837,671	290,200,926	387,074,523
CONTINGENCIES AND COMMITMENTS	18	-	-	-
TOTAL EQUITY AND LIABILITIES		2,817,678,175	2,665,076,009	2,336,392,650

The annexed notes from 1 to 34 form an integral part of these financial statements.

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CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- (Rupees) -----	Restated 2022 -----
Revenue from contracts with customers	19	585,036,744	714,492,664
Cost of revenue	20	(180,066,541)	(172,954,723)
Gross profit		404,970,203	541,537,941
Administrative expenses	21	(107,397,169)	(87,741,879)
Other operating expenses	22	(20,352,744)	(38,221,987)
Other income	23	139,459,378	185,168,023
Financial charges	24	(142,065,123)	(99,881,209)
Profit before taxation		274,614,546	500,860,890
Taxation	25	(99,296,194)	(217,713,652)
Profit for the year		175,318,352	283,147,238
Other comprehensive income:			
Actuarial gain on remeasurement of defined benefit obligations		581,419	535,133
Related deferred tax		(168,612)	(155,189)
Other comprehensive income for the year - net of tax		412,807	379,944
Total comprehensive income for the year		175,731,159	283,527,182

The annexed notes from 1 to 34 form an integral part of these financial statements.

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CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED (Continued)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- (Rupees) -----	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		274,614,546	500,860,890
Adjustments for			
Depreciation on plant and equipment	4	88,076,521	80,762,967
Depreciation on right of use asset	5	2,715,325	1,293,390
Profit on saving accounts	23	(63,852,363)	(48,270,113)
Profit on term deposit receipts	23	(63,414,208)	(16,370,206)
Gratuity expense	13.6	5,328,285	14,858,966
Liabilities written back	23	-	(118,959,704)
Sindh Workers' Welfare Fund	22	5,604,379	10,524,895
Sindh Workers' Profit Participation Fund	22	14,748,365	27,697,092
Financial charges	24	142,065,122	99,881,209
		<u>405,885,971</u>	<u>552,279,385</u>
(Increase) / decrease in current assets			
Stores, spares and loose tools		1,454,681	(28,198,915)
Advances and prepayments		(218,261)	(4,331,594)
Trade debts		(90,657,681)	(22,001,622)
Increase / (decrease) in current liabilities			
Creditors, accrued and other payables		1,026,930	(1,226,158)
Sales tax payable		58,720,651	2,702,711
Cash generated from operations		<u>376,212,291</u>	<u>499,223,808</u>
Gratuity paid		(838,243)	-
Taxes paid		(192,907,095)	(9,227,733)
Sindh Workers' Welfare Fund paid	17	(11,017,644)	(8,044,896)
Net cash generated from operating activities		<u>171,449,309</u>	<u>481,951,178</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term deposit paid		(270,000)	(584,798)
Additions to plant and equipment		(109,918,918)	(65,520,389)
Addition in capital work-in-progress		8,881,000	(8,881,000)
Profit received on term deposit receipts		72,010,265	17,011,303
Profit received from bank on saving accounts		46,996,616	43,051,653
Net cash generated from / (used in) investing activities		<u>17,698,963</u>	<u>(14,923,231)</u>

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SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	Restated 2022
Note	(Rupees)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finance	12 (167,861,851)	(49,471,535)
Financial Charges for prior years adjustment	-	(42,999,453)
Financial charges paid	(131,256,617)	(97,434,592)
Repayment of lease liabilities	14 (3,120,150)	-
Shares Issued	100,000,000	-
Share issuance cost	(942,095)	(478,335)
Net cash used in financing activities	<u>(203,180,713)</u>	<u>(190,383,915)</u>
Net (decrease) / increase in cash and cash equivalents	(14,032,441)	276,644,031
Cash and cash equivalents at the beginning of the year	783,706,507	507,062,476
Cash and cash equivalents at the end of the year	<u>769,674,066</u>	<u>783,706,507</u>
Cash and cash equivalents at the end of the year		
- Short term investments	8 475,931,000	-
- Cash and bank balance	10 293,743,066	783,706,507
	<u>769,674,066</u>	<u>783,706,507</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE


CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid capital	Advance against issuance of shares	Interest free element of long term finance (12.2.1)	Unappropriated profit	Total
Balance at July 01, 2021	609,000,000	50,000,000	87,986,655	232,786,008	979,772,663
Restatement Impact (note 3.14)	-	-	-	(42,999,453)	(42,999,453)
Balance at July 01, 2021 (Restated)	609,000,000	50,000,000	87,986,655	189,786,555	936,773,210
Amortisation of interest free element of loan	-	-	(26,675,087)	26,675,087	-
Present value adjustment due to modification of loan from GoS	-	-	140,479,932	-	140,479,932
Amortisation of interest free element of loan for the year (post modification)	-	-	(11,140,514)	11,140,514	-
Shares issued against advance	50,000,000	(50,000,000)	-	-	-
Shares issuance cost	-	-	-	(478,335)	(478,335)
Profit for the year	-	-	-	283,147,238	283,147,238
Other comprehensive income	-	-	-	379,944	379,944
Total comprehensive income	-	-	-	283,527,182	283,527,182
Balance at June 30, 2022	659,000,000	-	190,650,986	510,651,003	1,360,301,989
Amortisation of interest free element of loan	-	-	(40,937,140)	40,937,140	-
Shares issued	100,000,000	-	-	-	100,000,000
Shares issuance cost	-	-	-	(942,095)	(942,095)
Profit for the year	-	-	-	175,318,352	175,318,352
Other comprehensive income	-	-	-	412,807	412,807
Total comprehensive income	-	-	-	175,731,159	175,731,159
Balance at June 30, 2023	759,000,000	-	149,713,845	726,377,208	1,635,091,053

The annexed notes from 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE



CHAIRMAN / DIRECTOR

SINDH TRANSMISSION AND DISPATCH COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. LEGAL STATUS AND NATURE OF BUSINESS

Sindh Transmission and Dispatch Company (Private) Limited (the Company) was incorporated in Pakistan on January 07, 2015 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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 Parent 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 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. After acquiring PCG the company has signed memorandum of undertaking (MOUs) with few parties and is in process of negotiating with other parties.

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 the measurement of lease liability against right of use of asset and retirement benefits which are measured at present value.

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2.3 Functional and presentation currency

These financial statements are presented in Pakistani 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:

- (a) useful lives and depreciation rates of plant and equipment (note 3.1 & 4)
- (b) useful life and depreciation rates of right of use asset (3.2 & 5)
- (c) investments, its clarification, valuation and impairments (note 3.4.1 & 8)
- (d) impairment of financial and non-financial assets (note 3.4.5)
- (e) assumption and estimation in recognition of current and deferred taxation (note 3.7)

2.5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**2.5.1 Standards, interpretations and amendments to approved accounting standards that are effective in current year**

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Company for accounting periods beginning on or after July 01, 2022. These are considered either not to be relevant or not to have any significant impact on the Company's operations and therefore are not detailed in these financial statements.

2.5.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective from accounting period beginning on or after
IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2024
IAS 1 - Disclosure of Accounting Policies (Amendments)	January 1, 2023
IAS 8 - Definition of Accounting Estimates (Amendments)	January 1, 2023
IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 1, 2023

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

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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 and other comprehensive income 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. Additions to the transmission line are depreciated over the remaining useful life of transmission line. 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 and other comprehensive income 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 and other comprehensive income 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.

3.2.1 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.

3.2.2 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.

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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.

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, 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.

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

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3.4.3 Derecognition

a) Financial asset

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:

- i) Transferred substantially all of the risks and rewards of the asset or;
- ii) 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.

b) Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

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

a) Financial assets

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 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 as been a significant increase in credit risk.

etc

b) 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 and other comprehensive income. 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 and other comprehensive income.

3.5 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, balances with banks, short-term running finances and term deposit receipts of less than 3 months.

3.6 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.

3.7 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.

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3.8 Share capital

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

3.9 Interest free element of long

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 terms of loan.

3.10 Advance against issuance of

Advance received on account of equity investment by the parent is classified as advance against issuance of shares until shares are issued.

3.11 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

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

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

3.12 Expenses

All expenses are recognized on accrual basis in the statement of profit or loss and other comprehensive income.

3.13 Staff retirement benefits

3.13.1 Defined benefit plan

The Company operates an approved funded gratuity scheme for its permanent employees. The net defined benefit liability recognized in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation both computed at the reporting date less the fair value of plan assets. An independent actuary using the projected unit credit actuarial cost method calculates the defined benefit obligation periodically. Last valuation was carried out the reporting date. Amounts arising as a result of re-measurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognized in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

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3.14 Prior period adjustment

- (a) In prior years, the Company did not take into account the effect of the 6-month KIBOR, as mentioned in the agreement, and erroneously charged interest expense in the financial statements on the KIBOR rate as of the date of the agreement, which resulted an error amounting Rs. 42.99 million, which has now been adjusted.
- (b) There was an unrecorded provision of gratuity in previous year amounting rupees 14.32 million which is now recorded as per IAS 19.

Based on above, reconciliation of accumulated losses at beginning of earliest period presented (i.e. July 01, 2021) and last year end (i.e. June 30, 2022) are given below:

	As per audited financial statements	Effect of prior period error	Restated amounts
	----- Rupees -----		
Effects of prior period error on financial statements for the year ended June 30, 2022			
Restatement in Statement of Financial Position			
- Long Term finance	801,277,974	68,933,632	870,211,606
- Provision for gratuity	-	14,323,833	14,323,833
- Deferred tax	235,696,261	(7,682,833)	228,013,428
Restatement in Statement of Profit Or Loss and Other Comprehensive Income			
- Finance Charges	73,947,030	25,934,179	99,881,209
- Administrative expenses	72,882,912	14,858,966	87,741,878
- Re-measurement gain on defined benefit obligation	-	535,133	535,133
Effects of prior period error on financial statements for the year ended June 30, 2021			
Restatement in Statement of Financial Position			
- Long Term finance	1,060,163,073	42,999,453	1,103,162,526
- Unappropriated profit	232,786,008	(42,999,453)	189,786,555

etc

4. Plant and equipment

	Note	2023	Restated 2022
Operating fixed assets	4.1	1,698,792,119	1,676,949,722
Capital work-in-progress	4.5	-	8,881,000
		<u>1,698,792,119</u>	<u>1,685,830,722</u>

4.1 Operating fixed assets

Particulars	Cost at July 01, 2022	Additions	Cost at June 30, 2023	Accumulated depreciation at July 01, 2022	Depreciation for the year	Accumulated depreciation at June 30, 2023	Carrying value at June 30, 2023	Rate
Transmission line (4.2 and 4.3)	2,004,837,140	99,491,928	2,104,329,068	352,317,417	82,973,495	435,290,912	1,669,038,156	04
Lease hold improvements	1,852,146	121,501	1,973,647	829,645	158,119	987,764	985,883	15
Office equipment	2,630,191	1,526,569	4,156,760	1,702,969	451,115	2,154,084	2,002,676	30
Vehicles	26,134,000	8,605,220	34,739,220	7,525,199	3,912,357	11,437,556	23,301,664	15
Furniture and fixtures	6,690,703	173,700	6,864,403	2,819,228	581,435	3,400,663	3,463,740	15
	<u>2,042,144,180</u>	<u>109,918,918</u>	<u>2,152,063,098</u>	<u>365,194,458</u>	<u>88,076,521</u>	<u>453,270,979</u>	<u>1,698,792,119</u>	

For comparative year

Particulars	Cost at July 01, 2021	Additions	Cost at June 30, 2022	Accumulated depreciation at July 01, 2021	Depreciation for the year	Accumulated depreciation at June 30, 2022	Carrying value at June 30, 2022	Rate
Transmission line (4.2 and 4.3)	1,955,012,274	49,824,866	2,004,837,140	273,701,718	78,615,699	352,317,417	1,652,519,723	04
Lease hold improvements	1,852,146	-	1,852,146	649,204	180,441	829,645	1,022,501	15
Office equipment	2,555,311	74,880	2,630,191	1,323,810	379,159	1,702,969	927,222	30
Vehicles	11,186,000	14,948,000	26,134,000	6,554,645	970,554	7,525,199	18,608,801	15
Furniture and fixtures	6,018,060	672,643	6,690,703	2,202,114	617,114	2,819,228	3,871,475	15
	<u>1,976,623,791</u>	<u>65,520,389</u>	<u>2,042,144,180</u>	<u>284,431,491</u>	<u>80,762,967</u>	<u>365,194,458</u>	<u>1,676,949,722</u>	

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

4.3 During the year Company had incurred Rs. 99.49 million on rehabilitation of transmission lines which is capitalized in transmission line.

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		2023	Restated 2022
	Note	----- (Rupees) -----	
4.4 Depreciation charged during the year			
Cost of service	20	82,973,495	78,615,699
Administrative expenses	21	7,818,351	2,147,268
		<u>90,791,846</u>	<u>80,762,967</u>
4.5 Capital work-in-progress			
Balance on July 01,		8,881,000	-
Advance for purchase of vehicle		(8,881,000)	8,881,000
Balance on June 30,		-	<u>8,881,000</u>
5 RIGHT OF USE ASSET			
Rental premises			
Balance as at July 01,		5,727,868	5,727,868
Lease Addition		8,145,974	-
		<u>13,873,842</u>	<u>5,727,868</u>
Accumulated depreciation as at July 01,		5,727,868	4,434,478
Depreciation for the year	21	2,715,325	1,293,390
Accumulated depreciation as at June 30,		<u>8,443,193</u>	<u>5,727,868</u>
Net book value as at June 30,		<u>5,430,649</u>	-
Lease term (in months)		<u>36</u>	<u>36</u>
6. ADVANCES AND PREPAYMENTS			
Advances			
- Advance to employees		65,687	62,955
Prepayments:			
- Insurance		2,676,531	4,017,155
- Rent		3,191,329	3,034,287
- Other		3,019,094	1,619,983
		<u>8,886,954</u>	<u>8,671,425</u>
		<u>8,952,641</u>	<u>8,734,380</u>
7. TRADE DEBTS			
Considered good - unsecured			
Trade debts		<u>190,651,375</u>	<u>99,993,694</u>
7.1 The length of credit period offered to K-Electric is 35 days.			
7.2 This includes Rs. 70.21 million relating to sales tax, which K-Electric has not paid due to dispute between FBR and SRB.			
7.3 Ageing of trade debts			
Not yet due		56,906,132	49,177,227
Past due within 30 days		133,745,243	50,816,467
		<u>190,651,375</u>	<u>99,993,694</u>
8. SHORT TERM INVESTMENTS			
Amortised cost			
Government Securities	8.1	<u>475,931,000</u>	-
8.1 It represented investment in market Treasury bills carrying effective interest rates 21.9749% per annum. These are subject to be matured on August 24, 2023.			

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		2023	Restated 2022
	Note	----- (Rupees) -----	
9. ACCRUED MARKUP			
Profit on Government Securities		8,596,057	-
Profit on saving accounts		<u>6,836,127</u>	<u>7,172,494</u>
		<u>15,432,184</u>	<u>7,172,494</u>
10. CASH AND BANK BALANCES			
Balances with banks			
- current accounts		-	32,165
- saving accounts	10.1	<u>293,697,921</u>	<u>783,641,668</u>
Cash in hand		<u>45,145</u>	<u>32,674</u>
		<u>293,743,066</u>	<u>783,706,507</u>
10.1	These carry mark-up rates ranging from 5.4% to 19.9% (2022: 5.4% to 6.2%) per annum.		
11. SHARE CAPITAL			
		2023	2022
		Number of ordinary shares	
		2023	Restated 2022
		----- (Rupees) -----	
		Authorised capital	
		<u>75,900,000</u>	<u>65,900,000</u>
		Ordinary shares of Rs. 10 each	
		<u>759,000,000</u>	<u>659,000,000</u>
		Issued, subscribed and paid-up capital	
		<u>75,900,000</u>	<u>65,900,000</u>
		Ordinary shares of Rs. 10 each fully paid in	
		<u>759,000,000</u>	<u>659,000,000</u>
11.1	100% of shares of the Company are held by the Sindh Energy Holding Company (Private) Limited (Parent)		
11.2	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.		
12. LONG-TERM FINANCE		2023	Restated 2022
		----- (Rupees) -----	
Sindh Energy Holding Company (Private) Limited	12.1	448,747,227	577,676,381
Government of Sindh	12.2	<u>253,602,529</u>	<u>292,535,225</u>
		<u>702,349,756</u>	<u>870,211,606</u>
Less: Current portion shown under current liabilities			
- Sindh Energy Holding Company (Private) Limited		<u>(62,332,400)</u>	<u>(59,043,078)</u>
- Government of Sindh		<u>(44,320,293)</u>	<u>(38,932,697)</u>
		<u>(106,652,693)</u>	<u>(97,975,775)</u>
		<u>595,697,063</u>	<u>772,235,832</u>

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	Note	2023 ----- (Rupees) -----	Restated 2022 -----
12.1 From Sindh Energy Holding Company (Private) Limited Parent Company - Secured			
Term finance	12.1.1	691,000,000	691,000,000
Add: Cumulative amount of interest			
- Opening		282,398,540	171,477,768
Imp - Restatement impact		-	42,999,453
- Opening Restated		282,398,540	214,477,221
- Charged for the year	24	93,347,208	67,921,319
		375,745,748	282,398,540
Less: Cumulative repayment of loan			
- Opening		(395,722,159)	(282,658,685)
- Repaid during the year		(222,276,362)	(113,063,474)
		(617,998,521)	(395,722,159)
		448,747,227	577,676,381
Less: Current portion shown under current liabilities		(62,332,400)	(59,043,078)
		386,414,827	518,633,304
12.2 From Government of Sindh			
Term finance	12.2.1	730,000,000	730,000,000
Less: Present value adjustment		(370,482,752)	(230,002,821)
		359,517,248	499,997,179
Add: Cumulative unwinding of interest			
- Opening		240,386,402	210,873,129
- Charged for the year	24	37,909,409	19,129,692
		278,295,811	230,002,821
Less: Cumulative repayment of loan			
- Opening		(307,368,424)	(230,526,318)
- Repaid during the year		(76,842,105)	(38,421,053)
		(384,210,529)	(268,947,371)
		253,602,529	461,052,629
Modification - Rescheduling of interest free loan			
Derecognition of loan due to modification	12.2.1	-	(461,052,629)
		-	-
Rescheduled future repayments		-	461,052,629
Present value adjustment		-	(140,479,932)
Recognition of loan after resheduling		-	320,572,697
		-	-
Unwinding of interest during the year	24	-	10,383,581
Repayment of loan		-	(38,421,053)
		253,602,529	292,535,225
Less: Current portion shown under current liabilities			
- Amount due but not paid		-	-
- Current portion		(44,320,293)	(38,932,697)
		(44,320,293)	(38,932,697)
		209,282,236	253,602,528

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- 12.1.1** The Company has received a loan of Rs. 691 million from Parent company Sindh Energy Holding Company (Private) 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 is repayable in semi-annual installments of Rs. 56.53 million by December 2027 commencing from June 2019. The loan carry an interest at 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% per annum.

- 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

An addendum to the above arrangement was signed on April 11, 2022 in which both the parties agreed to reschedule the repayment of interest free loan obtained from Government of Sindh on May 13, 2016. Accordingly, the Company shall pay in nineteen installments over the period of 10 years with a grace period of 6 months starting from December 31, 2018 and ending on December 31, 2027. The remaining amount of Rs. 461.05 million on April 11, 2022, modified fair value of loan is estimated at Rs. 320.57 million using prevailing market interest rate for an equivalent loan of 13.4% per annum. The total difference of Rs. 140.48 million between the rescheduled liability and modified fair value is the benefit derived from interest free loan (interest free element of loan) and is recognised as equity.

13. DEFERRED LIABILITY - STAFF GRATUITY

Actuarial Assumptions

- 13.1** As disclosed in note 3.13.1, the Company operates a unfunded gratuity scheme for its staff employees. The latest actuarial valuation was carried out as at June 30, 2023 using the Projected Unit Credit Actuarial Cost

13.2 Defined benefit liability recognized in statement of financial position	Note	2023	Restated 2022
		-----Rupees-----	
Present value of defined benefit obligation	13.3	18,232,456	14,323,833
Fair value of plan assets	13.4	-	-
Defined benefit liability recognized		<u>18,232,456</u>	<u>14,323,833</u>
13.3 Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		14,323,833	-
Past service cost		-	14,026,863
Current service cost		3,485,911	522,343
Interest cost		1,842,374	309,760
Benefits paid		(838,243)	-
Re-measurements chargeable in other comprehensive income		(581,419)	(535,133)
		<u>18,232,456</u>	<u>14,323,833</u>
13.4 Changes in the fair value of plan assets			
Opening fair value of plan assets		-	-
Contribution		-	-
Interest income on plan assets		-	-
Benefits paid		-	-
Benefits due but not paid		-	-
Return on plan assets, excluding interest income		-	-
		<u>-</u>	<u>-</u>

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	Note	2023 ----- (Rupees) -----	Restated 2022 -----
13.5 Movement in net liability			
Opening liability		14,323,833	-
Expense recognized in statement of profit or loss	13.6	5,328,285	14,858,966
Re-measurements recognized in other comprehensive income	13.7	(581,419)	(535,133)
Benefit paid		(838,243)	-
Closing liability		<u>18,232,456</u>	<u>14,323,833</u>
13.6 Expense recognized in statement of profit or loss			
Past service cost		-	14,026,863
Current service cost		3,485,911	522,343
Interest cost on defined benefit obligation		1,842,374	309,760
Expected return on plan assets		-	-
		<u>5,328,285</u>	<u>14,858,966</u>
13.7 Re-measurements recognized in other income			
Experience adjustments		(581,419)	(535,133)
Return on plan assets - excluding interest income		-	-
Related deferred tax (asset)		(581,419)	(535,133)
		<u>168,612</u>	<u>155,189</u>
		<u>(412,807)</u>	<u>(379,944)</u>

13.8 The present value of defined benefit obligation, fair value of plan assets and surplus or deficit on gratuity fund for the five years is as follows:

	2023	Restated 2022	2021	2020	2019
Present value of defined obligation	18,232,456	14,323,833	-	-	-
Fair value of plan assets	-	-	-	-	-
	<u>18,232,456</u>	<u>14,323,833</u>	-	-	-

	2023 -----	Restated 2022 -----
	Percentage	
Significant Actuarial Assumption		
Valuation Discount Rate	16.25%	13.25%
Salary Increase Rate	14.25%	11.25%

	2023 -----	Restated 2022 -----
	Rupees-----	
Sensitivity Analysis on significant actuarial		
Discount Rate +100 bps	17,167,093	13,486,859
Discount Rate - 100 bps	19,509,950	15,327,460
Expected rate of salary increase + 100 bps	19,522,446	15,337,278
Expected rate of salary increase - 100 bps	17,140,623	13,466,064

These figures are based on the latest actuarial valuation as at June 30, 2023. The valuation uses the Projected Unit Credit Actuarial Cost Method.

The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

The expected gratuity expense for the year ending June 30, 2024 works out to be Rs.6.22 million.

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14 LEASE LIABILITY

Rental contracts are made for a fixed period subject to renewal upon mutual consent of the Company and lessor. Wherever practicable the Company seeks to include extension option to provide operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The future lease payments have been discounted using average

	2023	Restated 2022
	-----Rupees-----	
Present value of minimum lease payments	6,167,897	-
Less: current portion of lease liabilities	(3,432,165)	-
	<u>2,735,732</u>	<u>-</u>
Maturity analysis		
Not later than 1 year	3,432,165	-
later than 1 year	2,735,732	-
	<u>6,167,897</u>	<u>-</u>

15 DEFERRED TAX

	Balance at July 01, 2022	Deferred tax recognised in		Balance at June 30, 2023
		Profit or loss	Other comprehensive income	
	----- (Rupees) -----			
Movement for the year ended June 30, 2023				
Deferred tax liabilities on taxable / (deductible) temporary differences arising in respect of:				
- Accelerated tax depreciation	277,948,483	14,811,917	-	292,760,400
Movement for the year ended	(50,090,243)	50,090,243	-	-
- Gratuity	155,189	-	168,612	323,800
Deferred tax liability	<u>228,013,429</u>	<u>64,902,160</u>	<u>168,612</u>	<u>293,084,200</u>

	Balance at July 01, 2021	Deferred tax recognised in		Balance at June 30, 2022
		Profit or loss	Other comprehensive income	
	----- (Rupees) -----			
Movement for the year ended June 30, 2022				
Deferred tax liabilities on taxable / (deductible) temporary differences arising in respect of:				
- Accelerated tax depreciation allowance	266,213,382	11,735,101	-	277,948,483
- Unabsorbed tax depreciation	(130,620,404)	80,530,161	-	(50,090,243)
- Gratuity	-	-	155,189	155,189
- Minimum Tax	(18,274,992)	18,274,992	-	-
Deferred tax liability	<u>117,317,986</u>	<u>110,540,254</u>	<u>155,189</u>	<u>228,013,429</u>

Due to introduction of Section 4C – "Super Tax on High earning persons" in the Income Tax Ordinance, 2001, rate for future periods on which deferred tax will be realized is considered to be 29% (NTR 29%).

16 CREDITORS, ACCRUED AND OTHER PAYABLES

Creditors		2,971,035	6,432,632
Accrued liabilities		4,815,021	1,190,195
Sindh Workers' Welfare Fund	16.1	5,111,630	10,524,895
Sindh Workers' Profit Participation Fund	16.2	78,568,483	54,153,685
Other payable		890,743	27,041
		<u>92,356,912</u>	<u>72,328,448</u>

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	Note	2023 ----- (Rupees) -----	Restated 2022 -----
16.1 Sindh Workers' Welfare Fund			
Balance as at July 1		10,524,895	8,044,896
Charged for the year	22	5,604,379	10,524,895
Less: Paid during the year		(11,017,644)	(8,044,896)
Balance as at June 30		5,111,630	10,524,895
16.2 Sindh Workers' Profit Participation Fund			
Balance as at July 1		54,153,685	24,009,976
Charged for the year	22	14,748,365	27,697,092
Interest on funds utilised in the Company's business	16.2.1	9,666,433	2,446,617
Balance as at June 30		78,568,483	54,153,685

16.2.1 Interest on funds utilised in the business of the Company is charged at 6 months KIBOR + 2.5%.

16.3 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 the Company to encash performance guarantees of Rs. 93.99 million 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. Retention money of Rs. 17.15 million deducted in prior years from payment to M/S Technoman Kinetics (Private) Limited, the contractor of the Company.

The Company complied with directions of NAB and informed NAB through a letter having number 2019-092 dated October 16, 2019. During the year on receipt of further Rs. 1.5 million from NAB over and above compensation (apart from encashed guarantee and retained amount of Rs. 118.96 million as explained above), the management became virtually certain that these amounts will not be returned, therefore taken to income.

	2023 ----- (Rupees) -----	Restated 2022 -----
17 TAXATION - NET		
Opening balance	108,221,453	10,275,788
Income Tax paid	(103,738,294)	-
Provision for taxation	34,394,034	107,173,398
Advance tax deducted / paid	(89,168,801)	(9,227,733)
Closing balance	(50,291,608)	108,221,453

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The Company 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 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 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 April 01, 2021 to the honorable Islamabad High Court and Management is confident that decision will be in the favor of the Company.

Subsequently, the Company has filed an appeal against above order with the Appellate Tribunal (NEPRA) on July 04, 2022 whose decision was announced dated March 02, 2023 in which the impugned order of NEPRA was set aside and STDC's application for date of applicability of Losses was deemed pending before NEPRA who was directed to decide the same a fresh. The same is now pending at NEPRA and Management is confident that decision will be in the favor of the Company.

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- 18.1.2** 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 Islamabad High Court regarding the grievances on various matters of tariff, the case is still pending and no hearing has been made yet.
- 18.1.3** The company was granted Provincial Grid Company (PGC) License of Sindh province by National Electric Power Regulatory Authority (NEPRA) on November 05, 2019. However, National Transmission and Despatch Company Limited (NTDC) filed Motion for Review at NEPRA on November 29, 2019 against the grant of PGC license to the company upon which NEPRA vide its determination dated March 04, 2023 considered that NTDC in its review motion was not able to substantiate its claim therefore rejected the motion for review. Subsequently, NTDC has filed appeal in Appellate Tribunal NEPRA and the case is pending. Management is confident that decision will be in favor of the Company.
- 18.1.4** Transmission of Electricity has been categorized as Service under tariff heading 9854.0000 in the Sindh Sales Tax Act 2011 since July 01, 2019 and the company was registered in Provincial Services Tax Authority i.e. Sindh Revenue Board and had been generating Sindh Sales Tax Invoices. The Finance Act 2022 applicable from July 01, 2022 has included the "Generation, Transmission and Distribution of Electricity" in the definitions of Goods and Supply in the Sales Tax Act 1990. The later Act has created conflict between Federal and Provincial Tax Authorities. On the basis of jurisdictional grounds, the company has filed a writ petition in Islamabad High Court on October 04, 2022 seeking declaration of Transmission of Electricity in the definition of Goods and Supply as Impugned and ultra-vires to the Constitution of Islamic Republic of Pakistan. The Management is confident that decision will be in the favor of the Company since Finance Act 2023 has removed such inclusions made through Finance Act 2022.

		2023	Restated 2022
		----- (Rupees) -----	
18.2	Commitments		
	Rental - less than 1 year	<u>1,269,360</u>	<u>1,287,002</u>
	Monthly rental payments are to be made in respect of accommodation of operation staff.		
		2023	Restated 2022
		----- (Rupees) -----	
19	REVENUE FROM CONTRACTS WITH CUSTOMERS		
	Revenue from transmission of electricity	661,091,521	568,266,798
	Tariff indexation adjustment	19.1 -	239,109,912
	Less: Sindh sales tax	19.2 <u>(76,054,777)</u>	<u>(92,884,046)</u>
		<u>585,036,744</u>	<u>714,492,664</u>
19.1	It pertains to indexation of tariff billed to K-Electric pertaining to prior periods approved by NEPRA on August 05, 2021.		
19.2	Sindh sales tax on services is applicable on electric power transmission services at rate of 13%.		
		2023	Restated 2022
		----- (Units) -----	
19.3	Disaggregation of revenue		
	Number of units transmitted (MWh) to:		
	K-Electric Limited	19.4 <u>885,286</u>	<u>885,286</u>
19.4	Capacity		
	Actual capacity (MWh)	<u>885,286</u>	<u>885,286</u>
	Utilised capacity (MWh)	<u>885,286</u>	<u>885,286</u>
	No. of days	<u>365</u>	<u>365</u>

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		2023	Restated 2022
	Note	----- (Rupees) -----	
20 COST OF REVENUE			
Depreciation on plant and equipment	4.4	82,973,495	78,615,699
Manpower supply services		38,807,975	34,866,729
Surveillance / Transportation		28,476,000	27,757,320
Insurance		16,615,426	16,620,755
Staff salaries and benefits		7,246,190	8,433,178
Accommodation of maintenance staff		3,249,837	3,055,370
Maintenance of towers, poles and fixtures		2,697,618	3,605,672
		<u>180,066,541</u>	<u>172,954,723</u>
21 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		57,493,861	58,484,131
Legal and professional		3,495,500	3,088,250
Depreciation on plant and equipment	4.4	5,103,026	2,147,268
Depreciation on right of use asset	5	2,715,325	1,293,390
Short term lease		-	1,248,060
Utilities		2,270,876	1,914,275
Vehicles running and maintenance		6,528,855	3,438,390
Advertisement		2,770,846	1,902,377
Fees and subscription		3,838,611	9,007,177
Traveling and conveyance		1,957,989	1,503,568
Entertainment		1,258,868	1,152,166
Printing and stationery		362,732	387,431
Auditor's remuneration	21.1	849,600	660,000
Insurance		1,562,650	556,399
Staff training and development		1,210,770	367,036
Donation (CSR Activities)	21.2	15,179,224	-
Others		798,436	591,961
		<u>107,397,169</u>	<u>87,741,879</u>
21.1 Auditor's remuneration			
Audit fee and review of Code of Corporate Governance fees		720,000	600,000
Out of pocket		72,000	60,000
Sales tax		57,600	-
		<u>849,600</u>	<u>660,000</u>
21.2			
During the rain/flood emergency situation in the province of Sindh last year, the company contributed towards CSR as per NEPRA Social Investment Guidelines and SECP CSR Guidelines by distributing relief Items such as food and shelter to the affectees/victims in line with the relevant FBR and SRB exemptions provided by Federal and Provincial Governments.			
22. OTHER OPERATING EXPENSES			
Sindh Workers' Welfare Fund		5,604,379	10,524,895
Sindh Workers' Profit Participation Fund		14,748,365	27,697,092
		<u>20,352,744</u>	<u>38,221,987</u>
23. OTHER INCOME			
Profit on saving accounts		63,852,363	48,270,113
Profit on term deposits receipts		63,414,208	16,370,206
Profit on Government Securities		8,596,057	-
Bidding fees		240,000	68,000
Liabilities written back	16.3	-	118,959,704
Regulatory Credits	23.1	3,356,750	1,500,000
		<u>139,459,378</u>	<u>185,168,023</u>
23.1			
This represents Insurance Claim Amount received from Sindh Insurance Limited against the insurance of Transmission Line.			

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	Note	2023 ----- (Rupees) -----	Restated 2022 -----
24. FINANCIAL CHARGES			
- Interest on loan from Sindh Energy Holding Company (Private) Limited Parent Company	12.1	93,347,208	67,921,319
- Unwinding of loan from Government of Sindh	12.2	37,909,409	23,028,256
- Impact of modification of loan		-	6,485,017
- Interest on Sindh Workers' Profit Participation funds	16.2	9,666,433	2,446,617
- Interest on lease liabilities	15	1,142,073	-
		142,065,123	99,881,209
25. TAXATION			
Current			
- for the year	25.1	46,684,473	85,146,351
- Provision for super tax under section 4C for tax year	25.2	8,898,586	22,027,047
- for prior year		(21,189,025)	-
		34,394,034	107,173,398
Deferred tax	15	64,902,160	110,540,254
		99,296,194	217,713,652

	Note	2023 ----- (Rupees) -----	Restated 2022 -----
25.1 Relationship between the tax expense and accounting profit			
Profit before taxation		274,614,546	500,860,890
Tax at the applicable rate of 29% (2022: 29%)		79,638,218	145,249,658
Prior year charge		(21,189,025)	-
Tax effect due to alternate corporate tax		(32,953,746)	(60,103,307)
Tax effect due to super tax		8,898,585	22,027,047
Tax charge for the year		34,394,033	107,173,398

25.2 The Government of Pakistan through Finance Act, 2022 introduced section 4C – 'Super Tax on high earning persons' in the Income Tax Ordinance, 2001 (the Ordinance). Super tax is applicable for tax year 2022 and onwards at different rates on all persons (including the Company) having taxable income of Rs. 150 million or more and rates vary from 1% to 10% as per slabs provided in the Ordinance. The Company has made the

26. 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:

	2023		2022	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees) -----			
Remuneration	13,972,500	5,746,505	9,951,579	5,397,684
Bonus	558,900	921,353	486,000	466,727
House rent	-	2,585,927	-	2,428,958
Utility allowance	-	575,448	-	539,768
Cost of Living allowance	-	861,976	-	809,653
Special pay	-	861,976	-	819,649
Medical expenses				
	14,531,400	11,553,185	10,437,579	10,462,439
No. of person	1	2	1	2

26.1 An amount of Rs. 4.86 million (2022: Rs. 2.59 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

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

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	2023	Restated 2022
27. NUMBER OF EMPLOYEES		
Average number of employees during the year	<u>36</u>	<u>33</u>
Number of employees as at June 30	<u>38</u>	<u>35</u>

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

Name and Relationship with the Company	Nature of transactions	Note	2023	Restated 2022
			(Rupees)	
Sindh Energy Holding Company (Private) Limited -	Repayment of loan	12.1	59,043,078	73,516,715
Sindh Energy Holding Company (Private) Limited -	Payment of interest	12.1	163,233,284	39,546,759
Government of Sindh	Repayment of loan	12.2	76,842,105	76,842,106

29. CHANGES ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	July 01, 2022	Financing cash inflows	Financing cash outflows	Non cash changes	June 30, 2023
		(Rupee)			
Lease liabilities	-	-	(3,120,150)	1,142,073	(1,978,077)
Long-term finance	<u>967,692,085</u>	-	<u>(299,118,467)</u>	<u>131,256,617</u>	<u>799,830,234</u>

	July 01, 2021	Financing cash inflows	Financing cash outflows	Non cash changes	June 30, 2022
		(Rupee)			
Lease liabilities	-	-	-	-	-
Long-term finance	<u>1,060,163,073</u>	-	<u>(189,905,580)</u>	<u>97,434,592</u>	<u>967,692,085</u>

	2023	Restated 2022
	(Rupees)	
30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES		
30.1 Financial instrument by category		
Financial assets		
Amortised cost		
- Long term deposit	<u>1,949,800</u>	1,679,800
- Trade debts	<u>190,651,375</u>	99,993,694
- Short term investments	<u>475,931,000</u>	-
- Accrued markup	<u>15,432,184</u>	7,172,494
- Cash and bank balance	<u>293,743,066</u>	783,706,507
	<u><u>977,707,425</u></u>	<u>892,552,495</u>
Financial liabilities		
Amortised cost		
- Long-term finance	<u>702,349,756</u>	870,211,606
- Creditor, accrued and other payables	<u>8,676,799</u>	7,649,867
	<u><u>711,026,555</u></u>	<u>877,861,473</u>

etc

30.2 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

30.2.1 Financial risk factors**Introduction and overview**

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

- Market risk
- Credit risk
- Liquidity risk

30.2.2 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 rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

	Carrying amount	
	2023	Restated 2022
	----- (Rupees) -----	
Variable rate instruments		
Financial assets - bank balances	<u>293,697,921</u>	<u>783,641,668</u>
Fixed rate instruments		
Financial liabilities - long term loan	<u>448,747,227</u>	<u>577,676,381</u>

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. 29.547 million (2022 : Rs. 11.25 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

30.2.3 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. The financial assets of Rs. 977.66 million (2022: Rs.892.52 million) are subject to credit risk.

The Company is exposed to credit risk from its operating activities primarily for trade debts, long term 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.

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Bank balances

The credit quality of the Company's bank balances as at June 30, 2023 with respect to external credit rating:

Banks	Rating agency	Long term	Short term	2023	Restated 2022	2022	2021
				(Rupees)		(Rupees)	
National Bank of Pakistan	PACRA	AAA	A-1+	293,267,745	152,944,153		214,905,510
Sindh Bank Limited	VIS	A+	A-1	63,955	32,165		34,045
U Micro Finance Bank Limited	VIS	A+	A-1	312,347	-		
Al Baraka Bank Limited	PACRA	A	A-1	53,874	630,697,515		192,078,799
				293,697,921	783,673,833	293,697,921	407,018,354

The exposure to banks are managed by dealing with 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.

30.2.4 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	
	(Rupees)					
2023						
Long-term financing	13.39% - 19.79%	-	-	106,652,693	595,697,063	702,349,756
Lease liabilities			3,432,165	2,735,732	6,167,897	
Creditor, accrued and other payables		8,676,799	-	-	8,676,799	
		8,676,799	110,084,858	598,432,795	717,194,451	
Interest rate	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	Total	
	(Rupees)					
2022						
Long-term financing	7% - 13.4%	-	-	189,905,579	680,306,027	870,211,606
Creditor, accrued and other payables		7,649,867	-	-	7,649,867	
		7,649,867	189,905,579	680,306,027	877,861,473	

31. 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.

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(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

As at June 30, 2023 and June 30, 2022, the Company do not have any financial assets and liabilities which can be classified under above levels.

32. 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


33. GENERAL

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

34. DATE OF AUTHORISATION FOR ISSUE


These financial statements have been approved by the Board of Directors of the Company and authorised for issue on _____.

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CHIEF EXECUTIVE OFFICER

28 SEP 2023


DIRECTOR / CHAIRMAN



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