

**SINDH ENERGY HOLDING COMPANY
(PRIVATE) LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2019**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the cash flow statement 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 balance sheet, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, total 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.



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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.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

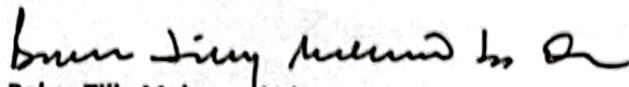
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement 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).

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The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

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Baker Tilly Mehmoob Idrees Qamar
Chartered Accountants

Karachi

Date: 07 FEB 2024

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

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

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

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

The Rules 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.

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Baker Tilly Mehmood Idrees Qamar, Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd, the members of which are separate and independent legal entities.

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, 2019.

We draw attention to instances of non-compliances with the requirements of the Rules as reflected in the last section to the Statement of Compliance with the Rules, under the heading "Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013".

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Engagement Partner: Mehmood A. Razzak

Karachi

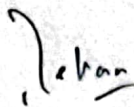
Date: 07 FEB 2024

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
Authorized share capital 350,000,000 Ordinary shares of Rs.10/- each		<u>3,500,000,000</u>	<u>3,500,000,000</u>
Issued, subscribed and paid-up share capital 350,000,000 Ordinary shares of Rs.10/- each	3	3,500,000,000	3,500,000,000
Advance against issuance of shares		1,046,207,000	1,046,207,000
Accumulated losses		(3,804,206)	(183,491,837)
		4,542,402,794	4,362,715,163
Current Liabilities			
Accrued and other liabilities	4	6,389,667	5,943,667
Due to concessions - net	5	535,825,512	418,900,797
		542,215,179	424,844,464
		<u>5,084,617,973</u>	<u>4,787,559,627</u>
ASSETS			
Non - Current Assets			
Fixed assets	6	52,740	87,980
Exploration and evaluation assets	7	89,719,447	26,489,328
Long term deposit	8	500,000	-
Deferred taxation	9	93,695,686	149,803,979
Long term investment	10	3,354,825,723	885,664,000
Long term loan	11	629,020,128	691,000,000
		4,167,813,724	1,753,045,287
Current Assets			
Other receivables	12	177,952,049	174,435
Current portion of long term loan	11	41,212,427	-
Prepayments	13	500,000	-
Taxation - net	14	4,998,527	842,186
Bank balances	15	692,141,246	3,033,497,719
		916,804,249	3,034,514,340
Contingencies and Commitments	16		
		<u>5,084,617,973</u>	<u>4,787,559,627</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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Chief Executive Officer



Director

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

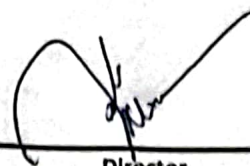
	Note	2019 Rupees	2018 Rupees
Other income	17	336,396,613 ✓	92,501,144
Exploration expenditure	18	(53,645,925) ✓	(128,411,909)
General and administrative expenses	19	(8,631,731) ✓	(30,434,895)
Other operating expenses	20	(48,674) ✓	522,546
Profit / (loss) before tax		274,070,283	(65,823,114)
Taxation	21	(94,382,652)	(7,106,210)
Profit / (loss) after tax		179,687,631	(72,929,324)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		179,687,631	(72,929,324)

The annexed notes 1 to 29 form an integral part of these financial statements.

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Chief Executive Officer



Director


SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		274,070,283	(65,823,114)
Adjustments for non-cash charges and other items:			
Depreciation	6	35,240	35,240
Cost of dry and abandoned well	18	-	53,800,002
Financial charges	19	5,624	2,744
Changes before movement in working capital		40,864	53,837,986
Increase In current assets			
Inventory		(4,808,320)	(2,545,049)
Prepayments		(500,000)	-
Other receivables		(177,777,614)	-
		(183,085,934)	(2,545,049)
Increase in current liabilities			
Accrued and other liabilities		446,000	5,522,667
Due to concessions - net		116,924,715	119,180,351
		117,370,715	124,703,018
Income tax paid	14	(42,430,702)	(19,717,310)
Financial charges paid		(5,624)	(2,744)
Net cash inflow from operating activities		165,959,602	90,452,787
CASH FLOW FROM INVESTING ACTIVITIES			
Addition in exploration and evaluations asset	7	(58,421,799)	(42,545,943)
Long term deposit		(500,000)	-
Long term investment	10	(2,469,161,721)	(171,664,000)
Long term loan		20,767,445	-
Net cash used in from investing activities		(2,507,316,075)	(214,209,943)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from advance against share capital		-	1,446,207,000
Net cash inflow from financing activities		-	1,446,207,000
Net (decrease) / increase in cash and cash equivalents		(2,341,356,473)	1,322,449,844
Cash and cash equivalents at the beginning of the year		3,033,497,719	1,711,047,875
Cash and cash equivalents at the end of the year	15	692,141,246	3,033,497,719

The annexed notes 1 to 29 form an integral part of these financial statements.

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Chief Executive Officer



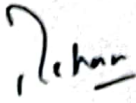
Director

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

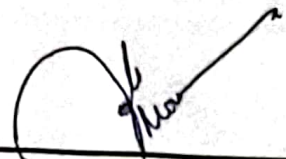
	Issued, subscribed and paid-up share capital	Accumulated losses	Advance against issuance of shares	Total
	Rupees			
Balance at July 01, 2017	1,750,000,000	(110,562,513)	1,350,000,000	2,989,437,487
Advance against issue of shares	-	-	(303,793,000)	(303,793,000)
Issuance of share capital	1,750,000,000	-	-	1,750,000,000
Total comprehensive income for the year	-	(72,929,324)	-	(72,929,324)
Balance as at June 30, 2018	3,500,000,000	(183,491,837)	1,046,207,000	4,362,715,163
Total comprehensive loss for the year	-	179,687,631	-	179,687,631
Balance as at June 30, 2019	3,500,000,000	(3,804,206)	1,046,207,000	4,542,402,794

The annexed notes 1 to 29 form an integral part of these financial statements.

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 Chief Executive Officer



 Director

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. NATURE OF BUSINESS AND OPERATIONS

1.1 Sindh Energy Holding Company (Private) Limited (the Company) was incorporated in Pakistan on March 19, 2014 under the repealed Companies Ordinance, 1984 (now the Companies Act 2017). Government of Sindh (the Parent) owns 100% shareholding of the Company. The principal activities of the Company are exploration for and extraction of oil and natural gas in Sindh and management of investments in subsidiary companies, associated companies and joint ventures, engaged in coal, solar and wind businesses. The registered office of the Company is situated at 3rd Floor, State Life Building No. 3, Opp. C.M. House, Dr. Zia Uddin Ahmed Road, Karachi.

1.2 The Company owns Working Interests in the following Petroleum Concessions as at June 30, 2019:

	Percentage of interest
- Block No. 2467 - 16 (Shah Bandar) Petroleum Concession	2.50
- Block No. 2467 - 13 (Malir) Petroleum Concession	2.50
- Block No. 2569 - 5 (Khipro East) Petroleum Concession	2.50
- Block No. 2566 - 4 (Hab) Petroleum Concession	0.15
- Block No. 2868 - 7 (Zorgarh) Petroleum Concession	1.70
- Block No. 2768 - 11 (Ranipur) Petroleum Concession	2.50

1.3 These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiaries have been accounted for at cost less accumulated impairment losses, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

2.1 Accounting convention

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

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The estimates / judgements and associated assumptions used in the preparation are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates / judgements / assumptions will, by definition, seldom equal the related actual results. The estimates / judgements and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

- Exploration and evaluation assets (note 3.6)
- Investment in subsidiary companies (note 3.9)
- Taxation (note 3.13)

The Company's share in transactions and balances related to joint venture operations in which the Company has a working interest are accounted for on the basis of latest available audited accounts of the joint venture and where applicable, the cost statements of the joint venture, for the intervening period up to the balance sheet date. The income, expenses, assets and liabilities of these jointly controlled operations are included in the financial statements in proportion to the Company's working interests.

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2.2 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 as applicable in Pakistan comprise of:

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

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

2.3 Functional and presentational currency

The financial statements are presented in Pak Rupees, which is the Company's functional and presentational currency.

2.4 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

a) Standards, interpretations and amendments to approved accounting standards which became effective during the year

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which become effective for the current year:

i. IFRS - 15 "Revenue from Contracts with Customers"

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

There is no material impact on the financial statements including accounting policies of the Company of adopting IFRS 15 - Revenue from Contracts with Customers.

ii. IFRS - 9 "Financial Instruments"

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Gap analysis has been conducted to consider the effect on the financial statements. However, there is no material impact on the financial statements of the Company of adopting IFRS 9 - Financial Instruments.

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b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective date (annual reporting periods beginning on or after)	
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business combinations (Amendments)	January 1, 2019
IFRS 9	Financial instruments (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by IFRS 16 and its effect on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

2.5 Fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation. Items that qualify for separate recognition as significant component of asset are recognized separately. Depreciation on fixed assets is charged to profit and loss account applying the straight line method at the rates specified in note 7.

Depreciation on additions is charged from the month in which the asset is put to use and it ceases from the month in which the asset is disposed off. Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including repairs and normal maintenance) are recognised in the profit and loss account.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

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2.6 Exploration and evaluation assets

Expenditure incurred on the exploration for and development of oil and gas reserves are accounted for under the 'Successful Efforts Method'. Under the 'Successful Efforts' method, geological and geophysical costs are expensed as incurred during the exploration phase. Exploratory drilling costs are tentatively capitalized pending determination of whether the well finds commercial reserves.

Capitalized exploratory drilling expenditure is carried forward until either it is declared part of a commercial development at which point the relevant total expenditure in relation to commercial development is transferred to 'Oil and gas properties'. Amortization of 'Oil and gas properties' is recorded using the unit of production method based on entitlement to proved and probable reserves of oil and gas and estimated future development expenditure expected to be incurred to access these reserves. Changes in reserves are accounted for prospectively.

Capitalized exploratory expenditure on abandoned / surrendered license area and relating to dry hole wells is expensed as and when the well is abandoned as dry hole or the area is surrendered.

2.7 Inventory

Inventory comprising mainly of spare parts, materials and supplies are valued at cost, determined principally on a weighted average cost basis, less allowance for any obsolete or slow-moving items.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and bank deposits. Cash and cash equivalents are carried in the balance sheet at cost.

2.9 Investment in subsidiary companies

Investment in subsidiary companies are initially recognized at cost. At each reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as an expense. Where impairment losses are subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit or loss and other comprehensive income.

2.10 Financial instruments

2.10.1 Financial assets

(a) Classification

The company classifies its financial assets into following three categories:

- measured at fair value through profit or loss (FVTPL);
- held to maturity;
- loan and receivable; and
- available for sales (AFS).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. At fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

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- ii. **Held to maturity**
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity, with a positive intention to hold to maturity.
- iii. **Loans and receivables**
Loans and receivables are non - derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.
- iv. **Available for sales**
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or the management intends to dispose off the investments within twelve months from the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs, and are subsequently carried at fair value. Changes in fair value of investments are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to the statement of profit or loss and other comprehensive income when the associated assets are sold or impaired.

(b) Recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to the statement of profit or loss and other comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

2.10.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged, 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 recognized in the statement of profit or loss and other comprehensive income.

2.10.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet 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. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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2.10.4 Impairment of financial assets

For financial assets the Company assesses at reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment loss is recognized by reducing the carrying amount of the asset and the amount of loss is recognized in the statement of profit or loss and other comprehensive income in case of financial assets carried at amortised cost. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of previously recognized impairment loss is also recognized in the statement of profit or loss and other comprehensive income.

2.11 Provisions

Provisions are recognised in the balance sheet when the company has a legal or constructive obligation as a result of a 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 can be made of the amount of the obligation.

2.12 Dividend

Dividend is recognized as a liability in the period in which it is declared.

2.13 Taxation

Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.14 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies as at the balance sheet date are translated into Pak rupees at the rate of exchange prevailing on that date except for the liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchange gains or losses are recognised in statement of profit and loss account and other comprehensive income.

2.15 Revenue recognition

Profit on trading in financial instruments is recognized on trade date basis and is taken to profit and loss account currently. Profit on all other income is recognized on accrual basis.

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3. SHARE CAPITAL

		2019 Rupees	2018 Rupees
Authorized share capital			
Number of shares			
	2019	2018	
	<u>350,000,000</u>	<u>350,000,000</u>	
		<u>3,500,000,000</u>	<u>3,500,000,000</u>
Issued, subscribed and paid-up share capital			
Number of shares			
	2019	2018	
	350,000,000	175,000,000	
	-	175,000,000	
	<u>350,000,000</u>	<u>350,000,000</u>	
		<u>3,500,000,000</u>	<u>1,750,000,000</u>
		-	<u>1,750,000,000</u>
		<u>3,500,000,000</u>	<u>3,500,000,000</u>

3.1 Ordinary share of Rs. 10/- each fully paid in cash.

4. ACCRUED AND OTHER LIABILITIES

Salary payable	5,234,667	5,234,667
Audit fee payable	1,059,000	709,000
Other liabilities	96,000	-
	<u>6,389,667</u>	<u>5,943,667</u>

5. DUE TO CONCESSIONS

Oil and Gas Development Company Limited

- Ranipur	380,854,594	352,062,761
- Armala	597,296	404,175
- Zargarh	52,583,196	39,916,849
	434,035,086	392,383,785

Pakistan Petroleum Limited

- Shahbandar	64,210,454	12,649,592
- Hub	13,764,234	6,879,263
- Khipro East	26,574,657	11,145,170
- Malir	(7,452,069)	(7,664,513)
	97,097,276	23,009,512

Director General of Petroleum concession

	4,693,150	3,507,500
	<u>535,825,512</u>	<u>418,900,797</u>

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6. FIXED ASSETS

	Computer equipment	Furniture and fixture	Total
	Rupees		
Year ended June 30, 2018			
Opening net book value			
Additions (at cost)	104,690	18,530	123,220
Depreciation charge for the year	(33,060)	(2,180)	(35,240)
Net book value	71,630	16,350	87,980
At June 30, 2018			
Cost	165,300	21,800	187,100
Accumulated depreciation	(93,670)	(5,450)	(99,120)
Net book value	71,630	16,350	87,980
Year ended June 30, 2019			
Opening net book value	71,630	16,350	87,980
Additions (at cost)	-	-	-
Depreciation charge for the year	(33,060)	(2,180)	(35,240)
Net book value	38,570	14,170	52,740
At June 30, 2019			
Cost	165,300	21,800	187,100
Accumulated depreciation	(126,730)	(7,630)	(134,360)
Net book value	38,570	14,170	52,740
Depreciation rate	20%	10%	

7. EXPLORATION AND EVALUATION ASSETS

	Note	2019 Rupees	2018 Rupees
Balance at beginning of the year		16,276,335	27,530,394
Addition during the year		58,421,799	42,545,943
		74,698,134	70,076,337
Cost of dry and abandoned wells during the year	18	-	(53,800,002)
		74,698,134	16,276,335
Stores held for exploration and evaluation activities			
Balance at beginning of the year		10,212,993	7,667,944
Addition during the year		4,808,320	2,545,049
Closing balance		15,021,313	10,212,993
Balance at the year end		89,719,447	26,489,328

7.1 Represents direct expenditure incurred relating to exploratory wells drilled in Shahbandar, Hub, Khipro East Malir, Ranipur and Zorgarh.

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2

8. LONG TERM DEPOSIT	Note	2019 Rupees	2018 Rupees
Security deposit to Central Depository Company	8.1	500,000	-
8.1 This deposit is non-interest bearing and generally on a term of more than a year.			
9. DEFERRED TAXATION			
Deferred tax liability arising due to:			
- accelerated tax depreciation		(269)	(6,521)
Deferred tax asset arising due to:			
- pre-commencement expenses		93,695,955	149,810,500
		<u>93,695,686</u>	<u>149,803,979</u>
10. LONG TERM INVESTMENT			
<i>Unquoted subsidiary companies - at cost</i>			
Sindh Petroleum (Private) Limited	10.1	39,000,000	30,000,000
Sindh Transmission & Dispatch Company (Private) Limited	10.2	659,000,000	609,000,000
Sindh Lakhra Coal Mining Company (Private) Limited	10.3	50,000,000	50,000,000
<i>At amortised cost</i>			
Pakistan Investment Bonds	10.6	2,063,496,723	-
UBL Term Finance Certificate	10.7	185,665,000	-
<i>Advance against equity</i>			
Sindh Renewable Energy Company (Private) Limited	10.4	25,000,000	25,000,000
Sindh Lakhra Coal Mining Company (Private) Limited	10.5	332,664,000	171,664,000
		<u>3,354,825,723</u>	<u>885,664,000</u>

- 10.1 In 2016, Sindh Petroleum (Private) Limited (SPL) was formed to identify business opportunities in exploration and development of oil, gas, coal, shale and tight gas reserves in Sindh. The Company owns 3,000,000 shares, constituting 100% of the shareholding of SPL. During the year further Rs. 9 million were injected into SPL by the Company, the share of which are yet to be allotted.
- 10.2 Sindh Transmission & Dispatch Company (Private) Limited (STDC) is a wholly owned subsidiary of the Company. The principal activity of STDC is to facilitate distribution and generation companies by providing wheeling services through its transmission infrastructure and network facilities. As at June 30, 2018, investment in STDC comprises of 60,900,000 ordinary shares valuing Rs. 609 million. During the year Rs. 50 million were injected to STDC by the Company. The share are yet to be allotted to the Company.
- 10.3 Sindh Lakhra Coal Mining Company (Private) Limited (SLCMC) was formed to develop indigenous coal resources of Sindh and consider the use of indigenous coal as the most viable and least cost option for power generation. During the year 2017, 500,000 shares were subscribed by the Company in the share capital of SLCMC. The Company holds 100% of the issued capital of SLCMC.
- 10.4 Sindh Renewable Energy Company (Private) Limited (SRECL) was established for the development of renewable energy. During the year 2017, Rs. 25 million were injected into SRECL by the Company. The shares are yet to be allotted to the Company.
- 10.5 During the year, Rs. 161 million were injected into SLCMC by the Company. The shares are yet to be allotted to the Company.
- 10.6 The company has a Rs. 2.6 billion 10-year PIB (Pakistan Investment Bond) with a 12.85% Yield to maturity, which was procured on February 21, 2019. The bond has an issue date of July 12, 2018 and will mature on July 12, 2028. The company has the intention to hold it to maturity, hence reported on the financial statement at amortized cost.

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24

- 10.7 The Company has fully paid-up, rated, listed, perpetual, unsecured, subordinated, non-cumulative, and contingent convertible debt instruments in the nature of Term Finance Certificates ("TFCs") of Tier 1 issued by UBL. The Markup is paid Quarterly and has a markup rate of 3 months Kibor plus 1.55%. The TDC has a denomination of Rs. 5000, and the company owns 37,133 positions, making a total investment of Rs. 185,665,000/-.

11. LONG TERM LOAN	2019 Rupees	2018 Rupees
Opening	691,000,000	691,000,000
Interest	46,815,250	-
Payment / receivable	(67,582,695)	-
	670,232,555	691,000,000
Less: Current portion	(41,212,427)	-
	<u>629,020,128</u>	<u>691,000,000</u>

- 11.1 The loan is granted to STDC by the Company, as per the agreement between the Company and STDC, STDC would repay the principal in 10 years from Commercial Operation Date (COD) and commence the payment of Loan Annuity (Interest + Principal) at KIBOR 2.75% from Commercial Operation Date (COD), as a result interest income of Rs. 46.815 million has been recorded in these financial statements.

12. OTHER RECEIVABLES	Note	2019 Rupees	2018 Rupees
Due from related parties	12.1	✓ 67,757,130	174,435
Interest receivable on Pakistan Investment Bond		✓ 106,208,564	-
Interest receivable from UBL TFC		✓ 3,986,355	-
		<u>177,952,049</u>	<u>174,435</u>

- 12.1 Represents receivable of Rs. 0.174 million (2018: Rs. 0.174 million) from SLCMC, a subsidiary company in relation to incorporation fees paid by the Company on behalf of SLCMC and Rs. 67.583 million (2018: nil) from STDC, a subsidiary company against long term loan.

13. PREPAYMENTS	2019 Rupees	2018 Rupees
Prepaid membership fees	500,000	-
	<u>500,000</u>	<u>-</u>

14. TAXATION - NET	2019 Rupees	2018 Rupees
Opening balance	842,186	(22,942,461)
Provision for taxation during the year	(38,274,361)	-
Reversal of excess provision of tax charged last year	-	4,067,337
Advance taxes paid during the year	42,430,702	19,717,310
	<u>4,998,527</u>	<u>842,186</u>

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15. BANK BALANCES	Note	2019 Rupees	2018 Rupees
Cash at bank - savings accounts	15.1	692,141,246	3,033,497,719
		<u>692,141,246</u>	<u>3,033,497,719</u>

15.1 Local currency conventional deposits carry return ranging from 4.31% to 11.33% (2018: 3.7% to 5.8%) per annum.

16. CONTINGENCIES AND COMMITMENTS

As at June 30, 2019 there are no contingencies and commitments involving the Company.

17. OTHER INCOME	Note	2019 Rupees	2018 Rupees
Profit on bank balance		162,956,147	92,501,144
Income on financial assets			
- Income from long term loan		46,815,250	-
- Income from PIBs		117,113,165	-
- Income from TFCs		9,512,051	-
		173,440,466	-
		<u>336,396,613</u>	<u>92,501,144</u>

18. EXPLORATION EXPENDITURE

Geological and geophysical	(51,436,747)	12,446,556
Cost of dry and abandoned well	-	53,800,002
Joint operation	105,082,672	58,657,851
Damages for unutilized working units	-	3,507,500
	<u>53,645,925</u>	<u>128,411,909</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		3,561,281	7,684,667
Electricity, gas and water		-	13,871
Rent, rates and taxes		-	100,150
Entertainment		40,000	117,981
Travelling expense		245,684	848,815
Communication expense		25,000	67,484
Office supplies expense		59,500	191,594
Printing and posting		-	47,492
Bank charges		5,624	2,744
Legal charges		4,166,408	19,648,110
Director fee		100,000	540,000
Membership fees		-	738,162
Depreciation	6	35,240	35,240
Auditors' remuneration	19.1	350,000	350,000
Miscellaneous expenses		42,994	48,585
		<u>8,631,731</u>	<u>30,434,895</u>

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19.1 Auditors' Remuneration	Note	2019 Rupees	2018 Rupees
Fee for :			
- Audit of annual financial statements		250,000	250,000
- Review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013		75,000	75,000
- Out of pocket expenses		25,000	25,000
		<u>350,000</u>	<u>350,000</u>
20. OTHER OPERATING EXPENSES			
Exchange loss / (gain)		48,674	(522,546)
		<u>48,674</u>	<u>(522,546)</u>
21. TAXATION			
Current year	14	38,274,361	-
Prior years		-	(4,067,337)
Deferred tax		56,108,291	11,173,547
		<u>94,382,652</u>	<u>7,106,210</u>

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees					
Basic salary	1,096,754	5,234,667	-	-	2,039,749	1,500,000
Medical allowance	-	-	-	-	-	-
Honorarium	20,000	80,000	80,000	460,000	-	-
	<u>1,116,754</u>	<u>5,314,667</u>	<u>80,000</u>	<u>460,000</u>	<u>2,039,749</u>	<u>1,500,000</u>
Number of persons	1	1	6	6	1	1

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk which includes interest rate risk arising from the financial instruments it holds.

The Company finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

23.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

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Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2019 Rupees	2018 Rupees
- Long term investment	3,354,825,723	885,664,000
- Other receivables	177,952,049	174,435
- Bank balances	692,141,246	3,033,497,719
	<u>4,224,919,018</u>	<u>3,919,336,154</u>

The credit quality of the Company's bank balance can be assessed with reference to external credit ratings of the bank as follows:

Bank	Rating Agency	Rating	
		Short Term	Long Term
Sindh Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
National Bank of Pakistan			

23.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	June 30, 2019				
	Carrying amount	Contractual cash flows	Upto one year	From one to five years	Over five years
	----- Rupees -----				
Due to concessions - net	535,825,512	535,825,512	535,825,512	-	-
Accrued and other liabilities	6,389,667	6,389,667	6,389,667	-	-
	<u>542,215,179</u>	<u>542,215,179</u>	<u>542,215,179</u>	<u>-</u>	<u>-</u>

	June 30, 2018				
	Carrying amount	Contractual cash flows	Upto one year	From one to five years	Over five years
	----- Rupees -----				
Due to concessions - net	418,900,797	418,900,797	418,900,797	-	-
Accrued and other liabilities	5,943,667	5,943,667	5,943,667	-	-
	<u>424,844,464</u>	<u>424,844,464</u>	<u>424,844,464</u>	<u>-</u>	<u>-</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the balance sheet date the Company has no exposure in long term and short term borrowing.

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24. FAIR VALUE OF FINANCIAL INSTRUMENT

The Management is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying amounts.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.
- Level 2: Fair value measurements using 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: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

25. FINANCIAL ASSETS AND LIABILITIES

	Markup bearing			Non-Markup bearing			As at June 30, 2019
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	
Rupees							
Financial assets							
Long term investment	-	-	-	-	3,354,825,723	3,354,825,723	3,354,825,723
Long term loan	-	-	-	-	629,020,128	629,020,128	629,020,128
Other receivables	-	-	-	177,952,049	-	177,952,049	177,952,049
Bank balances	-	-	-	692,141,246	-	692,141,246	692,141,246
	-	-	-	870,093,295	3,983,845,851	4,853,939,146	4,853,939,146
Financial liabilities							
Accrued and other liabilities	-	-	-	6,389,667	-	6,389,667	6,389,667
Due to concessions	-	-	-	535,825,512	-	535,825,512	535,825,512
	-	-	-	542,215,179	-	542,215,179	542,215,179

	Markup bearing			Non-Markup bearing			As at June 30, 2018
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	
Rupees							
Financial assets							
Long term investment	-	-	-	-	885,664,000	885,664,000	885,664,000
Long term loan	-	-	-	-	691,000,000	691,000,000	691,000,000
Other receivables	-	-	-	174,435	-	174,435	174,435
Bank balances	-	-	-	3,033,497,719	-	3,033,497,719	3,033,497,719
	-	-	-	3,033,672,154	1,576,664,000	4,610,336,154	4,610,336,154
Financial liabilities							
Accrued and other liabilities	-	-	-	5,943,667	-	5,943,667	5,943,667
Due to concessions	-	-	-	418,900,797	-	418,900,797	418,900,797
	-	-	-	424,844,464	-	424,844,464	424,844,464

24

26. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise of key management personnel. Transactions with related parties, other than remuneration benefits to key management personnel under the terms of their employment which are shown under the relevant notes are as follows:

Name & relationship with the company	Nature of transactions	2019 Rupees	2018 Rupees
Board of Directors	Directors meeting fee	100,000	540,000
Sindh Transmission & Dispatch Company (Private) Limited	Receivable against long term investment	67,582,695	-
Sindh Petroleum (Private) Limited	Investment during the year as advance against shares	9,000,000	-

27. NUMBER OF EMPLOYEES

Number of employees of the company as at balance sheet date is 1 (2018: 1).

Average number of employees of the company at the balance sheet date is 1 (2018: 1).

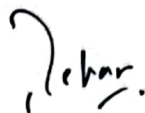
28. DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for issue on 24 JAN 2024 by the Board of Directors of the Company.

29. GENERAL

Figures have been rounded off to the nearest rupee.

by



Chief Executive Officer



Director