

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan

T: +92 (021) 35644872-7
F: +92 (021) 35644873

info@bakertilly.pk
www.bakertilly.pk

**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, 2020.

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

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

The Rules 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.

bn

ADVISORY • ASSURANCE • TAX

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, 2020.

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".

bn


Engagement Partner: Mehmoood A. Razzak

Karachi

Date: 21 MAY 2024

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan

T: +92 (021) 35644872-7
F: +92 (021) 35644873

info@bakertilly.pk
www.bakertilly.pk

**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, 2020**, 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, 2020 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.



ADVISORY • ASSURANCE • TAX

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.

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.

bn

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

h

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

bn

Mehmood Idrees Qamar

**Baker Tilly Mehmood Idrees Qamar
Chartered Accountants**

Karachi

Date: **21 MAY 2024**

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

EQUITY AND LIABILITIES	Note	2020 Rupees	2019 Rupees
Authorized share capital		<u>3,500,000,000</u>	<u>3,500,000,000</u>
350,000,000 Ordinary shares of Rs.10/- each			
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 profit / (loss)		326,426,340	(3,804,206)
		4,872,633,340	4,542,402,794
Current Liabilities			
Accrued and other liabilities	4	7,214,077	6,389,667
Due to concessions - net	5	49,471,356	535,825,512
Taxation - net	14	42,629,872	-
		99,315,305	542,215,179
		<u>4,971,948,645</u>	<u>5,084,617,973</u>
ASSETS			
Non - Current Assets			
Fixed assets	6	8,393,237	52,740
Development property - Shahbandar		8,598,483	-
Exploration and evaluation assets	7	125,319,211	89,719,447
Long term deposit	8	500,000	500,000
Deferred taxation	9	97,125,251	93,695,686
Long term investment	10	3,459,836,136	3,354,825,723
Long term loan	11	569,357,790	629,020,128
		4,269,130,108	4,167,813,724
Current Assets			
Other receivables	12	211,183,694	177,952,049
Current portion of long term loan	11	59,662,338	41,212,427
Prepayments	13	-	500,000
Taxation - net	14	-	4,998,527
Bank balances	15	431,972,505	692,141,246
		702,818,537	916,804,249
Contingencies and Commitments	20		
		<u>4,971,948,645</u>	<u>5,084,617,973</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

bn



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, 2020**

	Note	2020 Rupees	2019 Rupees
Other income	16	500,007,677	336,396,613
Exploration expenditure	17	(23,741,834)	(53,694,599)
General and administrative expenses	18	(10,881,284)	(8,631,731)
Profit before taxation		465,384,559	274,070,283
Taxation	19	(135,154,013)	(94,382,652)
Profit after taxation		330,230,546	179,687,631
Other comprehensive income for the year		-	-
Total comprehensive income for the year		330,230,546	179,687,631

The annexed notes 1 to 28 form an integral part of these financial statements.

bn

Chief Executive Officer

Director

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		465,384,559	274,070,283
Adjustments for non-cash charges and other items:			
Depreciation	6	1,370,503	35,240
Financial charges	18	4,110	5,624
Changes before movement in working capital		1,374,613	40,864
(Increase) / decrease in current assets			
Inventory		(3,388,638)	(4,808,320)
Prepayments		500,000	(500,000)
Other receivables		(33,231,645)	(177,777,614)
		(36,120,283)	(183,085,934)
(Decrease) / increase in current liabilities			
Accrued and other liabilities		824,410	446,000
Due to concessions - net		(486,354,156)	116,924,715
		(485,529,746)	117,370,715
Income tax paid		(90,955,176)	(42,430,702)
Financial charges paid		(4,110)	(5,624)
Net cash (used in) / generated from operating activities		(145,850,143)	165,959,602
CASH FLOW FROM INVESTING ACTIVITIES			
Addition in exploration and evaluations asset	7	(32,211,129)	(58,421,799)
Development property		(8,598,483)	-
Addition in fixed assets		(9,711,000)	-
Long term deposit		-	(500,000)
Long term investment - net	10	(105,010,413)	(2,469,161,721)
Long term loan - net		41,212,427	20,767,445
Net cash used in from investing activities		(114,318,598)	(2,507,316,075)
Net decrease in cash and cash equivalents		(260,168,741)	(2,341,356,473)
Cash and cash equivalents at the beginning of the year		692,141,246	3,033,497,719
Cash and cash equivalents at the end of the year	15	431,972,505	692,141,246

The annexed notes 1 to 28 form an integral part of these financial statements.

bn



Chief Executive Officer



Director

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid-up share capital	Accumulated profit / (loss)	Advance against issuance of shares	Total
----- Rupees -----				
Balance at July 01, 2018	3,500,000,000	(183,491,837)	1,046,207,000	4,362,715,163
Total comprehensive income 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
Total comprehensive income for the year	-	330,230,546	-	330,230,546
Balance as at June 30, 2020	<u>3,500,000,000</u>	<u>326,426,340</u>	<u>1,046,207,000</u>	<u>4,872,633,340</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

bn

Chief Executive Officer

Director

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

	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.



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 New and amended standards and interpretations

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:

IFRS - 16 "Leases"

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an arrangement contain a leases, SIC-15, Operating leases- Incentive, and SIC-27, Evaluating the substance of transaction involving the legal form of a lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (Short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-to-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from July 1, 2019, however the application of above standard does not have any impact on the Company's financial reporting and, therefore, have not been presented in these unconsolidated financial statement.

b) Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to published accounting and reporting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

<u>Standards, interpretations and amendments</u>	<u>Effective date (accounting periods beginning on or after)</u>
IAS 1 Presentation of financial statements (amendments)	January 1, 2020
IAS 8 Accounting policies, change in accounting estimates and errors (amendments)	January 1, 2020
IFRS 3 Business Combinations (amendments)	January 1, 2020

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

bn


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 the statement of profit or loss applying the straight line method at the rates specified in note 6.

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 statement of profit or loss.

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

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

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

The Company classifies its financial assets in the following categories: The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

bn

Financial assets at amortised cost

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

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

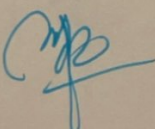
2.10.2 Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

Derecognition of Financial Liabilities

A financial liability is derecognised 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 and 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.

bn


Impairment of Financial Assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach to recognise lifetime expected credit losses for trade and other receivables.

2.10.3 Off-setting of financial assets and financial liabilities

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Investment in subsidiary

A subsidiary is an entity controlled by the entity. The Company control an investee when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect the return through its power over the investee. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

Investment in subsidiary are initially recognized at cost. At subsequent reporting dates, 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 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.

2.12 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.

2.13 Dividend

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

2.14 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 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.

2.15 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 or loss and other comprehensive income.

2.16 Revenue recognition

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

3. SHARE CAPITAL

	Note	2020 Rupees	2019 Rupees
Authorized share capital			
Number of shares			
2020		2019	
<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			
2020		2019	
<u>350,000,000</u>		<u>350,000,000</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

Accrued Liabilities		222,900	-
Salary payable		5,425,877	5,234,667
Audit fee payable		1,416,500	1,059,000
Other liabilities		96,000	96,000
Vendor payable		52,800	-
		<u>7,214,077</u>	<u>6,389,667</u>

5. DUE TO CONCESSIONS

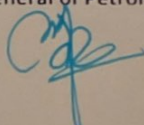
Oil and Gas Development Company Limited

- Ranipur	48,773,694	380,854,594
- Armala	616,006	597,296
- Zorgarh	10,362,153	52,583,196
	59,751,853	434,035,086

Pakistan Petroleum Limited

- Shahbandar	(6,133,620)	64,210,454
- Hub	(3,332,723)	13,764,234
- Khipro East	874,430	26,574,657
- Malir	(6,528,744)	(7,452,069)
	(15,120,657)	97,097,276

Director General of Petroleum concession

bn 

4,840,160	4,693,150
<u>49,471,356</u>	<u>535,825,512</u>

6. FIXED ASSETS

	Vehicles	Computer equipment	Furniture and fixture	Total
	----- Rupees -----			
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
Year ended June 30, 2020				
Opening net book value	-	38,570	14,170	52,740
Additions (at cost)	9,711,000	-	-	9,711,000
Depreciation charge for the year	(1,335,263)	(33,060)	(2,180)	(1,370,503)
Net book value	8,375,737	5,510	11,990	8,393,237
At June 30, 2020				
Cost	9,711,000	165,300	21,800	9,898,100
Accumulated depreciation	(1,335,263)	(159,790)	(9,810)	(1,504,863)
Net book value	8,375,737	5,510	11,990	8,393,237
Depreciation rate	15%	20%	10%	

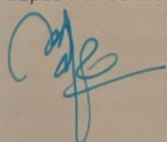
7. EXPLORATION AND EVALUATION ASSETS

	Note	2020 Rupees	2019 Rupees
Balance at beginning of the year		74,698,134	16,276,335
Addition during the year		32,211,129	58,421,799
		106,909,263	74,698,134
Stores held for exploration and evaluation activities			
Balance at beginning of the year		15,021,310	10,212,993
Addition during the year		3,388,638	4,808,320
Closing balance		18,409,948	15,021,313
Balance at the year end	7.1	125,319,211	89,719,447

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

8. LONG TERM DEPOSIT

	2020 Rupees	2019 Rupees
Security deposit to Central Depository Company	500,000	500,000
	500,000	500,000

bn


9.	DEFERRED TAXATION	Note	2020 Rupees	2019 Rupees
	Deferred tax liability arising due to:			
	- accelerated tax depreciation		5,848	(269)
	Deferred tax asset arising due to:			
	- exploration expenses		97,119,403	93,695,955
			<u>97,125,251</u>	<u>93,695,686</u>

10. LONG TERM INVESTMENT

Unquoted subsidiary companies - at cost

Sindh Petroleum (Private) Limited	10.1	49,000,000	39,000,000
Sindh Transmission & Dispatch Company (Private) Limited	10.2	659,000,000	659,000,000
Sindh Lakhra Coal Mining Company (Private) Limited	10.3	50,000,000	50,000,000
Sindh Renewable Energy Company (Private) Limited	10.4	83,284,686	25,000,000
Sindh Lakhra Coal Mining Company (Private) Limited	10.5	332,664,000	332,664,000
		<u>1,173,948,686</u>	<u>1,105,664,000</u>

Financial asset - at amortised cost

Pakistan Investment Bonds	10.6	2,100,222,450	2,063,496,723
UBL Term Finance Certificate	10.7	185,665,000	185,665,000
		<u>2,285,887,450</u>	<u>2,249,161,723</u>
		<u>3,459,836,136</u>	<u>3,354,825,723</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. 10 million (2019: Rs. 9 million) were injected into SPL by the Company. A total of 1.9 million shares 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, 2020, total investment in STDC is 659 million shares of which 50 million shares 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. The company subscribed 500,000 shares at Rs. 100 par value. 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, Rs. 58.284 million were injected into SRECL by the Company. The shares are yet to be allotted to the Company.
- 10.5 The shares of SLCMC are yet to be allotted to the Company.
- 10.6 The company has 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.
- 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 TFC has a denomination of Rs. 5000, and the company owns 37,133 certificate, making a total investment of Rs. 185,665,000/-.

bn
Cap

11. LONG TERM LOAN	2020 Rupees	2019 Rupees
Opening	670,232,555	691,000,000
Interest	105,949,539	46,815,250
Less: Payment receivable	(147,161,966)	(67,582,695)
	629,020,128	670,232,555
Less: Current portion	(59,662,338)	(41,212,427)
	<u>569,357,790</u>	<u>629,020,128</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. 105.949 million (2019: Rs. 46.815 million) has been recorded in these financial statements.

12. OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
Due from related parties	12.1	101,855,622	67,757,130
Interest receivable on Pakistan Investment Bond		106,250,001	106,208,564
Interest receivable from UBL TFC		3,078,071	3,986,355
		<u>211,183,694</u>	<u>177,952,049</u>

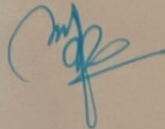
12.1 Represents receivable of Rs. 0.174 million (2019: Rs. 0.174 million) from SLCMC, a subsidiary company in relation to incorporation fees paid by the Company on behalf of SLCMC and Rs. 101.68 million (2019: Rs. 67.583) from STDC, a subsidiary company against long term loan.

13. PREPAYMENTS	Note	2020 Rupees	2019 Rupees
Prepaid membership fees		-	500,000
		<u>-</u>	<u>500,000</u>

14. TAXATION - NET		2020 Rupees	2019 Rupees
Opening balance		4,998,527	842,186
Provision for taxation during the year		(138,583,576)	(38,274,361)
Advance taxes paid during the year		2,293,122	42,430,702
Withholding tax		88,662,055	-
		<u>(42,629,872)</u>	<u>4,998,527</u>

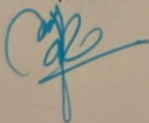
15. BANK BALANCES		2020 Rupees	2019 Rupees
Cash at bank - savings accounts	15.1	431,972,505	692,141,246
		<u>431,972,505</u>	<u>692,141,246</u>

15.1 Local currency conventional deposits carry return ranging from 7% to 19% (2019: 4.31% to 11.33%) per annum.

bn 

16. OTHER INCOME	Note	2020 Rupees	2019 Rupees
Profit on bank balance		86,554,817	162,956,147
Income on financial assets:			
- Income from long term loan		105,949,538	46,815,250
- Income from PIBs		264,267,164	117,113,165
- Income from TFCs		26,021,789	9,512,051
		396,238,491	173,440,466
Exchange gain / (loss) - net		17,214,369	-
		<u>500,007,677</u>	<u>336,396,613</u>
17. EXPLORATION EXPENDITURE			
Geological and geophysical Joint operation		17,036,575	(51,436,747)
		6,705,259	105,131,346
		<u>23,741,834</u>	<u>53,694,599</u>
18. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		7,424,962	3,561,281
Entertainment		35,000	40,000
Travelling expense		48,310	245,684
Communication expense		35,000	25,000
Office supplies expense		35,000	59,500
Printing and posting		25,000	-
Bank charges		4,110	5,624
Legal and professional charges		270,625	4,166,408
Director fee		40,000	100,000
Membership fees		787,140	-
Depreciation	6	1,370,503	35,240
Auditors' remuneration	18.1	357,500	350,000
Miscellaneous expenses		448,134	42,994
		<u>10,881,284</u>	<u>8,631,731</u>
18.1 Auditors' Remuneration			
Fee for :			
- Audit of annual financial statements		250,000	250,000
- Review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013		82,500	75,000
- Out of pocket expenses		25,000	25,000
		<u>357,500</u>	<u>350,000</u>
19. TAXATION			
Current tax	14	138,583,576	38,274,361
Deferred tax		(3,429,563)	56,108,291
		<u>135,154,013</u>	<u>94,382,652</u>
20. CONTINGENCIES AND COMMITMENTS			

As at June 30, 2020 there are no contingencies and commitments involving the Company.

bn 

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	----- Rupees -----					
Basic salary	2,400,000	1,096,754	-	-	2,447,500	2,039,749
Medical allowance	-	-	-	-	-	-
Honorarium	20,000	20,000	20,000	80,000	-	-
	2,420,000	1,116,754	20,000	80,000	2,447,500	2,039,749
Number of persons	1	1	6	6	1	1

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

22.1 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.

22.2 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.

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:

	2020 Rupees	2019 Rupees
- Long term investment	3,459,836,136	3,354,825,723
- Other receivables	211,183,694	177,952,049
- Bank balances	431,972,505	692,141,246
	4,102,992,335	4,224,919,018

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	A+
Habib Bank Limited	JCR-VIS	A-1+	AAA
National Bank of Pakistan	JCR-VIS	A-1+	AAA

22.3 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, 2020					
Carrying amount	Contractual cash flows	Upto one year	From one to five years	Over five years	
----- Rupees -----					
Due to concessions - net	49,471,356	49,471,356	49,471,356	-	-
Accrued and other liabilities	7,214,077	7,214,077	7,214,077	-	-
	56,685,433	56,685,433	56,685,433	-	-

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	-	-
	542,215,179	542,215,179	542,215,179	-	-

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.

bn 

23. 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).

24. FINANCIAL ASSETS AND LIABILITIES

	Markup bearing			Non-Markup bearing			As at June 30, 2020
	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	-	-	-	-	3,459,836,136	3,459,836,136	3,459,836,136
Long term loan	-	569,357,790	569,357,790	-	-	-	569,357,790
Other receivables	-	-	-	211,183,694	-	211,183,694	211,183,694
Bank balances	431,972,505	-	431,972,505	-	-	-	431,972,505
	431,972,505	569,357,790	1,001,330,295	211,183,694	3,459,836,136	3,671,019,830	4,672,350,125
Financial liabilities							
Accrued and other liabilities	-	-	-	7,214,077	-	7,214,077	7,214,077
Due to concessions	-	-	-	49,471,356	-	49,471,356	49,471,356
	-	-	-	56,685,433	-	56,685,433	56,685,433

	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
	692,141,246	629,020,128	1,321,161,374	177,952,049	3,354,825,723	3,532,777,772	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

bn 

25. 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	2020 Rupees	2019 Rupees
Board of Directors	Directors meeting fee	40,000	100,000
Sindh Transmission & Dispatch Company (Private) Limited	Receivable against long term loan	101,855,622	67,582,695
Sindh Petroleum (Private) Limited	Investment during the year as advance against shares	10,000,000	9,000,000

26. NUMBER OF EMPLOYEES

Number of employees of the company as at balance sheet date is 5 (2019: 1).

Average number of employees of the company at the balance sheet date is 4 (2019: 1).

27. DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for issue on 15 MAR 2024 by the Board of Directors of the Company.


28. GENERAL

Figures have been rounded off to the nearest rupee.

bn



Chief Executive Officer



Director