

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
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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, 2022.

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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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, 2022.

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".

by


Engagement Partner: Mehmood A. Razzak

Karachi

Date: January 06, 2025

UDIN: CR2022101511QNZDI6o2

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**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, 2022**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit, no 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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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.

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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 statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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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 Mehmoed Idrees Qamar

Baker Tilly Mehmoed Idrees Qamar
Chartered Accountants

Karachi

Date: January 06, 2025

UDIN: AR202210151VOFrEkILs

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES			
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	3	3,500,000,000	3,500,000,000
350,000,000 Ordinary shares of Rs.10/- each		1,146,207,000	1,046,207,000
Advance against issuance of shares		703,852,524	523,622,816
Unappropriated profit		5,350,059,524	5,069,829,816
Non-Current Liabilities	4	1,928,667	460,000
Deferred liability			
Current Liabilities	5	9,324,270	8,219,589
Accrued and other liabilities	6	133,803,328	154,782,346
Due to concessions - net	15	-	4,465,902
Taxation - net		143,127,598	167,467,837
		<u>5,495,115,789</u>	<u>5,237,757,653</u>
ASSETS			
Non - Current Assets	7	24,351,014	25,167,659
Fixed assets	8	1,091,119	51,501,412
Benari Well	9	35,490,930	54,995,520
Exploration and evaluation assets	10	569,853	615,500
Long term deposit	11	110,318,563	82,578,391
Deferred taxation	12	3,542,681,852	3,498,722,644
Long term investment	13	448,747,226	507,790,304
Long term loan		4,163,250,557	4,221,371,430
Current Assets	13	59,043,078	61,567,486
Current portion of long term loan	14	256,920,375	227,388,455
Prepayments and other receivables	16	1,004,534,832	727,430,282
Bank balances	15	11,366,947	-
Taxation - net		1,331,865,232	1,016,386,223
Contingencies and Commitments	24		
		<u>5,495,115,789</u>	<u>5,237,757,653</u>

The annexed notes 1 to 32 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, 2022

	Note	2022 Rupees	2021 Rupees
Sales	17	64,984,781	8,260,735
Cost of sale	18	(18,042,830)	(2,327,623)
Gross profit		<u>46,941,951</u>	<u>5,933,112</u>
Other income	19	434,037,122	378,186,011
Exploration expenditure	20	(138,192,475)	(102,591,421)
General and administrative expenses	21	(77,867,585)	(25,871,384)
Exchange (loss) / gain	22	(27,721,238)	1,813,379
Profit before taxation		<u>237,197,775</u>	<u>257,469,697</u>
Taxation	23	(56,968,067)	(60,273,221)
Profit after taxation		<u>180,229,708</u>	<u>197,196,476</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>180,229,708</u></u>	<u><u>197,196,476</u></u>

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

by



Chief Executive Officer



Director

SINDH ENERGY HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	2022 Rupees	2021 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	237,197,775	257,469,697
Adjustments for non-cash charges and other items:		
Depreciation on fixed assets	5,352,139	4,284,179
Depreciation on benari well	50,410,293	8,647,328
Impairment charged	2,711,184	-
Reversal of un-utilize inventory	2,553,204	-
Transfer to exploration expenditure	397,226	-
Provision for gratuity	1,468,667	460,000
Exchange loss / (gain)	27,721,238	(1,813,379)
Dry and abandoned well written-off	125,785,672	32,805,794
Financial charges	2,657	850
Changes before movement in working capital	216,402,280	44,384,772
Increase in current assets		
Prepayments and other receivables	(29,531,920)	(16,204,761)
	(29,531,920)	(16,204,761)
(Decrease) / increase in current liabilities		
Accrued and other liabilities	1,104,681	1,005,512
Due to concessions - net	(48,700,256)	107,124,369
	(47,595,575)	108,129,881
Income tax paid	(100,541,088)	(83,890,331)
Financial charges paid	(2,657)	(850)
Net cash generated from operating activities	275,928,815	309,888,408
CASH FLOW FROM INVESTING ACTIVITIES		
Addition in exploration and evaluations asset	(109,231,512)	(22,630,843)
Addition in fixed assets	(7,246,678)	(12,460,118)
Long term deposit	45,647	(115,500)
Long term investment - net	(43,959,208)	(38,886,508)
Long term loan - net	61,567,486	59,662,338
Net cash used in from investing activities	(98,824,265)	(14,430,631)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance against issuance of shares	100,000,000	-
Net cash inflow from financing activities	100,000,000	-
Net increase in cash and cash equivalents	277,104,550	295,457,777
Cash and cash equivalents at the beginning of the year	727,430,282	431,972,505
Cash and cash equivalents at the end of the year	1,004,534,832	727,430,282

The annexed notes 1 to 32 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, 2022

	Issued, subscribed and paid-up share capital	Unappropriated profit	Advance against issuance of shares	Total
----- Rupees -----				
Balance as at July 01, 2020	3,500,000,000	326,426,340	1,046,207,000	4,872,633,340
Total comprehensive income for the year	-	197,196,476	-	197,196,476
Balance as at June 30, 2021	3,500,000,000	523,622,816	1,046,207,000	5,069,829,816
Total comprehensive income for the year	-	180,229,708	100,000,000	280,229,708
Balance as at June 30, 2022	<u>3,500,000,000</u>	<u>703,852,524</u>	<u>1,146,207,000</u>	<u>5,350,059,524</u>

The annexed notes 1 to 32 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, 2022

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, 2022:

	<u>Percentage of Interest</u>
- Block No. 2467 - 16 (Shah Bandar) Petroleum Concession	2.50
- Block No. 2569 - 5 (Khipro East) Petroleum Concession	2.50
- 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 2.6)
- Investment in subsidiary companies (note 2.9)
- Taxation (note 2.14)

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 New and amended standards and interpretations

2.4.1 Standards, amendments to approved accounting standards effective in current year

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Company for accounting periods beginning on or after July 01, 2021. These are considered either to not be relevant or not to have any significant impact on the Company's financial statements.

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

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

2.5 Fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the entity and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to the statement of profit or loss as and when incurred.

Depreciation is charged to the statement of profit or loss applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is put to use and on deletion upto the preceding month of disposal.

Gain 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 commercial

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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 statement of financial position 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.

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.

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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.

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.

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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.

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3. SHARE CAPITAL	Note	2022		2021	
		Rupees		Rupees	
Authorized share capital					
Number of shares					
		2022	2021		
		<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					
		2022	2021		
	3.1	<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. DEFERRED LIABILITY

It represents unrecognized defined benefit plan offered to employees of the company in terms of gratuity.

5. ACCRUED AND OTHER LIABILITIES	Note	2022		2021	
		Rupees		Rupees	
Accrued Liabilities		282,900	102,900		
Salary payable		5,454,693	6,150,689		
Audit fee payable		2,189,750	1,774,000		
Other liabilities		1,372,717	192,000		
Vendor payable		24,210	-		
		<u>9,324,270</u>	<u>8,219,589</u>		

6. DUE TO CONCESSIONS

Oil and Gas Development Company Limited

- Ranipur	7,084,813	58,375,562
- Armala	-	576,257
- Zorgarh	25,405,974	19,558,055
	<u>32,490,787</u>	<u>78,509,874</u>

Pakistan Petroleum Limited

- Shahbandar	2,621,897	19,831,928
- Hub	(3,602,244)	(3,492,183)
- Khipro East	42,034,647	13,048,049
- Malir	(4,016,723)	(3,092,158)
	<u>37,037,577</u>	<u>26,295,636</u>

Director General of Petroleum concession

Royalty	6.1	695,592	1,032,094
		<u>133,803,328</u>	<u>154,782,346</u>

6.1 Royalty is being paid to Director General Petroleum Concession Ministry of Energy (Petroleum Division) GoP located at 1019-A, Pak Plaza, Blue Area, Islamabad.

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7. **FIXED ASSETS**

	Furniture and fixture	Computer equipment	Vehicles	Pipeline	CP System	Total
	Rupees					
Year ended June 30, 2021						
Opening net book value	11,990	5,510	8,375,737	8,598,483	-	16,991,720
Additions (at cost)	-	-	-	12,269,997	190,121	12,460,118
Depreciation charge	(1,199)	(1,102)	(1,256,361)	(2,979,353)	(46,164)	(4,284,179)
Net book value	10,791	4,408	7,119,376	17,889,127	143,957	25,167,659
At June 30, 2021						
Cost	21,800	165,300	9,711,000	20,868,480	190,121	30,956,701
Accumulated depreciation	(11,009)	(160,892)	(2,591,624)	(2,979,353)	(46,164)	(5,789,042)
Net book value	10,791	4,408	7,119,376	17,889,127	143,957	25,167,659
Year ended June 30, 2022						
Opening net book value	10,791	4,408	7,119,376	17,889,127	143,957	25,167,659
Additions (at cost)	-	538,000	6,117,709	590,969	-	7,246,678
Depreciation charge	(1,079)	(99,515)	(1,526,735)	(3,696,019)	(28,791)	(5,352,139)
Impairment (Note 8.1)	-	-	(2,711,184)	-	-	(2,711,184)
Net book value	9,712	442,893	8,999,166	14,784,077	115,166	24,351,014
At June 30, 2022						
Cost	21,800	703,300	15,828,709	21,459,449	190,121	38,203,379
Accumulated depreciation	(12,088)	(260,407)	(4,118,359)	(6,675,372)	(74,955)	(11,141,181)
Accumulated impairment	-	-	(2,711,184)	-	-	(2,711,184)
Net book value	9,712	442,893	8,999,166	14,784,077	115,166	24,351,014
Depreciation rate	10%	20%	15%	20%	20%	

7.1 A vehicle is fully impaired during the year, as it is not in the possession and control of the company, resulting in estimated zero value in use for the company.

8. BENARI WELL	Note	2022 Rupees	2021 Rupees
Balance at beginning of the year		51,501,412	-
Transfer from exploration and evaluation assets	8.1	-	60,148,740
		51,501,412	60,148,740
Less: Depreciation expense		(50,410,293)	(8,647,328)
Closing balance		1,091,119	51,501,412

8.1 Asset is transferred from Exploration and Evaluation Asset to producing unit during the year.

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9. EXPLORATION AND EVALUATION ASSETS	Note	2022 Rupees	2021 Rupees
Balance at beginning of the year		33,805,240	106,909,263
Addition during the year		109,231,512	19,850,511
Transferred to Benari Well	9.1	-	(60,148,740)
		143,036,752	66,611,034
Cost of dry and abandoned wells during the year	9.2	(125,785,672)	(32,805,794)
		<u>17,251,080</u>	<u>33,805,240</u>
Stores and spares held for exploration and evaluation activities			
Balance at beginning of the year		21,190,280	18,409,948
Addition during the year		-	2,780,332
Reversal of un-utilize inventory		(2,553,204)	-
Transfer to exploration expenditure		(397,226)	-
Closing balance		18,239,850	21,190,280
Balance at the year end	9.3	<u><u>35,490,930</u></u>	<u><u>54,995,520</u></u>

9.1 Amount is transferred into IDC-Benari Well last year.

9.2 Transferred to Exploration expenditure due to dry well and declared P&A-surrender of block.

9.3 Represents direct expenditure incurred relating to exploratory wells drilled in Shahbandar, Hub, Khipro, Ranipur .

10. LONG TERM DEPOSIT	Note	2022 Rupees	2021 Rupees
Security deposit to Central Depository Company		454,353	500,000
Security deposit to PSO		115,500	115,500
		<u>569,853</u>	<u>615,500</u>

11. DEFERRED TAXATION

Deferred tax liability arising due to:

- accelerated tax depreciation

(2,502,650) 713,684

Deferred tax asset arising due to:

- exploration expenses

112,821,213 81,864,707

110,318,563 82,578,391

12. LONG TERM INVESTMENT

Unquoted subsidiary companies - at cost

Sindh Petroleum (Private) Limited

12.1 49,000,000 49,000,000

Sindh Transmission & Dispatch Company (Private) Limited

12.2 659,000,000 659,000,000

Sindh Lakhra Coal Mining Company (Private) Limited

12.3 382,664,000 382,664,000

Sindh Renewable Energy Company (Private) Limited

12.4 83,284,686 83,284,686

1,173,948,686 1,173,948,686

Financial asset - at amortised cost

Pakistan Investment Bonds

12.5 2,183,068,166 2,139,108,95

UBL Term Finance Certificate

12.6 185,665,000 185,665,00

2,368,733,166 2,324,773,95

3,542,681,852 3,498,722,64

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- 12.1 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. A total of 1.9 million shares are yet to be allotted.
- 12.2 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, 2022, total investment in STDC is 65.9 million shares of which 5 million shares are yet to be allotted to the company.
- 12.3 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. Further, the shares against Rs. 382.664 million are yet to be allotted by the company.
- 12.4 Sindh Renewable Energy Company (Private) Limited (SRECL) was established for the development of renewable energy. The shares are yet to be allotted to the Company.
- 12.5 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.
- 12.6 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. 5,000, and the company owns 37,133 certificates, making a total investment of Rs. 185,665,000/-.

13. LONG TERM LOAN

	2022 Rupees	2021 Rupees
Opening	569,357,790	629,020,128
Interest	67,921,319	61,712,431
Payment receivable	(129,488,805)	(121,374,769)
	507,790,304	569,357,790
Less: Current portion	(59,043,078)	(61,567,486)
	<u>448,747,226</u>	<u>507,790,304</u>

- 13.1 The loan is granted to STDC by the Company, as per the agreement between the Company and STDC, STDC would repay the principle in 10 years from Commercial Operation Date (COD) and commence the payment of loan annuity (Interest + Principle) at KIBOR 2.75% from Commercial Operation Date (COD), as a result interest income of Rs. 67.921 million (2021: Rs. 61.712 million) has been recorded in these financial statements.

14. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2022 Rupees	2021 Rupees
Due from related parties	14.1 & 14.2	70,146,763	110,166,918
Interest receivable on Pakistan Investment Bond		106,208,565	106,208,565
Interest receivable from UBL TFC		5,146,939	2,832,078
Advance tax		1,992,013	636,800
PARCO		27	220,899
SSGC		73,399,668	7,323,195
Prepayments		26,400	-
		<u>256,920,375</u>	<u>227,388,455</u>

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14.1 Represents receivable of Rs. 0.174 million (2021: Rs. 0.174 million) from SLCMC, a subsidiary company in relation to incorporation fees paid by the Company on behalf of SLCMC, Rs. 0.0862 million (2021: Nil) from SPL, a subsidiary company in relation to audit fee for the year 2017 paid by the Company on behalf of SPL and Rs. 69.886 million (2021: Rs. 109.99 million) from STDC, a subsidiary company against interest on long term loan.

14.2 Maximum aggregate amount outstanding at any time during the year is Rs. 69.886 million (2021: Rs. 109.99 million).

15. TAXATION - NET	Note	2022 Rupees	2021 Rupees
Opening balance		(4,465,902)	(42,629,872)
Provision for taxation during the year		(84,708,239)	(45,726,361)
WHT gas sales		4,390,567	-
Withholding tax		95,952,520	83,890,331
Advance taxes paid during the year		198,001	-
		<u>11,366,947</u>	<u>(4,465,902)</u>
16. BANK BALANCES			
Cash at bank - savings accounts	16.1	1,004,534,832	727,430,282
		<u>1,004,534,832</u>	<u>727,430,282</u>
16.1 Local currency conventional deposits carry return ranging from 7% to 12.5% (2021: 5% to 7%) per annum.			
17. SALES			
		2022 Rupees	2021 Rupees
Condensate sale		2,414,898	300,740
Gas sale		71,822,253	7,959,995
		74,237,151	8,260,735
Less: Sales tax		(9,252,370)	-
		<u>64,984,781</u>	<u>8,260,735</u>
18. COST OF SALE			
Production cost		9,269,438	1,215,688
Royalty expense		8,120,273	1,032,094
Windfall expense		653,119	79,841
		<u>18,042,830</u>	<u>2,327,623</u>
19. OTHER INCOME			
Profit on bank balance		73,915,830	33,639,219
Income on financial assets:			
- Income from long term loan		67,921,320	61,712,431
- Income from PIBs		271,459,208	266,345,072
- Income from TFCs		20,740,764	16,489,289
		360,121,292	344,546,792
		<u>434,037,122</u>	<u>378,186,011</u>

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20. EXPLORATION EXPENDITURE	Note	2022 Rupees	2021 Rupees
Geological and geophysical		134,345,175	52,744,329
Joint operation		3,847,300	5,430,187
Damages for unutilized working units		-	44,416,905
		<u>138,192,475</u>	<u>102,591,421</u>
21. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	21.1	13,991,627	10,074,855
Repair and maintenance		309,730	83,350
Rent, rates and taxes		25,000	25,805
Entertainment		13,865	9,618
Travel and fuel expense		1,298,111	446,695
Communication expense		2,240	4,350
Office supplies expense		128,172	16,492
Printing and posting		17,944	1,630
Bank charges		2,657	850
Legal and professional charges		1,402,421	275,564
Director fee		800,000	180,000
Membership fees		328,573	846,436
Depreciation on Benari Well	8	50,410,293	8,647,328
Insurance		275,430	359,934
Depreciation on fixed assets	7	5,352,139	4,284,179
Auditors' remuneration	21.2	415,750	357,500
Impairment loss	7.1	2,711,184	-
Miscellaneous expenses		382,449	256,798
		<u>77,867,585</u>	<u>25,871,384</u>
21.1 This includes salary expense of CEO Rs. 2.48 million (2021: 0.92 million) during the year.			
21.2 Auditors' Remuneration			
	Note	2022 Rupees	2021 Rupees
Fee for :			
- Audit of annual financial statements		300,000	250,000
- Review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013		90,750	82,500
- Out of pocket expenses		25,000	25,000
		<u>415,750</u>	<u>357,500</u>
22. EXCHANGE (LOSS) / GAIN			
Realized		75,946	-
Unrealized		27,645,292	1,813,379
		<u>27,721,238</u>	<u>1,813,379</u>
23. TAXATION			
Current tax	23.1	84,708,239	45,726,361
Deferred tax		(27,740,172)	14,546,860
		<u>56,968,067</u>	<u>60,273,221</u>

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23.1 Relationship between tax expense and accounting profit	2022	2021
	Rupees	Rupees
Profit before taxation	<u>237,197,775</u>	<u>257,469,697</u>
Tax on accounting profit at the applicable rate of 29% (2021: 29%)	68,787,355	74,666,212
Effect of accelerated depreciation and amortization	13,362,941	9,296,543
Effect of allowances not recognizable in tax	786,243	-
Impact of expense not deductible / (deductable) for tax - net	1,771,700	(38,236,394)
Tax expense recognized in books	<u>84,708,239</u>	<u>45,726,361</u>

24. CONTINGENCIES AND COMMITMENTS

As at June 30, 2022 there are no contingencies and commitments involving the Company.

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	----- Rupees -----					
Salary	2,382,260	922,499	-	-	8,349,000	8,280,000
Honorarium	100,000	-	800,000	180,000	-	-
	<u>2,482,260</u>	<u>922,499</u>	<u>800,000</u>	<u>180,000</u>	<u>8,349,000</u>	<u>8,280,000</u>
Number of persons	1	1	6	6	3	3

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 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.

26.2 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:

	2022	2021
	Rupees	Rupees
- Long term investment	3,542,681,852	3,498,722,644
- Prepayments and other receivables	256,920,375	227,388,455
- Bank balances	1,004,534,832	727,430,282
	<u>4,804,137,059</u>	<u>4,453,541,381</u>

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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

26.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The company is exposed to currency risk because all joint venture operations, including any amount payable to the government, are set in US dollars.

26.4 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, 2022				
	Carrying amount	Contractual cash flows	Upto one year	From one to five years	Over five years
----- Rupees -----					
Due to concessions - net	133,803,328	133,803,328	133,803,328	-	-
Accrued and other liabilities	9,324,270	9,324,270	9,324,270	-	-
	143,127,598	143,127,598	143,127,598	-	-

	June 30, 2021				
	Carrying amount	Contractual cash flows	Upto one year	From one to five years	Over five years
----- Rupees -----					
Due to concessions - net	154,782,346	154,782,346	154,782,346	-	-
Accrued and other liabilities	8,219,589	8,219,589	8,219,589	-	-
	163,001,935	163,001,935	163,001,935	-	-

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.

27. 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).

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28. FINANCIAL ASSETS AND LIABILITIES

Markup bearing			Non-Markup bearing			As at June 30, 2022
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	-	2,368,733,166	2,368,733,166	-	1,173,948,686	1,173,948,686	3,542,681,852
Long term loan	59,043,078	448,747,226	507,790,304	-	-	-	507,790,304
Prepayments and other receivables	-	-	-	256,920,375	-	256,920,375	256,920,375
Bank balances	1,004,534,832	-	1,004,534,832	-	-	-	1,004,534,832
	1,063,577,910	2,817,480,392	3,881,058,302	256,920,375	1,173,948,686	1,430,869,061	5,311,927,363

Financial liabilities

Accrued and other liabilities	-	-	-	9,324,270	-	9,324,270	9,324,270
Due to concessions	-	-	-	133,803,328	-	133,803,328	133,803,328
	-	-	-	143,127,598	-	143,127,598	143,127,598

Markup bearing			Non-Markup bearing			As at June 30, 2021
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	-	2,324,773,958	2,324,773,958	-	1,173,948,686	1,173,948,686	3,498,722,644
Long term loan	61,567,486	507,790,304	569,357,790	-	-	-	569,357,790
Prepayments and other receivables	-	-	-	227,388,455	-	227,388,455	227,388,455
Bank balances	727,430,282	-	727,430,282	-	-	-	727,430,282
	788,997,768	2,832,564,262	3,621,562,030	227,388,455	1,173,948,686	1,401,337,141	5,022,899,171

Financial liabilities

Accrued and other liabilities	-	-	-	8,219,589	-	8,219,589	8,219,589
Due to concessions	-	-	-	154,782,346	-	154,782,346	154,782,346
	-	-	-	163,001,935	-	163,001,935	163,001,935

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20 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	Nature of transactions	Nature of relationship	2022 Rupees	2021 Rupees
Board of Directors	Directors meeting fee	Subsidiary	800,000	180,000
South Transmission & Dispatch Company (Private)	Receivable against long term loan	Subsidiary	69,886,078	109,992,483

21 NUMBER OF EMPLOYEES

Number of employees of the company as at balance sheet date is 5 (2021: 6).

Average number of employees of the company at the balance sheet date is 4 (2021: 4).

22 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 NOV 2024 by the Board of Directors of the Company.

23 GENERAL

Figures have been rounded off to the nearest rupee.

by

Chief Executive Officer

Director