

**SINDH ENGRO COAL MINING COMPANY LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**




**A. F. FERGUSON & CO.**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Sindh Engro Coal Mining Company Limited (the Holding Company) and its subsidiary company, Thar Power Company Limited, as at December 31, 2014 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Sindh Engro Coal Mining Company Limited and Thar Power Company Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements presents fairly the financial position of Sindh Engro Coal Mining Company Limited and its subsidiary company, as at December 31, 2014 and the results of their operations, changes in equity and cash flows for the year then ended.

  
**Chartered Accountants**  
**Karachi**  
**Date: March 2, 2015**

**Engagement Partner: Salman Hussain**

**A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network**  
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**SINDH ENGRO COAL MINING COMPANY LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2014**

(Amounts in thousand)

	Note	2014 -----Rupees-----	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Development properties	3	1,392,906	755,751
Property, plant and equipment	4	739,801	169,270
Intangible assets	5	178	272
Long term security deposit with Hyderabad Electric Supply Corporation		14,450	-
Long term loans and advances	6	7,708	4,534
		<u>2,155,043</u>	<u>929,827</u>
<b>Current assets</b>			
Advances and other receivables	7	47,386	6,653
Taxes recoverable		27,259	14,330
Short term investments	8	897,270	-
Cash and bank balances	9	555,449	29,330
		<u>1,527,364</u>	<u>50,313</u>
<b>TOTAL ASSETS</b>		<u><u>3,682,407</u></u>	<u><u>980,140</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	2,181,382	802,165
Share premium		704,326	46,960
Advance against issue of share capital		600,000	-
Remeasurement of retirement benefit obligation		(718)	(269)
Unappropriated profit / (Accumulated loss)		39,925	(7,770)
		<u>3,524,915</u>	<u>841,086</u>
<b>Current liabilities</b>			
Accrued and other liabilities	11	157,492	139,054
<b>Contingencies and commitments</b>			
	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,682,407</u></u>	<u><u>980,140</u></u>

The annexed notes from 1 to 24 form an integral part of these consolidated financial statements.

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**Chief Executive Officer**

  
**Director**

**SINDH ENGRO COAL MINING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

(Amounts in thousand)

	Note	2014 -----Rupees-----	2013 -----Rupees-----
Expenditure:			
- Administrative expenses	13	(38,352)	(23,296)
- Registration and filing charges		(5,981)	(1,249)
- Auditors' remuneration		(467)	(380)
- Bank charges		(295)	(2,146)
		<u>(45,095)</u>	<u>(27,071)</u>
Other income	14	94,830	4,018
Workers' welfare fund		(1,092)	-
		<u>48,643</u>	<u>(23,053)</u>
<b>Profit / (loss) before taxation</b>			
		48,643	(23,053)
Taxation	15	(948)	5,628
		<u>47,695</u>	<u>(17,425)</u>
<b>Profit / (loss) for the year</b>			
		47,695	(17,425)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- remeasurement of retirement benefit obligation - Actuarial loss		(449)	(269)
		<u>(449)</u>	<u>(269)</u>
<b>Total comprehensive income / (loss) for the year</b>		<u>47,246</u>	<u>(17,694)</u>

The annexed notes from 1 to 24 form an integral part of these consolidated financial statements.

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Chief Executive Officer

  
Director



**SINDH ENGRO COAL MINING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

(Amounts in thousand)

	RESERVES					Total
	Capital			Revenue		
	Issued, subscribed and paid-up capital	Share Premium	Advance against issue of share capital	Remeasurement of retirement benefit obligation - Actuarial loss	Unappropriated profit / (Accumulated loss)	
	Rupees					
Balance as at January 1, 2013	545,250	-	-	-	9,655	554,905
Total comprehensive loss for the year ended December 31, 2013	-	-	-	(269)	(17,425)	(17,694)
Transactions with owners						
Share capital issued during the period (including share premium net of share issuance cost of Rs. 5,385)	256,915	46,960	-	-	-	303,875
Balance as at December 31, 2013	802,165	46,960	-	(269)	(7,770)	841,086
Total comprehensive income for the year ended December 31, 2014	-	-	-	(449)	47,695	47,246
Transactions with owners						
Share capital issued during the year (including share premium net of share issuance cost of Rs. 7,417)	1,379,217	657,366	600,000	-	-	2,636,583
Balance as at December 31, 2014	2,181,382	704,326	600,000	(718)	39,925	3,524,915

The annexed notes from 1 to 24 form an integral part of these consolidated financial statements.

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**Chief Executive Officer**

  
**Director**

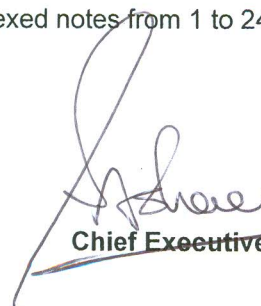
**SINDH ENGRO COAL MINING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

(Amounts in thousand)

	2014	2013
	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	48,643	(23,053)
<b>Adjustment for non-cash and other items</b>		
Amortization of long term loans and advances	2,325	1,660
Decrease / (increase) in current assets	(37,921)	(4,761)
Increase in current liabilities	18,438	118,672
Remeasurement of retirement and other service benefits	(449)	(269)
Loans and advances disbursed to employees, net	(8,311)	(6,406)
Long term deposit paid to Hyderabad Electric Supply Corporation	(14,450)	-
Taxes paid	(13,877)	(555)
Net cash generated from / (utilized in) operating activities	(5,602)	85,288
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development properties expenditure incurred	(632,332)	(211,779)
Short term investments	(97,270)	-
Purchase of property, plant and equipment, net	(575,260)	(166,523)
Net cash utilized in investing activities	(1,304,862)	(378,302)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital, net	2,036,583	303,875
Advance against issue of shares	600,000	-
Net increase in cash and cash equivalents	1,326,119	10,861
Cash and cash equivalents at beginning of the year	29,330	18,469
Cash and cash equivalents at end of the year	16 1,355,449	29,330

The annexed notes from 1 to 24 form an integral part of these consolidated financial statements.

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**Chief Executive Officer**

  
**Director**

**SINDH ENGRO COAL MINING COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

(Amounts in thousand)

**1. LEGAL STATUS AND OPERATIONS**

- 1.1 Sindh Engro Coal Mining Company Limited ('the Holding Company') is a public unlisted company, incorporated in Pakistan on October 15, 2009 under the Companies Ordinance, 1984. The Holding Company has its registered office at the 4th floor, The Harbor Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
- 1.2 The Holding Company was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS) having 40% shareholding, Engro Powergen Limited (EPL) with 60% shareholding and Engro Corporation Limited. The aforementioned JVA is consequent to the selection of Engro Powergen Limited as the GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal. In this regard, as per JVA, the Holding Company initiated a Detailed Feasibility Study (DFS) in November 2009 by a team of International Consultants and local experts to confirm the technical, environmental, social and economic viability of the Project. The DFS was carried out on an area of 79.6 sq. km allocated to the Holding Company in Thar Coal field. On August 31, 2010, the Holding Company completed the DFS which was approved by the Technical Committee of the GoS.

The GoS has granted 30 years mining lease to the Holding Company for exploration and mining activities in Thar Block-II. Based on the detailed feasibility study conducted by the Holding Company, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. The Holding Company, during 2011, had also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, the Holding Company in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects. Further, pursuant to the decision of the Cabinet of Economic Coordination Committee (ECC) dated May 31, 2013, Sovereign Guarantee amounting to USD 700,000 has been approved for the debt portion of the mining project conditional upon the revision of the Joint Venture Agreement. Consequently, during the current year, a revised and amended JVA was signed on January 24, 2014, under which the GoS will have minimum shareholding of 51% and Engro will retain the right to manage the Holding Company as long as Engro and its affiliates hold a minimum of 26% shareholding in the Holding Company.

Further, during the year, the Holding Company based on the evaluation provided by its renowned international consultants and after a thorough international competitive bidding process awarded the EPC contract to China Machinery Engineering Corporation (CMEC). Furthermore, the Holding Company awarded initial contract of over burden removal of 3 M BCM to local contractor and started the construction activity on site. Approximately 2 M BCM of overburden removal has been completed in December 2014.

Total cost of the project is estimated at USD 875,000 which would be financed through equity injection of USD 263,000 and Debt portion of USD 612,000. Debt portion would be a mix of local and foreign financing.

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(Amounts in thousand)

1.3 The 'Group' consists of:

**Holding Company:** Sindh Engro Coal Mining Company Limited

**Subsidiary Company:** Company in which the Holding Company owns over 50% of voting rights, or company controlled by the Holding Company.

1.4 **Thar Power Company Limited - Subsidiary Company**

Thar Power Company Limited ('the Subsidiary Company') is a public unlisted company, incorporated in Pakistan on May 31, 2013 under the Companies Ordinance, 1984. The Subsidiary Company has its registered office at the 4th floor, The Harbor Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi.

In 2013, the Subsidiary Company initiated a Detailed Feasibility Study (DFS) by an international consultant for the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh. During the year, the Subsidiary Company has received the DFS report from the consultant. The study submitted by the consultant confirms the technical, commercial and environmental viability of the power plants.

During the year, the Subsidiary Company has deferred the establishment of power plant. The expenditure incurred on the feasibility study along with other ancillary costs, classified under property, plant and equipment (note 4) is intended to be recovered from equity investors of the Holding Company who plan to develop their own power plants in Thar Block II. In this respect the Subsidiary Company is in the process of finalising an agreement with Engro Powergen Thar (Private) Limited for reimbursement of 50% of capital expenditure incurred while for the balance 50%, the Subsidiary Company is in advance discussion with other equity investors of the Holding Company.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 **Basis of preparation**

2.1.1 These consolidated financial statements have been prepared under the historical cost convention as modified by recognition of certain staff retirement and other service benefits at present value.

2.1.2 These consolidated financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the requirements of the said directives have been followed.

AM 10

(Amounts in thousand)

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions or judgments used in the preparation of these consolidated financial statements are disclosed in note 2.3, 2.4, 2.6 and 2.11 below.

**2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard**

**a) Standards, amendments to published standards and interpretations that are effective in 2014 and are relevant to the Group**

The following amendments and interpretations to published standards are mandatory for the financial year beginning January 1, 2014 and are relevant:

- IAS 32 (Amendment), 'Financial instruments: Presentation'. This amendment updates the application guidance in IAS-32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The amendment clarifies that right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The Group's current accounting treatment is in line with this amendment.
- IAS 36 (Amendment) 'Impairment of assets'. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment only affects the disclosures in the Group's financial statements.
- IFRIC 21 'Levies'. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Group's current accounting treatment is materially in line with this amendment.

**b) Standards, amendments to published standards and interpretations that are effective in 2014 but not relevant**

Other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2014 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are not detailed here.

**c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group**

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2014 and have not been early adopted by the Group:

Nil



(Amounts in thousand)

- IFRS 10 'Consolidated financial statements' (effective for periods beginning on or after January 1, 2015). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The adoption of this standard would not have any impact on the Group's financial statements.
- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2015). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group is yet to assess the full impact of the standard, however, initial indicators are that it is unlikely that standard will have any significant impact on the Group's financial statements.
- IAS 19 (Amendment) 'Employee benefits' (effective for annual periods beginning on or after July 1, 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employee's working lives. It is unlikely that the standard will have any significant impact on the Group's financial statements.

Amendments to following standards as a result of annual improvements to International Financial Reporting Standards issued by IASB:

- IFRS 7 'Financial instruments: Disclosures' (effective for annual periods beginning on or after July 1, 2016). Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. It is unlikely that the standard will have any significant impact on the Group's financial statements.
- IAS 19 'Employee benefits' (effective for annual periods beginning on or after July 1, 2016). The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the standard will have any significant impact on the Group's financial statements.

Am 11

(Amounts in thousand)

- IAS 24 'Related party disclosures' (effective for annual periods beginning on or after July 1, 2014). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. It is unlikely that the standard will have any significant impact on the Group's financial statements.
- IAS 34 'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the standard will have any significant impact on the Group's financial statements.

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

#### 2.1.5 Basis of consolidation

- i) The consolidated financial statements include the financial statements of Sindh Engro Coal Mining Company Limited and its Subsidiary Company – 'the Group';
- ii) The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis at their book value. The carrying value of investment held by the Holding Company is eliminated against the Subsidiary Company's share capital in the consolidated financial statements; and
- iii) Material intra-group balances and transactions are eliminated;

#### 2.2 Exploration and evaluation assets

Exploration and evaluation expenditure in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the Project including ancillary (operating and administrative) costs related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated; however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the Consolidated Statement of Cash Flows.

AM 14



(Amounts in thousand)

### 2.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Cash flows associated with development properties are classified as investing activities in the Consolidated Statement of Cash Flows.

### 2.4 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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 item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Consolidated Statement of Comprehensive Income during the financial year in which they are incurred.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals or retirements of an asset represented by the difference between the sales proceeds and the carrying amount of the asset is recognised within 'other income/expense' in the Statement of Comprehensive Income, in the financial period of disposal or retirement.

Depreciation is charged to Consolidated Statement of Comprehensive Income using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis.

### 2.5 Intangible assets - Computer Software

Costs associated with maintaining computer software programmes are recognized as an expense in Consolidated Statement of Comprehensive Income, when incurred. However, costs directly attributable to identifiable software having probable economic benefits exceeding one year, are recognized as intangible assets. Direct costs include purchase costs (license fee) and related overheads.

AM 16

(Amounts in thousand)

Expenditure which enhances or extends the performance of the software programme beyond its original specification and useful life is capitalized.

Software costs and license fees capitalized as intangible assets are amortized to Statement of Comprehensive Income from the date of use on a straight-line basis over their useful lives.

## 2.6 Financial assets

### 2.6.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### a) Financial assets at fair value through profit or loss

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

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

#### c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

#### d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting date. There were no 'available-for-sale' financial assets at the balance sheet date.

### 2.6.2 Recognition and measurement

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost.

AM 12



**(Amounts in thousand)**

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in Statement of Comprehensive Income.

Gains and losses except impairment losses and foreign exchange gain and losses arising from changes in fair value of assets classified as available-for-sale are recognised in other comprehensive income until the financial asset is derecognised. When securities classified as available-for-sale are sold, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to Statement of Comprehensive Income.

Interest on available-for-sale assets calculated using the effective interest method is recognised in Statement of Comprehensive Income. Dividends on available for sale equity instruments are recognised in Statement of Comprehensive Income when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for assets carried at amortised cost, the loss is recognised in Statement of Comprehensive Income. For available-for-sale financial assets, the cumulative loss is reclassified from equity and recognised in Statement of Comprehensive Income. Impairment losses recognised in Statement of Comprehensive Income on equity instruments classified as available for sale are

**2.7 Cash and cash equivalents**

Cash and cash equivalents in the Consolidated Statement of Cash Flows include balances with banks. These also include term deposit receipts having maturity upto three months.

**2.8 Share capital**

Ordinary shares are classified as equity and are recorded at face value. Incremental costs, if any, directly attributable to the issue of shares, are recognized in equity as a deduction, net of tax, from the proceeds.

**2.9 Financial liabilities**

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method. These are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

**2.10 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**2.11 Taxation****Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

AM 16



(Amounts in thousand)

## Deferred

Deferred tax is recognised using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2.12 Retirement and other service benefit obligations

### 2.12.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group's associated undertaking - Engro Corporation Limited, operates a defined contribution provident fund for the Group's permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% of basic salary.

### 2.12.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan, other than the defined contribution plan under which the Group has an obligation to provide the agreed benefits to its entitled employees. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method, related details of which are given in note 18. Actuarial valuation requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

The Group gave an option to its permanent employees to transfer from defined benefit gratuity fund to defined contribution gratuity fund maintained and operated by the associated company - Engro Corporation Limited. The balances of employees who have opted for transfer have been transferred to the defined contribution gratuity fund maintained by Engro Corporation Limited.

## 2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are not recognised for future operating losses. Provision are reviewed at each balance sheet date and adjusted to reflect current best estimate.

AM 16

(Amounts in thousand)

**2.14 Impairment losses**

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indications exist, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the Consolidated Statement of Comprehensive Income.

**2.15 Foreign currency transactions and translation**

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Consolidated Statement of Comprehensive Income.

**2.16 Profit on bank deposits, term deposit receipts and treasury bills**

Profit on bank deposits, term deposit receipts and treasury bills is recognized on accrual basis.

**2.17 Transactions with related parties**

Sales, purchases and other transactions with related parties are carried out on terms and conditions agreed between the parties.

	2013	Additions during the year	2014
	-----Rupees-----		
<b>3. DEVELOPMENT PROPERTIES</b>			
Consultancy charges	291,024	67,290	358,314
Salaries, wages and staff welfare	250,555	151,611	402,166
Travelling expense	47,368	36,149	83,517
Purchased services (note 3.1)	61,809	49,370	111,179
Rent, security and accommodation expenses (note 3.2)	56,715	35,751	92,466
Civil work	2,970	12,570	15,540
Insurance	2,298	2,735	5,033
Subscription for intellectual data	8,001	1,721	9,722
Fees charged by GoS/SCA under MoU	1,452	10,000	11,452
Exploration license fees and other related charges	4,614	-	4,614
Depreciation / amortization (note 4.2 and 5.1)	12,312	4,823	17,135
Cost for overburden removal (note 3.3)	-	247,033	247,033
Other expenses	16,633	18,102	34,735
Balance as at December 31	<u>755,751</u>	<u>637,155</u>	<u>1,392,906</u>

3.1 This represents charges for services rendered by Engro Powergen Limited and other associated undertakings.

3.2 Includes reimbursement of rent to an associated undertaking during the year amounting to Rs. 19,070 (2013: Rs. 15,198).

AM/16



(Amounts in thousand)

- 3.3 During the year, the Holding Company has entered into an agreement with a local contractor on March 31, 2014, whereby the contractor will execute work for the overburden removal of 3 M BCM at Thar Block II. The project is expected to be completed in ensuing year.

	2014	2013
	-----Rupees-----	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets (note 4.1)	56,097	7,204
Capital work-in-progress (note 4.4)	683,704	162,066
	<u>739,801</u>	<u>169,270</u>

#### 4.1 Operating assets

	Furniture and fixtures	Computers, office and other equipment	Plant & machinery	Vehicles	Total
	-----Rupees-----				
<b>As at January 1, 2013</b>					
Cost	9,852	3,565	-	1,540	14,957
Accumulated depreciation	(5,516)	(2,208)	-	(360)	(8,084)
Net book value	<u>4,336</u>	<u>1,357</u>	<u>-</u>	<u>1,180</u>	<u>6,873</u>
<b>Year ended December 31, 2013</b>					
Opening net book value	4,336	1,357	-	1,180	6,873
Additions	-	898	544	3,015	4,457
Depreciation charge (note 4.2)	(2,463)	(965)	(79)	(619)	(4,126)
Net book value	<u>1,873</u>	<u>1,290</u>	<u>465</u>	<u>3,576</u>	<u>7,204</u>
<b>As at December 31, 2013</b>					
Cost	9,852	4,463	544	4,555	19,414
Accumulated depreciation	(7,979)	(3,173)	(79)	(979)	(12,210)
Net book value	<u>1,873</u>	<u>1,290</u>	<u>465</u>	<u>3,576</u>	<u>7,204</u>
<b>Year ended December 31, 2014</b>					
Opening net book value	1,873	1,290	465	3,576	7,204
Additions	5,416	5,856	-	45,262	56,534
Disposal (note 4.3)					
- Cost	-	-	-	(4,555)	(4,555)
- Accumulated Depreciation	-	-	-	1,643	1,643
	-	-	-	(2,912)	(2,912)
Depreciation charge (note 4.2)	(1,684)	(971)	(136)	(1,938)	(4,729)
Net book value	<u>5,605</u>	<u>6,175</u>	<u>329</u>	<u>43,988</u>	<u>56,097</u>
<b>As at December 31, 2014</b>					
Cost	15,268	10,319	544	45,262	71,393
Accumulated depreciation	(9,663)	(4,144)	(215)	(1,274)	(15,296)
Net book value	<u>5,605</u>	<u>6,175</u>	<u>329</u>	<u>43,988</u>	<u>56,097</u>
Annual rate of depreciation (%)	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	



(Amounts in thousand)

4.2 Depreciation charge for the year has been allocated to development properties (note 3).

4.3 The details of assets disposed off during the year are as follows:

Sold to	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds
-----Rupees-----					
<b>Vehicles</b>					
Faisal Shafiq	Under Company's policy	1,539	(793)	746	619
New Hampshire Insurance Company	Insurance Claim	3,016	(850)	2,166	3,250
		<u>4,555</u>	<u>(1,643)</u>	<u>2,912</u>	<u>3,869</u>
-----Rupees-----					
<div> <div>2014</div> <div>2013</div> </div>					

#### 4.4 Capital work in progress

##### Subsidiary Company

Balance as at beginning of the year

Movement during the year:

Construction and design studies

Salaries, wages and staff welfare

Travelling and accommodation expenses

Other expenses

Total (note 4.4.1)

##### Holding Company

Acquisition of land (note 4.4.2)

Balance at end of the year

162,066	-
16,838	138,301
41,494	16,903
8,193	5,147
5,113	1,715
<u>233,704</u>	<u>162,066</u>
450,000	-
<u>683,704</u>	<u>162,066</u>

4.4.1 The asset mainly comprise of Detailed Feasibility Study (DFS) and other related costs carried out for the development of 6 x 660 MW coal fired mine mouth power plants incurred by the Subsidiary Company. The Company intends to provide the DFS to equity investors of the Holding Company against the receipt of consideration, as more fully explained in note 1.4.

4.4.2 Represents payment made to the Government authorities as an estimated consideration towards acquiring the possession of 3,842-20 acres of land in respect of the Holding Company's mining project (note 1). This will be transferred to operating assets once the title is transferred in the name of the Holding Company.

#### 5. INTANGIBLE ASSETS - Computer Software

##### Net Carrying Value

Balance at beginning of the year

Less: Amortization charge for the year (note 5.1)

Balance at end of the year

##### Gross Carrying Value

Cost

Less: Accumulated amortization

Net book value

Annual rate of amortization (%)

272	365
(94)	(93)
<u>178</u>	<u>272</u>
374	374
(196)	(102)
<u>178</u>	<u>272</u>
25%	25%

5.1 Amortization charge for the year has been allocated to development properties (note 3).

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(Amounts in thousand)

	2014	2013
	-----Rupees-----	
<b>6. LONG TERM LOANS AND ADVANCES</b>		
<b>- Considered good</b>		
Loans and advances to employees	12,333	6,347
Less: Current portion shown under current assets (note 7)	(4,625)	(1,813)
Balance at end of the year	<u>7,708</u>	<u>4,534</u>
<b>6.1 Reconciliation of the carrying amount of loans and advances</b>		
Balance as at beginning of the year	6,347	1,601
Add: Disbursements	13,486	9,544
Less: Repayments/Amortisation	(7,500)	(4,798)
Balance at end of the year	<u>12,333</u>	<u>6,347</u>
<b>6.2</b>	Includes interest free investment loan plan to executives of Rs. 4,151 (2013: Rs. 830) repayable after three years in lump sum. It also includes advances to executives for car monetization / car earn out assistance, house rent advance and long term services incentive plan given to certain employees amounting to Rs. 4,653 (2013: Rs. 2,679), Rs. 2,855 (2013: 1,315) and Rs. 1,827 (2013: Rs. 1,558) respectively as per Group's policy.	
<b>6.3</b>	The maximum amount outstanding at the end of any month from employees aggregated to 9,338 (2013: Rs. 4,947).	
<b>6.4</b>	As at December 31, 2014 and 2013 long term loans and advances were neither past due nor impaired.	

	2014	2013
	-----Rupees-----	
<b>7. ADVANCES AND OTHER RECEIVABLES</b>		
Current portion of advances (note 6)	4,625	1,813
Advances to employees	2,939	688
Advances to suppliers (note 7.1)	23,340	165
Receivable from gratuity fund (note 18) - related party	197	-
Other receivables (note 7.2)	13,455	-
Receivable from associated undertakings:		
- Engro Powergen Thar (Private) Limited	2,148	-
- Engro Powergen Qadirpur Limited	682	-
- Engro Powergen Limited	-	3,613
- Engro Vopak Terminal Limited	-	374
	<u>47,386</u>	<u>6,653</u>

- 7.1** Includes Rs. 20,296 being an unadjusted portion of the advance amounting to Rs. 45,000 paid to a contractor as a mobilization advance in respect of the contract for the overburden removal (note 3.3). This advance is fully secured by way of a bank guarantee in favour of the Holding Company.



(Amounts in thousand)

7.2 Includes Rs. 9,100 paid to a local contractor on behalf of China Machinery Engineering Corporation (CMEC), the EPC contractor of the Holding Company.

7.3 As at December 31, 2014 and 2013 advances and other receivables were neither past due nor impaired.

	2014	2013
	-----Rupees-----	
<b>8. SHORT TERM INVESTMENTS</b>		
<b>- Held to Maturity</b>		
Term deposit receipts (note 8.1)	800,000	-
Treasury bills (note 8.2)	97,270	-
	<u>897,270</u>	<u>-</u>

8.1 Represents term deposits receipts with scheduled banks at profit rates ranging from 8% to 9.90% per annum. It includes Rs. 600,000 deposited with Sindh Bank Limited, a related party.

8.2 Represents investment in treasury bill for a period of six months at the rate of 9.93% per annum.

	2014	2013
	-----Rupees-----	
<b>9. CASH AND BANK BALANCES</b>		
Balances with banks in deposit accounts (note 9.1)	478,765	29,330
Cheques in hand (note 9.2)	76,684	-
	<u>555,449</u>	<u>29,330</u>

9.1 Represents deposits with scheduled banks at profit rates of upto 9.25% per annum (2013: upto 9.25% per annum). It includes Rs. 501,975 (2013: Rs. 5,459) deposited with Sindh Bank Limited, a related party.

9.2 Represents cheque received from Engro Powergen Thar (Private) Limited, deposited in bank subsequent to year end.

	2014	2013
	-----Rupees-----	
<b>10. SHARE CAPITAL</b>		
<b>Authorized Capital</b>		
260,000,000 (2013: 100,000,000)		
ordinary shares of Rs. 10 each	<u>2,600,000</u>	<u>1,000,000</u>
<b>Issued, subscribed and paid-up capital</b>		
218,138,194 (2013: 80,216,457) ordinary shares		
of Rs. 10 each fully paid in cash (note 10.1)	<u>2,181,382</u>	<u>802,165</u>

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(Amounts in thousand)

**10.1 Movement in issued, subscribed and paid-up capital**

2014	2013		2014	2013
-----Number of shares-----			-----Rupees-----	
80,216,457	54,525,000	At January 1	802,165	545,250
	15,570,000	Ordinary shares of Rs. 10 issued as fully paid right shares	-	155,700
137,921,737	10,121,457	Ordinary shares of Rs. 10 each issued at a premium of Rs. 4.82 per share as fully paid right shares	1,379,217	101,215
137,921,737	25,691,457		1,379,217	256,915
<u>218,138,194</u>	<u>80,216,457</u>		<u>2,181,382</u>	<u>802,165</u>

10.2 During the year, the Holding Company increased its authorized share capital from Rs. 1,000,000 to Rs. 2,190,000 in its Extraordinary General Meeting held on May 20, 2014. Subsequently, in its Extraordinary general meeting held on December 12, 2014, the Holding Company further increased its authorized share capital to Rs. 2,600,000.

10.3 During the year, the Holding Company issued 137,921,737 ordinary shares of Rs. 10 each as fully paid right shares at a premium of Rs. 4.82, of which 9,162,700 and 128,759,037 shares were issued to Engro Powergen Limited (EPL) and Government of Sindh (GoS) respectively.

10.4 Further, during the year, the Company also approved a rights issue of 40,485,430 , ordinary shares of Rs. 10 each at a premium of Rs. 4.82, shares which were renounced by GoS and EPL in favour of The Hub Power Company Limited (HUBCO) and Thal Limited (TL) for their induction as equity partners in the Company. The Company has received an advance of Rs. 240,000 and Rs. 360,000 from HUBCO and TL respectively as advance against issue of share capital.

	2014	2013
	-----Rupees-----	
<b>11. ACCRUED AND OTHER LIABILITIES</b>		
Accrued liabilities (note 11.1)	138,392	136,194
Payable to associated undertakings:		
- Engro Powergen Qadirpur Limited	-	906
- Engro Powergen Thar Private Limited	6,968	-
- Engro Powergen Limited	37	-
- Engro Corporation Limited	370	-
Payable to gratuity fund (note 18) - related party	-	403
Workers' welfare fund	1,609	517
Others	10,116	1,034
	<u>157,492</u>	<u>139,054</u>

11.1 This includes accruals made in respect of consultant's fee, overburden removal work and salaries, wages and benefits amounting to Rs. 1,089 (2013: Rs. 80,901), Rs. 62,564 (2013: Rs. Nil) and Rs. 62,888 (2013: Rs. 42,008) respectively.

AM 14

(Amounts in thousand)

**12. CONTINGENCIES AND COMMITMENTS**

- 12.1 Bank guarantee amounting to Rs. 2,200 has been issued by the Holding Company in favour of Nazir of the Sindh High Court. The guarantee has been submitted under the interim order made by the Court to release mining dump trucks imported by the Holding Company without payment of advance income tax subject to furnishing of the security for the amount of tax involved.

During the year, the Holding Company has imported dump trucks for mining activities at Thar Block II. The Chief Collector of customs refused to release such dump trucks unless the Holding Company deposited custom duty @ 30% and sales tax @ 17%. The Holding Company through various letters contended that the aforesaid levies are not applicable to the Holding Company being temporary importer of the dump trucks, and as such, the Holding Company should only be liable to Custom Duty @ 5%. Upon submission of pay orders aggregating to Rs. 15,163 as security against the differential amount of custom duty, the mining dump trucks have been provisionally released by the Chief Collector of Customs. The encashment of pay orders has been stopped by the Federal Board of Revenue till the time final decision is made in this respect.

- 12.2 Performance guarantee amounting to USD 500, has been issued by the Holding Company in favour of Director General, Coal Mines Development Department. The guarantee has been issued on September 11, 2014, in lieu of requirement of the Mining Lease. This guarantee is valid upto commercial operations date or four years and six months from the date of issue or March 14, 2019, whichever falls earlier.
- 12.3 The Holding Company has also issued a performance guarantee amounting to Rs. 260 to Sindh Coal Authority against a contract for the provision of services at Thar Lodges, Islamkot. The guarantee was issued on November 19, 2014 and is valid upto September 11, 2015.

	2014	2013
	-----Rupees-----	
<b>13. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and staff welfare (note 13.1)	21,456	13,724
Travelling expense (note 13.1)	4,839	2,686
Purchased services (note 13.1)	7,028	3,314
Directors' fee	3,750	2,550
Other expenses (note 13.1)	1,279	1,022
	<u>38,352</u>	<u>23,296</u>
13.1 Represents an allocated portion of general administration expenses incurred during the year considered as not directly attributable to development properties.		

	2014	2013
	-----Rupees-----	
<b>14. OTHER INCOME</b>		
<b>From financial assets</b>		
Profit/ Interest income on:		
- Deposits with banks	85,365	4,002
- Term deposit receipts	7,749	16
- Treasury bill	1,716	-
	<u>94,830</u>	<u>4,018</u>



(Amounts in thousand)

	2014	2013
	-----Rupees-----	
<b>15. TAXATION</b>		
For the year:		
- Current (note 15.1)	948	-
- Deferred (note 15.1)	-	5,628
	<u>948</u>	<u>5,628</u>

- 15.1 Pursuant to the amendment in 2nd Schedule of Income Tax Ordinance, 2001, through Finance Act 2014, profits and gains derived from a coal mining project in Sindh, supplying coal exclusively to power generation project, have been exempted from the provisions of Income Tax Ordinance, 2001. However, current tax for the year represents minimum tax charged at the rate of 1% on profit on bank deposits of the Group in accordance with section 113 of the Income Tax Ordinance, 2001.

**15.2 Sindh Engro Coal Mining Company - Holding Company**

The Holding Company has claimed exploration and evaluation expenditure incurred as deductible expense against other income in the income tax return filed for the year ended December 31, 2011, December 31, 2012 and December 31, 2013 under section 100(20)(3) of part II of Fifth Schedule of the Income Tax Ordinance, 2001. Such expenditure, upto the date of commercial production, to the extent it cannot be set off in the year is treated as a loss, which is available for set off against future income within ten years from the commencement of commercial production. As at December 31, 2014 deferred tax asset on loss carried forward aggregating to Rs. 1,304,541 (2013: Rs. 720,463) has not been recognized as the Holding Company's income would be exempt from the provision of Income Tax Ordinance, 2001 as explained in note 15.1. Further, deferred tax asset in respect of carried forward losses aggregating to Rs. 31,748 (2013: Rs. 31,748) under section 18 of the Income Tax Ordinance, 2001 has also not been recognised on account of prudence as the Holding Company may not be able to avail the benefit of these losses in future years.

**15.3 Thar Power Company Limited - Subsidiary Company**

Deferred tax asset in respect of carry forward taxable loss amounting to Rs. 10,216 as at December 31, 2014 has not been recognized by the Subsidiary Company as the Subsidiary Company may not be able to avail the benefit of these losses in future years.

	2014	2013
	-----Rupees-----	
<b>16. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances (note 9)	555,449	29,330
Short term investments (note 8)	800,000	-
<i>Mus</i>	<u>1,355,449</u>	<u>29,330</u>

(Amounts in thousand)

**17. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2014			2013		
	Directors			Directors		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	----- (Rupees) -----					
Managerial remuneration	18,944	-	41,215	16,446	-	21,819
Contribution for staff retirement benefits	2,427	-	5,092	2,675	-	2,690
Other benefits	14,526	-	19,874	10,879	-	8,669
Fees	-	3,750	-	-	2,550	-
Total	<u>35,897</u>	<u>3,750</u>	<u>66,181</u>	<u>30,000</u>	<u>2,550</u>	<u>33,178</u>
Number of persons including those who worked part of the year	<u>1</u>	<u>10</u>	<u>5</u>	<u>1</u>	<u>10</u>	<u>4</u>

- 17.1 The Group has also provided Company owned vehicles for use of certain executives of the Group.
- 17.2 Executives comprise of departmental heads of the Group.
- 17.3 Premium charged in the consolidated financial statements in respect of directors indemnity insurance policy during the year amounted to Rs. 850 (2013: Rs. 748).

**18. RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS****Defined benefit plan**

- 18.1 The latest actuarial valuation of the defined benefit plans in respect of funded defined benefit gratuity scheme was carried out as at December 31, 2014, using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	2014	2013
	-----Rupees-----	
<b>18.1.1 Balance sheet reconciliation</b>		
Present value of defined benefit obligation	1,069	961
Fair value of plan assets	(1,410)	(702)
(Surplus)/ Deficit	(341)	259
Payable to group companies	144	144
Net (asset) / liability at end of the year	<u>(197)</u>	<u>403</u>
<b>18.1.2 Movement in net liability recognized</b>		
Net liability at beginning of the year	403	-
Charge for the year	83	134
Contribution made to the Fund	(234)	-
Other comprehensive income	(449)	269
Net (asset) / liability at end of the year	<u>(197)</u>	<u>403</u>

AM 1.2



(Amounts in thousand)

	2014	2013			
	-----Rupees-----				
18.1.3 Movement in defined benefit obligation					
Present value of defined benefit obligation at beginning of the year	961	878			
Current service cost	52	116			
Interest cost	127	57			
Remeasurement	(71)	462			
Transfers	-	(552)			
Defined benefit obligation at end of the year	<u>1,069</u>	<u>961</u>			
18.1.4 Movement in fair value of plan assets					
Plan assets at beginning of the year	702	803			
Expected return on plan assets	96	39			
Contributions made during the year	234	-			
Remeasurement	378	387			
Transfers	-	(527)			
Plan assets at end of the year	<u>1,410</u>	<u>702</u>			
18.1.5 Amount recognized in development properties					
Current service cost	52	116			
Net interest cost	31	18			
Charge for the year	<u>83</u>	<u>134</u>			
	2014	2013			
18.1.6 Principal actuarial assumptions used are as follows					
Discount rate used	11.25%	13.0%			
Expected per annum rate of increase in future salaries	12.0%	13.0%			
Expected per annum rate of return on plan assets	11.25%	13.0%			
	2014	2013			
	-----Rupees-----				
18.1.7 Actual return on plan assets	<u>222</u>	<u>113</u>			
18.1.8 Plan assets comprise the following:					
Cash and cash equivalents	<u>1,410</u>	<u>702</u>			
	2014	2013	2012	2011	2010
	-----Rupees-----				
18.1.9 Comparison of the last 5 years					
Present value of defined benefit obligation	1,069	961	878	655	362
Fair value of plan assets	(1,410)	(702)	(803)	(374)	(234)
Deficit / (surplus)	<u>(341)</u>	<u>259</u>	<u>75</u>	<u>281</u>	<u>128</u>

AM 12

(Amounts in thousand)

- 18.1.10 Expected future cost for the year ending December 31, 2015 is Rs. 18,649 (December 2013: Rs 255).

**18.2 Defined contribution plan**

An amount of Rs. 16,690 (2013: Rs. 3,341) has been charged during the year in respect of defined contribution plans.

	2014	2013
	-----Rupees-----	
<b>19. FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets as per balance sheet</b>		
<b>- Held to maturity</b>		
Short term investment	897,270	-
<b>- Loans and receivables</b>		
Long term loans and advances	3,784	2,145
Long term security deposits with Hyderabad Electric Supply Corporation	14,450	-
Other receivables	16,285	3,987
Balances with banks	555,449	29,180
	<u>1,487,238</u>	<u>35,312</u>
<b>Financial liabilities as per balance sheet</b>		
<b>- Financial liabilities as per balance sheet</b>		
Accrued and other liabilities	<u>155,883</u>	<u>137,743</u>

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Financial Risk Factors**

The Group's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders.

Risk management is carried out by the Group's Finance and Planning department under policies approved by the Board of Directors.

**a) Market risk**

**i) Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to outstanding foreign currency payments to consultants. The impact of devaluation / revaluation on profit / (loss) for the year is negligible since all foreign currency payments relate to the Project, hence gain/ loss arising is capitalized.

AM 14



(Amounts in thousand)

**ii) 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. The Company's exposure to fair value interest rate risk is limited to the Group's investment in liquid funds at fixed rates. As at December 31, 2014 the Group has placement in scheduled banks, term deposit receipts and treasury bills amounting to Rs. 1,452,715. If the interest rate had weakened/strengthened by 1% with all other variable held constant, post tax profit for the year would have been lower/higher by Rs. 14,527.

**iii) Other price rate risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is not exposed to this risk.

**b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from loans to employees, other receivables and deposits with banks and financial institutions. The credit risk on liquid funds is limited because the counter parties are either employees of the Group or banks with reasonably high credit rating. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The credit quality of Group's bank balances can be assessed with reference to external credit ratings as follows:

Name of bank/financial institutions	Rating	
	Short term	Long term
Allied Bank Limited	A1+	AA+
Faysal Bank Limited	A1+	AA
Habib Bank Limited	A1+	AAA
Bank Islami Pakistan Limited	A1	A
Sindh Bank Limited	A1+	AA-

**c) Liquidity risk**

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements.

All the financial liabilities of the Group are payable in one year from the balance sheet date.



(Amounts in thousand)

**20.1 Fair value of financial assets and financial liabilities**

The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

**21. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise parent company, joint venture companies, associated companies, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions, with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

	2014	2013
	-----Rupees-----	
<b>Government of Sindh</b>		
- Share capital issued ( 128,759,037 ordinary shares of Rs. 10 each at a premium of Rs. 4.82 per share)	1,908,209	-
<b>Associated Companies</b>		
- Reimbursement of expenses incurred for the Group	92,846	92,961
- Reimbursement of expenses incurred by the Group	75,765	8,106
- Advance against issue of share capital	600,000	-
- Share capital issued (9,162,700 ordinary shares of Rs. 10 each at a premium of 4.82 per share)	135,791	-
- Investment	-	305,700
- Balances maintained with Sindh Bank Limited, a related party, as per note 10.1		
<b>Remuneration to Key Management Personnel</b>		
- Managerial remuneration	102,078	44,035
<b>Contribution to Retirement Benefit Funds</b>	21,344	9,939

**22. NUMBER OF EMPLOYEES**

The total and average number of employees during the year and as of December 31, 2014 and December 2013 respectively are as follows:

**NUMBER OF EMPLOYEES**

	Number of employees as at		Average number of employees	
	2014	2013	2014	2013
Management employees	24	17	21	13
Non-management employees	16	1	9	1
<b>ALL</b>	<u>40</u>	<u>18</u>	<u>30</u>	<u>14</u>



(Amounts in thousand)

**23. CORRESPONDING FIGURES**

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison, the effects of which are not material.

**24. DATE OF AUTHORIZATION OF ISSUE**

These consolidated financial statements were authorized for issue on 06 FEB 2015 by the Board of Directors of the Group.

M<sup>1</sup>W



Chief Executive Officer



Director