SECMC
Sindh Engro Coal Mining Company

SINDH ENGRO COAL MINING COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

SECMC
Sindh Engro Coal Mining Company

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DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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Directors' Report

Year Ended December 31, 2019

The Directors of Sindh Engro Coal Mining Company Limited (the Company) are pleased to present the Consolidated and Standalone Financial Statements and a review of the Thar Coal Mining Project for the year ended December 31, 2019.

Project update

Development of the 3.8 Mt/a mine at Block II was completed during the year with Commercial Operations Date (COD) declaration on July 10th, 2019. From July 10th, 2019 to Dec 31st, 2019,SECMC supplied 2.28 million tons of coal to Engro Powergen Thar Limited. Since inception of the Project till Dec 31st, the Company, its Contractors and sub-contractors logged in over 32 M safe man-hours without loss workday injury, a world record for a project of this magnitude.

The company has filed the Commercial Operations Date Stage Tariff with TCEB in Oct 2019.

Resettlement of residents of Sehnri Dars was completed, with 172 households relocated to New Sehnri Dars Resettlement Village.

For community development, a number of initiatives were taken during the year including establishment of a clinic at Gorano, successful operations of Marvi Mother and Child Clinic, Reverse Osmosis Water Treatment Plants and Primary Schools in villages of Block II.

Mine expansion

The Company achieved Financial Close on December 31st, 2019 for Phase II of its mine expansion up to 7.6 Mt/a. Financial Close was declared based on local funding. Total OB volume to be removed is estimated at 51.5 M BCM.

Further, the Company signed a 30-year Coal Supply Agreement for the supply of 1.9 Mt/a coal with Siddiqsons Energy Limited (SEL).

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Financing update

During the year, Huolinhe Open Pit Coal (HK) Investment Co. Limited (HOCIC) injected USD 5 million in Preference shares whereas Ordinary shareholders injected USD 40.61 million. As of 31st December 2019, shareholding of each equity partner is as follows:

Sponsor	Equity injection to date (USD Million)	No. of shares (Million)	Percentage holding
Ordinary shares			
The Government of Sindh	91.55	733.64	54.7%
Engro Energy Limited	18.88	159.60	11.9%
Thal Limited	20.09	159.60	11.9%
Habib Bank Limited	16.03	127.41	9.5%
Hub Power Company Limited	13.51	107.30	8.0%
CMEC Thar Mining Investment Limited	6.71	53.65	4.0%
Total Ordinary Shares	**166.78**	**1,341.20**	**100%**
Preference shares			
HOCIC	**10.00**	**124.64**	**100%**
Total equity (Ordinary + Preference)	**176.78**		

On the borrowing side, three drawdowns under the USD Facility amounting to USD 50.27 million were made during the year. The drawdowns were made to make payments for milestones achieved under the Onshore and Offshore contracts. Further, three drawdowns under the PKR Facility amounting to PKR 6.33 billion were also made during the year. Sixth and seventh installment of interest and commitment fee against both USD and PKR facilities were made during the year in April and October respectively.

Results for the year

The Company declared a net profit amounting to PKR 5,681 million (Consolidated net profit amounting to PKR 5,751 million) for the year ended December 31, 2019 attributable to post-COD revenue and related expenses. Since the Company has not achieved Project Completion Date (POD) which is a pre-requisite of dividend declaration on shares, the Company has not declared any cash dividend. Resultantly, the Company has transferred unappropriated profit amounting to PKR 5,681 million (Consolidated unappropriated profit amounting to PKR 5,751 million) to unappropriated profit reserve.

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Key operating and financial data for the preceding 6 years (consolidated financial statements)

	2019	2018	2017	2016	2015	2014
	PKR / No. of shares in 000					
Profit / (Loss) Before Tax	5,767,450	(26,292)	(18,566)	(34,705)	22,882	48,643
Profit / (Loss) After Tax	5,750,505	(27,132)	(19,802)	(36,834)	21,913	47,695
Development Properties	-	51,646,291	28,566,101	11,148,610	2,362,480	1,397,162
Property, Plant & Equipment	72,275,575	9,753,385	8,860,395	8,102,339	685,059	739,801
Capital Expenditure	4,547,356	2,322,019	1,888,156	7,770,075	240,317	575,260
Intangible Assets	3,314	50,674	104,092	156,819	202,218	178
Net Current Assets	9,781,232	(5,026,567)	(4,309,061)	(2,465,510)	532,743	1,366,514
Shareholders' Fund	26,439,716	13,984,874	10,074,559	7,519,490	4,000,366	3,525,813
Ordinary Shares Outstanding at Year End	1,341,199	934,909	591,807	509,092	289,393	218,138
Preference Shares Outstanding at Year End	124,636	53,938	36,612	31,369	-	-

Allocation of reserves

As at December 31, 2019, the Company has consolidated reserves as follows:

Unappropriated profit

	PKR ('000)
Balance as at January 1, 2019	(22,654)
Total unappropriated profit for the year	5,750,505
Balance as at December 31, 2019	5,727,851

Key shareholding position

Following is the key shareholding position as at December 31, 2019:

Shareholders	No. of shares held
The Government of Sindh	733,635,650
Engro Energy Limited	159,602,635
Thal Limited	159,602,635
Habib Bank Limited	127,413,868
Hub Power Company Limited	107,295,890
CMEC Thar Mining Investment Limited	53,647,944
Syed Abul Fazal Rizvi	1
Ghias Khan	1
Dr. Mahesh Kumar Malani	1
Salman Burney	1
Khalid Mansoor	1
Naheed S. Durrani (share transfer in process)	1
Imtiaz Ahmed Shaikh	1
Muhammad Tayyab Ahmed Tareen	1
Syed Hassan Naqvi	1
Musaddiq Ahmed Khan	1
Khalid Mohsin Shaikh	1

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Retirement funds

The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include defined contribution (DC) gratuity plan, and DC provident fund. The plan / funds are managed by Engro Corporation Limited for its employees and those of its associates including the Company.

Statement of directors' responsibilities

The directors confirm compliance with Public Sector Companies (Corporate Governance) Rules for the following:

1. The Board has complied with the relevant principles of corporate governance.

2. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

3. Proper books of accounts of the Company have been maintained.

4. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.

5. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.

6. The system of internal control is sound in design and has been effectively implemented, reviewed and monitored.

7. The appointment of chairman and other members of Board and the terms of their appointment alongwith the remuneration policy adopted are in the best interest of the Company as well as in line with best practices.

8. There are no significant doubts upon the Company's ability to continue as a going concern.

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Board meetings and attendance

In 2019, the Board of Directors held 7 meetings and Board Audit Committee (BAC) held 4 meetings. The attendance record of the Directors is as follows:

S. No.	Directors	Member of BAC (as at December 31, 2019)	Executive / Non-Executive *	BoD meetings attended	BAC meetings attended during the year
1.	Imtiaz Ahmed Shaikh**		Non-Executive	3	
2.	Mahesh Kumar Malani		Non-Executive	7	
3.	Ghias Khan		Non-Executive	6	
4.	Bao Jianjun		Non-Executive	-	
5.	Khalid Mohsin Shaikh	✓	Non-Executive	3	-
6.	Khalid Mansoor		Non-Executive	6	
7.	Salman Burney		Non-Executive	6	3
8.	Musaddiq Ahmed Khan	✓	Non-Executive	7	4
9.	Syed Hasan Naqvi**	✓	Non-Executive	1	-
10.	Syed Abul Fazal Rizvi		Executive	7	
11.	Muhammad Tayyab Ahmad Tareen**	✓	Non-Executive	5	1
12.	Naheed S. Durrani**	✓	Non-Executive	4	-

Directors resigned during the year

13.	Khurshid A. Jamali		Non-Executive	2	
14.	Muhammed Waseem		Non-Executive	1	1
15.	Salim Azhar		Non-Executive	2	
16.	Najam Ahmed Shah		Non-Executive	3	2

Note:

* Company has exemption from the requirement of Independent Directors
** Directors who joined the Board during the year

Chief Executive Officer

February 11, 2020

Director

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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

SINDH ENGRO COAL MINING COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Engro Coal Mining Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sindh Engro Coal Mining Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, 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 December 31, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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.

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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).

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: March 4, 2020

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019	2018
		---Rupees---	
ASSETS			
Non-current assets			
Development properties	3	-	51,646,291
Property, plant and equipment	4	72,275,575	9,753,385
Intangible assets	5	3,314	3,791
Long-term investment	6	206,000	206,000
Long-term advances, deposits and prepayments	7	317,952	1,012,662
		72,802,841	62,622,129
Current assets			
Inventory	8	585,185	-
Trade debts	9	20,026,331	-
Advances, deposits and prepayments	10	568,844	42,975
Other receivables	11	850,533	67,678
Taxes recoverable		-	52,868
Balances with banks	12	8,149,597	1,968,077
		30,180,490	2,131,598
Non-current assets held for sale	13	-	94,123
TOTAL ASSETS		102,983,331	64,847,850
EQUITY AND LIABILITIES			
Equity			
Share capital			
- Ordinary shares	14	13,411,986	9,349,091
- Preference shares	14	1,246,356	539,379
		14,658,342	9,888,470
Share premium		6,053,524	4,119,058
Unappropriated profit		5,725,772	44,368
		26,437,638	14,051,896
Non-current liability			
Borrowings	15	55,944,604	43,419,167
Current liabilities			
Current maturity of long-term borrowings	15	3,509,215	-
Short-term finances	16	4,648,700	-
Accrued mark-up		1,795,375	945,363
Taxes payable		13,922	-
Accrued and other liabilities	17	10,633,877	6,431,424
		20,601,089	7,376,787
Contingencies and commitments	18		
TOTAL EQUITY AND LIABILITIES		102,983,331	64,847,850

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019	2018
		----------------Rupees----------------	
Revenue	19	17,010,726	-
Cost of revenue	20	(8,098,226)	-
Gross profit		8,912,500	-
Administrative expenses	21	(409,752)	(30,316)
Other operating expenses	22	(19,333)	(1,185)
Other income	23	52,284	15,158
Profit from operations		8,535,699	(16,343)
Finance cost	24	(2,843,665)	(1,063)
Worker's profit participation fund	25	-	-
Profit / (Loss) before taxation		5,692,034	(17,406)
Taxation	26	(10,630)	(296)
Profit / (Loss) for the year		5,681,404	(17,702)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		5,681,404	(17,702)

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		Advance against issue of share capital	RESERVES		Total
				CAPITAL	REVENUE	
	Ordinary shares	Preference shares		Share premium	Unappropriated profit	
	----------	----------	----------	Rupees	----------	----------
Balance as at January 1, 2018	5,918,071	366,120	1,300,994	2,484,896	62,070	10,132,151
Total comprehensive loss for the year	-	-	-	-	(17,702)	(17,702)
Transactions with owners:						
Share capital issued during the year (including share premium, net of share issuance cost of Rs. 19,590)	3,431,020	173,259	(1,300,994)	1,634,162	-	3,937,447
Balance as at January 1, 2019	9,349,091	539,379	-	4,119,058	44,368	14,051,896
Total comprehensive income for the year	-	-	-	-	5,681,404	5,681,404
Transactions with owners:						
Share capital issued during the year (including share premium, net of share issuance cost of Rs. 23,849)	4,062,895	706,977	-	1,934,466	-	6,704,338
Balance as at December 31, 2019	13,411,986	1,246,356	-	6,053,524	5,725,772	26,437,638

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive Officer **Director**

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019	2018
		----Rupees----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		5,692,034	(17,406)
Adjustment for non-cash charges and other items:			
Income from bank deposits	23	(48,009)	(12,615)
Gain on disposal of operating assets	23	(4,275)	(138)
Finance cost	24	3,298,752	1,063
Depreciation	20	1,721,701	-
Amortisation	20	1,041	-
Exchange gain on revaluation of foreign currency borrowings		(480,559)	-
Working capital changes:			
- Increase in current assets		(21,919,448)	(9,550)
- Increase in current liabilities		4,202,453	1,263,215
		(17,716,995)	1,253,665
Loans and advances to employees, net		9,814	(13,000)
Interest received		76,561	23,502
Taxes paid		56,160	(4,801)
Net cash (utilised in) / generated from operating activities		(7,393,775)	1,230,270
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
- development properties		(2,586,728)	(15,624,899)
- property, plant and equipment		(4,547,356)	(2,322,019)
- intangible assets		(1,550)	-
Proceeds from disposal of property, plant & equipment		132,910	914
Net cash utilised in investing activities		(7,002,724)	(17,946,004)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital, net		6,704,338	3,937,447
Proceeds from long-term borrowings		14,041,763	15,963,737
Proceeds from short-term finances		4,648,700	-
Finance cost paid		(4,816,782)	(2,247,943)
Net cash generated from financing activities		20,578,019	17,653,241
Net increase in cash and cash equivalents		6,181,520	937,507
Cash and cash equivalents at beginning of the year		1,968,077	1,030,570
Cash and cash equivalents at end of the year	12	8,149,597	1,968,077

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive Officer **Director**

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Sindh Engro Coal Mining Company Limited ('the Company') is a public unlisted company, incorporated in Pakistan on October 15, 2009. The Company has its registered office at the 16th floor, The Harbor Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi and its mining site is situated at Thar Block II, Islamkot, District Tharparkar, Sindh.

1.2 The Company was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS), Engro Energy Limited (EEL) and Engro Corporation Limited for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project). Other sponsors include Thal Limited, Habib Bank Limited, The Hub Power Company Limited, CMEC Thar Mining Investments Limited and Huolinhe Open Pit Coal (HK) Investment Company Limited.

The Company achieved financial close of Phase I of the Project on April 4, 2016 for construction of coal mine with the capacity of 3.8 million tonnes per annum.

During the year, the Company declared its Commercial Operations Date (COD) for Phase I of the Project on July 10, 2019 (00:00 hours). Subsequent to COD, the Company has started supply of coal to Engro Powergen Thar (Private) Limited (EPTL), in accordance with the terms of the Coal Supply Agreement dated June 7, 2015, for generation of electricity by EPTL from its 2 x 330 Mega Watts power plants.

In 2017, the Company also entered into Coal Supply Agreements (CSA) with Thal Nova Power Thar (Private) Limited (TNPTL) and Thar Energy Limited (TEL) for annual supply of 1.9 million tonnes of coal to each. The coal supply will be made out of additional capacity of 3.8 million tonnes per annum under Phase II of the Project. These companies are setting up mine-mouth power plants of 330 MW each in Block-II of Thar Coal Field. The financial close of Phase II of the Project was achieved by the Company on December 31, 2019. The Company has entered into Offshore agreements with China Machinery Engineering Corporation (CMEC) and Onshore agreement with China East Resource Import and Export Corporation (CERIEC) dated December 21, 2017 for expansion of mine to supply coal to these power plants.

The approved cost of Phase II of the Project is USD 215,900. This will be funded through debt and equity of USD 148,900 and USD 67,000, respectively, for which the Company has entered into financing agreements dated September 2, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

(Amounts in thousand)

2.1.2 The financial statements have been prepapred in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable on the Company comprise of:

- Internation Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions and directives issued under the Companies Act, 2017 (the Act).

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

2.1.3 The preparation of 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 Company'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 financial statements are in respect of areas / policies disclosed in notes 2.2, 2.3, 2.8, 2.15 and 17.2 of the financial statements.

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 for the year

The following standards are effective on the Company for the first time for the financial year beginning January 1, 2019 and are relevant to the Company:

- IFRS 9 'Financial instruments': This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling fair value changes to profit or loss.

  The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

(Amounts in thousand)

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The Company has applied IFRS 9 retrospectively, however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard. The application of the standard has not resulted in any financial impact on the financial assets / liabilities of the Company. Changes related to the classification of financial assets and liabilities are as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Other receivables	Loans and receivables	Amortised cost
Balances with bank	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Accrued mark-up	Amortised cost	Amortised cost
Accrued and other liabilities	Amortised cost	Amortised cost

During the year, the Securities and Exchange Commission of Pakistan through its SRO No. 985(I)/2019 dated September 02, 2019 and through clarification provided to the Company dated January 23, 2020, has exempted the applicability of "Expected Credit Losses Method" till June 30, 2021 on financial assets directly due from Government of Pakistan (GoP) or that are ultimately due from GoP, in consequence of circular debt, provided that the Company shall follow relevant requirements of IAS 39.

- IFRS 15 'Revenue from contracts with customers': 'This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

  The Company is engaged in the business of coal extraction and sale. Sales to EPTL, the sole customer of the Company, are governed by the Coal Supply Agreement (CSA). The Company has assessed that the performance obligations under the CSA with the customer are as follows:

  - Making capacity available; and
  - Upon delivery of coal to the EPTL power plant.

(Amounts in thousand)

The Company has concluded that its revenue recognition policy is in line with the requirements of this standard.

- IFRS 16 'Leases': 'This standard replaces the existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company has assesed and concluded that application of this standard does not have any material impact on these financial statements.

The are certain other amendments to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

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

The following ammendments to the published accounting and reporting standards are relevant to the Company and would be effective from the dates mentioned below:

	Effective date (Annual periods beginning on or after)
- IAS 1 - "Presentation of Financial Statements" (amendment regarding the definition of materiality)	January 01, 2020
- IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" (amendment regarding definition of materiality)	January 01, 2020

The aforementioned amendments are not expected to have any material financial impact on the Company's financial statements in the period of initial application.

2.2 Development properties

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

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

(Amounts in thousand)

Capitalised development properties expenditure is recorded at cost less impairment, if any. As the 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 development properties are classified as investing activities in the statement of cash flows.

2.3 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of profit or loss and other 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 profit or loss and other comprehensive income, in the financial period of disposal or retirement.

Depreciation is charged 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 additions 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 Company 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 at each reporting date.

2.4 Intangible assets - Computer software

Costs associated with maintaining computer software programmes are recognised as an expense in the statement of profit or loss and other comprehensive income, when incurred. However, costs directly attributable to identifiable software having probable economic benefits exceeding one year, are recognised as intangible assets. Direct costs include purchase costs (license fee) and related overheads.

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

Software costs and license fees capitalised as intangible assets are amortised on a straight-line basis, over a period of 4 years.

(Amounts in thousand)

2.5 Long term investment

Investment in subsidiary companies are initially recognised at cost. At all 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 recognised as an expense in the statement of profit or loss and other comprehensive income. Where impairment losses are subsequently reversed, the carrying amounts of the investment are increased to their revised recoverable amounts but limited to the extent of initial cost of investment. A reversal of impairment loss is also recognised in the statement of profit or loss and other comprehensive income.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following measurement categories based on the Company's business model for managing the financial assets and the contractual terms of the cash flows:

(i) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

(ii) 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.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss.

2.6.2 Recognition and measurement

All financial assets are recognised at the time when the Company 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 Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss and other comprehensive income.

(Amounts in thousand)

Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category, together with interest thereon (if any), are recognised in profit or loss. Financial assets at amortised cost are carried as such using the effective interest rate method.

Interest on financial assets at 'fair value through other comprehensive income' is calculated using the effective interest method and is recognised in profit or loss. Dividends on financial assets at 'fair value through other comprehensive income and at 'fair value through profit or loss' are recognised in profit or loss when the Company's right to receive payments is established.

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

Gains and losses except impairment losses and foreign exchange gain and losses arising from changes in fair value of assets classified as 'financial assets at fair value through other comprehensive income' are recognised in other comprehensive income until the financial asset is derecognised. When debt instruments classified as 'financial assets at fair value through other comprehensive income' are sold, the accumulated gain or loss previously recognised in other comprehensive income is reclassified to 'other income/expense' within the statement of profit or loss and other .comprehensive income. When equity instruments classified as 'financial assets at fair value through other comprehensive income' are sold, the accumulated gain or loss previously recognised in other comprehensive income is not reclassified to profit or loss.

2.7 Inventory

These are valued at lower of cost or net realisable value. Cost is determined using weighted average method.

Net realisable value signifies the estimated selling price in accordance with the terms of CSA less all estimated costs of completion and costs necessary to be incurred in order to make the sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds such receivables with the objective of collecting the contractual cash flows and, therefore, measures the trade debts subsequently at amortised cost using the effective interest method.

2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include balances with banks. These also include short-term investments, if any, having maturity of upto three months.

(Amounts in thousand)

2.10 Share capital

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

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is amortised over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.12 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

2.13 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.

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

2.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised 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 Company or the counterparty.

2.15 Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

(Amounts in thousand)

The Company recognises revenue upon fulfillment of following obligations:

- Capacity revenue is recognised based on the capacity made available to the customer; and

- Production revenue is recognised based on the coal quantity delivered to the customer's power plant.

Capacity and production revenue is recognised based on the rates determined under the mechanism laid down in the CSA with the customer.

Profit on bank deposits and delayed payment income on overdue trade debts are recognised on accrual basis.

2.16 **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 reporting date, and any adjustment to tax payable in respect of previous years.

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.

2.17 **Retirement and other service benefit obligations**

2.17.1 **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 statement of profit or loss and other comprehensive income 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 Company's associated company - Engro Corporation Limited, operates and maintains a defined contribution provident fund for the Company's permanent employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary.

Further, employees of the Company are also members of the defined contribution gratuity fund maintained and operated by the Company's associated company - Engro Corporation Limited.

(Amounts in thousand)

2.17.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan, other than the defined contribution plan under which the Company has an obligation to provide the agreed benefits to its entitled employees. The Company'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.

Currently, certain permanent employees of the Company who are not members of the defined contribution gratuity fund (note 2.17.1) are members of the defined benefit gratuity fund maintained and operated by the Company's associated company - Engro Corporation Limited.

2.18 Provisions

Provisions are recognised when the Company 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 reporting date and adjusted to reflect current best estimate.

2.19 Impairment losses

The carrying amount of the Company's assets is reviewed at each reporting 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 statement of profit or loss and other comprehensive income.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees which is the Company'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 translation of monetary assets and liabilities denominated in foreign currency at year end exchange rates are recognised in development properties.

2.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

(Amounts in thousand)

	2018	Additions during the year	2019
	----------Rupees----------		
3. DEVELOPMENT PROPERTIES			
Overburden removal cost (note 3.1)	755,607	(4,715)	750,892
Onshore contractor cost	29,709,386	3,783,690	33,493,076
Project development costs	1,734,672	5,867	1,740,539
Village relocation	1,182,372	329,997	1,512,369
Road construction	173,130	244,605	417,735
Utility system	173,973	39,439	213,412
Depreciation (note 4.1)	2,676,304	452,529	3,128,833
Amortisation (note 5)	6,351	986	7,337
Consultancy and studies	1,359,044	633,521	1,992,565
Gorano water pond	1,193,854	2,307	1,196,161
Financial charges	668,281	100,625	768,906
Markup on long term borrowings - net (note 3.2)	4,591,211	2,451,699	7,042,910
Salaries, wages and staff welfare	1,897,353	766,833	2,664,186
Purchased services	148,933	57,457	206,390
Operating expenses	1,288,108	494,761	1,782,869
Insurance	328,841	20,754	349,595
Exchange loss	3,438,092	2,719,264	6,157,356
Share issuance cost	28,262	8,841	37,103
Legal and professional charges	292,973	34,794	327,767
Phase II costs net-off Pre-COD sales (note 3.3)	292,682	(3,192,761)	(2,900,079)
Sale of inventory coal	-	(274,406)	(274,406)
	51,939,429	8,676,087	60,615,516
Expenses charged-off in the statement of profit or loss and other comprehensive income	(243,792)	(15,427)	(259,219)
Expenses netted-off in equity - Share issuance cost	(49,346)	(19,375)	(68,721)
Transferred to inventory	-	(104,000)	(104,000)
Transferred to capital work-in-progress (note 4.5)	-	(60,183,576)	(60,183,576)
Balance as at December 31	51,646,291	(51,646,291)	-

3.1 Includes payments to local contractor for overburden removal, salaries of the Company's Project site staff and operating expenses incurred at Project site.

Mr.

(Amounts in thousand)

3.2 This includes borrowing costs of Rs. 7,143,573 (2018: Rs. 4,663,322) incurred on borrowings obtained for the Project net of income on bank deposits of Rs. 100,663 (2018: Rs. 72,111).

3.3 As per decision of the Thar Coal and Energy Board (TCEB) dated April 5, 2019, Pre-COD sales may be utilised by the Company in reducing Phase II expenditure relating to expansion of mine to 7.6 MTPA. Accordingly, Phase II costs are net off Pre-COD sales amounting to Rs. 3,514,071 (2018: Nil).

3.4 **Movement during the year**

	2019	**2018**
	-----------------Rupees-----------------	
Balance at beginning of the year	51,646,291	28,566,101
Add: Additions during the year	8,676,087	23,130,235
Less: Expenses charged-off in the statement of profit or loss and other comprehensive income	(15,427)	(30,455)
Less: Expenses netted-off in equity - Share issuance cost	(19,375)	(19,590)
Less: Transferred to inventory	(104,000)	-
Less: Transferred to capital work-in-progress	(60,183,576)	-
Balance at end of the year	-	51,646,291

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets (note 4.1)	70,723,978	3,418,669
Capital work-in-progress (note 4.5)	1,551,597	6,334,716
	72,275,575	9,753,385

(Amounts in thousand)

4.1 Operating assets

	Freehold land	Buildings	Computers, office and other equipment	Plant & machinery	Vehicles	Mining asset	Total
	Rupees						
As at January 1, 2018							
Cost	448,210	6,450	102,527	4,341,590	139,788	-	5,038,565
Accumulated depreciation	-	(554)	(41,208)	(1,408,254)	(63,200)	-	(1,513,216)
Net book value	448,210	5,896	61,319	2,933,336	76,588	-	3,525,349
Year ended December 31, 2018							
Opening net book value	448,210	5,896	61,319	2,933,336	76,588	-	3,525,349
Additions (note 4.5)	-	4,864	39,872	1,141,928	-	-	1,186,664
Assets classifed as held for sale							
- Cost	(94,123)	-	-	-	-	-	(94,123)
- Accumulated depreciation	-	-	-	-	-	-	-
	(94,123)	-	-	-	-	-	(94,123)
Disposals							
- Cost	-	-	(1,407)	-	-	-	(1,407)
- Accumulated depreciation	-	-	631	-	-	-	631
	-	-	(776)	-	-	-	(776)
Depreciation charge (note 4.2)	-	(1,952)	(27,197)	(1,136,762)	(32,534)	-	(1,198,445)
Net book value	354,087	8,808	73,218	2,938,502	44,054	-	3,418,669
As at December 31, 2018							
Cost	354,087	11,314	140,992	5,483,518	139,788	-	6,129,699
Accumulated depreciation	-	(2,506)	(67,774)	(2,545,016)	(95,734)	-	(2,711,030)
Net book value	354,087	8,808	73,218	2,938,502	44,054	-	3,418,669
Year ended December 31, 2019							
Opening net book value	354,087	8,808	73,218	2,938,502	44,054	-	3,418,669
Additions (note 4.5)	-	1,680,170	5,835	4,428,401	31,050	63,368,595	69,514,051
Disposals (note 4.4)							
- Cost	(21,814)	-	(2,701)	-	(14,537)	-	(39,052)
- Accumulated depreciation	-	-	997	-	3,543	-	4,540
	(21,814)	-	(1,704)	-	(10,994)	-	(34,512)
Depreciation charge (note 4.2)	-	(59,925)	(26,244)	(1,070,638)	(12,383)	(1,005,040)	(2,174,230)
Net book value	332,273	1,629,053	51,105	6,296,265	51,727	62,363,555	70,723,978
As at December 31, 2019							
Cost	332,273	1,691,484	144,126	9,911,919	156,301	63,368,595	75,604,698
Accumulated depreciation	-	(62,431)	(93,021)	(3,615,654)	(104,574)	(1,005,040)	(4,880,720)
Net book value	332,273	1,629,053	51,105	6,296,265	51,727	62,363,555	70,723,978
Annual rate of depreciation (%) - Revised	-	6.67 to 25	25	6.67 to 25	25	3.33	
Annual rate of depreciation (%) - 2018	-	25	25	25	25	-	

(Amounts in thousand)

	2019	2018
	------------------Rupees------------------	

4.2 Depreciation charge for the year has been allocated as follows:

	2019	2018
Development properties (note 3)	452,529	1,198,445
Cost of revenue (note 20)	1,721,701	-
	2,174,230	1,198,445

4.3 During the year, the Company, as required under its accounting policy, re-assessed useful lives of its property, plant and equipment. For this purpose, the Company utilised its in-house expertise. Based on the assessment carried out, useful lives of relevant assets have been revised with effect from January 1, 2019 as mentioned in note 4.1. This revision in the accounting estimate of useful lives has been accounted for prospectively, which has resulted in decrease in depreciation charge for the year by Rs. 532,612 and increase in carrying value of property, plant and equipment by the same amount. As depreciation during the Pre-COD phase was being capitalised under 'Development properties', the depreciation charge recorded in the statement of profit and loss and other compehensive income only pertains to the depreciation charge relating to the Post-COD phase. Accordingly, had there been no revision in the accounting estimate of useful lives of plant and machinery, the profit before tax for the current year would have been lower by Rs. 253,420.

4.4 The details of operating assets disposed-off during the year, having net book value of more than Rs. 500, is as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer	Relationship
	----------------------	----------------------	--Rupees--	----------------------	----------------------			
Land	21,814	-	21,814	21,814	-	As per Agreement	EPTL	Associate
Vehicle	14,537	(3,543)	10,994	15,268	4,274	As per Company policy	Shamsuddin Ahmed Shaikh	Ex-Employee

	2019	2018
	------------------Rupees------------------	

4.5 **Capital work-in-progress**

	2019	2018
Balance as at January 1	6,334,716	5,335,046
Add: Additions during the year, including transfers from development properties (note 3)	64,730,932	2,186,334
Less: Transferred to operating assets (note 4.1)	(69,514,051)	(1,186,664)
Balance as at December 31 (note 4.6)	1,551,597	6,334,716

4.6 This includes Phase II costs, net of Pre-COD and inventory sales amounting to negative Rs. 3,185,019.

(Amounts in thousand)

		2019	2018
		------Rupees------	
5.	**INTANGIBLE ASSETS - Computer software**		
	Net carrying value		
	Balance at beginning of the year	3,791	5,977
	Add: Additions during the year	1,550	-
	Less: Amortisation charge for the year (note 5.1)	(2,027)	(2,186)
	Balance at end of the year	3,314	3,791
	Gross carrying value		
	Cost	11,692	10,142
	Less: Accumulated amortisation	(8,378)	(6,351)
	Net book value	3,314	3,791
	Annual rate of amortisation (%)	25	25
5.1	Amortisation charge for the year has been allocated as follows:		
	Development properties (note 3)	986	2,186
	Cost of revenue (note 20)	1,041	-
		2,027	2,186
6.	**LONG TERM INVESTMENT**		
	Unquoted subsidiary company - at cost		
	Thar Power Company Limited - 20,600,000 (2018: 20,600,000) ordinary shares of Rs.10 each	206,000	206,000
7.	**LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS - Considered good**		
	Loan arrangement charges (note 7.1)	3,076,138	3,076,138
	Less: Transaction cost netted-off from borrowings (note 15.3)	(2,796,852)	(2,112,748)
		279,286	963,390
	Security deposit (note 7.2)	14,450	14,450
	Advances for employee benefits (notes 7.3, 7.4 and 7.5)	39,816	49,630
	Less: Current portion shown under current assets (note 10)	(15,600)	(14,808)
		24,216	34,822
		317,952	1,012,662

(Amounts in thousand)

7.1 Loan arrangement charges of Rs. 3,076,138 (2018: 3,076,138) have been incurred in connection with long-term loan / financing arrangements. Out of this Rs. 2,796,852 (2018: Rs. 2,112,748) has been recognised as transaction cost and deducted from the borrowings in proportion of the drawn down loan amount to the total facilities available as at December 31, 2019. Accordingly, transaction costs of Rs. 279,286 (2018: Rs. 963,390) have been carried forward as long term advances as at December 31, 2019 and will be recognised as transaction costs as and when the draw downs are made against remaining limits of loan facilities.

7.2 Represents amount deposited with Hyderabad Electric Supply Corporation in respect of sanction for supply of power to Thar Coal Field Block II, Islamkot,Tharparkar.

	2019	2018
	------------------Rupees------------------	
7.3 Reconciliation of the carrying amount of advances for employee benefits		
Balance at beginning of the year	49,630	36,630
Add: Disbursements	22,539	33,658
Less: Repayments/Amortisation	(32,353)	(20,658)
Balance at end of the year	39,816	49,630

7.4 Includes interest free loans under investment loan plan to executives of Rs. 24,050 (2018: Rs. 20,266) repayable after three years in lump sum. It also includes advances to executives for car earn out assistance and house rent given to certain employees amounting to Rs. 8,847 (2018: Rs. 18,733) and Rs. 1,210 (2018: Nil) respectively, as per the Company's policy. These are amortised over the period as per the terms of employment.

7.5 The maximum amount outstanding at the end of any month from employees aggregated to Rs. 58,218 (2018: Rs. 49,630).

8. INVENTORY

This represents coal inventory of 257,076 tonnes held in trust by CERIEC, the O&M contractor of the Company, for the period of the term of the O&M agreement.

9. TRADE DEBTS
- considered good

9.1 Represents receivable from Engro Powergen Thar (Private) Limited (EPTL), an associated undertaking, against sale of coal in accordance with the terms of the CSA between the Company and EPTL.

9.2 Trade debts include:

- Rs. 8,115,276 (2018: Nil) which is neither past due nor impaired; and

(Amounts in thousand)

- Rs. 11,911,055 (2018: Nil) which is over due but not impaired. The overdue receivables carry delayed payment interest at the rate of KIBOR plus 2% per annum. The ageing of overdue receivables is as follows:

	2019	2018
	---Rupees---	
Upto 3 months	11,751,722	-
3 to 6 months	159,333	-
	11,911,055	-

9.3 The maximum amount outstanding from associated undertaking at the end of any month aggregated to Rs. 20,026,331 (2018: Nil).

10. ADVANCES, DEPOSITS AND PREPAYMENTS

	2019	2018
	---Rupees---	
Current portion of advances for employee benefits (note 7)	15,600	14,808
Advances to suppliers	373,308	14,341
Advances to employees	6,066	4,081
Prepayments	166,425	1,800
Security deposits	7,445	7,945
	568,844	42,975

10.1 As at December 31, 2019 and 2018, advances and deposits were neither past due nor impaired.

11. OTHER RECEIVABLES

	2019	2018
	---Rupees---	
Due from associated companies:		
- Engro Energy Limited	-	6,327
- Engro Energy Services Limited	4	-
- Thar Power Company Limited	5,133	-
- Engro Corporation Limited	-	3,553
- Engro Powergen Thar (Private) Limited	2,073	2,070
- Thar Foundation	16,536	1,507
- Engro Powergen Qadirpur Limited	72	152
Others (note 11.1)	826,715	54,069
	850,533	67,678

11.1 Includes Rs. 4,448 (2018: Rs. 52,960) incurred on behalf of the Onshore contractor of the Company and receivables in respect of Worker's profit participation fund and delayed payment interest amounting to Rs. 284,602 (2018: Nil) and Rs. 322,455 (2018: Nil), respectively.

11.2 As at December 31, 2019, other receivables were neither past due nor impaired.

(Amounts in thousand)

11.3 The maximum amount outstanding at the end of any month from associated undertakings aggregated to Rs. 86,156 (2018: Rs. 44,338).

	2019	2018
	Rupees	
12. BALANCES WITH BANKS		
Deposits with banks		
- Foreign currency accounts (note 12.1)	1,351,987	1,400,385
- Local currency accounts (note 12.2)	6,728,315	522,692
Cheques in hand	69,295	45,000
	8,149,597	1,968,077

12.1 Represents deposits with scheduled banks amounting to US Dollars 8,731 (2018: US Dollars 10,085) at profit rate of Nil (2018: Nil) per annum.

12.2 Represents deposits with scheduled banks at profit rates of upto 12.25% (2018: 9%) per annum.

13. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale comprised of 488 acres of land that have been mutated to the benefit of Thal Nova Thar (Private) Limited and Thar Energy Limited for the construction of mine-mouth power plants at Block II of Thar Coal Field. The land has been transferred at its cost which amounts to approximately Rs. 94,123 (note 4.1).

	2019	2018
	Rupees	
14. SHARE CAPITAL		
Authorised capital		
2,065,700,000 (2018: 1,462,000,000) Ordinary shares of Rs. 10 each (note 14.1)	20,657,000	14,620,000
144,000,000 (2018: 110,900,000) Preference shares of Rs. 10 each (note 14.1)	1,440,000	1,109,000
Issued, subscribed and paid-up capital		
1,341,198,633 (2018: 934,909,050) Ordinary shares of Rs. 10 each fully paid in cash (note 14.2)	13,411,986	9,349,091
124,635,575 (2018: 53,937,925) Preference shares of Rs. 10 each fully paid in cash (note 14.3)	1,246,356	539,379

14.1 During the year, the Company increased its authorised share capital from:

- 1,462,000,000 Ordinary shares to 2,065,700,000 Ordinary shares of Rs. 10 each; and
- 110,900,000 Preference shares to 144,000,000 Preference shares of Rs. 10 each.

(Amounts in thousand)

14.2 Ordinary shares

2019	2018		2019	2018
------------Number of shares------------			------------------Rupees------------------	
934,909,050	591,807,097	At beginning of the year	9,349,091	5,918,071
406,289,583	343,101,953	Ordinary shares of Rs. 10 each issued for cash at a premium of Rs. 4.82 per share, as fully paid right shares (note 14.2.1)	4,062,895	3,431,020
1,341,198,633	934,909,050	At end of the year	13,411,986	9,349,091

14.2.1 Ordinary shares issued during the year

	2018	Shares issued during the year	2019
	------------------------Number of shares------------------------		
Government of Sindh	511,395,250	222,240,405	733,635,655
Engro Energy Limited	111,254,177	48,348,460	159,602,637
Thal Limited	111,254,177	48,348,460	159,602,637
Habib Bank Limited	88,816,360	38,597,509	127,413,869
The Hub Power Company Limited	74,792,724	32,503,167	107,295,891
CMEC Thar Mining Investments Limited	37,396,362	16,251,582	53,647,944
	934,909,050	406,289,583	1,341,198,633

14.2.2 These fully paid ordinary shares were alloted for consideration paid in cash, carry one vote per share and right to dividend.

14.3 Preference shares

2019	2018		2019	2018
------------Number of shares------------			------------------Rupees------------------	
53,937,925	36,612,025	At beginning of the year	539,379	366,120
70,697,650	17,325,900	Preference shares of Rs. 10 each issued for cash, as fully paid right shares	706,977	173,259
124,635,575	53,937,925	At end of the year	1,246,356	539,379

14.3.1 These fully paid preference shares at Rs. 10 each are held by Huolinhe Open Pit Coal (HK) Investment Co. Limited (HOCIC). These preference shares are cumulative, non-redeemable, non-convertible, non-participatory and non-voting and carry dividend at fixed return rate of 15.4% per annum (after COD) computed in US Dollars. These preference shares have been classified as equity as per the requirements of the Companies Act, 2017.

(Amounts in thousand)

Under the Articles of Association of the Company, the dividend in respect of preference shares shall be paid only if in any financial year;

- the Company has made a profit after tax; and

- any and all losses incurred by the Company have been fully recouped.

Based on coupon rate of 15.4% per annum, the preference dividend for the period subsequent to COD amounts to Rs. 114,333 (2018: Nil).

15. BORROWINGS

	2019	2018
	------------------Rupees------------------	
Local currency borrowings (notes 15.1 and 15.2)	30,879,519	24,550,163
Foreign currency borrowings (notes 15.1 and 15.2)	30,969,520	20,791,158
	61,849,039	45,341,321
Less: Current portion shown under current liabilties:		
- Local currency borrowings	(1,419,245)	-
- Foreign currency borrowings	(2,332,005)	-
	(3,751,250)	-
Less: Transaction costs (note 15.3)	(2,395,220)	(1,922,154)
Current portion of transaction costs	242,035	-
	(2,153,185)	(1,922,154)
	55,944,604	43,419,167

15.1 On December 21, 2015, the Company entered into following loan agreements:

- Syndicate Facility Agreement with eight commercial banks namely Habib Bank Limited, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Sindh Bank Limited, Bank of Punjab, NIB Bank Limited and Habib Metropolitan Bank Limited for an aggregate amount of Rs. 40,000,000 for a period of 14 years of which amount of Rs. 33,000,000 pertains to Phase 1 of mine development. As at December 31, 2019, the Company has made draw down of Rs. 20,570,120 (2018: Rs. 18,003,453) against this facility;

- Islamic Finance Agreement with three commercial banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 12,000,000 for a period of 14 years. As at December 31, 2019, the Company has made draw down of Rs. 10,309,400 (2018: Rs. 6,546,710) against this facility; and

- US Dollar Term Loan Facility Agreement with three foreign banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 200,000 for a period of 14 years. As at December 31, 2019, the Company has made draw down of USD 200,000 (2018: USD 149,725) against this facility.

(Amounts in thousand)

15.2 These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date; and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as June 1 or December 1 of any year. These loans carry annual mark-up / profit at the rate of 6 months KIBOR plus 1.75% except for the USD facility which carries annual mark-up / profit at the rate of 6 months LIBOR plus 3.30%. These facilities are secured by Project assets of the Company. Further, shareholders of the Company have committed to provide cost overrun support for 5% of the Project cost and have pledged shares in favor of the Security Trustee. Additionally, shareholders, other than Habib Bank Limited, have also provided Stand-By Letter of Credit (SBLC) as coverage for their equity commitments to the Project.

15.3 **Transaction costs**

	2019	2018
	(Rupees)	
Transaction costs netted-off from borrowings (note 7)	2,796,852	2,112,748
Less: Amortisation recognised in profit or loss (note 24)	(112,209)	-
Less: Amortisation recognised in development properties (note 3)	(289,423)	(190,594)
	2,395,220	1,922,154

15.4 Following are the changes in the borrowings for which cash flows have been classified as financing activities in the statement of cash flows:

	2019	2018
	(Rupees)	
Balance as at January 1	43,419,167	24,983,853
Proceeds from borrowings	14,041,763	15,963,737
Transaction costs netted-off from borrowings	(684,104)	(899,817)
Amortisation of transaction cost	211,038	129,896
	(473,066)	(769,921)
Current portion shown under current liabilities	(3,509,215)	-
Exchange loss	2,465,955	3,241,498
Balance as at December 31	55,944,604	43,419,167

16. SHORT-TERM FINANCES

The Company has entered into:

- Running-Musharakah Agreement with Meezan Bank Limited, as Running Musharakah Agent and Dubai Islamic Bank (together referred as Running Musharakah Participants) for an amount of Rs. 5,400,000. The profits under this Islamic financing liability are accrued on outstanding Musharakah Investment amounts of Musharakah Participants at the rate of one month KIBOR plus a margin of 1.25% per annum payable quarterly; and

- Running Finance Facility with National Bank of Pakistan for an amount of Rs. 2,000,000. Mark-up on outstanding principal of this facility is accrued at the rate of one month KIBOR plus a margin of 1.25% per annum payable quarterly.

Both the facilities have been availed to cater the working capital requirements of the Company.

(Amounts in thousand)

	2019	2018
	------(Rupees)------	
17. ACCRUED AND OTHER LIABILITIES		
Accrued liabilities (note 17.1)	6,295,701	6,340,572
Retention money	236,694	84,101
Workers' profit participation fund	284,602	-
Sales tax payable	1,109,972	-
Deferred liabilities (note 17.2)	2,690,461	-
Due to associated undertakings:		
- Engro Energy Limited	1,558	-
- Engro Polymers and Chemicals Limited	421	-
- Engro Corporation Limited	6,002	-
Withholding tax payable	8,466	6,751
	10,633,877	6,431,424

17.1 Includes accruals against Offshore and Onshore Agreements amounting to Nil (2018: Rs. 2,584,282) and Rs. 541,109 (2018: Rs. 1,939,847), respectively.

17.2 This represents that portion of invoiced revenue against which either no related costs have been incurred or which will be adjusted after the approval / notification of COD tariff true-up by Thar Coal and Energy Board.

18. CONTINGENCIES AND COMMITMENTS

18.1 Capital commitments for civil works construction and equipment procurement as at December 31, 2019 amounts to Rs. 627,976 (2018: Rs. 8,324,362).

18.2 Bank guarantee amounting to Rs. 2,200 has been issued by the Company in favour of Nazir of the Sindh High Court (the Court). The guarantee has been submitted under the interim order made by the Court for release of mining dump trucks imported by the Company, without payment of advance income tax, subject to furnishing of security for the amount of tax involved. The guarantee is secured through lien on deposits of Thar Power Company Limited, the wholly owned subsidiary of the Company.

18.3 In 2016, a petition was filed before the Honourable High Court of Sindh against the Company and other respondents to challenge the legality of the establishment of water reservoir by the Company at Gorano for the purposes of storage and containment of sub-soil water required to be extracted for sustained mining operations at Thar Block II. In view of the legal advisor of the Company, the Company has a good defence in this petition, accordingly, no provision has been recognised against the expenditure incurred to-date for the construction of water reservoir.

(Amounts in thousand)

	2019	2018
	---Rupees---	

19. REVENUE

	2019	2018
Capacity purchase price	15,155,539	-
Less: Sales tax	(2,519,773)	-
	12,635,766	-
Energy purchase price	4,672,680	-
Less: Sales tax	(752,172)	-
	3,920,508	-
Others (note 19.1)	454,452	-
	17,010,726	-

19.1 Includes delayed payment interest amounting to Rs. 322,455 (2018: Nil).

20. COST OF REVENUE

	2019	2018
O&M contractor cost	3,779,804	-
Fuel and power	2,263,183	-
Depreciation (note 4.2)	1,721,701	-
Salaries, wages and staff welfare	192,557	-
Travelling, security and site expenses	179,974	-
Transportation	187,917	-
Insurance	154,367	-
Consultancy	56,216	-
Village relocation	10,506	-
Other expenses	32,145	-
Amortisation (note 5.1)	1,041	-
	8,579,411	-
Less: Cost allocation to closing inventory	(481,185)	-
	8,098,226	-

21. ADMINISTRATIVE EXPENSES

	2019	2018
Salaries, wages and staff welfare	188,664	11,677
Travelling, security and site expenses	57,923	6,818
Purchased services	43,801	7,921
Corporate social reponsibility (note 21.1)	116,164	-
Directors' fee (note 27)	3,200	3,900
	409,752	30,316

21.1 This represents contribution for the year to be made to Thar Foundation, a related party. Syed Abul Fazal Rizvi, Musaddiq Ahmed Khan, Imtiaz Ahmed Shaikh, Mahesh Kumar Malani and Syed Hassan Naqvi are directors of both, the Company and Thar Foundation.

(Amounts in thousand)

	2019	2018
	------------------Rupees------------------	
22. OTHER OPERATING EXPENSES		
Auditors' remuneration (note 22.1)	1,474	1,185
Legal and professional expenses	17,859	-
	19,333	1,185
22.1 Auditors' remuneration		
Fee for the:		
- audit of annual financial statements	865	675
- review of half yearly financial information	310	250
- review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	75	75
Out of pocket expenses	224	185
	1,474	1,185
23. OTHER INCOME		
On financial assets		
Profit / Interest income on deposits with banks	48,009	12,615
On non-financial assets		
Gain on disposal of property, plant and equipment	4,275	138
Reversal of Workers' Welfare Fund	-	2,405
	52,284	15,158
24. FINANCE COST		
Mark-up on long-term borrowings	2,952,247	-
Mark-up on short-term finances	190,851	-
Amortisation of transaction costs (note 15.3)	112,209	-
Unrealised exchange gain	(455,087)	-
Other financial charges	43,445	1,063
	2,843,665	1,063
25. WORKER'S PROFIT PARTICIPATION FUND		
Provision for Worker's Profit Participation Fund (note 25.1)	284,602	-
Pass through under tariff	(284,602)	
	-	-

25.1 The Company is required to pay 5% of its profit to the Worker's Profit Participation Fund. However, such payment will not effect the Company's overall profitability as this is pass through item as part of its tariff.

(Amounts in thousand)

	2019	2018
	------------------Rupees------------------	
26. TAXATION		
Current		
- for the year	13,922	296
- for prior year	(3,292)	-
	10,630	296

26.1 Pursuant to the amendment in Second Schedule to the 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 projects, have been exempted from the provisions of Income Tax Ordinance, 2001. However, current tax for the year represents corporate tax at the rate of 29% on profit on bank deposits of the Company in accordance with Division II Part 1 of First Schedule of the Income Tax Ordinance, 2001.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019			2018		
	Directors			Directors		
	Chief Executive Officer	Others	Executives	Chief Executive Officer	Others	Executives
	---(Rupees)---					
Managerial remuneration	21,474	-	285,383	18,368	-	297,144
Contribution for staff retirement benefits	2,434	-	31,298	2,323	-	28,459
Other benefits	35,459	-	152,902	17,618	-	95,791
Fees (notes 21 and 27.3)	-	3,200	-	-	3,900	-
Total	59,367	3,200	469,583	38,309	3,900	421,394
Number of persons, including those who worked part of the year	1	11	62	2	11	52

27.1 The Company has also provided Company owned vehicles for use of certain executives of the Company.

27.2 Premium charged during the year in respect of directors indemnity insurance amounts to Rs. Nil (2018: Rs. 929).

27.3 Represents fixed fee paid to Directors for attending the meetings of the Board and its committees.

28. RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS

28.1 Provident fund

The investments out of the provident fund, managed by Engro Corporation Limited, an associated undertaking, have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

(Amounts in thousand)

28.2 **Other defined contribution plans**

An amount of Rs. 69,543 (2018: Rs. 70,727) has been charged during the year in respect of defined contribution plans.

	2019	2018
	------Rupees------	
29. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost		
Trade debts	20,026,331	-
Deposits	21,895	22,395
Other receivables	850,533	67,678
Balances with banks	8,149,597	1,968,077
	29,048,356	2,058,150
Financial liabilities at amortised cost		
Borrowings	59,453,819	43,419,167
Short-term finances	4,648,700	-
Accrued mark-up	1,795,375	945,363
Accrued and other liabilities	6,540,376	6,424,673
	72,438,270	50,789,203

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

30.1 **Financial Risk Factors**

The Company'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 Company'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 Company'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, foreign currency borrowings, related interest payments and bank account balances. The Company's exposure to currency risk is limited as the fluctuation in the foreign exchange rates are covered through adjustment in tariff as per the Implementation Agreement with Government of Sindh.

(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 interest rate risk arises from borrowings. These are benchmarked to variable rates which expose the Company to interest rate risk. The Company's exposure to interest rate risk is limited as the unfavourable fluctuation in the interest rates of borrowings are covered through adjustment in tariff as per the Implementation Agreement with Government of Sindh.

iii) Other price rate risk

Other price risk is the risk that the fair value of 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 Company is exposed to inflation rate risk but the exposure is covered through adjustments in tariff as per Implementation Agreement with Government of Sindh.

b) Credit risk

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

Major credit risk of the Company arises from trade debts, loans to employees, other receivables and deposits with banks and financial institutions. The credit risk on trade debts is limited as it entirely represents receivable from a related party. Further, trade debts are also partially secured against a bank guarantee provided by coal off-taker as issued by banks with good credit rating. The Company also takes comfort from the fact that the receivables of coal off-takers from their customer (Public Sector Power Purchaser) are secured by guarantee by the Government of Pakistan through Implementation Agreement and as such considered to be as sovereign risk quality debts. The credit risk on other liquid funds is limited because the counter parties are either related parties, employees of the Company or banks with a reasonably high credit ratings. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Name of bank/financial institution	Rating	
	Short term	Long term
Industrial and Commercial Bank of China	P-1	A1
National Bank of Pakistan	A1+	AAA

c) Liquidity risk

Liquidity risk represents the risk that the Company 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. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

(Amounts in thousand)

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019			2018		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Borrowings	3,509,215	55,944,604	59,453,819	-	43,419,167	43,419,167
Short-term finances	4,648,700	-	4,648,700	-	-	-
Accrued mark-up	1,795,375	-	1,795,375	945,363	-	945,363
Accrued and other liabilities	6,540,376	-	6,540,376	6,424,673	-	6,424,673
	16,493,666	55,944,604	72,438,270	7,370,036	43,419,167	50,789,203

30.2 Fair value of financial assets and financial liabilities

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

30.3 Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios of the Company as at December 31, 2019 and 2018 are as follows:

	2019	2018
	Rupees	
Total borrowings (note 15)	59,926,885	44,189,088
Total equity	26,437,638	14,051,896
Total capital	86,364,523	58,240,984
Gearing ratio	0.69	0.76

	2019	2018
	Tonnes	
31. CAPACITY AND PRODUCTION		
Actual coal quantity supplied	1,815,609	-

(Amounts in thousand)

32. TRANSACTIONS WITH RELATED PARTIES

32.1 Following are the related parties with whom the Company had entered into transactions or had agreements or arrangements in place during the year:

Name of related parties	Direct shareholding	Relationship
Thar Power Company Limited	N/A	Subsidiary Company
Engro Corporation Limited	N/A	Associated Company
Engro Energy Limited	11.90%	Associated Company
Engro Fertilizers Limited	N/A	Associated Company
Engro Powergen Qadirpur Limited	N/A	Associated Company
Engro Energy Services Limited	N/A	Associated Company
Engro Powergen Thar (Private) Limited	N/A	Associated Company
Siddiqsons Energy Limited	N/A	Associated Company
Thar Foundation	N/A	Associated Company
Engro Foundation	N/A	Associated Company
Engro Vopak Terminal Limited	N/A	Associated Company
Syed Abul Fazal Rizvi	N/A	Key Management Personnel
Shamsuddin Ahmed Shaikh	N/A	Key Management Personnel
Mohammed Saqib	N/A	Key Management Personnel
Kashif Ahmed Soomro	N/A	Key Management Personnel
Zeshan Taj Khan	N/A	Key Management Personnel
Syed Murtaza Azhar Rizvi	N/A	Key Management Personnel
Naseer Memon	N/A	Key Management Personnel
Imtiaz Ahmed Shaikh	N/A	Director
Naheed S. Durrani	N/A	Director
Musaddiq Ahmed Khan	N/A	Director
Muhammad Salman Burney	N/A	Director
Khalid Mohsin Shaikh	N/A	Director
Khalid Mansoor	N/A	Director
Syed Hassan Naqvi	N/A	Director
Muhammad Tayyab Ahmad Tareen	N/A	Director
Mahesh Kumar Malani	N/A	Director
Khurshid Anwar Jamali	N/A	Director
Najam Ahmed Shah	N/A	Director
Firdous Shamim Naqvi	N/A	Director
Agha Wasif Abbas	N/A	Director
Muhammad Waseem	N/A	Director
Salim Azhar	N/A	Director

(Amounts in thousand)

32.2 Details of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2019	2018
	------Rupees------	
Subsidiary companies		
Reimbursement of expenses incurred for:		
- Thar Power Company Limited	20,974	-
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Corporation Limited	125,975	77,877
- Engro Energy Limited	9,071	24,793
- Engro Fertilizers Limited	6,318	7,952
- Engro Powergen Qadirpur Limited	5,004	7,332
- Thar Foundation	8,221	1,983
- Engro Energy Services Limited	315	-
Reimbursement of expenses incurred for:		
- Engro Energy Limited	37,782	129,511
- Engro Powergen Thar (Private) Limited	43,349	41,742
- Engro Corporation Limited	7,256	8,635
- Engro Powergen Qadirpur Limited	4,978	3,288
- Engro Fertilizers Limited	-	1,060
- Engro Vopak Terminal Limited	-	204
- Thar Foundation	39,065	123
- Engro Energy Services Limited	5,237	-
- Siddiqsons Energy Limited	28	-
Coal sales		
- Engro Powergen Thar (Private) Limited	22,650,678	-
Pre-COD coal sales		
- Engro Powergen Thar (Private) Limited	4,428,879	-
Key management personnel		
- Managerial remuneration	73,196	84,457
- Contribution for staff retirement benefits	8,085	9,638
- Bonus payments	85,093	68,077
Contribution to retirement benefit funds	69,543	70,727

(Amounts in thousand)

33. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	December 31, 2019	December 31, 2018	2019	2018
- Permanent	97	105	101	100
- Contractual	70	112	91	104
	167	217	192	204

34. CORRESPONDING FIGURES

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

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 11 FEB 2020 by the Board of Directors of the Company.

Chief Executive Officer **Director**

STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

FOR THE YEAR ENDED DECEMBER 31, 2019

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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 Engro Coal Mining Company Limited (the Company) for the year ended December 31, 2019.

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

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

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended December 31, 2019.

Chartered Accountants
Karachi
Date: September 23, 2020

Engagement Partner: Waqas A. Sheikh

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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KARACHI ■ LAHORE ■ ISLAMABAD

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

Name of the Company: Sindh Engro Coal Mining Company Limited.

Name of the line ministry: Energy Department, Government of Sindh.

For the year ended: December 31, 2019.

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th>S. No.</th><th>Provisions of the Rules</th><th>Rule No.</th><th>Yes / No/ N/A</th></tr>
<tr><td>1</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>N/A. An exemption has been granted by the Securities and Exchange Commission (the Commission) to the Company from the requirement of having independent directors on the Board of Directors.</td></tr>
<tr><td>2</td><td>The Board has at least one-third of its total members as independent directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Independent Directors</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Executive Directors</td><td>Mr. Syed Abul Fazal Rizvi</td><td>24-Nov-19</td></tr>
<tr><td rowspan="11">Non-Executive Directors</td><td>Mr. Imtiaz Ahmed Shaikh</td><td>24-Nov-19</td></tr>
<tr><td>Ms. Naheed S Durrani</td><td>24-Nov-19</td></tr>
<tr><td>Mr. GhiasUddin Khan</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Khalid Mohsin Shaikh</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Khalid Mansoor</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Muhammad Tayyab Ahmed Tareen</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Salman Burney</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Musaddiq Ahmed Khan</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Syed Hassan Naqvi</td><td>24-Nov-19</td></tr>
<tr><td>Dr. Mahesh Kumar Malani</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Bao Jianjun</td><td>24-Nov-19</td></tr>
</table>
</td><td>3(2)</td><td>N/A. An exemption has been granted by the Commission to the Company from the requirement of having independent directors on the Board of Directors.</td></tr>
<tr><td>3</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>Yes</td></tr>
<tr><td>4</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.</td><td>3(7)</td><td>Yes</td></tr>
<tr><td>5</td><td>The chairman of the Board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>Yes</td></tr>
<tr><td>6</td><td>The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.</td><td>4(4)</td><td>Yes</td></tr>
<tr><td>7</td><td>The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.

(Not applicable where chief executive has been nominated by the Government).</td><td>5(2)</td><td>N/A. An exemption has been granted by the Commission to the Company from the requirement of appointing the Chief Executive in line with Rule 5(2).</td></tr>
</table>

8	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. The Code of Conduct of the Company can be obtained from the Company's website i.e. www.engroenergy.com. (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Yes
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Yes
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	Yes
11	The Board has developed and implemented a policy on anti- corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	Yes
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	Yes
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	N/A. The Company has been exempted from the Sindh Public Procurement Act, 2009 through notification dated May 29, 2014. However, the Company has standard operating procedures for public procurement, tender regulations and purchasing and technical standards which are followed stringently.
14	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	Yes
15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	Yes
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	N/A
18	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	Yes Yes Yes
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	Yes
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Yes

<table>
<tr><td>21</td><td>(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.

(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.

(c) The Board has placed the annual financial statements on the company's website.</td><td>10</td><td>Yes

N/A

Yes</td></tr>
<tr><td>22</td><td>All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>Yes</td></tr>
<tr><td>23</td><td>(a) The Board has formed the requisite committees, as specified in the Rules.

(b) The committees were provided with written term of reference defining their duties, authority and composition.

(c) The minutes of the meetings of the committees were circulated to all the Board members.

(d) The committees were chaired by the following non-executive directors:

<table>
<tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr>
<tr><td>Audit Committee</td><td>Mr. Muhammad Tayyab Ahmed Tareen
Mr. Mussadiq Ahmed Khan
Mr. Khalid Mohsin Sheikh
Mr. Syed Hassan Naqvi
Ms. Naheed S. Durrani</td><td>Mr. Muhammad Tayyab Ahmed Tareen</td></tr>
<tr><td>Risk Management Committee</td><td>Mr. Imtiaz Ahmed Shaikh
Mr. Khalid Mansoor
Mr. Syed Abul Fazal Rizvi</td><td>Mr. Imtiaz Ahmed Shaikh</td></tr>
<tr><td>Human Resource Committee</td><td>Mr. GhiasUddin Khan
Mr. Khalid Mansoor
Mr. Musaddiq Ahmed Khan
Ms. Naheed S. Durrani
Mr. Salman Burney</td><td>Mr. Ghiasuddin Khan</td></tr>
<tr><td>Procurement Committee</td><td>Mr. Syed Hasan Naqvi
Mr. Syed Abul Fazal Rizvi
Mr. GhiasUddin Khan
Mr. Salman Burney</td><td>Mr. Syed Hasan Naqvi</td></tr>
<tr><td>Nomination Committee</td><td>N/A</td><td>N/A</td></tr>
</table></td><td>12</td><td>Yes. However, the requirement for Nomination Committee doesn't apply to the Company as the Company only has sponsor nominated directors.</td></tr>
<tr><td>24</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td>Yes</td></tr>
<tr><td>25</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>N/A. The Company has obtained exemption from the Commission with respect to the qualification of the CFO as envisaged by Rule 14.</td></tr>
<tr><td>26</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>Yes</td></tr>
</table>

<table>
<tr><td>27</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>Yes</td></tr>
<tr><td>28</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>Yes</td></tr>
<tr><td>29</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.

(b) The annual report of the company contains criteria and details of remuneration of each director.</td><td>19</td><td>N/A. No remuneration is paid to Directors except for a fixed fee to attend director's meetings.</td></tr>
<tr><td>30</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.</td><td>20</td><td>Yes</td></tr>
<tr><td>31</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Muhammad Tayyab Ahmed Tareen</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Mussadiq Ahmed Khan</td><td>Non-Executive Director</td><td>Engineering</td></tr>
<tr><td>Mr. Khalid Mohsin Sheikh</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Syed Hassan Naqvi</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Ms. Naheed S. Durrani</td><td>Non-Executive Director</td><td>Finance</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (1) and 21 (2)</td><td>Yes</td></tr>
<tr><td>32</td><td>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.

(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.

(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</td><td>21(3)</td><td>Yes</td></tr>
<tr><td>33</td><td>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.

(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.

(c) The internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td>Yes</td></tr>
<tr><td>34</td><td>The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>Yes</td></tr>
<tr><td>35</td><td>The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.</td><td>23(5)</td><td>Yes</td></tr>
</table>

IMTIAZ AHMED SHAIKH
Chairman

SYED ABUL FAZAL RIZVI
Chief Executive Officer