SECMC
Sindh Engro Coal Mining Company

SINDH ENGRO COAL MINING COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

CONTENTS

SECMC
Sindh Engro Coal Mining Company

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

SECMC
Sindh Engro Coal Mining Company

16th Floor, The Harbor Front Building, HC#3, Marine Drive, Block 4, Clifton, Karachi-75600, Pakistan
U 00 92 (21) 111-211-211
T 00 92 (21) 35297875-84
F 00 92 (21) 35293665

Directors' Report

Year Ended December 31, 2021

The Directors of Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between Government of Sindh (GoS), Engro Energy Limited (EEL) and its Affiliates, including Thal Limited, Habib Bank Limited, The Hub Power Company Limited, CMEC Thar Mining Investments Limited and Huolinhe Open Pit Coal (HK) Investment Limited, are pleased to present the Consolidated and Standalone Financial Statements and a progress review for the year ended December 31, 2021.

Progress Update:

SECMC continued operations smoothly of the 3.8 Mt/a mine at Thar Block II, during the period 3.8 million tons of coal was supplied to Engro Powergen Thar (Private) Limited. Construction for expansion of mine to 7.6 Mt/a is underway with 31.8 M BCM having been removed out of the total 47 M BCM. Furthermore, Board of Directors approved the plan to expand the Mine to 12.2 million tonnes per annum to cater for coal offtake requirements of Lucky Electric Power Company Limited.

During the year ended December 31, 2021, SECMC, its contractors, and sub-contractors logged in over 8.9 M safe man-hours without loss workday injury. Pandemic has impacted the expansion activities however, we are confident that it will achieve its commercial operation as per schedule agreed with coal off-takers of Phase II.

Throughout the year, Thar Foundation (TF) continued its mission to focus on interventions that will help deploy meaningful impact across Thar Block II and beyond. In the wake of COVID-19, timely execution of various Thar Foundation interventions were made to provide support to the people in Block II.

On the education front, teachers were trained on 3-langauages curriculum. During the year, seventy-six (76) Thar Foundation Schools' teachers including four female teachers got training on English Literacy. Training sessions on basic computing and IT skills for 56 local youths including six female were also held. Furthermore, TF enrolled 665 children in its schools with total enrollment reaching up to 4,061 students in 27 school units.

On the agenda of providing quality health care to communities, 57,000 patients were treated at five TF health facilities. Besides OPD, services include medicine, EPI, ultrasound, and routine lab tests. All the services were provided free of cost. Furthermore, Help desk continued to be operational at TF hospital for conducting antibody and antigen tests for COVID-19 for community and staff. 58,862 persons including 30,257 women were vaccinated for COVID – 19.

With the technical support of UNDP and GoS, Thar Foundation completed SDG Baseline survey in Islamkot taluka with 52,226 households surveyed.

Financing update

As of December 31, 2021, 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	105.23	880.91	54.70%
Engro Energy Limited	21.86	191.64	11.90%
Thal Limited	23.07	191.64	11.90%
Habib Bank Limited	15.51	152.99	9.50%
Hub Power Company Limited	18.4	128.84	8.00%
CMEC Thar Mining Investment Limited	7.71	64.42	4.00%
Total Ordinary Shares	**191.78**	**1,610.44**	**100%**
Preference shares			
HOCIC	**10.00**	**124.64**	**100%**
Total equity (Ordinary + Preference)	**201.78**		

On the borrowing side, loan drawdowns of PKR 3,536 million relating to Phase II were made during the year. Additionally, SECMC repaid two installments of long-term loan amounting to USD 16 million against Phase I foreign currency loan and PKR 1,876 million against Phase I local currency loan.

The outstanding receivables as at December 31, 2021 amount to PKR 31.79 Bn which constitutes a 21% increase as compared to the receivable balance outstanding at end of the prior year. Recovery against receivables has become challenging owing to circular debt issue surrounding the power and allied sectors.

Results for the year

The Company declared a net profit amounting to PKR 11,008 million (Consolidated net profit amounting to PKR 11,175 million) for the year ended December 31, 2021. Since the Company has not achieved Project Completion Date (PCD) 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 11,008 million (Consolidated unappropriated profit amounting to PKR 11,175 million) to unappropriated profit reserve.

The Company's Earnings Per Share (EPS) for the year is PKR 7.20 / share (Consolidated EPS of PKR 7.30 / share).

All statutory / non-statutory liabilities (if any) have been disclosed adequately in the financial statements. However, payment in respect of SWPPF have not been disclosed as the formation of fund is under process.

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

	2021	2020	2019	2018	2017	2016	2015
	PKR / No. of shares in 000						
Profit / (Loss) Before Tax	11,604,100	11,148,342	5,767,450	(26,292)	(18,566)	(34,705)	22,882
Profit / (Loss) After Tax	11,175,432	11,140,083	5,750,505	(27,132)	(19,802)	(36,834)	21,913
Development Properties	9,436,749	814,567	-	51,646,291	28,566,101	11,148,610	2,362,480
Property, Plant & Equipment	77,361,921	76,502,778	72,275,575	9,753,385	8,860,395	8,102,339	685,059
Capital Expenditure	4,487,752	5,099,497	4,547,356	2,322,019	1,888,156	7,770,075	240,317
Intangible Assets	54,666	77,943	3,314	50,674	104,092	156,819	202,218
Net Current Assets	26,575,457	19,386,315	9,781,232	(5,026,567)	(4,309,061)	(2,465,510)	532,743
Shareholders' Fund	52,732,010	37,579,800	26,439,716	13,984,874	10,074,559	7,519,490	4,000,366
Ordinary Shares Outstanding at Year End	1,610,446	1,341,199	1,341,199	934,909	591,807	509,092	289,393
Preference Shares Outstanding at Year End	124,636	124,636	124,636	53,938	36,612	31,369	-

Allocation of reserves

As at December 31, 2021, the Company has consolidated reserves as follows:

Unappropriated profit

	PKR ('000)
Balance as at January 1, 2021	16,867,934
Total unappropriated profit for the year	11,175,432
Balance as at December 31, 2021	28,043,366

Key shareholding position

Following is the key shareholding position as at December 31, 2021:

4

Shareholders	No. of shares held
The Government of Sindh	880,913,739
Associated companies:	
Engro Energy Limited	191,643,023
Thal Limited	191,643,023
Habib Bank Limited	152,992,329
Hub Power Company Limited	128,835,647
CMEC Thar Mining Investment Limited	64,417,822
Directors:	
Imtiaz Ahmed Shaikh	1
Amir Iqbal (Share transfer in process)	1
Muhammad Tayyab Ahmed Tareen	1
Sami Aziz	1
Ghias Khan	1
Kamran Kamal	1
Syed Hassan Naqvi	1
Mahesh Kumar Malani	1
Salman Burney	1
Abu Bakr (Share transfer in process)	1
Asif Jahangir (Share transfer in process)	1
	1,610,445,594

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 except as disclosed in the statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.
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.

Appointment of external auditors

The Board of Directors has re-appointed A. F. Ferguson & Co., Chartered Accountants as external auditors of the Company for FY 2022 based on recommendation of the Board Audit Committee.

Board meetings and attendance

In 2021, the Board of Directors held 6 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, 2021)	Executive / Non-Executive *	BoD meetings attended	BAC meetings attended
1.	Imtiaz Ahmed Shaikh		Non-Executive	6	
2.	Mahesh Kumar Malani		Non-Executive	6	
3.	Ghias Khan		Non-Executive	5	
4.	Bao Jianjun		Non-Executive	-	
5.	Sami Aziz**	✓	Non-Executive	5	3
6.	Kamran Kamal**		Non-Executive	4	
7.	Salman Burney		Non-Executive	6	
8.	Abu Bakar Madni **	✓	Non-Executive	3	1
9.	Syed Hasan Naqvi	✓	Non-Executive	2	1
10.	Amir Iqbal**		Executive	3	
11.	Muhammad Tayyab Ahmad Tareen	✓	Non-Executive	6	4
12.	Asif Jahangir**	✓	Non-Executive	1	

Directors resigned during the year

13.	Khalid Mohsin Sheikh		Non-Executive	-	
14.	Khalid Mansoor		Non-Executive	2	
15.	Abrar Sheikh	✓	Non-Executive	3	3
16.	Syed Abul Fazal Rizvi		Executive	3	
17.	Muhammad Waseem	✓	Non-Executive	2	1

Note

* The Company had applied for exemption from compliance with the Rules 3(1) and 3(2) of the Public Sector Companies (Corporate Governance) Rules, 2013 from Securities and Exchange Commission of Pakistan (SECP) which vide its letter No. CLD/CCD/PSC/73/2015-1180 advised the Company to approach the Federal Government to obtain relevant relaxations. The Company thereafter has forwarded the application for exemption from the following Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government.

** Directors who joined the Board during the year

Principal risks to the Company

All principal risks to the Company have been disclosed adequately in the standalone (consolidated) financial statements.

Directors' remuneration

The remuneration of the Board members is approved by the Board itself. The Company does not pay remuneration to non-executive directors except fee for attending meetings (details of which are given below). Information on remuneration of Chief Executive Officer is given in note 26 to the financial statements:

S. No.	Directors *	Board fees paid (PKR)
1.	Syed Hassan Naqvi	50,000
2.	Khalid Mansoor	100,000
3.	Syed Hasan Naqvi	100,000
4.	Kamran Kamal	150,000
5.	Abu Bakar Madni	200,000
6.	Muhammad Waseem	200,000
7.	Mahesh Kumar Malani	250,000
8.	Salman Burney	250,000
9.	Imtiaz Ahmed Shaikh**	250,000
10.	Abrar Ahmed Shaikh	400,000
11.	Sami Aziz***	500,000
12.	Muhammad Tayyab Ahmad Tareen	600,000

The Company has a formal policy and transparent procedures for the remuneration of its directors in accordance with the Companies Act, 2017 and the Public Sector Companies (Corporate Governance) Rules, 2013. The policy also provides travel and daily allowance entitlements for Non-Executive Directors for business related travel.

The remuneration, including the director fee for attending the Board or Board Committee Meeting, paid to the Directors and Chief Executive Officer is disclosed in Note 27 to the financial statements.

Note

* No fee for attending meetings is paid to Engro appointed directors and director representing Preference share-holder

** Fee for attending meetings was donated to Thar Foundation

*** Fee for attending meetings was paid to Habib Bank Limited

Chief Executive Officer

Director

February 9th, 2022

SECMC
Sindh Engro Coal Mining Company

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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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, 2021, 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, 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, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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.

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
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- 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 the our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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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 Osama Kapadia.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: March 2, 2022

UDIN: AR202110080Gngfaulwi

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

(Amounts in thousand)

	Note	2021	2020
		----------------Rupees----------------	
ASSETS			
Non-current assets			
Development properties	3	9,436,904	814,567
Property, plant and equipment	4	77,344,749	76,483,075
Intangible assets	5	54,666	77,943
Long-term investment	6	206,000	206,000
Long-term advances, deposits and prepayments	7	196,475	254,534
		87,238,794	77,836,119
Current assets			
Inventory	8	683,115	666,887
Trade debts	9	31,785,462	26,178,387
Advances, deposits and prepayments	10	1,625,874	1,275,890
Other receivables	11	2,930,150	1,920,198
Interest receivable		908,070	318,847
Taxes recoverable		-	90,186
Balances with banks	12	33,595,840	16,075,145
		71,528,511	46,525,540
TOTAL ASSETS		158,767,305	124,361,659
EQUITY AND LIABILITIES			
Equity			
Share capital			
- Ordinary shares	13	16,104,456	13,411,986
- Preference shares	13	1,246,356	1,246,356
		17,350,812	14,658,342
Share premium		7,337,832	6,053,524
Unappropriated profit		27,747,471	16,739,913
		52,436,115	37,451,779
Non-current liability			
Borrowings	14	60,899,766	59,463,271
Current liabilities			
Current maturity of long-term borrowings	14	4,880,565	4,192,266
Short-term finances	15	3,000,000	2,500,000
Accrued mark-up		480,602	380,403
Taxes payable		164,017	-
Accrued and other liabilities	16	36,906,240	20,373,940
		45,431,424	27,446,609
Contingencies and commitments	17		
TOTAL EQUITY AND LIABILITIES		158,767,305	124,361,659

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, 2021

(Amounts in thousand)

	Note	2021	2020
		----------------Rupees----------------	
Revenue	18	39,111,373	37,101,055
Cost of revenue	19	(21,336,182)	(19,469,721)
Gross profit		17,775,191	17,631,334
Administrative expenses	20	(646,856)	(622,706)
Other operating expenses	21	(52,401)	(33,542)
Other income	22	1,230,492	742,221
Profit from operations		18,306,426	17,717,307
Finance cost	23	(6,893,783)	(6,717,088)
Workers' profit's participation fund	24	-	-
Workers' welfare fund	25	-	-
Profit before taxation		11,412,643	11,000,219
Taxation	26	(405,085)	13,922
Profit for the year		11,007,558	11,014,141
Other comprehensive income		-	-
Total comprehensive income for the year		11,007,558	11,014,141

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, 2021

(Amounts in thousand)

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		RESERVES		
			CAPITAL	REVENUE	
	Ordinary shares	Preference shares	Share premium	Unappropriated profit	Total
	----------	----------	Rupees	----------	----------
Balance as at January 1, 2020	13,411,986	1,246,356	6,053,524	5,725,772	26,437,638
Total comprehensive income for the year	-	-	-	11,014,141	11,014,141
Balance as at December 31, 2020	13,411,986	1,246,356	6,053,524	16,739,913	37,451,779
Total comprehensive income for the year	-	-	-	11,007,558	11,007,558
Transactions with owners:					
Share capital issued during the year (including share premium, net of share issuance cost of Rs. 13,462)	2,692,470	-	1,284,308	-	3,976,778
Balance as at December 31, 2021	16,104,456	1,246,356	7,337,832	27,747,471	52,436,115

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, 2021

(Amounts in thousand)

	Note	2021	2020
		---Rupees---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,412,643	11,000,219
Adjustment for non-cash charges and other items:			
Income from bank deposits	22	(1,225,668)	(742,208)
Gain on disposal of property, plant and equipment	22	(4,824)	(13)
Finance cost	23	4,177,208	5,675,394
Depreciation	19	3,612,321	3,664,885
Amortisation	19	23,920	16,741
Exchange loss on revaluation of foreign currency borrowings		2,906,294	1,022,318
Working capital changes:			
- Increase in current assets		(6,982,898)	(8,013,015)
- Increase in current liabilities		16,532,300	9,740,063
		9,549,402	1,727,048
Loans and advances to employees, net		10,954	14,213
Interest received		763,254	514,142
Income taxes paid		(150,881)	(90,186)
Net cash generated from operating activities		31,074,623	22,802,553
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
- development properties		(7,862,987)	(3,470,541)
- property, plant and equipment		(4,486,207)	(5,079,115)
- intangible assets		(643)	(91,370)
Proceeds from disposal of property, plant & equipment		17,036	93
Net cash utilised in investing activities		(12,332,801)	(8,640,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital, net		3,976,778	-
Loan arrangement fee paid		-	(42,375)
Proceeds from long-term borrowings	14.7	3,536,313	7,118,128
Repayment of long-term borrowings	14.7	(4,522,167)	(4,088,956)
Proceeds from / (Repayment of) short-term finances - net		500,000	(2,148,700)
Finance cost paid		(4,712,051)	(7,074,169)
Net cash utilized in financing activities		(1,221,127)	(6,236,072)
Net increase in cash and cash equivalents		17,520,695	7,925,548
Cash and cash equivalents at beginning of the year		16,075,145	8,149,597
Cash and cash equivalents at end of the year	12	33,595,840	16,075,145

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 under repealed Companies Ordinance, 1984 (now Companies Act, 2017), 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.

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 (CSA) 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 5, 2019.

In its 79th meeting dated 28th October 2021, the Board of Directors of the Company approved the plan to expand the mine to 12.2 million tonnes per annum to cater coal off-take requirements of Lucky Electric Power Company Limited and instructed the management to finalize all modalities for this expansion.

1.3 These financial statements denote the standalone financial statements of the Company in which investment in subsidiary has been accounted for at cost less acculated impairment losses, if any. The consolidated financial statements of the Company and its subsidiary have been presented separately. Details of investment held by the Company in its subsidiary have been presented in note 6.

(Amounts in thousand)

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.

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

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

- Provisions and directives issued under the Act.

Where provisions of 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 Securities and Exchange Commission of Pakistan (SECP) through its SRO No. 985(I)/2019 dated September 02, 2019 and clarification dated January 23, 2020 had exempted the applicability of "Expected Credit Losses Method" (ECL) 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 'Financial Instruments: Recognition and Measurement'. On September 13, 2021, the SECP further extended the exemption of application of ECL model under IFRS 9 till June 30, 2022.

2.1.4 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, 2.4, 2.9, 2.17 and 16.2 of the financial statements.

2.1.5 Initial application of standards, amendments or interpretations to existing standards

a) Amendments to accounting and reporting standards that became effective during the year

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2**

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one.

The objective of the disclosures required by the Phase 2 amendements is to enable users of financial statements to understand the effect of Inter-Bank Offer Rate (IBOR) reform on an entity's financial instruements and risk management strategy. An entity needs to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. The relevant information is disclosed in note 30.

(Amounts in thousand)

There is other amendment to accounting and reporting standards that is applicable for the financial year beginning on January 1, 2021 but does not have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

b) Standard and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

- **Amendments to IAS 16 Property, Plant and Equipment**

IAS 16 prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produce while the Company is preparing the assets for its intended used. Instead a company will recognised such sales proceeds and related cost in profit or loss.

There is a standard and certain amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company for the financial year beginning on January 1, 2021. The standard and amendments are not expected to have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

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'.

Capitalised development properties expenditure is recorded at cost less impairment losses, if any. As the Phase II of mine is under construction, the asset is not available for use and therefore it is not depreciated.

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 except capital work-in-progress which is stated at cost less impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. 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 profit or loss during the financial year in which they are incurred.

(Amounts in thousand)

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal or retirement 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 to statement of profit or loss and other comprehensive income using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on 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 Right-of-use assets and lease liabilities

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

2.5 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.

(Amounts in thousand)

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

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

2.6 Long term investment

Investment in subsidiary companies are initially recognised at cost less impairment losses, if any. The carrying amount of investment is tested for impairment in accordance with policy described in note 1.3.

2.7 Financial assets

2.7.1 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 arising on specified dates where those cash flows represent solely payments of principal and interest on the principle amount outstanding are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains or losses and gain or loss arising on derecognition are recognised directly in profit or loss.

(ii) At fair value through other comprehensive income

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

(iii) At 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.

2.7.2 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 purchase and sale of financial assets are recognised on the trade-date i.e. 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 out 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.

As explained in note 2.1.3, amounts due from GoP as a consequence of circular debt are assesed in accordance with the provisions of IAS 39 at each reporting date to determine whether there is any objective evidence that one or more events have had a negative effect on the estimated future cash flows of these receivables. For financial assets other than due from GoP, the Company recognises lifetime Expected Credit Losses (ECL) when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial assets has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month ECL under IFRS 9.

2.8 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.

2.9 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. Provision for impairment is recognised as per note 2.7.2.

2.10 Cash and cash equivalents

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

MSB

(Amounts in thousand)

2.11 **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.

2.12 **Borrowings**

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

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.

2.13 **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.

2.14 **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, 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.

2.15 **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is 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.

2.16 **Deferred liabilities**

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 TCEB .

2.17 **Revenue / income**

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 over time 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 and credit limit in agreement with customer is 30 days from the receipt of invoice.

The Company considering the Multi-Year Tariff regime estimates the amount of revenue it will be entitled to over the years for various tariff components. Any difference in the amounts being billed and revenue recognized is deferred and will be subject to adjustments on approval of tariffs by Thar Coal and Energy Board.

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

2.18 **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 liability 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.

No deferred tax has been recognised by the Company because majority of the Company's taxable income is subject to tax credit equal to 100% of tax payable under Income Tax Ordinance, 2001

2.19 **Retirement and other service benefit obligations**

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. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

(Amounts in thousand)

2.20 **Provisions and contingencies**

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.

Contingencies are disclosed when Company has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

2.21 **Impairment of non financial assets**

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.

2.22 **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, capital work-in-progress and statement of profit or loss and other comprehensive income.

2.23 **Dividend and appropriation to reserves**

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

2.24 Amounts have been rounded off to the nearest thousand unless otherwise stated.

	2020	Additions during the year	2021
		----Rupees----	
3. DEVELOPMENT PROPERTIES			
Phase I costs (note 3.1)	62,976,926	-	62,976,926
Phase II costs (note 3.2)	814,567	8,622,337	9,436,904
	63,791,493	8,622,337	72,413,830
Transferred to capital work-in-progress	(62,976,926)	-	(62,976,926)
Balance at the end of year	814,567	8,622,337	9,436,904

(Amounts in thousand)

	2020	Additions during the year	2021
	---Rupees---		
3.1 Phase I costs			
Overburden removal cost (note 3.1.1)	750,892	-	750,892
Onshore contractor cost	33,525,812	-	33,525,812
Project development costs	1,740,539	-	1,740,539
Village relocation	1,493,890	-	1,493,890
Road construction	417,735	-	417,735
Utility system	203,536	-	203,536
Depreciation	3,128,833	-	3,128,833
Amortisation	7,337	-	7,337
Consultancy and studies	1,962,695	-	1,962,695
Gorano water pond	1,195,747	-	1,195,747
Financial charges	768,906	-	768,906
Markup on long term borrowings - net (note 3.1.2)	7,042,910	-	7,042,910
Salaries, wages and staff welfare	2,663,313	-	2,663,313
Purchased services	194,287	-	194,287
Operating expenses	1,702,282	-	1,702,282
Insurance	347,326	-	347,326
Exchange loss	6,157,356	-	6,157,356
Share issuance cost	37,103	-	37,103
Legal and professional charges	332,239	-	332,239
Sale of inventory coal	(274,406)	-	(274,406)
	63,398,332	-	63,398,332
Expenses charged-off in the statement of profit or loss and other comprehensive income	(259,219)	-	(259,219)
Expenses netted-off in equity - Share issuance cost	(58,187)	-	(58,187)
Transferred to inventory	(104,000)	-	(104,000)
Balance as at December 31	62,976,926	-	62,976,926

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

3.1.2 This includes borrowing costs of Rs. 7,143,573 (2020: Rs. 7,143,573) incurred on borrowings obtained for the Project net of income on bank deposits of Rs. 100,663 (2020: Rs. 100,663).

(Amounts in thousand)

		2020	Additions during the year	2021
		------------	Rupees	------------
3.2	**Phase II costs**			
	Overburden removal cost	141,573	27,775	169,348
	Offshore contractor cost	2,008,143	3,780,034	5,788,177
	Onshore contractor cost	662,924	1,650,846	2,313,770
	Fuel cost	563,153	2,220,812	2,783,965
	Depreciation (note 4.2)	-	67,964	67,964
	Consultancy and studies	131,293	82,981	214,274
	Legal and professional charges	41,066	19,939	61,005
	Financial charges	116,149	41,993	158,143
	Transaction cost amortization	2,319	9,744	12,062
	Project development costs (note 3.2.1)	183,772	-	183,772
	Mark-up on long term borrowings - net (note 3.2.2)	135,057	749,607	884,664
	Insurance	178,971	-	178,971
	Exchange loss / (gain)	(3,834)	(29,358)	(33,192)
	Share issuance cost	-	13,462	13,462
	Pre-COD sales related expenses	178,586	-	178,586
	Pre-COD sales (note 3.2.3)	(3,514,071)	-	(3,514,071)
		825,101	8,635,799	9,460,900
	Expenses netted-off in equity - Share issuance cost	(10,534)	(13,462)	(23,996)
	Balance as at December 31	814,567	8,622,337	9,436,904
3.2.1	**Project development costs**			
	Consultancy and studies	36,031	-	36,031
	Legal and professional charges	137,207	-	137,207
	Share issuance cost	10,534	-	10,534
		183,772	-	183,772

3.2.2 This represents borrowing costs of Rs. 1,102,254 (2020: Rs. 225,838) incurred as at reporting date on borrowings obtained for the Project net-off income on bank deposits of Rs. 217,590 (2020: Rs. 90,781).

3.2.3 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.

		2021	2020
		------------Rupees	------------
3.3	**Movement during the year**		
	Balance at January 1	814,567	-
	Add: Additions during the year	8,635,799	3,607,917
	Less: Expenses netted-off in equity - Share issuance cost	(13,462)	-
	Less: Transferred to capital work-in-progress	-	(2,793,350)
	Balance at December 31	9,436,904	814,567

ASD

(Amounts in thousand)

	2021	2020
	---Rupees---	

4. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
Operating assets (note 4.1)	65,426,137	68,268,538
Capital work-in-progress (note 4.4)	11,918,612	8,214,537
	77,344,749	76,483,075

4.1 Operating assets

	Freehold land	Building	Computers, office and other equipment	Plant & machinery	Vehicles	Mining asset	Total
	---Rupees---						
As at January 1, 2020							
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
Year ended December 31, 2020							
Opening net book value	332,273	1,629,053	51,105	6,296,265	51,727	62,363,555	70,723,978
Additions (note 4.4)	-	425,775	69,435	1,040,209	65,775	(391,669)	1,209,525
Disposals							
- Cost	-	-	(183)	-	-	-	(183)
- Accumulated depreciation	-	-	103	-	-	-	103
	-	-	(80)	-	-	-	(80)
Depreciation charge (note 4.2)	-	(212,296)	(37,236)	(1,301,308)	(21,048)	(2,092,997)	(3,664,885)
Net book value	332,273	1,842,532	83,224	6,035,166	96,454	59,878,889	68,268,538
As at December 31, 2020							
Cost	332,273	2,117,259	213,378	10,952,128	222,076	62,976,926	76,814,040
Accumulated depreciation	-	(274,727)	(130,154)	(4,916,962)	(125,622)	(3,098,037)	(8,545,502)
Net book value	332,273	1,842,532	83,224	6,035,166	96,454	59,878,889	68,268,538
Year ended December 31, 2021							
Opening net book value	332,273	1,842,532	83,224	6,035,166	96,454	59,878,889	68,268,538
Additions (note 4.4)	-	62,545	136,393	541,660	41,534	-	782,132
Disposals							
- Cost	-	-	(1,189)	-	(22,589)	-	(23,778)
- Accumulated depreciation	-	-	860	-	10,706	-	11,566
	-	-	(329)	-	(11,883)	-	(12,212)
Depreciation charge (note 4.2)	-	(311,175)	(84,510)	(1,095,301)	(22,081)	(2,099,254)	(3,612,321)
Net book value	332,273	1,593,902	134,778	5,481,525	104,024	57,779,635	65,426,137
As at December 31, 2021							
Cost	332,273	2,179,804	348,582	11,493,788	241,021	62,976,926	77,572,394
Accumulated depreciation	-	(585,902)	(213,804)	(6,012,263)	(136,997)	(5,197,291)	(12,146,257)
Net book value	332,273	1,593,902	134,778	5,481,525	104,024	57,779,635	65,426,137
Annual rate of depreciation (%)	-	6.67 to 25	25	6.67 to 25	20 to 25	3.33	

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(Amounts in thousand)

		2021	2020
		------Rupees------	
4.2	Depreciation charge for the year has been allocated as follows:		
	Development properties (note 3.2)	67,964	-
	Cost of revenue (note 19)	3,544,357	3,664,885
		3,612,321	3,664,885

4.3 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	------	------			
Vehicle	22,589	(10,706)	11,883	16,707	4,824	As per Company policy	Syed Abul Fazal Rizvi	Ex-Employee

		2021	2020
4.4	**Capital work-in-progress**	------Rupees------	
	Balance as at January 1	8,214,537	1,551,597
	Add: Additions during the year, including transfers from development properties (note 3)	4,486,207	7,872,465
	Less: Transferred to operating assets (note 4.1)	(782,132)	(1,209,525)
	Balance as at December 31	11,918,612	8,214,537

5. INTANGIBLE ASSETS - Computer software

	2021	2020
Net carrying value		
Balance at beginning of the year	77,943	3,314
Add: Additions during the year	643	91,370
Less: Amortisation charge for the year (note 5.1)	(23,920)	(16,741)
Balance at end of the year	54,666	77,943
Gross carrying value		
Cost	103,705	103,062
Less: Accumulated amortisation	(49,039)	(25,119)
Net book value	54,666	77,943
Annual rate of amortisation (%)	25	25

5.1 Amortisation charge for the year has been allocated to cost of revenue (note 19).

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(Amounts in thousand)

6. LONG TERM INVESTMENT

	2021	2020
	---Rupees---	
Unquoted subsidiary company - at cost		
Thar Power Company Limited - 20,600,000 (2020: 20,600,000) ordinary shares of Rs.10 each	206,000	206,000

7. LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS - Considered good

	2021	2020
Loan arrangement charges (note 7.1)	3,118,513	3,118,513
Less: Transaction cost netted-off from borrowings (note 14.6)	(2,937,741)	(2,890,978)
	180,772	227,535
Security deposit (note 7.2)	14,450	14,450
Advances for employee benefits (notes 7.3, 7.4 and 7.5)	14,649	25,603
Less: Current portion shown under current assets (note 10)	(13,396)	(13,054)
	1,253	12,549
	196,475	254,534

7.1 Loan arrangement charges of Rs. 3,118,513 (2020: Rs. 3,118,513) have been incurred in connection with long-term loan / financing arrangements. Out of this Rs. 2,937,741 (2020: Rs. 2,890,978) 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, 2021. Accordingly, transaction costs of Rs. 180,772 (2020: Rs. 227,535) have been carried forward as long term advances as at December 31, 2021 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.

	2021	2020
	---Rupees---	
7.3 Reconciliation of the carrying amount of advances for employee benefits		
Balance at beginning of the year	25,603	39,816
Add: Disbursements	8,273	7,723
Less: Repayments/Amortisation	(19,227)	(21,936)
Balance at end of the year	14,649	25,603

7.4 Includes interest free loans under investment loan plan to executives of Rs. 8,419 (2020: Rs. 17,784) 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 Nil (2020: Rs. 1,284) and Rs. 840 (2020: Rs. 333) 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 aggregates to Rs. 18,117 (2020: Rs. 33,244).

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(Amounts in thousand)

8. INVENTORY

This represents coal inventory of 288,363 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 company / related party amounting to Rs. 31,760,774 (2020: Rs. 26,178,387) and Lucky Electric Power Company Limited (LEPCL) amounting to Rs. 24,688 (2020: Nil) against sale of coal in accordance with the terms of the CSA between the Company and EPTL and LEPCL. The amount due from LEPCL is neither past due nor impaired.

	2021	2020
	---Rupees---	
9.2 The ageing analysis of trade debts is as follows:		
Neither past due nor impaired	8,590,154	7,725,328
Past due but not impaired (note 9.3)		
- Upto 3 months	12,560,713	13,845,279
- 3 to 6 months	7,681,194	3,922,749
- More than 6 months	2,953,401	685,031
	23,195,308	18,453,059
	31,785,462	26,178,387

9.3 The overdue receivables carry delayed payment interest at the rate of 3-month KIBOR plus 2% per annum amounting to Rs. 2,759,077 (2020: Rs. 1,716,778) as at reporting date.

9.4 The maximum amount outstanding from related party / associated undertaking at the end of any month aggregated to Rs. 32,554,300 (2020: Rs. 29,250,238).

	2021	2020
	---Rupees---	
10. ADVANCES, DEPOSITS AND PREPAYMENTS		
Current portion of advances for employee benefits (note 7)	13,396	13,054
Advances to suppliers	1,373,497	1,082,996
Advances to employees	5,045	4,724
Prepayments	226,491	167,671
Security deposits	7,445	7,445
	1,625,874	1,275,890

10.1 As at December 31, 2021 and 2020, advances and deposits were neither past due nor impaired.

(Amounts in thousand)

	2021	2020
	---Rupees---	
11. OTHER RECEIVABLES		
Due from associated companies: (note 11.1)		
- Thar Foundation	2,940	7,253
- Thar Power Company Limited	4,789	3,146
- Engro Powergen Thar (Private) Limited	12,914	1,890
- Engro Powergen Qadirpur Limited	586	557
- Engro Energy Services Limited	4,171	3
- Engro Fertilizers Limited	3,784	-
- Engro Corporation Limited	2,185	-
Others (note 11.2)	2,898,781	1,907,349
	2,930,150	1,920,198

11.1 The maximum amount outstanding at the end of any month from related party / associated undertakings aggregated to Rs. 38,816 (2020: Rs. 109,946).

	2021	2020
	---Rupees---	
11.2 Includes receivables in respect of following:		
Delayed payment interest (note 11.3)	546,363	329,968
Workers profits participation fund (note 11.3)	1,405,244	834,613
Workers welfare fund (note 11.3)	31,041	-
Fuel payments on behalf of O&M contractor	836,837	696,798
Others	79,296	45,970
	2,898,781	1,907,349

11.3 In this respect no invoice has been issued to EPTL, a related party.

	2021	2020
	---Rupees---	
12. BALANCES WITH BANKS		
Deposits with banks		
- Foreign currency accounts (note 12.1)	2,269,585	1,928,380
- Local currency accounts (note 12.2)	31,292,180	14,085,313
Cheques in hand	34,075	61,452
	33,595,840	16,075,145

12.1 Represents deposits with scheduled banks amounting to US Dollars 12,858 (2020: US Dollars 12,065).

12.2 Represents deposits with scheduled banks at profit rates of upto 8.25% (2020: 12.25%) per annum.

(Amounts in thousand)

	2021	2020
	------------------Rupees------------------	
13. SHARE CAPITAL		
Authorised capital		
2,065,700,000 (2020: 2,065,700,000) Ordinary shares of Rs. 10 each	20,657,000	20,657,000
144,000,000 (2020: 144,000,000) Preference shares of Rs. 10 each	1,440,000	1,440,000
Issued, subscribed and paid-up capital		
1,610,445,594 (2020: 1,341,198,633) Ordinary shares of Rs. 10 each fully paid in cash (note 13.1)	16,104,456	13,411,986
124,635,575 (2020: 124,635,575) Preference shares of Rs. 10 each fully paid in cash (note 13.2)	1,246,356	1,246,356

13.1 Ordinary shares

2021	2020		2021	2020
------------Number of shares------------			------------------Rupees------------------	
1,341,198,633	1,341,198,633	As at January 1	13,411,986	13,411,986
269,246,961	-	Ordinary shares of Rs. 10 each issued for cash at a premium of Rs. 4.82 per share, as fully paid right shares	2,692,470	-
1,610,445,594	1,341,198,633	As at December 31 (note 13.1.1)	16,104,456	13,411,986

13.1.1 Ordinary shareholders

	2021	2020
	----------Number of shares----------	
Government of Sindh	880,913,744	733,635,655
Engro Energy Limited	191,643,025	159,602,637
Thal Limited	191,643,025	159,602,637
Habib Bank Limited	152,992,330	127,413,869
The Hub Power Company Limited	128,835,648	107,295,891
CMEC Thar Mining Investments Limited	64,417,822	53,647,944
	1,610,445,594	1,341,198,633

13.1.2 These fully paid ordinary shares were allotted for consideration paid in cash, carry one vote per share and right to dividend, however, dividend on these shares shall only be declared after Project Completion Date (PCD) of Phase I mine.

13.1.3 As per original JV Agreement amended dated July 19, 2016, after financial close the GoS has the right to appoint five directors and Engro and its affiliates have the right to appoint seven directors on the Board of the Company.

(Amounts in thousand)

13.2 **Preference shares**

2021	2020		2021	2020
----------Number of shares----------			----------Rupees----------	
124,635,575	124,635,575	As at December 31	1,246,356	1,246,356

13.2.1 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.

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

- all losses, if any, 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. 759,086 (2020: Rs. 364,160).

	2021	2020
	----------Rupees----------	
14. BORROWINGS		
Local currency borrowings (notes 14.1, 14.4 and 14.5)	38,000,778	36,340,755
Foreign currency borrowings (notes 14.1, 14.4 and 14.5)	29,820,191	29,559,774
	67,820,969	65,900,529
Less: Current portion shown under current liabilities:		
- Local currency borrowings	(2,124,740)	(1,876,290)
- Foreign currency borrowings	(2,997,199)	(2,557,350)
	(5,121,939)	(4,433,640)
Less: Transaction costs (note 14.6)	(2,040,638)	(2,244,992)
Current portion of transaction costs	241,374	241,374
	(1,799,264)	(2,003,618)
	60,899,766	59,463,271

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

- Syndicate Facility Agreement with nine commercial banks namely Habib Bank Limited, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Sindh Bank Limited, Bank of Punjab, MCB Bank Limited, Faysal Bank Limited and Habib Metropolitan Bank Limited, as amended on September 5, 2019.

(Amounts in thousand)

- Islamic Finance Agreement with three commercial banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited, as amended on September 5, 2019.

- 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.

On September 5, 2019, the Company has also entered into a Supplemental Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 5,000,000 for development of Phase-II Expansion.

14.2 Terms of borrowing facilities

			Installments		
	Currency	Mark-up / Profit rates per annum	Number	Period	Commenced / Commencing from
Syndicate Facility Agreement - Phase-I mine	Rupees	6 months KIBOR + 1.75%	20	Semi-annual	June 1, 2020
Syndicate Facility Agreement - Phase-II mine	Rupees	6 months KIBOR + 1.75%	20	Semi-annual	June 1, 2023
Islamic Finance Agreement	Rupees	6 months KIBOR + 1.75%	20	Semi-annual	June 1, 2020
Supplemental Facility Agreement	Rupees	6 months KIBOR + 2.50%	20	Semi-annual	June 1, 2023
US Dollar Term Loan Facility Agreement	US Dollars	6 months LIBOR + 3.30%	20	Semi-annual	June 1, 2020

14.3 Unutilized amounts against borrowing facilities

	2021			2020		
	Facility	Drawdown	Unutilized	Facility	Drawdown	Unutilized
	----------(Rupees)----------			----------(Rupees)----------		
Syndicate Facility Agreement - Phase-I mine (note 14.3.1)	24,340,600	(20,570,119)	3,770,481	24,340,600	(20,570,119)	3,770,481
Syndicate Facility Agreement - Phase-II mine	17,350,000	(10,654,441)	6,695,559	17,350,000	(7,118,128)	10,231,872
Islamic Finance Agreement	10,309,400	(10,309,400)	-	10,309,400	(10,309,400)	-
Supplemental Facility Agreement	5,000,000	-	5,000,000	5,000,000	-	5,000,000
	57,000,000	(41,533,960)	15,466,040	57,000,000	(37,997,647)	19,002,353
US Dollar Term Loan Facility Agreement (Amounts in US Dollars)	200,000	(200,000)	-	200,000	(200,000)	-

14.3.1 The unutilized amount for Syndicate Facility Agreement - Phase-I mine is available for utilization in Phase-II mine development.

14.4 Outstanding amount against borrowing facilities

	2021			2020		
	Drawdown	Repayment	Outstanding	Drawdown	Repayment	Outstanding
	----------(Rupees)----------			----------(Rupees)----------		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(2,353,598)	18,216,521	20,570,119	(1,103,724)	19,466,395
Syndicate Facility Agreement - Phase-II mine	10,654,441	-	10,654,441	7,118,128	-	7,118,128
Islamic Finance Agreement	10,309,400	(1,179,584)	9,129,816	10,309,400	(553,168)	9,756,232
	41,533,960	(3,533,182)	38,000,778	37,997,647	(1,656,892)	36,340,755
US Dollar Term Loan Facility Agreement (Amounts in US Dollars)	200,000	(31,060)	168,940	200,000	(15,060)	184,940

(Amounts in thousand)

14.5 The above facilities are secured by Project assets of the Company. Further, sponsors of the Company have committed to provide cost overrun support for 5% of the Project cost and have also pledged shares in favor of the Security Trustee. Additionally, sponsors other than Habib Bank Limited, have also provided Stand-By Letter of Credit (SBLC) as coverage for their equity commitments to the Project.

14.6 **Transaction costs**

	2021	2020
	(Rupees)	
Transaction costs netted-off from borrowings (note 7)	2,937,741	2,890,978
Less: amortisation recognised to date in profit or loss	(595,618)	(354,244)
Less: amortisation recognised to date in development properties	(301,485)	(291,742)
	2,040,638	2,244,992

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

	2021	2020
	(Rupees)	
Balance as at January 1	63,655,537	59,453,819
Proceeds from borrowings	3,536,313	7,118,128
Transaction costs netted-off from borrowings	(46,763)	(94,126)
Amortisation of transaction cost	251,117	244,354
	204,354	150,228
Repayments	(4,522,167)	(4,088,956)
Exchange loss	2,906,294	1,022,318
Balance as at December 31	65,780,331	63,655,537

15. SHORT-TERM FINANCES

The Company has entered into:

- The facilities of the Company for running finance/ short-term financing facility, for its working capital requirements, available from various banks / financial institutions amounted to Rs. 6,000,000 (2020: Rs. 5,000,000) at mark-up ranging between 1.00% to 1.25% per annum above one / three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. Rs. 1,000,000 (2020: Rs. 2,000,000) have been utilized against this facility. Such financing facilities has been secured against a charge over the Company's project assets; and

- The Company has also entered into Musharaka agreements amounting to Rs. 6,900,000 (2020: Rs. 5,400,000). The profits under the Islamic financing liability are accrued on outstanding Musharakah Investment amounts of Musharakah Participants at mark-up ranging between 1.00% to 1.25% per annum above one month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. Rs. 2,000,000 (2020: Rs. 500,000) have been utilized against this facility. Such financing facility has been secured against a charge over the Company's project assets.

(Amounts in thousand)

	2021	2020
	----------------(Rupees)----------------	
16. ACCRUED AND OTHER LIABILITIES		
Accrued liabilities and other payables (note 16.1)	16,905,442	8,686,205
Payable to retirement benefit fund	3,797	2,035
Retention money	686,836	198,807
Workers' profits participation fund	1,405,244	834,613
Workers' welfare fund	24,004	-
Interest on worker's profit participation fund	91,855	7,231
Sales tax payable	595,783	858,623
Deferred liabilities (note 16.2)	17,178,555	9,753,602
Due from associated undertakings:		
- Engro Energy Limited	1,562	12,333
- Engro Corporation Limited	-	6,016
- Engro Polymers and Chemicals Limited	-	470
- Engro Powergen Thar (Private) Limited	3,571	-
Withholding tax payable	9,591	14,005
	36,906,240	20,373,940

16.1 Includes accruals against O&M Contractor cost, Royalty (payable to Mines and Mineral Department - GoS, a related party), Offshore and Onshore Agreements for Phase II amounting to Rs. 5,927,352 (2020: Rs. 2,779,307), Rs. 4,146,061 (2020: Rs. 1,211,160), Rs. 3,848,863 (2020: Rs. 2,655,566) and Rs. 1,516,111 (2020: Rs. 346,315) respectively.

16.2 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.

17. CONTINGENCIES AND COMMITMENTS

17.1 Capital commitments for civil works construction and equipment procurement as at December 31, 2021 amount to Rs. 8,681,683 (2020: Rs. 12,929,932).

17.2 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. This guarantee is secured via cash margin provided by Thar Power Company Limited, the wholly owned subsidiary of the Company.

17.3 Performance guarantee amounting to USD 500 has been issued in favour of Director General, Coal Mines Development Department. The guarantee was issued on September 15, 2014, in lieu of requirement of the Mining Lease of the Project. This guarantee is valid upto September 30, 2022. This guarantee is secured via cash margin provided by Thar Power Company Limited, the wholly owned subsidiary of the Company.

17.4 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)

17.5 The Company has entered into entered into commercial lease agreement for lease of office. The aggregate lease payments as monthly rentals under this agreement are as follows:

	2021	2020
	----Rupees----	
Not later than 1 year	10,316	14,067

17.6 The Company has fixed and variable payment commitments under agreement for transportation of coal and allied services. The aggregate fixed payments under this agreement are as follows:

	2021	2020
	----Rupees----	
Not later than 1 year	137,706	259,586
Later than 1 year but not later than 5 years	-	129,793
	137,706	389,379

18. REVENUE

	2021	2020
- Revenue from contracts with customers		
Capacity purchase price	29,958,616	31,576,589
Less: Sales tax (note 18.2)	(5,321,635)	(5,388,291)
	24,636,981	26,188,298
Energy purchase price	12,125,465	10,766,766
Less: Sales tax (note 18.2)	(1,854,243)	(1,778,375)
	10,271,222	8,988,391
Pre-Cod sale (note 18.3)	3,230,364	-
Less: Sales tax	(469,369)	-
	2,760,995	-
- Others (note 18.1)	1,442,175	1,924,366
	39,111,373	37,101,055

18.1 Includes delayed payment interest amounting to Rs. 1,258,694 (2020: Rs. 1,724,291).

18.2 This represents sales tax charged on amount billed under Coal Supply Agreement.

18.3 Represents sales to Lucky Electric Power Company Limited (LEPCL) from Phase I of the mining project.

19. COST OF REVENUE

	2021	2020
	----Rupees----	
O&M contractor cost	9,269,507	9,045,421
Fuel and power	3,486,922	3,827,944
Depreciation (note 4.2)	3,544,357	3,664,885
Salaries, wages and staff welfare	489,471	464,495
Travelling, security and site expenses	487,964	398,803
Transportation	398,811	374,620
Insurance	377,386	290,257
Consultancy	178,118	151,093
Village relocation	72,440	28,182
Other expenses (note 19.1)	3,023,514	1,288,982
Amortisation (note 5.1)	23,920	16,741
	21,352,410	19,551,423
Add: Opening inventory	562,887	481,185
Less: Closing inventory	(579,115)	(562,887)
	21,336,182	19,469,721

(Amounts in thousand)

19.1 This includes accrued royalty amounting to Rs. 2,934,901 (2020: Rs. 1,211,160), payable to Mines and Mineral Department - GoS, a related party, in accordance with the provisions of Sindh Mining Concession Rules, 2002.

20. ADMINISTRATIVE EXPENSES

	2021	2020
	Rupees	
Salaries, wages and staff welfare	257,298	220,915
Travelling, security and site expenses	73,886	82,410
Purchased services	79,711	92,087
Corporate social reponsibility (note 20.1)	232,911	224,494
Directors' fee (note 27)	3,050	2,800
	646,856	622,706

20.1 This represents contribution for the year to be made to Thar Foundation, a related party. Amir Iqbal, Imtiaz Ahmed Shaikh, Mahesh Kumar Malani, Asif Jahangir, Abu Bakar Madani are directors of both, the Company and Thar Foundation.

21. OTHER OPERATING EXPENSES

	2021	2020
	Rupees	
Auditor's remuneration (note 21.1)	9,913	7,388
Legal and professional expenses	42,488	26,154
	52,401	33,542

21.1 Auditor's remuneration

	2021	2020
Fee for:		
- audit of annual financial statements	1,170	1,060
- review of half yearly financial information	415	318
- review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	85	85
- taxation services	4,723	2,250
- other certifications	1,356	2,745
Out of pocket expenses	2,164	930
	9,913	7,388

22. OTHER INCOME

	2021	2020
On financial assets		
Profit / Interest income on deposits with banks	1,225,668	742,208
On non-financial assets		
Gain on disposal of property, plant and equipment	4,824	13
	1,230,492	742,221

23. FINANCE COST

	2021	2020
Mark-up on long-term borrowings	3,816,267	4,996,986
Mark-up on short-term finances	25,468	390,351
Interest on worker's profits participation fund	84,624	7,231
Amortisation of transaction costs (note 14.6)	241,374	242,035
Exchange loss	2,716,575	1,041,694
Other financial charges	9,475	38,791
	6,893,783	6,717,088

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(Amounts in thousand)

24. WORKERS' PROFITS PARTICIPATION FUND

	2021	2020
	----Rupees----	
Provision for Workers' Profits Participation Fund (note 24.1)	570,631	550,011
Pass through under tariff (note 11.2)	(570,631)	(550,011)
	-	-

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

25. WORKERS' WELFARE FUND

	2021	2020
	----Rupees----	
Provision for Workers' Welfare Fund (note 25.1)	31,041	-
Pass through under tariff (note 11.2)	(31,041)	-
	-	-

25.1 The Company is required to pay 2% of its taxable income to the Worker's Welfare Fund. However, such payment will not effect the Company's overall profitability as this is pass through item as part of its tariff.

26. TAXATION

	2021	2020
	----Rupees----	
Current (note 26.1)		
- expense for the year	313,250	-
- expense for the prior year	91,835	(13,922)
	405,085	(13,922)

26.1 Profits and gains derived from a coal mining project in Sindh, supplying coal exclusively to power generation projects were exempt from tax via clause 132B of Part IV of the Income Tax Ordinance, 2001 (ITO). The same has been converted into 100% tax credit via Finance Act, 2021. However, the Company's other income (bank profit) remains chargeable to tax, accordingly, tax charge has been recorded thereagainst in accordance with the requirements of the ITO. Since majority of Company's income is subject to 100% tax credit no reconciliation of accounting profit to tax change has been presented in these financial statements.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2021			2020		
	Directors			Directors		
	Chief Executive Officer	Others	Executives	Chief Executive Officer	Others	Executives
	----(Rupees)----					
Managerial remuneration	37,511	-	643,790	22,601	-	263,417
Contribution for staff retirement benefits	2,936	-	34,810	2,632	-	29,428
Bonus	87,296	-	152,423	16,513	-	101,565
Fees (notes 20 and 27.3)	-	3,050	-	-	2,800	-
Total	127,743	3,050	831,023	41,746	2,800	394,410
Number of persons, including those who worked part of the year	2	16	91	1	11	60

(Amounts in thousand)

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.332 (2020: Rs. 381).

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 The investments out of the contributory retirement funds, 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.

28.2 An amount of Rs. 77,859 (2020: Rs. 71,692) has been charged during the year in respect of defined contribution plans.

29. FINANCIAL INSTRUMENTS BY CATEGORY

	2021	2020
	----Rupees----	
Financial assets at amortised cost		
Trade debts	31,785,462	26,178,387
Deposits	21,895	21,895
Other receivables	2,930,150	1,920,198
Interest receivable	908,070	318,847
Balances with banks	33,595,840	16,075,145
	69,241,417	44,514,472
Financial liabilities at amortised cost		
Borrowings	65,780,331	63,655,537
Short-term finances	3,000,000	2,500,000
Accrued mark-up	480,602	380,403
Accrued and other liabilities	17,601,208	8,905,866
	86,862,141	75,441,806

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.

(Amounts in thousand)

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates 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.

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. As at December 31, 2021, if interest rate on deposits with bank had been 1% higher / lower with all other variables held constant, consolidated post tax profits for the year would have been higher / lower by Rs. 238,289 as a result of exposure on deposits with bank. The Company has borrowing which is subject to interest rate benchmark reform and is yet to transition. The consultation between the Company and the lender will commence in due course and transition will be completed accordingly.

iii) Other price rate risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The 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, other receivables and deposits with banks and financial institutions. The credit risk on trade debts is limited as it majority 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

(Amounts in thousand)

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. The Company maintains flexibility in funding by maintaining committed credit lines available.

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.

	2021			2020		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Borrowings	10,661,267	87,096,566	97,757,833	8,729,331	82,326,761	91,056,092
Short-term finances	3,000,000	-	3,000,000	2,500,000	-	2,500,000
Accrued mark-up	480,602	-	480,602	380,403	-	380,403
Accrued and other liabilities	17,601,208	-	17,601,208	8,905,866	-	8,905,866
	31,743,077	**87,096,566**	**118,839,643**	**20,515,600**	**82,326,761**	**102,842,361**

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 Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company has ensured that debt to equity ratio does not exceed the lender covenants.

The gearing ratios of the Company as at December 31, 2021 and 2020 are as follows:

	2021	2020
	Rupees	
Total long term borrowings (note 14)	67,820,969	65,900,529
Total equity	52,436,115	37,451,779
Total capital	120,257,084	103,352,308
Gearing ratio	0.56	0.64

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(Amounts in thousand)

	2021	2020
	------------------Tonnes------------------	
31. PRODUCTION CAPACITY		
Actual capacity coal quantity supplied	4,051,252	3,798,830

32. TRANSACTIONS WITH RELATED PARTIES

32.1 Following are the related parties with whom the Company had entered into transactions or had agreements and / 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
Engro Polymer and Chemicals Limited	N/A	Associated Company
Thar Foundation	N/A	Associated Company
Engro Vopak Terminal Limited	N/A	Associated Company
Government of Sindh (note 32.2)	54.7%	Controlling Authority
Retirement benefit funds:		
Engro Corporation Limited - Provident Fund	N/A	Post employment benefits
Engro Corporation Limited - MPT Employees Gratuity Fund	N/A	Post employment benefits
Amir Iqbal	N/A	Key Management Personnel
Syed Abul Fazal Rizvi	N/A	Key Management Personnel
Mohammed Saqib	N/A	Key Management Personnel
Naseer Ahmed Memon	N/A	Key Management Personnel
Zeshan Taj Khan	N/A	Key Management Personnel
Imtiaz Ahmed Shaikh	N/A	Director
Asif Jahangir	N/A	Director
Abu Bakar Madani	N/A	Director
Amir Iqbal	N/A	Director
Muhammad Salman Burney	N/A	Director
Sami Aziz	N/A	Director
Kamran Kamal	N/A	Director
Ghias Uddin Khan	N/A	Director
Syed Hassan Naqvi	N/A	Director
Muhammad Tayyab Ahmad Tareen	N/A	Director
Mahesh Kumar Malani	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:

	2021	2020
	----------Rupees----------	
Subsidiary company		
Reimbursement of expenses incurred for:		
- Thar Power Company Limited	74,260	85,385
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Corporation Limited	20,207	26,535
- Engro Energy Limited	131,210	110,935
- Engro Fertilizers Limited	1,467	394
- Engro Powergen Qadirpur Limited	5,069	2,942
- Engro Energy Services Limited	1,713	-
- Engro Powergen Thar (Private) Limited	14,517	7,370
- Engro Vopak Terminal Limited	12,639	3,815
- Engro Polymer and Chemicals Limited	478	549
Reimbursement of expenses incurred for:		
- Engro Energy Limited	10,547	3,820
- Engro Powergen Thar (Private) Limited	14,196	47,439
- Engro Corporation Limited	4,636	-
- Engro Powergen Qadirpur Limited	1,985	226
- Engro Fertilizers Limited	-	126
- Engro Vopak Terminal Limited	721	1,358
- Thar Foundation	82,834	121,501
- Engro Energy Services Limited	8,186	6,371
Associated companies		
Invoicing against supply of coal		
- Engro Powergen Thar (Private) Limited	48,436,031	50,657,976
Delayed payment interest invoiced		
- Engro Powergen Thar (Private) Limited	1,042,298	1,716,778
Key management personnel		
- Managerial remuneration	58,450	52,315
- Contribution for staff retirement benefits	5,154	5,854
- Bonus payments	154,796	49,699
Contribution to retirement benefit funds	77,859	71,692
Donation		
- Thar Foundation	175,280	7,590
Issuance of shares		
- Engro Energy Limited	474,838	-

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(Amounts in thousand)

33. NUMBER OF EMPLOYEES

	Number of employees		Average number of employees	
	2021	**2020**	**2021**	**2020**
- Permanent	106	99	103	98
- Contractual	66	75	71	73
	172	174	174	171

34. CORRESPONDING FIGURES

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

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 9, 2022 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, 2021

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A·F·FERGUSON&Co.

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, 2021.

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, 2021.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: July 5, 2022

UDIN: CR202110080ksRqOgfzl

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, 2021

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>No, Please refer to Note 1 in Notes section for details.</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 Director</td><td>Mr. Amir Iqbal (Chief Executive Officer)</td><td>8-Oct-21</td></tr>
<tr><td rowspan="10">Non-Executive Directors</td><td>Mr. Imtiaz Ahmed Sheikh (Chairman)</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Muhammad Tayyab Ahmad Tareen</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Sami Aziz</td><td>25-Jan-21</td></tr>
<tr><td>Mr. Ghias Uddin Khan</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Kamran Kamal</td><td>20-Jul-21</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. Muhammad Salman Burney</td><td>24-Nov-19</td></tr>
<tr><td>Mr. Abu Bakar Madani</td><td>27-Aug-21</td></tr>
<tr><td>Mr. Asif Jahangir</td><td>8-Oct-21</td></tr>
</table></td><td>3(2)</td><td>No, Please refer to Note 1 in Notes section for details.</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, fit and proper criteria was applied in making majority of the nominations. Where all of the requirements of fit and proper criteria were not applied, the Company either has exemption available or the same has been sought. Please refer to Notes 1 and 2 in Notes section for details.</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>No, Please refer to Note 1 in Notes section for details.</td></tr>
<tr><td>8</td><td>(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.</td><td>5(4)</td><td>Yes</td></tr>
<tr><td>9</td><td>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.</td><td>5(5)</td><td>Yes</td></tr>
<tr><td>10</td><td>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.</td><td>5(5)(b)(ii)</td><td>Yes</td></tr>
<tr><td>11</td><td>The Board has developed and implemented a policy on anti- corruption to minimize actual or perceived corruption in the Company.</td><td>5(5)(b)(vi)</td><td>Yes</td></tr>
<tr><td>12</td><td>The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.</td><td>5(5)(c)(ii)</td><td>Yes</td></tr>
</table>

S. No.	Provisions of the Rules	Rule No.	Yes / No / N/A
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, as 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, as the Company did not deliever any services or sell any goods as a public service obligation, and no submission of request for compensation were made to the Government.
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	N/A, as no such directions received during the year.
18	(a) The Board has met at least four times during the year.	6(1)	Yes
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	Yes
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	No. Minutes of four meetings were circulated timely but there were certain delays in circulation of the minutes of remaining two board meetings.
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
21	(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.	10	Yes
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10	N/A
	(c) The Board has placed the annual financial statements on the Company's website.	10	Yes
22	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.	11	Yes
23	(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:	12	Yes, except Nomination Committee, all Committees are in place. Please refer to Note 1 in Notes section for details.

Committee	Number of Members	Name of Chair
Audit Committee	Mr. Syed Hassan Naqvi Mr. Sami Aziz Mr. Muhammad Tayyab Ahmad Tareen Mr. Abu Bakar Madani Mr. Asif Jahangir	Mr. Syed Hassan Naqvi
Risk Management Committee	Mr. Syed Hassan Naqvi Mr. Sami Aziz Mr. Muhammad Tayyab Ahmad Tareen Mr. Abu Bakar Madani Mr. Asif Jahangir	Mr. Syed Hassan Naqvi
Human Resource Committee	Mr. Ghias Uddin Khan Mr. Syed Hassan Naqvi Mr. Kamran Kamal Mr. Muhammad Salman Burney Mr. Abu Bakar Madani	Mr. Ghias Uddin Khan
Procurement Committee	Mr. Asif Jahangir Mr. Amir Iqbal Mr. Ghias Uddin Khan Mr. Salman Burney	Mr. Asif Jahangir
Nomination Committee	N/A	N/A

<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>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>N/A. There has been no change in the position of Chief Financial Officer, Company Secretary and the Chief Internal Auditor during the year.</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>Yes</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>
<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>Yes</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 rowspan="2">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. Asif Jahangir</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Sami Aziz</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Muhammad Tayyab Ahmed Tareen</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Abu Bakar Madani</td><td>Non-Executive Director</td><td>Diploma in Finance and Public Administration</td></tr>
<tr><td>Mr. Syed Hassan Naqvi</td><td>Non-Executive Director</td><td>Finance</td></tr>
</table></td><td>21(1)</td><td>No. The Company has audit committee having financially literate and non-executive Directors who are not independent directors. Please refer Note 1 in Notes section for details.</td></tr>
<tr><td>The Chief Executive Officer and the Chairman of the Board are not the members of the audit committee.</td><td>21(2)</td><td>Yes</td></tr>
<tr><td rowspan="3">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.</td><td rowspan="3">21(3)</td><td>Yes</td></tr>
<tr><td>(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.</td><td>Yes</td></tr>
<tr><td>(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>Yes</td></tr>
<tr><td rowspan="3">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.</td><td rowspan="3">22</td><td>Yes</td></tr>
<tr><td>(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</td><td>Yes</td></tr>
<tr><td>(c) The internal audit reports have been provided to the external auditors for their review.</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>

Notes:

Note 1: The Company had applied for exemption from compliance with the Rules 3(1) and 3(2), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013 from Securities and Exchange Commission of Pakistan (SECP) which vide its letter No. CLD/CCD/PSC/73/2015-1180 advised the Company to approach the Federal Government to obtain relevant relaxations. The Company thereafter has forwarded the application for exemption from the following Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government.

S. No	Rule No.	Particulars
1	3(1) and 3(2)	Requirement to have independent directors
2	3(7)	Requirement to apply fit and proper criteria
3	5(1)	Responsibilities, powers and functions of Board
4	5(2)	Appointment to the position of CEO
5	8(1)	Performance evaluation
6	12(1)(e)	Requirement to have Nomination Committee

Note 2:

The Company has an earlier exemption from SECP for application of fit and proper criteria for one of the directors. However with respect to the criteria not being met for Minister of Energy - Government of Sindh, the Company has applied for exemption as referred to in Note 1.

IMTIAZ AHMED SHAIKH
CHAIRMAN

AMIR IQBAL
CHIEF EXECUTIVE OFFICER

Explanation for Non-Compliance with the

Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the rules have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Sr. No.	Rule	Reasons for non-compliance	Future Course of Action
1	2(d), 3(1), 3(2), 3(7), 5(1), 5(2), 8(1), 12(1)(e) and 21(1)	The Company is a joint venture between Government of Sindh, Engro and other sponsors (referred to as 'the Parties'). Joint Venture Agreement executed between the Parties give every party the right to nominate directors and further gives Engro the right to appoint the Chief Executive Officer. Since the Joint Venture Agreement governs the relationship between the Parties, the provisions of PSCG Rules are impractical to comply with and therefore the Company seeks exemption from compliance with Rules 3(1), 3(2), 3(7), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013 from SECP on annual basis. This year the SECP has advised the Company to apply for and obtain these exemptions from Federal Government. Therefore, the Company has applied for exemption from compliance with the said rules to Energy Department - Government of Sindh for onward submission to the Federal Government.	The Company had applied for exemption from compliance with the Rules 3(1), 3(2), 3(7), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013 from Securities and Exchange Commission of Pakistan (SECP) which vide its letter No. CLD/CCD/PSC/73/2015-1180 advised the Company to approach the Federal Government to obtain relevant relaxations. The Company thereafter has forwarded the application for exemption from the said Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government.
2	6(3)	There were certain delays in circulation of the agenda and minutes of two board meetings.	Going forward the Company will ensure compliance with the rule.