SINDH ENGRO COAL MINING COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, 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, 2022 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.

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 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: April 7, 2023

UDIN: AR202210080KGTnwH2rZ

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

(Amounts in thousand)

	Note	2022	2021
		-----Rupees-----	
ASSETS			
Non-current assets			
Development properties	3	186,119	9,436,904
Property, plant and equipment	4	96,660,665	77,344,749
Intangible assets	5	141,346	54,666
Long-term investment	6	206,000	206,000
Long-term advances, deposits and prepayments	7	18,690	196,475
		97,212,820	87,238,794
Current assets			
Inventories	8	994,202	683,115
Trade debts	9	46,615,887	31,785,462
Advances, deposits and prepayments	10	1,502,261	1,625,874
Other receivables	11	3,308,391	3,509,970
Interest receivable		3,088,877	908,070
Balances with banks	12	49,499,787	33,595,840
		105,009,405	72,108,331
TOTAL ASSETS		202,222,225	159,347,125
EQUITY AND LIABILITIES			
Equity			
Share capital			
- Ordinary shares	13	16,104,456	16,104,456
- Preference shares	13	1,246,356	1,246,356
		17,350,812	17,350,812
Share premium		7,337,832	7,337,832
Unappropriated profit		35,641,124	27,747,471
		60,329,768	52,436,115
Non-current liability			
Borrowings	14	74,711,753	60,899,766
Current liabilities			
Current maturity of long-term borrowings	14	7,153,080	4,880,565
Short-term finances	15	1,000,000	3,000,000
Accrued mark-up		1,039,863	480,602
Taxes payable		715,308	164,017
Accrued and other liabilities	16	57,272,453	37,486,060
		67,180,704	46,011,244
Contingencies and commitments	17		
TOTAL EQUITY AND LIABILITIES		202,222,225	159,347,125

The annexed notes 1 to 36 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, 2022

(Amounts in thousand)

	Note	2022	2021
		---Rupees---	
Revenue	18	51,598,133	39,111,373
Cost of revenue	19	(31,947,000)	(21,336,182)
Gross profit		19,651,133	17,775,191
Administrative expenses	20	(737,658)	(646,856)
Other operating expenses	21	(70,094)	(52,401)
Other income	22	4,643,847	1,230,492
Profit from operations		23,487,228	18,306,426
Finance cost	23	(14,019,177)	(6,893,783)
Workers' profit's participation fund	24	-	-
Workers' welfare fund	25	-	-
Profit before taxation		9,468,051	11,412,643
Taxation	26	(1,574,398)	(405,085)
Profit for the year		7,893,653	11,007,558
Other comprehensive income		-	-
Total comprehensive income for the year		7,893,653	11,007,558

The annexed notes 1 to 36 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, 2022

(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, 2021	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
Total comprehensive income for the year	-	-	-	7,893,653	7,893,653
Balance as at December 31, 2022	16,104,456	1,246,356	7,337,832	35,641,124	60,329,768

The annexed notes 1 to 36 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, 2022

(Amounts in thousand)

	Note	2022	2021
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,468,051	11,412,643
Adjustment for non-cash charges and other items:			
Income from bank deposits	22	(4,645,729)	(1,225,668)
Loss / (gain) on disposal of property, plant and equipment	22	1,882	(4,824)
Write-off of intangibles	5	1,319	-
Finance cost	23	5,816,110	3,987,488
Depreciation	19	3,996,415	3,612,321
Amortisation	19	41,013	23,920
Exchange loss on revaluation of foreign currency borrowings	14.7	8,203,067	2,906,294
Working capital changes:			
- Increase in current assets		(14,939,933)	(6,982,898)
- Increase in current liabilities		19,786,393	16,532,300
		4,846,460	9,549,402
Loans and advances to employees, net		122,390	10,954
Interest received		2,464,922	763,254
Income taxes paid		(1,023,107)	(150,881)
Net cash generated from operating activities		29,292,793	30,884,903
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
- development properties		(8,908,265)	(7,892,345)
- property, plant and equipment		(3,666,567)	(4,486,207)
- intangible assets		(129,012)	(643)
Proceeds from disposal of property, plant and equipment		3,498	17,036
Net cash utilised in investing activities		(12,700,346)	(12,362,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital, net		-	3,976,778
Proceeds from long-term borrowings	14.7	13,537,201	3,536,313
Repayment of long-term borrowings	14.7	(5,738,557)	(4,522,167)
(Repayment of) / Proceeds from short-term finances - net		(2,000,000)	500,000
Finance cost paid		(7,125,003)	(4,712,051)
Net cash utilised in financing activities		(1,326,359)	(1,221,127)
Net increase in cash and cash equivalents		15,266,088	17,301,617
Cash and cash equivalents at beginning of the year		33,595,840	16,075,145
Effects of exchange rate changes on cash and cash equivalents		637,859	219,078
Cash and cash equivalents at end of the year	12	49,499,787	33,595,840

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(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 for generation of electricity for their 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 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 Company achieved its COD for Phase II of the Project on October 1, 2022 (00:00 hours).

In its 79th meeting, 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 accumulated 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.

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, except as otherwise stated.

(Amounts in thousand)

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 of 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. 1177 (1) / 2021 dated September 13, 2021 had extended the exemption regarding the applicability of "Expected Credit Losses Method" under IFRS 9 - Financial Instruments till June 30, 2022 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 October 24, 2022, SECP further extended the exemption of application of Expected Credit Loss Method under IFRS 9 till June 23, 2023.

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. Revision to accounting to estimates are recognised prospectively commencing from the period of revision. 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, 2.7.3, 2.16, and 2.17 of the financial statements.

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

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

There were certain amendments to accounting and reporting standards which became effective for the Company for the current year. However, these do not have any significant impact on the Company's financial reporting and therefore, have not been disclosed in these financial statements.

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

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 financial year January 1, 2022. The standard and amendments are not expected to have any significant 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'.

(Amounts in thousand)

Capitalised development properties expenditure is recorded at cost less impairment losses, if any. As the Phase III of mine has not yet started and only consultancy and studies are being incurred, 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 statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on 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 as disclosed in note 4.1 to these financial statements 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 up to the preceding month of disposal.

The Company reviews appropriateness of the rate of depreciation, useful life and residual values 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.

(Amounts in thousand)

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 amortised 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.

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 to 8 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 where those cash flows represent solely payments of principal and interest on principal 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.

(Amounts in thousand)

(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 profit or loss.

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 profit or loss. When equity instruments classified as financial assets at 'fair value through other comprehensive income' are sold, the accumulated gain or loss previously recognised in other comprehensive income is not reclassified to profit or loss.

2.7.3 Impairment of financial assets

As explained in note 2.1.3, amounts due from GoP as a consequence of circular debt are assessed 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.

(Amounts in thousand)

For financial assets other than due from GoP, lifetime ECL is recognised when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12 months, ECL, under IFRS 9.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

2.8 Inventories

These are valued at lower of cost or net realisable value. Cost is determined using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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 2.7.3. Trade debts and other receivables considered irrevocable are written off.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes balances with banks including cheques in hand and short-term investments, if any, having original maturity of up to three months.

2.11 Share capital

Ordinary shares and preference 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.

(Amounts in thousand)

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 profit or loss.

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 tariff true-ups by TCEB.

2.17 Revenue recognition

Revenue from contracts with customers

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. Receivable is recognised on monthly basis based on actual coal supplied and capacity made available for customers during the month after the same has been acknowledged.

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 recognised is deferred and will be subject to adjustments on approval of future tariffs by Thar Coal and Energy Board.

Delayed payment income on overdue trade debts and carrying cost on 70% of capacity payments are recognised on accrual basis at the rate of 3 months KIBOR + 2%.

Interest income on financial assets

Profit on bank deposits are recognised on accrual basis.

(Amounts in thousand)

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 balance sheet 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 differences 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**

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.

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 the 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 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.

(Amounts in thousand)

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.

	2021	Additions during the year	2022
	----------------------------	Rupees	----------------------------
3. DEVELOPMENT PROPERTIES			
Phase I costs (note 3.1)	62,976,926	-	62,976,926
Phase II costs (note 3.2)	9,250,785	10,450,938	19,701,723
Phase III costs (note 3.3)	186,119	-	186,119
	72,413,830	10,450,938	82,864,768
Transferred to capital work-in-progress	(62,976,926)	(19,701,723)	(82,678,649)
Balance at the end of year	9,436,904	(9,250,785)	186,119

(Amounts in thousand)

		2021	Additions during the year	2022
		---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 (2021: Rs. 7,143,573) incurred on borrowings obtained for the Project net of income on bank deposits of Rs. 100,663 (2021: Rs. 100,663).

(Amounts in thousand)

		2021	Additions during the year	2022
		----------Rupees----------		
3.2	**Phase II costs**			
	Overburden removal cost	169,348	14,700	184,048
	Offshore contractor cost	5,788,177	3,444,359	9,232,536
	Onshore contractor cost	2,313,770	1,835,400	4,149,170
	Truck repairs (note 4.4)	-	782,754	782,754
	Fuel cost	2,783,965	2,769,011	5,552,976
	Depreciation (note 4.2)	67,964	50,580	118,544
	Consultancy and studies	28,155	(14,931)	13,224
	Legal and professional charges	61,005	2,146	63,151
	Financial charges	158,143	61,542	219,685
	Transaction cost amortization	12,062	13,729	25,791
	Project development costs (note 3.2.1)	183,772	-	183,772
	Mark-up on long term borrowings - net (note 3.2.2)	884,664	1,489,123	2,373,787
	Insurance	178,971	74,826	253,797
	Exchange loss / (gain)	(33,192)	(72,301)	(105,493)
	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)
		9,274,781	10,450,938	19,725,719
	Expenses netted-off in equity - Share issuance cost	(23,996)	-	(23,996)
	Balance as at December 31	9,250,785	10,450,938	19,701,723
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. 2,772,562 (2021: Rs. 1,102,254) incurred as at reporting date on borrowings obtained for the Project net-off income on bank deposits of Rs. 398,775 (2021: Rs. 217,590).

3.2.3 As per decision of the Thar Coal and Energy Board (TCEB) dated April 5, 2019, Pre-COD sales are utilised by the Company in reducing Phase II expenditure relating to expansion of mine to 7.6 MTPA.

		2022	2021
		----------Rupees----------	
3.2.4	**Movement during the year**		
	Balance as at January 1	9,250,785	814,567
	Add: Additions during the year	10,450,938	8,449,680
	Less: Expenses netted-off in equity - Share issuance cost	-	(13,462)
	Less: Transferred to capital work-in-progress	(19,701,723)	-
	Balance as at December 31	-	9,250,785

(Amounts in thousand)

	2021	Additions during the year	2022
	------	Rupees ------	
3.3 Phase III costs			
Consultancy and studies	186,119	-	186,119

	2022	2021
	------ Rupees ------	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets (note 4.1)	88,603,727	65,426,137
Capital work-in-progress (note 4.4)	8,056,938	11,918,612
	96,660,665	77,344,749

4.1 Operating assets

	Freehold land	Building	Computers, office and other equipment	Plant & machinery	Vehicles	Mining asset	Total
	------	------	------	Rupees	------	------	------
As at January 1, 2021							
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
Year ended December 31, 2022							
Opening net book value	332,273	1,593,902	134,778	5,481,525	104,024	57,779,635	65,426,137
Additions (note 4.4)	-	4,114	58,228	7,421,961	43,938	19,701,723	27,229,964
Disposals							
- Cost	-	(205)	(19,733)	(2,106)	(2,979)	-	(25,023)
- Accumulated depreciation	-	161	18,219	875	389	-	19,644
	-	(44)	(1,514)	(1,231)	(2,590)	-	(5,379)
Depreciation charge (note 4.2)	-	(239,308)	(70,749)	(1,495,777)	(30,629)	(2,210,532)	(4,046,995)
Net book value	332,273	1,358,664	120,743	11,406,478	114,743	75,270,826	88,603,727
As at December 31, 2022							
Cost	332,273	2,183,713	387,077	18,913,643	281,980	82,678,649	104,777,335
Accumulated depreciation	-	(825,049)	(266,334)	(7,507,165)	(167,237)	(7,407,823)	(16,173,608)
Net book value	332,273	1,358,664	120,743	11,406,478	114,743	75,270,826	88,603,727
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)

	2022	2021
	------Rupees------	

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

	2022	2021
Development properties (note 3.2)	50,580	67,964
Cost of revenue (note 19)	3,996,415	3,544,357
	4,046,995	3,612,321

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	2,709	(278)	2,431	-	(2,431)	Accidental Damage	N/A	N/A
Plant & Machinery	1,289	(322)	967	-	(967)	Accidental Damage	N/A	N/A

	2022	2021
	------Rupees------	
4.4 Capital work-in-progress		
Balance as at January 1	11,918,612	8,214,537
Add: Additions during the year, including transfers from development properties	24,280,056	4,486,850
Less: Transferred to operating assets (note 4.1)	(27,229,964)	(782,132)
Less: Transferred to development properties (note 3.2)	(782,754)	-
Less: Transferred to intangible assets (note 5)	(129,012)	(643)
Balance as at December 31	8,056,938	11,918,612

5. INTANGIBLE ASSETS - Computer software

	2022	2021
Net carrying value		
Balance at beginning of the year	54,666	77,943
Add: Additions during the year (note 4.4)	129,012	643
Less: Amortisation charge for the year (note 19)	(41,013)	(23,920)
less: Write offs during the year		
Cost	(2,638)	-
Accumulated depreciation	1,319	-
	(1,319)	-
Balance at end of the year	141,346	54,666
Gross carrying value		
Cost	230,079	103,705
Less: Accumulated amortisation	(88,733)	(49,039)
Net book value	141,346	54,666
Annual rate of amortisation (%)	12.5 to 25	25

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(Amounts in thousand)

	2022	2021
	---Rupees---	
6. LONG TERM INVESTMENT		
Unquoted subsidiary company - at cost		
Thar Power Company Limited - 20,600,000 (2021: 20,600,000) ordinary shares of Rs.10 each	206,000	206,000

	2022	2021
7. LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS - Considered good		
Loan arrangement charges (note 7.1)	3,118,513	3,118,513
Less: Transaction cost netted-off from borrowings (note 14.6)	(3,116,749)	(2,937,741)
	1,764	180,772
Security deposit (note 7.2)	14,450	14,450
Advances for employee benefits (notes 7.3, 7.4 and 7.5)	6,085	14,649
Less: Current portion shown under current assets (note 10)	(3,609)	(13,396)
	2,476	1,253
	18,690	196,475

7.1 Loan arrangement charges of Rs. 3,118,513 (2021: Rs. 3,118,513) have been incurred in connection with long-term loan / financing arrangements. Out of this Rs. 3,116,749 (2021: Rs. 2,937,741) has been recognised as transaction cost and deducted from the borrowings in proportion of the drawn loan amount to the total facilities available as at December 31, 2022. Accordingly, transaction costs of Rs. 1,764 (2021: Rs. 180,772) have been carried forward as long term advances as at December 31, 2022 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.

	2022	2021
	---Rupees---	
7.3 Reconciliation of the carrying amount of advances for employee benefits		
Balance at beginning of the year	14,649	25,603
Add: Disbursements	3,906	8,273
Less: Amortisation	(12,470)	(19,227)
Balance at end of the year	6,085	14,649

7.4 Includes interest free loans under investment loan plan to executives of Rs. 419 (2021: Rs. 8,419) repayable after three years in lump sum. It also includes house rent given to certain employees amounting to Nil (2021: Rs. 840) 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. 8,104 (2021: Rs. 18,117).

(Amounts in thousand)

	2022	2021
	Rupees	
8. INVENTORIES		
Coal inventory (note 8.1)	825,730	683,115
Diesel inventory (note 8.2)	168,472	-
	994,202	683,115

8.1 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 Operation & Maintenance Services and Supply Agreement effective from July 10, 2019.

8.2 Represents High Speed Diesel for operating the gensets and mining activities at site.

9. TRADE DEBTS

- considered good

9.1 Represents receivable from customers against sale of coal in accordance with the terms of the CSA as follows:

	2022	2021
	Rupees	
- Engro Powergen Thar Limited	38,398,825	31,760,774
- Lucky Electric Power Company Limited	2,059,005	24,688
- Thar Energy Limited	6,001,208	-
- Thal Nova Power Thar Private Limited	156,849	-
	46,615,887	31,785,462

9.2 The ageing analysis of trade debts is as follows:

	Related party		Others	
	2022	2021	2022	2021
	Rupees			
Neither past due nor impaired	8,856,470	8,565,466	5,905,767	24,688
Past due but not impaired				
- Up to 3 months	16,234,326	12,560,713	2,311,295	-
- 3 to 6 months	8,626,072	7,681,194	-	-
- More than 6 months	4,681,957	2,953,401	-	-
	29,542,355	23,195,308	2,311,295	-
	38,398,825	31,760,774	8,217,062	24,688

9.3 Trade debts include delayed payment interest on overdue payments at the rate of 3-month KIBOR plus 2% per annum amounting to Rs. 6,370,198 (2021: Rs. 2,759,077) as at reporting date.

9.4 The maximum amount outstanding from related parties / associated undertakings at the end of any month aggregated to Rs. 44,556,882 (2021: Rs. 32,554,300).

	2022	2021
	Rupees	
10. ADVANCES, DEPOSITS AND PREPAYMENTS		
Current portion of advances for employee benefits (note 7)	3,609	13,396
Advances to suppliers	1,002,072	1,373,497
Advances to employees	6,922	5,045
Prepayments	482,213	226,491
Security deposits	7,445	7,445
	1,502,261	1,625,874

(Amounts in thousand)

10.1 As at December 31, 2022 and 2021, advances and deposits were neither past due nor impaired.

	2022	2021
	---Rupees---	

11. OTHER RECEIVABLES

	2022	2021
Due from associated companies: (notes 11.1 and 11.2)		
- Thar Foundation	38,682	2,940
- Thar Power Company Limited	147,699	4,789
- Engro Powergen Thar (Private) Limited	91,128	12,914
- Engro Powergen Qadirpur Limited	552	586
- Engro Energy Services Limited	2,003	4,171
- Engro Energy Limited	10,604	-
- Engro Fertilizers Limited	1,390	3,784
- Hub Power Company Limited	150,493	-
- Engro Corporation Limited	-	2,185
Others (note 11.3)	2,865,840	3,478,601
	3,308,391	3,509,970

11.1 The maximum amount outstanding at the end of any month from related party / associated undertakings aggregated to Rs. 442,551 (2021: Rs. 38,816).

11.2 As at December 31, 2022 and 2021, due from associated companies were neither past due nor impaired.

	2022	2021
	---Rupees---	
11.3 Includes receivables in respect of following:		
Delayed payment interest	562,939	1,126,183
Workers profits participation fund	1,878,647	1,405,244
Workers welfare fund	123,423	31,041
Fuel payments on behalf of O&M contractor	225,682	836,837
Others	75,149	79,296
	2,865,840	3,478,601

12. BALANCES WITH BANKS

	2022	2021
Deposits with banks		
- Foreign currency accounts (note 12.1)	3,250,033	2,269,585
- Local currency accounts (notes 12.2 and 12.3)	46,215,618	31,292,180
Cheques in hand	34,136	34,075
	49,499,787	33,595,840

12.1 Represents deposits with scheduled banks amounting to US Dollars 14,387 (2021: US Dollars 12,858).

(Amounts in thousand)

12.2 Represents deposits with scheduled banks at profit rates of upto 15.50% (2021: upto 8.25%) per annum.

12.3 This includes deposits amounting to Rs. 5,253,475 (2021: Rs. 4,789,458) which are restricted for use. These are held in bank accounts maintained with the Industrial and Commercial Bank of China, on account of replacement of assets for mining activities based on tariff component and for the installment of repayment of foreign currency borrowing and interest due on June 1, 2023, under the "US Dollar Term Loan Facility Agreement".

	2022	2021
	---Rupees---	
13. SHARE CAPITAL		
Authorised capital		
2,065,700,000 (2021: 2,065,700,000) Ordinary shares of Rs. 10 each	20,657,000	20,657,000
144,000,000 (2021: 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 (2021: 1,610,445,594) Ordinary shares of Rs. 10 each fully paid in cash (note 13.1)	16,104,456	16,104,456
124,635,575 (2021: 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

2022	2021		2022	2021
Number of shares			---Rupees---	
1,610,445,594	1,341,198,633	As at January 1	16,104,456	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	1,610,445,594	At end of the year (note 13.1.1)	16,104,456	16,104,456

	2022	2021
	---Number of shares---	
13.1.1 Ordinary shareholders		
Government of Sindh	880,913,744	880,913,744
Engro Energy Limited	191,643,025	191,643,025
Thal Limited	191,643,025	191,643,025
Habib Bank Limited	152,992,330	152,992,330
The Hub Power Company Limited	128,835,648	128,835,648
CMEC Thar Mining Investments Limited	64,417,822	64,417,822
	1,610,445,594	1,610,445,594

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.

(Amounts in thousand)

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.

13.2 Preference shares

2022	2021		2022	2021
Number of shares			----Rupees----	
124,635,575	124,635,575	At end of the year	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, 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. 1,472,312 (2021: Rs. 759,086), however dividend on these shares shall only be paid after PCD of Phase I mine.

	2022	2021
	----Rupees----	
14. BORROWINGS		
Local currency borrowings (notes 14.1, 14.4 and 14.5)	49,414,240	38,000,778
Foreign currency borrowings (notes 14.1, 14.4 and 14.5)	34,408,440	29,820,191
	83,822,680	67,820,969
Less: Current portion shown under current liabilities:		
- Local currency borrowings	(3,353,009)	(2,124,740)
- Foreign currency borrowings	(4,069,800)	(2,997,199)
	(7,422,809)	(5,121,939)
Less: Transaction costs (note 14.6)	(1,957,847)	(2,040,638)
Current portion of transaction costs	269,729	241,374
	(1,688,118)	(1,799,264)
	74,711,753	60,899,766

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

(Amounts in thousand)

- 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

	Currency	Mark-up / Profit rates per annum	Installments Number	Installments Period	Installments 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

	December 31, 2022			December 31, 2021		
	Facility	Drawdown	Unutilized	Facility	Drawdown	Unutilized
	(Rupees)			(Rupees)		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(20,570,119)	-	24,340,600	(20,570,119)	3,770,481
Syndicate Facility Agreement - Phase-II mine	21,120,481	(21,120,481)	-	17,350,000	(10,654,441)	6,695,559
Islamic Finance Agreement	10,309,400	(10,309,400)	-	10,309,400	(10,309,400)	-
Supplemental Facility Agreement	5,000,000	(3,071,163)	1,928,837	5,000,000	-	5,000,000
	57,000,000	(55,071,163)	1,928,837	57,000,000	(41,533,960)	15,466,040
	(US Dollars)			(US Dollars)		
US Dollar Term Loan Facility Agreement	200,000	(200,000)	-	200,000	(200,000)	-

14.4 Outstanding amount against borrowing facilities

	December 31, 2022			December 31, 2021		
	Drawdown	Repayment	Outstanding	Drawdown	Repayment	Outstanding
	(Rupees)			(Rupees)		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(3,767,974)	16,802,145	20,570,119	(2,353,598)	18,216,521
Syndicate Facility Agreement - Phase-II mine	21,120,481	-	21,120,481	10,654,441	-	10,654,441
Islamic Finance Agreement	10,309,400	(1,888,949)	8,420,451	10,309,400	(1,179,584)	9,129,816
Supplemental Facility Agreement	3,071,163	-	3,071,163	-	-	-
	55,071,163	(5,656,923)	49,414,240	41,533,960	(3,533,182)	38,000,778
	(US Dollars)			(US Dollars)		
US Dollar Term Loan Facility Agreement	200,000	(48,040)	151,960	200,000	(31,060)	168,940

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.

	2022	2021
	(Rupees)	
14.6 Transaction costs		
Transaction costs netted-off from borrowings (note 7)	3,116,749	2,937,741
Less: Amortisation recognised to date in profit or loss	(843,689)	(595,618)
Less: Amortisation recognised to date in development properties	(315,213)	(301,485)
	1,957,847	2,040,638

(Amounts in thousand)

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:

	2022	2021
	(Rupees)	
Balance as at January 1	65,780,331	63,655,537
Proceeds from borrowings	13,537,201	3,536,313
Transaction costs netted-off from borrowings	(179,008)	(46,763)
Amortisation of transaction cost	261,799	251,117
	82,791	204,354
Repayments	(5,738,557)	(4,522,167)
Exchange loss	8,203,067	2,906,294
Balance as at December 31	81,864,833	65,780,331

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 (2021: Rs. 6,000,000) 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 (2021: Rs. 1,000,000) have been utilized against this facility. Such financing facilities have 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 (2021: Rs. 6,900,000). 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. No amount (2021: Rs. 2,000,000) have been utilized against this facility. Such financing facility has been secured against a charge over the Company's project assets.

16. ACCRUED AND OTHER LIABILITIES

	2022	2021
	(Rupees)	
Accrued liabilities and other payables (note 16.1)	26,164,068	16,905,442
Payable to retirement benefit fund	-	3,797
Retention money	869,438	686,836
Workers' profits participation fund	1,878,647	1,405,244
Workers' welfare fund	92,382	24,004
Interest on worker's profit participation fund	258,079	91,855
Sales tax payable	483,434	595,783
Deferred liabilities (note 16.2)	27,520,693	17,758,375
Due from associated undertakings:		
- Engro Energy Limited	-	1,562
- Engro Vopak Terminal Limited	644	
- Engro Corporation Limited	1,498	-
- Engro Powergen Thar (Private) Limited	-	3,571
Withholding tax payable	3,570	9,591
	57,272,453	37,486,060

(Amounts in thousand)

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. 11,373,720 (2021: Rs. 5,927,352), Rs. 8,066,517 (2021: Rs. 4,146,061), Rs. 3,706,110 (2021: Rs. 3,848,863) and Rs. 1,036,914 (2021: Rs. 1,516,111), respectively.

16.2 This represents the portion of invoiced revenue against which either no related costs have been incurred or which will be adjusted after the approval / notification of tariff true-ups by TCEB. This also includes amount of Rs. 16,083,753, which will become payable subject to the approval of revised invoices from TCEB against determined COD Stage Tariff of Phase I.

17. CONTINGENCIES AND COMMITMENTS

17.1 Capital commitments for civil works construction and equipment procurement as at December 31, 2022 amount to Rs. 2,520,996 (2021: Rs. 8,681,683).

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 up to September 30, 2023. This guarantee is secured via cash margin provided by Thar Power Company Limited, the wholly owned subsidiary of the Company.

17.4 The Company has obtained stay order on October 31, 2022 against super tax for prior period amounting to Rs. 49,027 which was levied during the year under section 4C through enactment of Finance Act, 2022 at the rate of 4%. Against the stay order, the Company has provided guarantee in form of post dated cheque amounting to Rs. 49,027 to Nazir of the Court.

17.5 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.

17.6 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:

	2022	2021
	----Rupees----	
Not later than 1 year	-	10,316

17.7 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:

	2022	2021
	----Rupees----	
Not later than 1 year	22,878	137,706
Later than 1 year but not later than 5 years	34,870	-
	57,748	137,706

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(Amounts in thousand)

		2022	2021
		---Rupees---	
18.	**REVENUE**		
	- Revenue from contracts with customers		
	Capacity purchase price	37,720,431	29,958,616
	Less: Sales tax (note 18.2)	(6,479,613)	(5,321,635)
		31,240,818	24,636,981
	Energy purchase price	20,417,706	12,125,465
	Less: Sales tax (note 18.2)	(2,877,146)	(1,854,243)
		17,540,560	10,271,222
	Pre-Cod sale	3,104,105	3,230,364
	Less: Sales tax	(450,205)	(469,369)
		2,653,900	2,760,995
	- Others (note 18.1)	162,855	1,442,175
		51,598,133	39,111,373

18.1 Includes reversal of delayed payment interest amounting to Rs. (208,481) (2021: income of Rs. 1,258,694).

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

		2022	2021
		---Rupees---	
19.	**COST OF REVENUE**		
	O&M contractor cost	13,871,968	9,269,507
	Fuel and power	7,720,361	3,486,922
	Depreciation (note 4.2)	3,996,415	3,544,357
	Salaries, wages and staff welfare	788,175	489,471
	Travelling, security and site expenses	251,485	487,964
	Transportation	549,048	398,811
	Insurance	621,118	377,386
	Consultancy	213,716	178,118
	Village relocation	170,523	72,440
	Other expenses (note 19.1)	4,034,265	3,023,514
	Amortisation (note 5)	41,013	23,920
		32,258,087	21,352,410
	Add: Opening inventory	579,115	562,887
	Less: Closing inventory	(890,202)	(579,115)
		31,947,000	21,336,182

19.1 This includes accrued royalty amounting to Rs. 3,920,456 (2021: Rs. 2,934,901), payable to Mines and Mineral Department - GoS, a related party, in accordance with the provisions of Sindh Mining Concession Rules, 2002.

		2022	2021
		---Rupees---	
20.	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and staff welfare	350,426	257,298
	Travelling, security and site expenses	88,563	73,886
	Purchased services	100,444	79,711
	Corporate social reponsibility (note 20.1)	193,225	232,911
	Directors' fee (note 27)	5,000	3,050
		737,658	646,856

(Amounts in thousand)

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.

	2022	2021
	------Rupees------	

21. OTHER OPERATING EXPENSES

	2022	2021
Auditor's remuneration (note 21.1)	20,259	9,913
Legal and professional expenses	49,835	42,488
	70,094	52,401

21.1 Auditor's remuneration

	2022	2021
Fee for:		
- audit of annual financial statements	1,710	1,170
- review of half yearly financial information	350	415
- review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	150	85
- taxation services	2,916	4,723
- Phase II audit of special purpose financial information and certification	11,000	-
- other services	1,747	1,356
Out of pocket expenses	2,386	2,164
	20,259	9,913

22. OTHER INCOME

	2022	2021
On financial assets		
Profit / interest income on deposits with banks	4,645,729	1,225,668
On non-financial assets		
(Loss) / gain on disposal of property, plant and equipment	(1,882)	4,824
	4,643,847	1,230,492

23. FINANCE COST

	2022	2021
Mark-up on long-term borrowings	6,715,164	3,816,267
Mark-up on short-term finances	26,635	25,468
Interest on worker's profits participation fund	166,224	84,624
Amortisation of transaction costs (note 14.6)	248,071	241,374
Exchange loss	6,817,495	2,716,575
Other financial charges	45,588	9,475
	14,019,177	6,893,783

24. WORKERS' PROFITS PARTICIPATION FUND

	2022	2021
Provision for Workers' Profits Participation Fund (note 24.1)	473,402	570,631
Pass through under tariff (note 11.3)	(473,402)	(570,631)
	-	-

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.

(Amounts in thousand)

	2022	2021
	----------Rupees----------	
25. WORKERS' WELFARE FUND		
Provision for Workers' Welfare Fund (note 25.1)	92,382	31,041
Pass through under tariff (note 11.3)	(92,382)	(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.

	2022	2021
	----------Rupees----------	
26. TAXATION		
Current tax		
- for the year (notes 26.1 and 26.2)	1,525,371	313,250
- for prior year (notes 26.1 and 26.2)	49,027	91,835
	1,574,398	405,085

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 (the Ordinance). These are now subject to 100% tax credit via Section 65F of Finance Act, 2021. However, the Company's bank profits remains chargeable to tax, accordingly, tax charge has been recognised thereagainst in accordance with the requirements of the Ordinance. Since majority of Company's income is subject to 100% tax credit no reconciliation of accounting profit to tax charge has been presented in these financial statements.

26.2 Under Finance Act 2022, section 4C 'Super tax on high earning persons' has been inserted in the Ordinance. As per the aforementioned section, in addition to the prevailing tax rates, super tax @ 4% has been imposed on persons whose income exceeds Rs. 300 million for tax year 2022 and onwards. This has resulted in additional tax charge for the Company amounting to Rs. 184,764 for current tax year - Tax Year (TY) 2023 and Rs. 49,027 for prior tax year - TY 2022. The Company has however obtained stay from Sindh High Court.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2022			2021		
	Directors			Directors		
	Chief Executive Officer	Others	Executives	Chief Executive Officer	Others	Executives
	(Rupees)					
Managerial remuneration	34,491	-	536,998	37,511	-	643,790
Contribution for staff retirement benefits	3,878	-	53,283	2,936	-	34,810
Bonus	12,693	-	81,291	87,296	-	152,423
Fees (notes 20 and 27.2)	-	5,000	-	-	3,050	-
Total	51,062	5,000	671,572	127,743	3,050	831,023
Number of persons, including those who worked part of the year	1	11	123	2	16	91

(Amounts in thousand)

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

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

28. STAFF 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. 92,172 (2021: Rs. 77,859) has been charged during the year in respect of defined contribution plans.

29. FINANCIAL INSTRUMENTS BY CATEGORY

	2022	2021
	---Rupees---	
Financial assets at amortised cost		
Trade debts	46,615,887	31,785,462
Deposits	21,895	21,895
Other receivables	3,308,391	3,509,970
Interest receivable	3,088,877	908,070
Balances with banks	49,499,787	33,595,840
	102,534,837	69,821,237
Financial liabilities at amortised cost		
Borrowings	81,864,833	65,780,331
Short-term finances	1,000,000	3,000,000
Accrued mark-up	1,039,863	480,602
Accrued and other liabilities	27,035,648	17,601,208
	110,940,344	86,862,141

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

30.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value 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 on foreign currency borrowings and related interest payments are covered through adjustment in tariff as per the Implementation Agreement with Government of Sindh.

As at December 31, 2022, had the Company's functional currency strengthened / weekened by 1% against foreign currency with all other variables held constant, post-tax profit for the year would have been higher / lower by Rs. 91,791 mainly as a resulting from exposure related to foreign currency bank balances and foreign liabilities.

(Amounts in thousand)

ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from borrowings. These are benchmarked to variable rates which expose the Company to interest rate risk. The Company's exposure to interest rate risk is limited as the unfavourable fluctuation in the interest rates of borrowings are covered through adjustment in tariff as per the Implementation Agreement with Government of Sindh. 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.

At the reporting date credit risk of the Company mainly arises from trade debts, other receivables, interest receivables and deposits with banks. The credit risk on trade debts and other receivables is limited as it is majorly represents receivable from related parties. 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 these are maintained with commercial banks having good credit ratings. Credit risk on interest receivable is also limited as it is due from the aforementioned banks with which the Company has maintained its liquid funds. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

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

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

c) **Liquidity risk**

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

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(Amounts in thousand)

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.

	2022			2021		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Borrowings	19,387,222	126,527,426	145,914,648	10,661,267	87,096,566	97,757,833
Short-term finances	1,000,000	-	1,000,000	3,000,000	-	3,000,000
Accrued mark-up	1,039,863	-	1,039,863	480,602	-	480,602
Accrued and other liabilities	27,035,648	-	27,035,648	17,601,208	-	17,601,208
	48,462,733	126,527,426	174,990,159	31,743,077	87,096,566	118,839,643

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, 2022 and 2021 are as follows:

	2022	2021
	Rupees	
Total long term borrowings (note 14)	83,822,680	67,820,969
Total equity	60,329,768	52,436,115
Total capital	144,152,448	120,257,084
Gearing ratio	0.58	0.56

31. PRODUCTION CAPACITY

	2022	2021
	in tonnes	
Maximum supply capacity	7,600,000	3,800,000
Actual coal quantity supplied	4,523,597	4,051,252

(Amounts in thousand)

32. TRANSACTIONS WITH RELATED PARTIES

32.1 Following are the related parties with whom the Company had entered into transactions or had agreements 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
Hub Power Company Limited	8.00%	Common Directorship
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 (Chief Executive Officer)	N/A	Key Management Personnel
Imtiaz Ahmed Shaikh	N/A	Director
Asif Jahangir*	N/A	Director
Abu Bakar Madani	N/A	Director
Mahesh Kumar Malani	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
Sajid Jamal Abro	N/A	Director
Bao Jianjun	N/A	Director

*Left during the year

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

	2022	2021
	---Rupees---	
Subsidiary company		
Reimbursement of expenses incurred for:		
- Thar Power Company Limited	93,609	74,260
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Corporation Limited	4,754	20,207
- Engro Energy Limited	139,289	131,210
- Engro Fertilizers Limited	3,607	1,467
- Engro Powergen Qadirpur Limited	697	5,069

(Amounts in thousand)

	2022	2021
	------Rupees------	
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Powergen Thar (Private) Limited	9,174	14,517
- Thar Foundation	9,806	-
- Engro Energy Services Limited	-	1,713
- Engro Vopak Terminal Limited	-	12,639
- Engro Polymer and Chemicals Limited	-	478
Reimbursement of expenses incurred for:		
- Engro Powergen Thar (Private) Limited	16,586	14,196
- Engro Corporation Limited	633	4,636
- Engro Powergen Qadirpur Limited	2,564	1,985
- Thar Foundation	18,466	82,834
- Engro Energy Services Limited	3,305	8,186
- Engro Fertilizers Limited	38,549	-
- Hub Power Company Limited	107,206	-
- Engro Energy Limited	-	10,547
- Engro Vopak Terminal Limited	-	721
Associated companies		
Invoicing against supply of coal		
- Engro Powergen Thar (Private) Limited	54,823,152	48,436,031
Delayed payment interest invoiced		
- Engro Powergen Thar (Private) Limited	3,611,121	1,042,298
Key management personnel		
- Managerial remuneration	78,190	58,450
- Contribution for staff retirement benefits	9,012	5,154
- Bonus payments	25,388	154,796
Contribution to retirement benefit funds	92,172	77,859
Donation		
- Thar Foundation	-	175,280
Issuance of shares		
- Engro Energy Limited	-	474,838

33. NUMBER OF EMPLOYEES

	Number of employees		Average number of employees	
	2022	2021	2022	2021
- Permanent	124	106	115	103
- Contractual	68	66	67	71
	192	172	182	174

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(Amounts in thousand)

34. GENERAL

Figures have been rounded off to the nearest thousand Pakistan Rupees in these financial statements, unless otherwise stated.

35. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and better presentation. Following major reclassification has been made during the year:

Reclassified		Amounts (Rupees)
From	To	
Other receivables	Accrued and other liabilities	579,820

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 17, 2023 by the Board of Directors of the Company. The directors have the power to amend and reissue the financial statements.

Chief Executive Officer

Director