SINDH ENGRO COAL MINING COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Engro Coal Mining Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Sindh Engro Coal Mining Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2023, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including material accounting policy information 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 unconsolidated statement of financial position, unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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, 2023 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 Unconsolidated 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 Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AFFCo

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 4, 2024

UDIN: AR202310080RPML53b6m

SINDH ENGRO COAL MINING COMPANY LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(Amounts in thousand)

	Note	2023	2022
		----Rupees----	
ASSETS			
Non-current assets			
Development properties	3	210,138	186,119
Property, plant and equipment	4	95,972,288	96,660,665
Intangible assets	5	124,384	141,346
Long-term investment	6	206,000	206,000
Long-term advances, deposits and prepayments	7	16,557	18,690
		96,529,367	97,212,820
Current assets			
Inventories	8	1,769,694	994,202
Stores and spares		52,869	-
Trade debts	9	66,557,472	46,615,887
Advances, deposits and prepayments	10	3,200,367	1,502,261
Other receivables	11	14,756,103	3,308,391
Taxes refundable		3,415,917	-
Interest receivable		3,808,727	3,088,877
Balances with banks	12	42,814,350	49,499,787
		136,375,499	105,009,405
TOTAL ASSETS		232,904,866	202,222,225
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		56,802,007	35,641,124
		81,490,651	60,329,768
Non-current liability			
Long-term borrowings	14	73,158,548	74,711,753
Current liabilities			
Current maturity of long-term borrowings	14	8,965,955	7,153,080
Accrued and other liabilities	15	46,946,719	57,272,453
Short-term borrowings	16	20,291,072	1,000,000
Accrued mark-up		1,824,261	1,039,863
Dividend payable	17	227,660	-
Taxes payable		-	715,308
		78,255,667	67,180,704
Contingencies and commitments	18		
TOTAL EQUITY AND LIABILITIES		232,904,866	202,222,225

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Director**

SINDH ENGRO COAL MINING COMPANY LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousand)

	Note	2023	2022
		----------------Rupees----------------	
Revenue	19	109,407,088	51,598,133
Cost of revenue	20	(62,270,686)	(31,947,000)
Gross profit		47,136,402	19,651,133
Administrative expenses	21	(1,485,194)	(737,658)
Other operating expenses	22	(337,546)	(70,094)
Other income	23	8,519,759	4,643,847
Profit from operations		53,833,421	23,487,228
Finance cost	24	(26,560,318)	(14,019,177)
Workers' profit's participation fund	25	-	-
Workers' welfare fund	26	-	-
Profit before taxation		27,273,103	9,468,051
Taxation	27	1,887,647	(1,574,398)
Profit for the year		29,160,750	7,893,653
Other comprehensive income		-	-
Total comprehensive income for the year		29,160,750	7,893,653

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Director**

SINDH ENGRO COAL MINING COMPANY LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

(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, 2022	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
Total comprehensive income for the year	-	-	-	29,160,750	29,160,750
Transactions with owners:					
Interim dividend announced:					
- Ordinary shares (Rs. 3.53 per share)	-	-	-	(5,691,492)	(5,691,492)
- Preference shares (Rs. 18.52 per share)	-	-	-	(2,308,375)	(2,308,375)
	-	-	-	(7,999,867)	(7,999,867)
Balance as at December 31, 2023	16,104,456	1,246,356	7,337,832	56,802,007	81,490,651

The annexed notes 1 to 38 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Director**

SINDH ENGRO COAL MINING COMPANY LIMITED
UNCONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousand)

	Note	2023	2022
		---Rupees---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		27,273,103	9,468,051
Adjustment for non-cash charges and other items:			
Depreciation	20	5,880,460	3,996,415
Amortisation	20	31,509	41,013
Income from bank deposits	23	(8,503,216)	(4,645,729)
Loss on disposal of property, plant and equipment	23	3,269	1,882
Finance cost		18,055,506	5,816,110
Exchange loss on revaluation of foreign currency borrowings	14.7	8,504,812	8,203,067
Expenses charged off pertaining to development property	3	66,047	-
Write-off of intangibles		-	1,319
Working capital changes:			
Decrease / (increase) in current assets			
Inventories		(828,361)	(311,087)
Trade debts		(19,941,585)	(14,830,425)
Other receivables		(11,447,712)	201,579
		(32,217,658)	(14,939,933)
Decrease / (increase) in accrued and other liabilities		(10,325,734)	19,786,393
		(42,543,392)	4,846,460
Loans and advances - net		(1,697,737)	122,390
Interest received		7,783,366	2,464,922
Income taxes paid		(2,243,578)	(1,023,107)
Net cash generated from operating activities		12,610,149	29,292,793
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
- development properties		(90,066)	(8,908,265)
- property, plant and equipment		(5,380,397)	(3,666,567)
- intangible assets		(14,547)	(129,012)
Proceeds from disposal of property, plant and equipment		185,045	3,498
Net cash utilised in investing activities		(5,299,965)	(12,700,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	13,537,201
Repayment of long-term borrowings	14.7	(8,513,839)	(5,738,557)
Proceeds from / (Repayment of) short-term finances - net		19,291,072	(2,000,000)
Dividend paid		(7,772,207)	-
Finance cost paid		(17,796,194)	(7,125,003)
Net cash utilised in financing activities		(14,791,168)	(1,326,359)
Net (decrease) / increase in cash and cash equivalents		(7,480,984)	15,266,088
Cash and cash equivalents at beginning of the year		49,499,787	33,595,840
Effects of exchange rate changes on cash and cash equivalents		795,547	637,859
Cash and cash equivalents at end of the year	12	42,814,350	49,499,787

The annexed notes 1 to 38 form an integral part of these unconsolidated 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 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 is being made out of additional capacity of 3.8 million tonnes per annum under Phase II of the Project. These companies have set up mine-mouth power plants of 330 Mega Watts 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 achieved its COD for phase II of the Project on October 1, 2022 (00:00 hours) and started supply of coal to TEL and TNPTL in accordance with the terms of their respective CSA dated May 13, 2017 for generation of electricity from their 330 Mega Watts power plants each. The Company also achieved Project Completion Date of Phase I on May 25, 2023 and subsequently announced dividend to the shareholders.

In its 79th meeting, the Board of Directors of the Company approved the plan to expand the mine to 11.2 million tonnes per annum to cater coal off-take requirements of Lucky Electric Power Company Limited (LEPCL) and instructed the management to finalize all modalities for this expansion.

1.3 These unconsolidated 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. MATERIAL ACCOUNTING POLICY INFORMATION

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

(Amounts in thousand)

2.1 Basis of preparation

2.1.1 These unconsolidated financial statements have been prepared under the historical cost convention, except as otherwise stated.

2.1.2 The unconsolidated 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 These unconsolidated financial statements have been presented in Pakistani Rupee which is also the Company's functional currency.

2.1.4 The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O No. 67(I)/2023 dated January 20, 2023 has notified that in respect of companies holding financial assets ultimately due from the Government of Pakistan (GoP) in respect of circular debt, the requirements contained in IFRS 9 'Financial Instruments', with respect to application of Expected Credit Loss (ECL) method shall not be applicable for the financial years ending on or before December 31, 2024, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

2.1.5 The preparation of unconsolidated 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 unconsolidated 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 unconsolidated financial statements.

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

a) Standards, amendments and interpretations to approved accounting and reporting standards that became effective during the year

There is a standard and certain amendments to approved accounting and reporting standards that are applicable to the Company for the financial year beginning on January 1, 2023, however these do not have a material impact on the Company's financial reporting and, therefore, have not been presented in these financial statements, except for the following:

Amendment to IAS 1 "Presentation of financial statements" (IAS 1) and IFRS Practice Statement 2:

This amendment aims to help entities in providing accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a

(Amounts in thousand)

requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. This amendment has only had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any item in these financial statements.

b) **Standards, ammendments and interpretations to approved accounting and reporting standards that are not yet effective and have not been early adopted by the Company**

There are cetain amendments to approved 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, 2023. These are not expected to have a material impact on the Company's financial reporting and, therefore, have not been presented 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 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.

(Amounts in thousand)

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.

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.

(Amounts in thousand)

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.

(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.

(Amounts in thousand)

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 2.1.4, amounts ultimately 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.

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, contract assets 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.

A contract asset is recognized for the Company's right to consideration in exchange for goods or services that it has transferred to a customer. If the Company performs its obligation by transferring goods or services to a customer before the customer pays the consideration or before the payment is due, the Company presents the amount as a contract asset, excluding any amounts presented as a receivable in trade debts.

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.

(Amounts in thousand)

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.

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 related costs have either not been incurred / fully incurred or which will be adjusted after tariff true-ups by Thar Coal and Energy Board (TCEB).

(Amounts in thousand)

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 credit limit in agreements with customers is 30 days from the receipt of invoice.

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

Capacity and energy / production revenue is recognised based on the rates determined under the mechanism laid down in the CSA with the customers and credit limit in agreement with customers 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 TCEB.

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.

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.

(Amounts in thousand)

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 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 contingent liabilities

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.

Contingent liability is 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.

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. Reversal of impairment loss is restricted to carrying value of the asset had no impairment loss been recognised.

(Amounts in thousand)

2.22 Foreign currency transactions and translation

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 unconsolidated financial statements in the period in which these are approved.

3. DEVELOPMENT PROPERTIES

	2022	Additions during the year	2023
		Rupees	
Phase I costs	62,976,926	-	62,976,926
Phase II costs	19,701,723	-	19,701,723
Phase III costs (note 3.1)	186,119	90,066	276,185
	82,864,768	90,066	82,954,834
Less: Transferred to capital work-in-progress	(82,678,649)	-	(82,678,649)
Less: Expenses charged off	-	(66,047)	(66,047)
Balance at the end of year	186,119	24,019	210,138

3.1 This mainly represents expenses incurred in relation to tariff petition filing fees, consultancy and studies.

4. PROPERTY, PLANT AND EQUIPMENT

	2023	2022
	Rupees	
Operating assets (note 4.1)	94,693,264	88,603,727
Capital work-in-progress (note 4.4)	1,279,024	8,056,938
	95,972,288	96,660,665

(Amounts in thousand)

4.1 Operating assets

	Freehold land	Building	Computers, office and other equipment	Plant & machinery	Vehicles	Mining asset	Total
	---Rupees---						
As at January 1, 2022							
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 4.5)	-	4,114	58,228	7,421,961	43,938	19,701,723	27,229,964
Disposals (note 4.4)							
- 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
Year ended December 31, 2023							
Opening net book value	332,273	1,358,664	120,743	11,406,478	114,743	75,270,826	88,603,727
Additions (note 4.5)	1,263,530	477,746	110,158	9,993,890	312,987	-	12,158,311
Disposals (note 4.4)							
- Cost	-	(5,801)	(37,325)	(236,048)	(66,783)	-	(345,957)
- Accumulated depreciation	-	5,801	35,936	96,009	19,897	-	157,643
	-	-	(1,389)	(140,039)	(46,886)	-	(188,314)
Transfers	-	-	-	(2,792,664)	-	2,792,664	-
Depreciation charge (note 4.2)	-	(215,215)	(77,422)	(2,672,271)	(50,306)	(2,865,246)	(5,880,460)
Net book value	1,595,803	1,621,195	152,090	15,795,394	330,538	75,198,244	94,693,264
As at December 31, 2023							
Cost	1,595,803	2,655,658	459,910	28,671,485	528,184	85,471,313	119,382,353
Accumulated depreciation	-	(1,034,463)	(307,820)	(12,876,091)	(197,646)	(10,273,069)	(24,689,089)
Net book value	1,595,803	1,621,195	152,090	15,795,394	330,538	75,198,244	94,693,264
Annual rate of depreciation (%)	-	6.67 to 25	25 to 33	6.67 to 25	20 to 25	3.33	

186

(Amounts in thousand)

	2023	2022
	-----Rupees-----	

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

	2023	2022
Development properties	-	50,580
Cost of revenue (note 20)	5,880,460	3,996,415
	5,880,460	4,046,995

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-----							
Items having net book value more than 500								
Computers, office and other equipment								
Stack Gym Machine	1,661	(623)	1,038	166	(872)	Tender	H.K Waste Management Company	N/A
Vehicles								
Toyota Yaris 1/5 Cvt	2,705	(1,089)	1,616	1,517	(99)	Buyback	Dileep Kumar	Employee
Toyota Yaris 1/5 Cvt	3,091	(1,319)	1,772	1,604	(168)	Buyback	Rizwana Halepoto	Employee
Toyota Corolla Altis 1/6 A/T	2,745	(894)	1,851	1,362	(489)	Buyback	Hassan Farooq	Employee
Honda City 1/3 I-Vtech Prosmatic	2,774	(1,139)	1,635	1,601	(34)	Buyback	Ali Gohar Shah	Employee
Glory 580 1/5 Dfsk	3,505	(1,241)	2,264	1,122	(1,142)	Buyback	Umair Aslam Bhutt	Employee
Honda Civic 1/8 I-Vtec Oriel	2,783	(1,065)	1,718	1,700	(18)	Buyback	Nawab Abid	Employee
Changan Alsvin	3,065	(353)	2,712	2,900	188	Buyback	Yayha Saleem	Employee
Honda City	3,636	(596)	3,040	3,608	568	Insurance Claim	Sindh Insurance Limited	N/A
Toyota Altis 1/8	3,469	(992)	2,477	2,934	457	Buyback	Zaib Zaman	Employee
Honda City	3,285	(507)	2,778	3,095	317	Buyback	Awais Amar Mahar	Employee
Toyota Corolla Altis 1/6 A/T	2,749	(1,168)	1,581	2,321	740	Buyback	Muhammad Ilyas	Employee
Toyota Yaris 1/3 Gli	2,773	(1,178)	1,595	2,306	711	Buyback	Nida Saleem Banduka	Employee
Toyota Yaris 1/3 Gli	2,712	(809)	1,903	2,396	493	Buyback	Sayed Fazeel Hussain	Employee
Honda Civic	2,847	(557)	2,290	2,808	518	Buyback	Faizan Ali Unnar	Employee
Toyota Corolla Altis 1/6 A/T	3,454	(1,769)	1,685	2,938	1,253	Buyback	Mohsin Babbar	Employee
Toyota Corolla Altis 1/8 Grande A/T	3,531	(1,651)	1,880	3,974	2,094	Buyback	Syed Kashif	Employee
Honda City	3,232	(767)	2,465	2,235	(230)	Buyback	Soha Deshmuk	Employee
Toyota Corolla Altis	3,646	(824)	2,822	2,610	(212)	Buyback	Fayyaz Ali Soomro	Employee
Kia Sportage Fwd	3,544	(1,464)	2,080	2,623	543	Buyback	Waqas Sharif	Employee
Kia Sportage 2.0 Alpha	7,237	(513)	6,724	7,238	514	Buyback	Anas Bin Sajid	Employee
Plant & machinery								
Gensets	235,525	(95,723)	139,802	129,787	(10,015)	Insurance Claim	Sindh Insurance Limited	N/A
Items having net book value less than 500:								
Others	41,988	(41,402)	586	2,200	1,614	Tender	Various	N/A
	345,957	(157,643)	188,314	185,045	(3,269)			

(Amounts in thousand)

4.4 This includes fully depreciated assets donated to Thar Foundation, a related party, having a cost of Rs. 3,164 (2022: Nil).

		2023	2022
		----------Rupees----------	
4.5	**Capital work-in-progress**		
	Balance at the beginning of the year	8,056,938	11,918,612
	Add: Additions during the year, including transfers from development properties	5,394,944	24,280,056
	Less: Transferred to operating assets (note 4.1)	(12,158,311)	(27,229,964)
	Less: Transferred to development properties	-	(782,754)
	Less: Transferred to intangible assets (note 5)	(14,547)	(129,012)
	Balance at the end of the year	1,279,024	8,056,938

5. INTANGIBLE ASSETS - Computer software

	2023	2022
Net carrying value		
Balance at beginning of the year	141,346	54,666
Add: Additions during the year (note 4.5)	14,547	129,012
Less: Amortisation charge for the year (note 20)	(31,509)	(41,013)
less: Write offs during the year		
Cost	-	(2,638)
Accumulated depreciation	-	1,319
	-	(1,319)
Balance at end of the year	124,384	141,346
Gross carrying value		
Cost	244,626	230,079
Less: Accumulated amortisation	(120,242)	(88,733)
Net book value	124,384	141,346
Annual rate of amortisation (%)	12.5 to 25	12.5 to 25

6. LONG TERM INVESTMENT

	2023	2022
Unquoted subsidiary company - at cost		
Thar Power Company Limited - 20,600,000 (2022: 20,600,000) ordinary shares of Rs.10 each	206,000	206,000

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

	2023	2022
Loan arrangement charges (note 7.1)	3,118,513	3,118,513
Less: Transaction cost netted-off from borrowings (note 14.6)	(3,118,513)	(3,116,749)
	-	1,764
Security deposit (note 7.2)	14,450	14,450
Advances for employee benefits (note 7.3)	2,107	6,085
Less: Current portion shown under current assets (note 10)	-	(3,609)
	2,107	2,476
	16,557	18,690

(Amounts in thousand)

7.1 Loan arrangement charges of Rs. 3,118,513 (2022: Rs. 3,118,513) have been incurred in connection with long-term loan / financing arrangements which has been recognised as transaction cost and deducted from the borrowings.

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.

	2023	2022
	Rupees	
7.3 Reconciliation of the carrying amount of advances for employee benefits		
Balance at beginning of the year	6,085	14,649
Add: Disbursements	3,462	3,906
Less: Amortisation	(7,440)	(12,470)
Balance at end of the year	2,107	6,085

7.4 Includes interest free loans under investment loan plan to executives of Nil (2022: Rs. 419) repayable after three years in lump sum. It also includes house rent given to certain employees amounting to Rs 2,107 (2022: Nil) 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. 3,098 (2022: Rs 8,104).

	2023	2022
	Rupees	
8. INVENTORIES		
Coal inventory (note 8.1)	956,506	825,730
Diesel inventory (note 8.2)	813,188	168,472
	1,769,694	994,202

8.1 This represents coal inventory of 288,363 tonnes held in trust by CERIEC, the Operation and Maintenance (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

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

	2023	2022
	Rupees	
- Engro Powergen Thar Limited	42,852,797	38,398,825
- Lucky Electric Power Company Limited	176,847	2,059,005
- Thar Energy Limited	11,806,173	6,001,208
- Thal Nova Power Thar Private Limited	11,721,655	156,849
	66,557,472	46,615,887

(Amounts in thousand)

9.2 The ageing analysis of trade debts is as follows:

	Related party / associated companies 2023	Related party / associated companies 2022	Others 2023	Others 2022
	----------Rupees----------			
Neither past due nor impaired	20,609,804	12,939,567	-	1,822,669
Past due but not impaired				
- Up to 3 months	28,806,226	18,309,286	-	236,336
3 to 6 months	9,466,949	8,626,072	-	-
- More than 6 months	7,497,646	4,681,957	176,847	-
	45,770,821	31,617,315	176,847	236,336
	66,380,625	44,556,882	176,847	2,059,005

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 (2022: Rs. 6,370,198).

9.4 The maximum amount outstanding from related party / associated companies at the end of any month aggregated to Rs. 73,333,012 (2022: Rs. 44,548,126).

10. ADVANCES, DEPOSITS AND PREPAYMENTS

	2023	2022
	----Rupees----	
Current portion of advances for employee benefits (note 7)	-	3,609
Advances for procurement (note 10.2)	2,492,250	1,002,072
Advances to employees	43,918	6,922
Prepayments	664,113	482,213
Security deposits	86	7,445
	3,200,367	1,502,261

10.1 As at December 31, 2023 and 2022, advances and deposits were neither past due not impaired.

10.2 This includes advance amounting to Rs. 287,404 (2022: Nil) to CMEC in respect of spares for coal handling system.

11. OTHER RECEIVABLES

	2023	2022
	----Rupees----	
Due from associated companies:		
- Engro Energy Services Limited	-	2,003
- Engro Energy Limited	-	10,604
- Engro Fertilizers Limited	-	1,390
- Engro Powergen Qadirpur Limited	1,881	552
- Engro Powergen Thar (Private) Limited	-	91,128
- Thar Power Company Limited	21,741	147,699
- Thar Foundation	7,855	38,682
- The Hub Power Company Limited	584	150,493
Others (note 11.3)	14,724,042	2,865,840
	14,756,103	3,308,391

(Amounts in thousand)

11.1 This maximum amount outstanding at the end of any month from related party / associated undertakings aggregated to Rs. 540,077 (2022: Rs. 442,551).

11.2 As at December 31, 2023 and 2022, due from associated companies / related party were neither past due not impaired.

	2023	2022
	----------Rupees----------	
11.3 Includes receivables in respect of following:		
Delayed payment interest - unbilled (note 11.3.1)	4,704,413	562,939
Workers profits participation fund	3,241,430	1,878,647
Workers welfare fund	706,289	123,423
Fuel payments on behalf of O&M contractor	225,682	225,682
Unbilled revenue (note 11.3.2)	5,618,648	-
Others (note 11.3.3)	227,580	75,149
	14,724,042	2,865,840

11.3.1 This includes receivable in respect of delayed payment interest from associated companies / related party amounting to Rs. 4,704,413 (2022: Rs. 562,939). The maximum amount outstanding at the end of any month from related party / associated undertakings aggregated to Rs. 4,704,413 (2022: Rs. 562,939).

11.3.2 This represents receivable from Lucky Electric Power Company Limited (LEPCL) as at December 31, 2023 in respect of sale of coal which is not yet billed.

11.3.3 This includes pay orders worth Rs. 131,424 (2022: Nil) submitted in favor of Nazir of Sindh High Court (SHC) for release of consignment relating to import of spare tyres and rims of off highway dump trucks used in Company's mining operations.

	2023	2022
	----------Rupees----------	
12. BALANCES WITH BANKS		
Deposits with banks		
- Foreign currency accounts (note 12.1)	4,636,288	3,250,033
- Local currency accounts (notes 12.2 and 12.3)	38,100,902	46,215,618
Cheques in hand	77,160	34,136
	42,814,350	49,499,787

12.1 Represents deposits with scheduled banks amounting to US Dollars 16,449 (2022: US Dollars 14,387).

12.2 Represents deposits with scheduled banks at profit rates of upto 20.5% (2022: upto 15.5%) per annum.

12.3 This includes deposits amounting to Rs.18,370,963 (2022: Rs. 5,253,475) which are restricted for use. These are held in bank accounts maintained with the Industrial and Commercial Bank of China Limited, on account of replacement of assets for mining activities based on tariff component, for the payment of dividend to shareholders and for maintaining reserve for repayment of foreign currency borrowing and interest due on June 1, 2024, under the "US Dollar Term Loan Facility Agreement".

(Amounts in thousand)

	2023	2022
	---Rupees---	

13. SHARE CAPITAL

Authorised capital

	2023	2022
2,065,700,000 (2022: 2,065,700,000) Ordinary shares of Rs. 10 each	20,657,000	20,657,000
144,000,000 (2022: 144,000,000) Preference shares of Rs. 10 each	1,440,000	1,440,000

Issued, subscribed and paid-up capital

	2023	2022
1,610,445,594 (2022: 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 (2022: 124,635,575) Preference shares of Rs. 10 each fully paid in cash (note 13.2)	1,246,356	1,246,356

---Number of shares---

13.1 Ordinary shareholders

	2023	2022
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

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

13.1.2 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

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.

(Amounts in thousand)

Based on coupon rate of 15.4% per annum, the preference dividend for the period subsequent to COD amounts to Rs. 2,393,747 (2022: Rs. 1,472,312). The preference dividend paid till December 31, 2023 amounts to Rs. 2,308,373.

	2023	2022
	----------Rupees----------	
14. LONG-TERM BORROWINGS		
Local currency borrowings (notes 14.1, 14.4 and 14.5)	46,061,231	49,414,240
Foreign currency borrowings (notes 14.1 and 14.5)	37,752,422	34,408,440
	83,813,653	83,822,680
Less: Current portion shown under current liabilities:		
- Local currency borrowings	(3,857,917)	(3,353,009)
- Foreign currency borrowings	(5,378,692)	(4,069,800)
	(9,236,609)	(7,422,809)
Less: Transaction costs (note 14.6)	(1,689,150)	(1,957,847)
Less: Current portion of transaction costs	270,654	269,729
	(1,418,496)	(1,688,118)
	73,158,548	74,711,753

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 and further amended on October 3, 2022.
- Islamic Finance Agreement with three commercial banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited, as amended on September 5, 2019 and further amended on October 3, 2022.
- 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	Period	Commenced 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

(Amounts in thousand)

14.3 Unutilized amounts against borrowing facilities

	December 31, 2023			December 31, 2022		
	Facility	Drawdown	Unutilized	Facility	Drawdown	Unutilized
	(Rupees)			(Rupees)		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(20,570,119)	-	20,570,119	(20,570,119)	-
Syndicate Facility Agreement - Phase-II mine	21,120,481	(21,120,481)	-	21,120,481	(21,120,481)	-
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	(3,071,163)	1,928,837
	57,000,000	(55,071,163)	1,928,837	57,000,000	(55,071,163)	1,928,837
	(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, 2023			December 31, 2022		
	Drawdown	Repayment	Outstanding	Drawdown	Repayment	Outstanding
	(Rupees)			(Rupees)		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(5,370,768)	15,199,351	20,570,119	(3,767,974)	16,802,145
Syndicate Facility Agreement - Phase-II mine	21,120,481	(830,902)	20,289,579	21,120,481	-	21,120,481
Islamic Finance Agreement	10,309,400	(2,692,243)	7,617,157	10,309,400	(1,888,949)	8,420,451
Supplemental Facility Agreement	3,071,163	(116,019)	2,955,144	3,071,163	-	3,071,163
	55,071,163	(9,009,932)	46,061,231	55,071,163	(5,656,923)	49,414,240
	(US Dollars)			(US Dollars)		
US Dollar Term Loan Facility Agreement	200,000	(66,060)	133,940	200,000	(48,040)	151,960

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

	2023	2022
	Rupees	
Transaction costs netted-off from borrowings (note 7)	3,118,513	3,116,749
Less: Amortisation recognised to date in profit or loss	(1,114,150)	(843,689)
Less: Amortisation recognised to date in development properties	(315,213)	(315,213)
	1,689,150	1,957,847

(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:

	2023	2022
	---Rupees---	
Balance as at January 1	81,864,833	65,780,331
Proceeds from borrowings	-	13,537,201
Transaction costs netted-off from borrowings	(1,764)	(179,008)
Amortisation of transaction cost	270,461	261,799
	268,697	82,791
Repayments	(8,513,839)	(5,738,557)
Exchange loss	8,504,812	8,203,067
Balance as at December 31	82,124,503	81,864,833

15. ACCRUED AND OTHER LIABILITIES

Accrued liabilities and other payables (note 15.1)	16,786,178	26,164,068
Retention money	113,619	869,438
Workers' profits participation fund	3,241,430	1,878,647
Workers' welfare fund	675,248	92,382
Interest on worker's profit participation fund	518,227	258,079
Sales tax payable	41,919	483,434
Deferred liabilities (note 15.2)	25,480,050	27,520,693
Due from associated undertakings:		
- Engro Vopak Terminal Limited	705	644
- Engro Corporation Limited	2,364	1,498
- Engro Energy Limited	31,046	-
- Engro Fertilizers Limited	5,080	-
- Engro Polymer and Chemicals Limited	233	-
- Engro Powergen Thar (Private) Limited	34,035	-
Withholding tax payable	16,585	3,570
	46,946,719	57,272,453

15.1 Includes accruals against Royalty (payable to Mines and Mineral Department - GoS, a related party) amounting to Rs. 3,543,791 (2022: Rs. 8,066,517).

15.2 This represents the portion of invoiced revenue against which related costs have either not been incurred / fully incurred or which will be adjusted after the approval / notification of tariff true-ups by TCEB. This also includes amount of Rs. 16,161,185 which will become payable subject to the approval of revised invoices from TCEB against determined COD Stage Tariff of Phase I. Decline in balance during the year is due to billings for Phase II are being done on Financial Close Stage Tariff for Phase II which is lower than revenue which is being recognised on best estimate of expected tariff to be notified.

(Amounts in thousand)

16. SHORT-TERM BORROWINGS

The Company has entered into:

- Running finance / short-term financing facility, for its working capital requirements, available from various banks / financial institutions amounted to Rs. 9,500,000 (2022: 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. An amount of Rs. 9,391,072 (2022: Rs. 1,000,000) has been utilised against this facility. Such financing facilities have been secured against a charge over the Company's project assets; and

- Musharaka agreements amounting to Rs. 10,900,000 (2022: 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. Rs. 10,900,000 (2022: Nil) have been utilised against this facility. Such financing facility has been secured against a charge over the Company's project assets.

17. DIVIDEND PAYABLE

This represents interim ordinary dividend payable to CMEC Thar Mining Investments Limited, which remained unpaid due to pending approval from the State Bank of Pakistan.

18. CONTINGENCIES AND COMMITMENTS

18.1 Capital commitments for civil works construction and equipment procurement as at December 31, 2023 amount to Rs. 3,645,394 (2022: Rs. 2,520,996).

18.2 Outstanding bank guarantee as at December 31, 2023 amount to Rs. 60,018 (2022: Rs. 60,018), which remains unutlised as at December 31, 2023.

18.3 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.

18.4 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, 2024. This guarantee is secured via cash margin provided by Thar Power Company Limited, the wholly owned subsidiary of the Company.

18.5 On October 31, 2022, the Company obtained stay order against super tax for prior period amounting to Rs. 49,027 which was levied under section 4C through enactment of Finance Act, 2022 at the rate of 4%. Against the stay order, the Company provided guarantee in form of post dated cheque amounting to Rs. 49,027 to Nazir of the Court which was encashed during the year on the decision of the Honourable Supreme Court of Pakistan on February 16, 2023.

(Amounts in thousand)

18.6 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.

18.7 During the year, the Company received tax notice from the Sindh Revenue Board (SRB) for Tax Year 2022, in respect of provision of Sindh sales tax on services rendered by contractor. The management is currently assessing the context and is in the process of submitting the response for the said notice.

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

	2023	**2022**
	---Rupees---	
Not later than 1 year	658,305	500,542
Later than 1 year but not later than 5 years	359,981	750,813
	1,018,286	1,251,355

19. REVENUE

- Revenue from contracts with		
Capacity purchase price	71,762,422	37,720,431
Less: Sales tax (note 19.1)	(11,086,938)	(6,479,613)
	60,675,484	31,240,818
Energy purchase price	44,280,444	20,417,706
Less: Sales tax (note 19.1)	(6,365,744)	(2,877,146)
	37,914,700	17,540,560
Pre-Cod sale (note 19.2)	6,836,257	3,104,105
Less: Sales tax (note 19.1)	(1,042,819)	(450,205)
	5,793,438	2,653,900
- Others (note 19.3)	5,023,466	162,855
	109,407,088	51,598,133

19.1 This represents sales tax charged on amount billed and / or accrued under Coal Supply Agreements (CSA).

19.2 This represents sales to Lucky Electric Power Company Limited (LEPCL) and FFBL Power Company Limited (FPCL) during the period.

19.3 This includes delayed payment interest amounting to Rs. 4,164,207 (2022: reversal of Rs. 208,481).

(Amounts in thousand)

20. COST OF REVENUE

	2023	2022
	----Rupees----	
Coal extraction cost	28,747,891	13,871,968
Fuel and power	16,315,252	7,720,361
Depreciation (note 4.2)	5,880,460	3,996,415
Salaries, wages and staff welfare	808,496	788,175
Travelling, security and site expenses	662,285	251,485
Transportation	920,453	549,048
Insurance	1,067,781	621,118
Consultancy	276,643	213,716
Village relocation	153,477	170,523
Other expenses (note 20.1)	8,181,931	4,034,265
Amortisation (note 5)	31,509	41,013
	63,046,178	32,258,087
Add: Opening inventory	994,202	579,115
Less: Closing inventory (note 8)	(1,769,694)	(890,202)
	62,270,686	31,947,000

20.1 This includes royalty amounting to Rs. 7,398,494 (2022: Rs. 3,920,456), payable to Mines and Mineral Department - GoS, a related party, in accordance with the provisions of Sindh Mining Concession Rules, 2002.

21. ADMINISTRATIVE EXPENSES

	2023	2022
	----Rupees----	
Salaries, wages and staff welfare	543,209	350,426
Travelling, security and site expenses	238,539	88,563
Purchased services	143,308	100,444
Corporate social reponsibility (note 21.1)	556,238	193,225
Directors' fee (note 28)	3,900	5,000
	1,485,194	737,658

21.1 This represents contribution for the year to be made to Thar Foundation, a related party. Amir Iqbal, Rehan Iqbal Baloch, Mahesh Kumar Malani, Kazim Hussain Jatoi, Shakeel Ahmed Mangnejo are directors of both, the Company and Thar Foundation.

22. OTHER OPERATING EXPENSES

	2023	2022
	----Rupees----	
Auditor's remuneration (note 22.1)	16,159	20,259
Legal and professional expenses	321,387	49,835
	337,546	70,094

(Amounts in thousand)

	2023	2022
	---Rupees---	
22.1 Auditor's remuneration		
Fee for:		
- audit of annual financial statements	2,215	1,710
- review of half yearly financial information	590	350
- review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	150	150
- taxation services	7,361	2,916
- audit of special purpose financial information	1,500	850
- Phase II audit of special purpose financial information and certification	-	11,000
- certifications	3,030	897
Out of pocket expenses	1,313	2,386
	16,159	20,259

23. OTHER INCOME

	2023	2022
From financial assets		
Profit / interest income on bank deposits	8,503,216	4,645,729
From non-financial assets		
Loss on disposal of property, plant and equipment	(3,269)	(1,882)
Others	19,812	-
	8,519,759	4,643,847

24. FINANCE COST

	2023	2022
Mark-up on long-term borrowings	14,364,276	6,715,164
Mark-up on short-term finances	2,160,709	26,635
Interest on worker's profits participation fund	260,147	166,224
Amortisation of transaction costs (note 14.7)	270,461	248,071
Exchange loss	9,410,632	6,817,495
Other financial charges	94,093	45,588
	26,560,318	14,019,177

25. WORKERS' PROFITS PARTICIPATION FUND

	2023	2022
Provision for Workers' Profits Participation Fund (note 25.1)	1,362,783	473,402
Pass through under tariff	(1,362,783)	(473,402)
	-	-

25.1 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 a pass through item as part of its tariff.

26. WORKERS' WELFARE FUND

	2023	2022
	---Rupees---	
Provision for Workers' Welfare Fund (note 26.1)	582,866	92,382
Pass through under tariff	(582,866)	(92,382)
	-	-

(Amounts in thousand)

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

	2023	2022
	----Rupees----	
27. TAXATION		
Current tax		
- for the year	-	1,525,371
- Reversal recorded for prior years (note 27.1)	(1,887,647)	49,027
	(1,887,647)	1,574,398

27.1 During the year, the Company received exemption certification under section 151 for withholding tax on profit on debt. Based on this and opinion of tax advisor and legal consultant, the Company is of the view that its entire taxable income including profit on debt is subject to tax credit under section 65F. Accordingly tax provisions recognised on profit on debt in prior years have been reversed. Further, the Company is in process of refund application formalities.

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2023			2022		
	Directors			Directors		
	Chief Executive Officer	Others	Executives	Chief Executive Officer	Others	Executives
	(Rupees)					
Managerial remuneration	37,681	-	516,843	34,491	-	536,998
Contribution for staff retirement benefits	3,969	-	54,833	3,878	-	53,283
Bonus	12,993	-	80,423	12,693	-	81,291
Fees (notes 21 and 28.2)	-	3,900		-	5,000	-
Total	54,643	3,900	652,099	51,062	5,000	671,572
Number of persons, including those who worked part of the year	1	11	131	1	11	123

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

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

29. STAFF RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS

29.1 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.

29.2 An amount of Rs. 116,251 (2022: Rs. 92,172) has been charged during the year in respect of defined contribution plans.

(Amounts in thousand)

	2023	2022
	---Rupees---	
30. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost		
Trade debts	66,557,472	46,615,887
Deposits	14,536	21,895
Other receivables	14,756,103	3,308,391
Interest receivable	3,808,727	3,088,877
Balances with banks	42,814,350	49,499,787
	127,951,188	102,534,837
Financial liabilities at amortised cost		
Long-term borrowings	82,124,503	81,864,833
Short-term borrowings	20,291,072	1,000,000
Accrued mark-up	1,824,261	1,039,863
Accrued and other liabilities	16,973,260	27,035,648
Dividend payable	227,660	-
	121,440,756	110,940,344

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 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, 2023, had the Company's functional currency strengthened / weakened by 1% against foreign currency with all other variables held constant, post-tax profit for the year would have been higher / lower by Rs. 428,223 (2022: Rs. 91,791) mainly as a resulting from exposure related to foreign currency bank balances and foreign liabilities.

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 and bank deposits. These are benchmarked to variable rates which expose the Company to interest rate risk. The Company's exposure to interest rate risk on

(Amounts in thousand)

borrowings is limited as the unfavourable fluctuation in the interest rates of long term borrowings is 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. The Company's exposure to cashflow interest rate is limited to Company's deposits with banks and short term borrowings as at December 31, 2023. If interest rates have been 1% higher / lower with all other variables held constant , post tax profits for the year would have been higher / lower by Rs. 178,098 (2022: 462,156)

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 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. A default on a financial asset is when the counterparty fails to make contractual payments within timelines agreed as per the respective agreeements / arrangements. 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. Details regarding financial assets which are neither past due nor impaired have been given in respective notes.

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 Limited	P-1	A1
National Bank of Pakistan	A1+	AAA

c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Company maintains flexibility in funding by maintaining committed credit lines available.

(Amounts in thousand)

The Company's liquidity management involves projecting cash flows and considering the level of

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.

	2023			2022		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Long-term borrowings	23,146,552	123,846,329	146,992,881	19,387,222	126,527,426	145,914,648
Short-term borrowings	20,291,072	-	20,291,072	1,000,000	-	1,000,000
Accrued mark-up	1,824,261	-	1,824,261	1,039,863	-	1,039,863
Accrued and other liabilities	16,973,260	-	16,973,260	27,035,648	-	27,035,648
Dividend payable	227,660	-	227,660	-	-	-
	62,462,805	123,846,329	186,309,134	48,462,733	126,527,426	174,990,159

31.2 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.

31.3 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, 2023 and 2022 are as follows:

	2023	2022
	Rupees	
Total long term borrowings (note 14)	83,813,653	83,822,680
Total equity	81,490,651	60,329,768
Total capital	165,304,304	144,152,448
Gearing ratio	0.51	0.58

32. PRODUCTION CAPACITY

	2023	2022
	in tonnes	
Maximum supply capacity	7,600,000	7,600,000
Actual coal quantity supplied	7,391,182	4,523,597

ا๖๖ـ

(Amounts in thousand)

33. TRANSACTIONS WITH RELATED PARTIES

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

Name	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
The Hub Power Company Limited	8.00%	Common Directorship
EFERT Agritrade (Private) Limited	N/A	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
Thal Limited	11.90%	Associated Company
Thar Energy Limited	N/A	Associated Company
Thal Nova Power Thar (Private) Limited	N/A	Associated Company
Government of Sindh (note 33.2.1)	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
Muhammad Abu Bakar Madani*	N/A	Director
Dr. 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
Rehan Iqbal Baloch	N/A	Director
Asif Haider Mirza	N/A	Director
Kazim Hussain Jatoi	N/A	Director
Shakeel Ahmed Mangnejo	N/A	Director
Fayyaz Hussain Abbasi**	N/A	Director

* Left during the year

** Joined and left during the year

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

(Amounts in thousand)

33.2.1 Government related entities

The Company has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with government related entities except for the transactions included below, which Company considers to be significant:

	2023	2022
	---Rupees---	
Subsidiary company		
Reimbursement of expenses incurred for:		
- Thar Power Company Limited	292,217	93,609
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Energy Limited	224,805	139,289
- Thar Foundation	200	9,806
- Engro Corporation Limited	24,321	4,754
- Engro Powergen Qadirpur Limited	-	697
- Engro Powergen Thar (Private) Limited	-	9,174
- EFERT Agritrade (Private) Limited	13,677	-
- Engro Fertilizers Limited	-	3,607
Reimbursement of expenses incurred for:		
- Engro Corporation Limited	844	633
- Engro Energy Limited	12,274	-
- Thar Foundation	104,267	18,466
- Engro Powergen Thar (Private) Limited	144,294	16,586
- Engro Polymer and Chemicals Limited	4,979	-
- Engro Powergen Qadirpur Limited	-	2,564
- Engro Fertilizers Limited	2,041	38,549
- Engro Energy Services Limited	-	3,305
Invoicing against supply of coal		
- Engro Powergen Thar (Private) Limited	56,152,327	54,823,152
Delayed payment interest invoiced		
- Engro Powergen Thar (Private) Limited	-	3,611,121
Key management personnel		
- Managerial remuneration	142,867	78,190
- Contribution for staff retirement benefits	14,794	9,012
- Bonus payments	31,682	25,388
Contribution to retirement benefit funds	116,251	92,172
Donation		
- Thar Foundation	200,000	-
Dividend paid		
Ordinary dividend		
- Government of Sindh	3,113,246	-
- Engro Energy Limited	677,288	-
Royalty paid		
- Mines and Mineral Department – Government of Sindh	11,921,220	-

(Amounts in thousand)

34. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	2023	**2022**	**2023**	**2022**
- Permanent	139	124	132	115
- Contractual	83	68	76	67
	222	192	208	182

35. GENERAL

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

36. CORRESPONDING FIGURES

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

37. NON-ADJUSTING EVENT AFTER THE FINANCIAL POSITION DATE

The Board of Directors in its meeting held on January 8, 2024 has approved an interim dividend of Rs. 0.72265 per share for preference shareholders and an interim dividend of Rs. 1.80691 per share for ordinary shareholders. These unconsolidated financial statements does not include the effect of the said interim dividend.

38. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on March 7, 2024 by the Board of Directors of the Company.

Chief Executive Officer | **Director**

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Engro Coal Mining Company Limited

Opinion

We have audited the annexed consolidated financial statements of Sindh Engro Coal Mining Company Limited (the Holding Company) and its subsidiary (together 'the Group'), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 Unconsolidated Financial Statements and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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>

KARACHI ▪ LAHORE ▪ ISLAMABAD

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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 4, 2024

UDIN: AR202310080EUeaw80I2

SINDH ENGRO COAL MINING COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(Amounts in thousand)

	Note	2023	2022
		---------------- Rupees ----------------	
ASSETS			
Non-current assets			
Development properties	3	210,138	186,119
Property, plant and equipment	4	96,006,759	96,681,882
Intangible assets	5	124,384	141,346
Long-term advances, deposits and prepayments	6	16,557	18,690
		96,357,838	97,028,037
Current assets			
Inventories	7	1,801,715	1,013,754
Stores and spares		52,869	-
Contract asset	8	-	482,446
Trade debts	9	68,241,016	46,842,816
Advances, deposits and prepayments	10	3,377,027	1,627,900
Other receivables	11	15,014,244	3,265,178
Taxes refundable		2,726,086	-
Interest receivable		3,808,727	3,088,877
Short-term investments	12	4,003,239	4,127,690
Balances with banks	13	44,516,548	49,539,169
		143,541,471	109,987,830
TOTAL ASSETS		239,899,309	207,015,867
EQUITY AND LIABILITIES			
Equity			
Share capital			
- Ordinary shares	14	16,104,456	16,104,456
- Preference shares	14	1,246,356	1,246,356
		17,350,812	17,350,812
Share premium		7,337,832	7,337,832
Unappropriated profit		62,078,423	39,674,279
		86,767,067	64,362,923
Non-current liability			
Long-term borrowings	15	73,158,548	74,711,753
Deferred taxation	16	2,332	902
		73,160,880	74,712,655
Current liabilities			
Current maturity of long-term borrowings	15	8,965,955	7,153,080
Accrued and other liabilities	17	48,662,414	57,574,684
Short-term borrowings	18	20,291,072	1,000,000
Accrued mark-up		1,824,261	1,039,863
Dividend payable	19	227,660	-
Taxes payable		-	1,172,662
		79,971,362	67,940,289
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		239,899,309	207,015,867

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousand)

	Note	2023	2022
		---------------- Rupees	----------------
Revenue	21	113,020,684	57,023,956
Cost of revenue	22	(64,157,848)	(32,285,745)
Gross profit		48,862,836	24,738,211
Administrative expenses	23	(1,528,421)	(765,797)
Other operating expenses	24	(347,824)	(75,105)
Other income	25	9,488,015	5,189,142
Profit from operations		56,474,606	29,086,451
Finance cost	26	(26,560,318)	(14,018,045)
Workers' profit's participation fund	27	-	-
Workers' welfare fund	28	(67,395)	(13,760)
Profit before taxation		29,846,893	15,054,646
Taxation	29	557,118	(3,423,733)
Profit for the year		30,404,011	11,630,913
Other comprehensive income		-	-
Total comprehensive income for the year		30,404,011	11,630,913

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive Officer **Director**

SINDH ENGRO COAL MINING COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

(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, 2022	16,104,456	1,246,356	7,337,832	28,043,366	52,732,010
Total comprehensive income for the year	-	-	-	11,630,913	11,630,913
Balance as at December 31, 2022	16,104,456	1,246,356	7,337,832	39,674,279	64,362,923
Total comprehensive income for the year	-	-	-	30,404,011	30,404,011
Transactions with owners:					
Interim dividend announced:					
- Ordinary shares (Rs. 3.53 per share)	-	-	-	(5,691,492)	(5,691,492)
- Preference shares (Rs. 18.52 per share)	-	-	-	(2,308,375)	(2,308,375)
	-	-	-	(7,999,867)	(7,999,867)
Balance as at December 31, 2023	16,104,456	1,246,356	7,337,832	62,078,423	86,767,067

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive Officer **Director**

SINDH ENGRO COAL MINING COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousand)

	Note	2023	2022
		------Rupees------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		29,846,893	15,054,646
Adjustment for non-cash charges and other items:			
Depreciation	22	5,890,006	4,002,643
Amortisation	22	31,509	41,013
Income from bank deposits	25	(9,471,472)	(5,191,024)
Loss on disposal of property, plant and equipment	25	3,269	1,882
Finance cost		18,055,506	5,814,978
Exchange loss on revaluation of foreign currency borrowings	15.7	8,504,812	8,203,067
Expenses charged off pertaining to development property	3	66,047	-
Write-off of intangibles		-	1,319
		23,079,677	12,873,878
Working capital changes:			
Decrease / (increase) in current assets			
Inventories		(840,830)	(322,357)
Contract asset		482,446	(482,446)
Trade debts		(21,398,200)	(14,766,352)
Advances and deposits		(51,021)	(23,923)
Other receivables		(11,749,066)	97,093
		(33,556,671)	(15,497,985)
Decrease / (increase) in accrued and other liabilities		(8,912,270)	16,511,860
		(42,468,941)	1,013,875
Loans and advances - net		(1,697,737)	122,390
Interest received		8,751,622	3,010,217
Income taxes paid		(3,340,200)	(2,412,813)
Net cash generated from operating activities		14,171,314	29,662,193
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
- development properties		(90,066)	(8,908,265)
- property, plant and equipment		(5,403,197)	(3,676,840)
- intangible assets		(14,547)	(129,012)
Proceeds from disposal of property, plant and equipment		185,045	3,498
Net cash utilised in investing activities		(5,322,765)	(12,710,619)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	13,537,201
Repayment of long-term borrowings	15.7	(8,513,839)	(5,738,557)
Proceeds from / (Repayment of) short-term finances - net		19,291,072	(2,000,000)
Dividend paid		(7,772,207)	-
Finance cost paid		(17,796,194)	(7,123,871)
Net cash utilised in financing activities		(14,791,168)	(1,325,227)
Net (decrease) / increase in cash and cash equivalents		(5,942,619)	15,626,347
Cash and cash equivalents at beginning of the year		53,666,859	37,402,653
Effects of exchange rate changes on cash and cash equivalents		795,547	637,859
Cash and cash equivalents at end of the year	35	48,519,787	53,666,859

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Sindh Engro Coal Mining Company Limited ('the Holding Company') is a public unlisted company, incorporated in Pakistan under repealed Companies Ordinance, 1984 (now Companies Act, 2017), on October 15, 2009. The Holding Company has its registered office at 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 'Group' consists of:

Holding Company: Sindh Engro Coal Mining Company Limited

Subsidiary Company: Thar Power Company Limited, a Company in which the Holding Company owns 100% of voting rights and is controlled by the Holding Company.

1.3 The Holding 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 Holding 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 Holding Company declared its Commercial Operations Date (COD) for Phase I of the Project on July 10, 2019 (00:00 hours). Subsequent to COD, The Holding 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 Holding 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 is being made out of additional capacity of 3.8 million tonnes per annum under Phase II of the Project. These companies have set up mine-mouth power plants of 330 Mega Watts each in Block-II of Thar Coal Field. The financial close of Phase II of the Project was achieved by the Holding Company on December 31, 2019. The Holding Company achieved its COD for phase II of the Project on October 1, 2022 (00:00 hours) and started supply of coal to TEL and TNPTL in accordance with the terms of their respective CSA dated May 13, 2017 for generation of electricity from their 330 Mega Watts power plants each. The Holding Company also achieved Project Completion Date of Phase I on May 25, 2023 and subsequently announced dividend to the shareholders.

In its 79th meeting, the Board of Directors of the Holding Company approved the plan to expand the mine to 11.2 million tonnes per annum to cater coal off-take requirements of Lucky Electric Power Company Limited (LEPCL) and instructed the management to finalize all modalities for this expansion.

(Amounts in thousand)

1.4 Thar Power Company Limited - Subsidiary Company

Thar Power Company Limited ('the Subsidiary Company') is a public unlisted company, incorporated in Pakistan on May 31, 2013 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office, which is also the head office and business unit of the Subsidiary Company, is situated at 16th Floor, The Harbor Front Building, Plot Number HC-3, Marine Drive, Block 4, Clifton, Karachi and its operations site is situated at Thar Block II, Islamkot, District Tharparkar, Sindh. The Subsidiary Company is supplying canal water through Nabisar and ground water through mine which along with its head office collectively form the business units of the Subsidiary Company.

The principal object of the Subsidiary Company is to carry out the business of power generation, distribution, transmission, sale of electricity, carry out related research and studies and to abstract and divert water from any appropriate source for use in connection with the generation of electricity.

Further, the Subsidiary Company has entered into Water Usage agreements with the Government of Sindh, EPTL, TNPTL, TEL and Siddiqsons Energy Limited (SEL), whereby, the Subsidiary Company has agreed to supply required quantity of treated water to EPTL, TNPTL, TEL and SEL for their power projects in Thar Block II.

Currently the Subsidiary Company is supplying ground water to EPTL as per the bridge agreement, amended bridge agreement, ground water agreement and water use agreement and canal water to EPTL, TEL and TNPTL as per supplementary water use agreements.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these consolidated 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 consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated.

2.1.2 The consolidated 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 Group 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 These consolidated financial statements have been presented in Pakistani Rupee which is also the Group's functional currency.

2.1.4 The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O No. 67(I)/2023 dated January 20, 2023 has notified that in respect of companies holding financial assets ultimately due from the Government of Pakistan (GoP) in respect of circular debt, the requirements contained in IFRS 9 'Financial Instruments', with respect to application of Expected Credit Loss (ECL) method shall not be applicable for the financial years ending on or before December 31, 2024, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

(Amounts in thousand)

2.1.5 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting to estimates are recognised prospectively commencing from the period of revision. Significant assumptions or judgments used in the preparation of these consolidated financial statements are in respect of areas / policies disclosed in notes 2.2, 2.3, 2.4, 2.7.3, 2.9, 2.16, 2.17 and 2.18 of the consolidated financial statements.

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

a) Standards, amendments and interpretations to approved accounting and reporting standards that became effective during the year

There is a standard and certain amendments to approved accounting and reporting standards that are applicable to the Group for the financial year beginning on January 1, 2023, however these do not have a material impact on the Group's financial reporting and, therefore, have not been presented in these consolidated financial statements, except for the following:

Amendment to IAS 1 "Presentation of financial statements" (IAS 1) and IFRS Practice Statement 2:

This amendment aims to help entities in providing accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. This amendment has only had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any item in these consolidated financial statements.

b) Standards, ammendments and interpretations to approved accounting and reporting standards that are not yet effective and have not been early adopted by the Group

There are cetain amendments to approved accounting and reporting standards that are not yet effective and have not been early adopted by the Group for the financial year beginning on January 1, 2023. These are not expected to have a material impact on the Group's financial reporting and, therefore, have not been presented in these financial statements.

2.1.7 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis at their book values. The carrying value of investment held by the Holding Company is eliminated against the Subsidiary Company's share capital in the consolidated financial statements. The Group ceases consolidation from the date when control is lost.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(Amounts in thousand)

Disposal of subsidiaries

When the Group ceases to consolidate an investment in a subsidiary because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

Depreciation is charged to consolidated statement of profit or loss and other comprehensive income using the straight line method as disclosed in note 4.1 to these consolidated 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.

(Amounts in thousand)

The Group 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 Group 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 Group.

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 Group'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 Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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 consolidated 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 Impairment of non financial assets

The carrying amount of the Group'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 consolidated statement of profit or loss and other comprehensive income. Reversal of impairment loss is restricted to carrying value of the asset had no impairment loss been recognised.

(Amounts in thousand)

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following measurement categories based on the Group'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.

(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 Group 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 Group 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 Group'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 Group 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 2.1.4, amounts ultimately 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.

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 Group 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, contract assets 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 Group 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.

A contract asset is recognised for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs its obligation by transferring goods or services to a customer before the customer pays the consideration or before the payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable in trade debts.

2.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated 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.

(Amounts in thousand)

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 Group 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 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 consolidated 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 Group or the counterparty.

2.16 Deferred liabilities

This represents that portion of invoiced revenue against which related costs have either not been incurred / fully incurred or which will be adjusted after tariff true-ups by Thar Coal and Energy Board (TCEB) and Government of Sindh (GoS) Irrigation Department.

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 Group 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, capacity made available for customers and actual volumes of water supplied during the month after the same has been acknowledged. The credit limits in agreements with customers is 30 days from the receipt of invoice.

(Amounts in thousand)

The Group recognises revenue upon fulfillment of following obligations:

- Capacity revenue is recognised over time based on the capacity made available to the customers;
- Energy / production revenue is recognised based on the coal quantity delivered to the customers; and
- Revenue from supply of water is recognised over time on the basis of actual volumes of water supplied.

Capacity and energy / production revenue is recognised based on the rates determined under the mechanism laid down in the CSA with the customers, whereas revenue against water is recognised based on the water supply agreements with the customers.

The Group considering the tariff requirement and 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 TCEB and GoS Irrigation Department.

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.

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.

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 the consolidated 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.

156 ca

(Amounts in thousand)

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

Further, employees of the Group are also members of the defined contribution gratuity fund maintained and operated by the Group's associated company - Engro Corporation Limited. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

2.20 Provisions and contingent liabilities

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

Contingent liability is disclosed when the Group 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.

2.30 Foreign currency transactions and translation

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 consolidated statement of profit or loss and other comprehensive income.

2.31 Dividend and appropriation to reserves

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

	2022	Additions during the year	2023
	------	Rupees ------	
3. DEVELOPMENT PROPERTIES			
Phase I costs	62,976,926	-	62,976,926
Phase II costs	19,701,723	-	19,701,723
Phase III costs (note 3.1)	186,119	90,066	276,185
	82,864,768	90,066	82,954,834
Less: Transferred to capital work-in-progress	(82,678,649)	-	(82,678,649)
Less: Expenses charged off	-	(66,047)	(66,047)
Balance at the end of year	186,119	24,019	210,138

3.1 This mainly represents expenses incurred in relation to tariff petition filing fees, consultancy and studies.

(Amounts in thousand)

	2023	2022
	---------------- Rupees ----------------	

4. PROPERTY, PLANT AND EQUIPMENT

	2023	2022
Operating assets (note 4.1)	94,727,735	88,622,011
Capital work-in-progress (note 4.5)	1,279,024	8,059,871
	96,006,759	96,681,882

4.1 Operating assets

	Freehold land	Building	Computers, office and other equipment	Plant & machinery	Vehicles	Mining asset	Total
	----------	----------	----------	---------- Rupees ----------	----------	----------	----------
As at January 1, 2022							
Cost	332,273	2,179,804	348,582	11,514,170	241,021	62,976,926	77,592,776
Accumulated depreciation	-	(585,902)	(213,804)	(6,017,018)	(136,997)	(5,197,291)	(12,151,012)
Net book value	332,273	1,593,902	134,778	5,497,152	104,024	57,779,635	65,441,764
Year ended December 31, 2022							
Opening net book value	332,273	1,593,902	134,778	5,497,152	104,024	57,779,635	65,441,764
Additions (note 4.5)	-	4,114	58,228	7,430,846	43,938	19,701,723	27,238,849
Disposals (note 4.4)							
- 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)	(1,502,005)	(30,629)	(2,210,532)	(4,053,223)
Net book value	332,273	1,358,664	120,743	11,424,762	114,743	75,270,826	88,622,011
As at December 31, 2022							
Cost	332,273	2,183,713	387,077	18,942,910	281,980	82,678,649	104,806,602
Accumulated depreciation	-	(825,049)	(266,334)	(7,518,148)	(167,237)	(7,407,823)	(16,184,591)
Net book value	332,273	1,358,664	120,743	11,424,762	114,743	75,270,826	88,622,011
Year ended December 31, 2023							
Opening net book value	332,273	1,358,664	120,743	11,424,762	114,743	75,270,826	88,622,011
Additions (note 4.5)	1,263,530	482,039	118,589	10,001,983	317,903	-	12,184,044
Disposals (note 4.4)							
- Cost	-	(5,801)	(37,325)	(236,048)	(66,783)	-	(345,957)
- Accumulated depreciation	-	5,801	35,936	96,009	19,897	-	157,643
	-	-	(1,389)	(140,039)	(46,886)	-	(188,314)
Transfers	-	-	-	(2,792,664)	-	2,792,664	-
Depreciation charge (note 4.2)	-	(215,430)	(78,643)	(2,680,242)	(50,445)	(2,865,246)	(5,890,006)
Net book value	1,595,803	1,625,273	159,300	15,813,800	335,315	75,198,244	94,727,735
As at December 31, 2023							
Cost	1,595,803	2,659,951	468,341	28,708,845	533,100	85,471,313	119,437,353
Accumulated depreciation	-	(1,034,678)	(309,041)	(12,895,045)	(197,785)	(10,273,069)	(24,709,618)
Net book value	1,595,803	1,625,273	159,300	15,813,800	335,315	75,198,244	94,727,735
Annual rate of depreciation (%)	-	6.67 to 25	25 to 33	6.67 to 33	20 to 25	3.33	

(Amounts in thousand)

	2023	2022
	---- Rupees ----	

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

	2023	2022
Development properties	-	50,580
Cost of revenue (note 22)	5,890,006	4,002,643
	5,890,006	4,053,223

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----							
Items having net book value more than 500								
Computers, Office & Other Equipment								
Stack Gym Machine	1,661	(623)	1,038	166	(872)	Tender	H.K Waste Management Company	N/A
Vehicles								
Toyota Yaris 1/5 Cvt	2,705	(1,089)	1,616	1,517	(99)	Buyback	Dileep Kumar	Employee
Toyota Yaris 1/5 Cvt	3,091	(1,319)	1,772	1,604	(168)	Buyback	Rizwana Halepoto	Employee
Toyota Corolla Altis 1/6 A/T	2,745	(894)	1,851	1,362	(489)	Buyback	Hassan Farooq	Employee
Honda City 1/3 I-Vtech Prosmatic	2,774	(1,139)	1,635	1,601	(34)	Buyback	Ali Gohar Shah	Employee
Glory 580 1/5 Dfsk	3,505	(1,241)	2,264	1,122	(1,142)	Buyback	Umair Aslam Bhutt	Employee
Honda Civic 1/8 I-Vtec Oriel	2,783	(1,065)	1,718	1,700	(18)	Buyback	Nawab Abid	Employee
Changan Alsvin	3,065	(353)	2,712	2,900	188	Buyback	Yayha Saleem	Employee
Honda City	3,636	(596)	3,040	3,608	568	Insurance Claim	Sindh Insurance Limited	N/A
Toyota Altis 1/8	3,469	(992)	2,477	2,934	457	Buyback	Zaib Zaman	Employee
Honda City	3,285	(507)	2,778	3,095	317	Buyback	Awais Amar Mahar	Employee
Toyota Corolla Altis 1/6 A/T	2,749	(1,168)	1,581	2,321	740	Buyback	Muhammad Ilyas	Employee
Toyota Yaris 1/3 Gli	2,773	(1,178)	1,595	2,306	711	Buyback	Nida Saleem Banduka	Employee
Toyota Yaris 1/3 Gli	2,712	(809)	1,903	2,396	493	Buyback	Sayed Fazeel Hussain	Employee
Honda Civic	2,847	(557)	2,290	2,808	518	Buyback	Faizan Ali Unnar	Employee
Toyota Corolla Altis 1/6 A/T	3,454	(1,769)	1,685	2,938	1,253	Buyback	Mohsin Babbar	Employee
Toyota Corolla Altis 1/8 Grande A/T	3,531	(1,651)	1,880	3,974	2,094	Buyback	Syed Kashif	Employee
Honda City	3,232	(767)	2,465	2,235	(230)	Buyback	Soha Deshmuk	Employee
Toyota Corolla Altis	3,646	(824)	2,822	2,610	(212)	Buyback	Fayyaz Ali Soomro	Employee
Kia Sportage Fwd	3,544	(1,464)	2,080	2,623	543	Buyback	Waqas Sharif	Employee
Kia Sportage 2.0 Alpha	7,237	(513)	6,724	7,238	514	Buyback	Anas Bin Sajid	Employee
Plant & machinery								
Gensets	235,525	(95,723)	139,802	129,787	(10,015)	Insurance Claim	Sindh Insurance Limited	N/A
Items having net book value less than 500:								
Others	41,988	(41,402)	586	2,200	1,614	Tender	Various	N/A
	345,957	(157,643)	188,314	185,045	(3,269)	-		

4.4 This includes fully depreciated assets donated to Thar Foundation, a related party, having a cost of Rs. 3,164 (2022: Nil).

	2023	2022
	---- Rupees ----	

4.5 **Capital work-in-progress**

	2023	2022
Balance at the beginning of the year	8,059,871	11,920,157
Add: Additions during the year, including transfers from development properties	5,417,744	24,290,329
Less: Transferred to operating assets (note 4.1)	(12,184,044)	(27,238,849)
Less: Transferred to development properties	-	(782,754)
Less: Transferred to intangible assets (note 5)	(14,547)	(129,012)
Balance at the end of the year	1,279,024	8,059,871

(Amounts in thousand)

	2023	2022
	---------------- Rupees ----------------	

5. INTANGIBLE ASSETS - Computer software

	2023	2022
Net carrying value		
Balance at beginning of the year	141,346	54,666
Add: Additions during the year (note 4.5)	14,547	129,012
Less: Amortisation charge for the year (note 22)	(31,509)	(41,013)
less: Write offs during the year		
Cost	-	(2,638)
Accumulated depreciation	-	1,319
	-	(1,319)
Balance at end of the year	124,384	141,346
Gross carrying value		
Cost	244,626	230,079
Less: Accumulated amortisation	(120,242)	(88,733)
Net book value	124,384	141,346
Annual rate of amortisation (%)	12.5 to 25	12.5 to 25

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

	2023	2022
Loan arrangement charges (note 6.1)	3,118,513	3,118,513
Less: Transaction cost netted-off from borrowings (note 14.6)	(3,118,513)	(3,116,749)
	-	1,764
Security deposit (note 6.2)	14,450	14,450
Advances for employee benefits (note 7.3)	2,107	6,085
Less: Current portion shown under current assets (note 10)	-	(3,609)
	2,107	2,476
	16,557	18,690

6.1 Loan arrangement charges of Rs. 3,118,513 (2022: Rs. 3,118,513) have been incurred in connection with long-term loan / financing arrangements which has been recognised as transaction cost and deducted from the borrowings.

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

	2023	2022
	---------------- Rupees ----------------	
6.3 Reconciliation of the carrying amount of advances for employee benefits		
Balance at beginning of the year	6,085	14,649
Add: Disbursements	3,462	3,906
Less: Amortisation	(7,440)	(12,470)
Balance at end of the year	2,107	6,085

(Amounts in thousand)

6.4 Includes interest free loans under investment loan plan to executives of Nil (2022: Rs. 419) repayable after three years in lump sum. It also includes house rent given to certain employees amounting to Rs 2,107 (2022: Nil) as per the Group's policy. These are amortised over the period as per the terms of employment.

6.5 The maximum amount outstanding at the end of any month from employees aggregates to Rs. 3,098 (2022: Rs 8,104).

	2023	2022
	---------------- Rupees ----------------	
7. INVENTORIES		
Coal inventory (note 7.1)	956,506	825,730
Diesel inventory (note 7.2)	845,209	188,024
	1,801,715	1,013,754

7.1 This represents coal inventory of 288,363 tonnes held in trust by CERIEC, the Operation and Maintenance (O&M) contractor of the Holding Company, for the period of the term of the Operation & Maintenance Services and Supply Agreement effective from July 10, 2019.

7.2 Represents High Speed Diesel for operating the gensets at mining site and Nabisar facility.

8. CONTRACT ASSET

During the year, upon signing of side / letter agreements with EPTL, TEL and TNPTL for provisional taking over of Makhi Farash Water Facility (the Facility), the Company raised invoices in respect of unbilled revenue related to water supply from the Facility as per the tariff notified through No. 11/19-SO(PL)/2021-22 (W.T), dated March 30, 2022. Consequently, the related contract asset has been derecognized.

9. TRADE DEBTS

9.1 Represents receivable from customers against sale of coal in accordance with the terms of the CSA, sale of water in accordance with the terms of the Ground Water Agreement, Bridge Agreements, Amended Bridge Agreement, Water Use Agreement and Supplementary Water Use Agreement and delayed payment interest on outstanding receivable as follows:

	2023	2022
	---------------- Rupees ----------------	
- Engro Powergen Thar Limited	43,710,163	38,625,754
- Lucky Electric Power Company Limited	176,847	2,059,005
- Thar Energy Limited	12,231,105	6,001,208
- Thal Nova Power Thar Private Limited	12,122,901	156,849
	68,241,016	46,842,816

9.2 The ageing analysis of trade debts is as follows:

	Related party / associated companies		Others	
	2023	2022	2023	2022
	---------------------------------- Rupees		----------------------------------	
Neither past due nor impaired	20,968,551	12,939,567	-	1,937,639
Past due but not impaired				
- Up to 3 months	29,668,856	18,309,286	-	348,295
3 to 6 months	9,929,116	8,626,072	-	-
- More than 6 months	7,497,646	4,681,957	176,847	-
	47,095,618	31,617,315	176,847	348,295
	68,064,169	44,556,882	176,847	2,285,934

(Amounts in thousand)

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. 6,474,684 (2022: Rs. 6,474,684).

9.4 The maximum amount outstanding from related parties / associated companies at the end of any month aggregated to Rs. 74,856,372 (2022: Rs. 45,125,872).

10. ADVANCES, DEPOSITS AND PREPAYMENTS

	2023	2022
	---Rupees---	
Current portion of advances for employee benefits (note 6)	-	3,609
Advances for procurement (note 10.2)	2,492,910	1,002,311
Advances to employees	43,918	6,922
Prepayments	664,113	482,213
Security deposits	86	7,445
Deposit against bank guarantee (note 10.3)	176,000	125,400
	3,377,027	1,627,900

10.1 As at December 31, 2023 and 2022, advances and deposits were neither past due not impaired.

10.2 This includes advance amounting to Rs. 287,404 (2022: Nil) to CMEC in respect of spares for coal handling system.

10.3 Includes advance to a commercial bank in respect of guarantees including commission issued by the Holding Company, i.e. performance guarantees of US$ 500 to The Director General Coal Mines Development, Government of Sindh and Rs. 2,200 to the Nazir of High Court of Sindh in favour of the tax authorities.

11. OTHER RECEIVABLES

	2023	2022
	---Rupees---	
Due from associated companies:		
- Engro Energy Services Limited	-	2,003
- Engro Energy Limited	-	10,604
- Engro Fertilizers Limited	-	1,390
- Engro Powergen Qadirpur Limited	1,881	552
- Engro Powergen Thar (Private) Limited	-	91,128
- Thar Foundation	7,855	38,682
- The Hub Power Company Limited	584	150,493
Others (note 11.3)	15,003,924	2,970,326
	15,014,244	3,265,178

11.1 The maximum amount outstanding at the end of any month from related parties / associated undertakings aggregated to Rs. 507,201 (2022: Rs. 442,551).

11.2 As at December 31, 2023 and 2022, due from associated companies / related parties were neither past due not impaired.

(Amounts in thousand)

		2023	2022
		--------Rupees--------	
11.3	Includes receivables in respect of following:		
	Delayed payment interest - unbilled (note 11.3.1)	4,821,389	667,425
	Workers profits participation fund	3,241,430	1,878,647
	Workers welfare fund	706,289	123,423
	Fuel payments on behalf of O&M contractor	225,682	225,682
	Unbilled revenue (note 11.3.2)	5,781,554	-
	Others (note 11.3.3)	227,580	75,149
		15,003,924	2,970,326

11.3.1 This includes receivable in respect of delayed payment interest from associated companies / related party amounting to Rs. 4,821,389 (2022: Rs. 562,939). The maximum amount outstanding at the end of any month from related party / associated undertakings aggregated to Rs. 4,821,389 (2022: Rs. 562,939).

11.3.2 This includes receivable from Lucky Electric Power Company Limited (LEPCL) as at December 31, 2023 in respect of sale of coal which is not yet billed amounting to Rs. 5,618,648 and water levy @ 15% on indexed tariff which is yet to be billed to EPTL, TEL and TNPTL by the Subsidiary Company amounting to Rs. 162,906 (2022: Nil).

11.3.3 This includes pay orders worth Rs. 131,424 (2022: Nil) submitted in favor of Nazir of Sindh High Court (SHC) for release of consignment relating to import of spare tyres and rims of off highway dump trucks used in Company's mining operations.

12. SHORT TERM INVESTMENTS

This represents investment in Pakistan Investment Bond at amortized cost for a period upto one month at the rate of 21.60% (2022: 15.50%) per annum.

		2023	2022
		--------Rupees--------	
13.	**BALANCES WITH BANKS**		
	Deposits with banks		
	- Foreign currency accounts (note 13.1)	4,636,288	3,250,033
	- Local currency accounts (notes 13.2 and 13.3)	39,803,100	46,255,000
	Cheques in hand	77,160	34,136
		44,516,548	49,539,169

13.1 Represents deposits with scheduled banks amounting to US Dollars 16,449 (2022: US Dollars 14,387).

13.2 Represents deposits with scheduled banks at profit rates ranging from 14.50% to 20.50% (2022: 8.25% to 15.50%) per annum.

13.3 This includes deposits amounting to Rs.18,370,963 (2022: Rs. 5,253,475) which are restricted for use. These are held in bank accounts maintained with the Industrial and Commercial Bank of China Limited, on account of replacement of assets for mining activities based on tariff component, for the payment of dividend to shareholders and for maintaining reserve for repayment of foreign currency borrowing and interest due on June 1, 2024, under the "US Dollar Term Loan Facility Agreement".

(Amounts in thousand)

	2023	2022
	----Rupees----	
14. SHARE CAPITAL		
Authorised capital		
2,065,700,000 (2022: 2,065,700,000) Ordinary shares of Rs. 10 each	20,657,000	20,657,000
144,000,000 (2022: 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 (2022: 1,610,445,594) Ordinary shares of Rs. 10 each fully paid in cash (note 14.1)	16,104,456	16,104,456
124,635,575 (2022: 124,635,575) Preference shares of Rs. 10 each fully paid in cash (note 14.2)	1,246,356	1,246,356

	----Number of shares----	
14.1 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

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

14.1.2 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 Holding Company.

14.2 Preference shares

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 Act.

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

- the Holding Company has made a profit after tax; and
- all losses, if any, incurred by the Holding 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. 2,393,747 (2022: Rs. 1,472,312). The preference dividend paid till December 31, 2023 amounts to Rs. 2,308,373.

(Amounts in thousand)

	2023	2022
	Rupees	

15. LONG-TERM BORROWINGS

	2023	2022
Local currency borrowings (notes 15.1, 15.4 and 15.5)	46,061,231	49,414,240
Foreign currency borrowings (notes 15.1 and 15.5)	37,752,422	34,408,440
	83,813,653	83,822,680
Less: Current portion shown under current liabilities:		
- Local currency borrowings	(3,857,917)	(3,353,009)
- Foreign currency borrowings	(5,378,692)	(4,069,800)
	(9,236,609)	(7,422,809)
Less: Transaction costs (note 15.6)	(1,689,150)	(1,957,847)
Current portion of transaction costs	270,654	269,729
	(1,418,496)	(1,688,118)
	73,158,548	74,711,753

15.1 On December 21, 2015, the Holding 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 and further amended on October 3, 2022.

- Islamic Finance Agreement with three commercial banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited, as amended on September 5, 2019 and further amended on October 3, 2022.

- 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 Holding 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.

15.2 Terms of borrowing facilities

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

15.3 Unutilized amounts against borrowing facilities

	December 31, 2023			December 31, 2022		
	Facility	Drawdown	Unutilized	Facility	Drawdown	Unutilized
	(Rupees)			(Rupees)		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(20,570,119)	-	20,570,119	(20,570,119)	-
Syndicate Facility Agreement - Phase-II mine	21,120,481	(21,120,481)	-	21,120,481	(21,120,481)	-
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	(3,071,163)	1,928,837
	57,000,000	**(55,071,163)**	**1,928,837**	**57,000,000**	**(55,071,163)**	**1,928,837**
	(US Dollars)			(US Dollars)		
US Dollar Term Loan Facility Agreement	200,000	(200,000)	-	200,000	(200,000)	-

(Amounts in thousand)

15.4 Outstanding amount against borrowing facilities

	December 31, 2023			December 31, 2022		
	Drawdown	Repayment	Outstanding	Drawdown	Repayment	Outstanding
	(Rupees)			(Rupees)		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(5,370,768)	15,199,351	20,570,119	(3,767,974)	16,802,145
Syndicate Facility Agreement - Phase-II mine	21,120,481	(830,902)	20,289,579	21,120,481	-	21,120,481
Islamic Finance Agreement	10,309,400	(2,692,243)	7,617,157	10,309,400	(1,888,949)	8,420,451
Supplemental Facility Agreement	3,071,163	(116,019)	2,955,144	3,071,163	-	3,071,163
	55,071,163	**(9,009,932)**	**46,061,231**	**55,071,163**	**(5,656,923)**	**49,414,240**
	(US Dollars)			(US Dollars)		
US Dollar Term Loan Facility Agreement	200,000	(66,060)	133,940	200,000	(48,040)	151,960

15.5 The above facilities are secured by Project assets of the Holding Company. Further, sponsors of the Holding 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.

15.6 Transaction costs

	2023	2022
	Rupees	
Transaction costs netted-off from borrowings (note 6)	3,118,513	3,116,749
Less: Amortisation recognised to date in profit or loss	(1,114,150)	(843,689)
Less: Amortisation recognised to date in development properties	(315,213)	(315,213)
	1,689,150	1,957,847

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

	2023	2022
	Rupees	
Balance as at January 1	81,864,833	65,780,331
Proceeds from borrowings	-	13,537,201
Transaction costs netted-off from borrowings	(1,764)	(179,008)
Amortisation of transaction cost	270,461	261,799
	268,697	82,791
Repayments	(8,513,839)	(5,738,557)
Exchange loss	8,504,812	8,203,067
Balance as at December 31	82,124,503	81,864,833

16. DEFERRED TAXATION

	2023	2022
Deferred tax liability arising on accelerated tax depreciation	2,332	902

(Amounts in thousand)

17. ACCRUED AND OTHER LIABILITIES

	2023	2022
	---Rupees---	
Accrued liabilities and other payables (note 17.1)	18,232,098	26,449,048
Retention money	114,300	869,550
Workers' profits participation fund	3,241,430	1,878,647
Workers' welfare fund	726,749	92,382
Interest on worker's profit participation fund	518,227	258,079
Sales tax payable	97,550	499,476
Deferred liabilities (note 17.2)	25,641,020	27,520,693
Due from associated undertakings:		
- Engro Vopak Terminal Limited	705	644
- Engro Corporation Limited	3,356	2,595
- Engro Energy Limited	31,046	-
- Engro Fertilizers Limited	5,080	-
- Engro Polymer and Chemicals Limited	233	-
- Engro Powergen Thar (Private) Limited	34,035	-
Withholding tax payable	16,585	3,570
	48,662,414	57,574,684

17.1 Includes accruals against royalty, payable to Mines and Mineral Department - GoS, a related party, amounting to Rs. 3,543,791 (2022: Rs. 8,066,517) and accruals against water allocator cost amounting to Rs. 1,359,677 (2022: Rs.118,842), payable to Government of Sindh (GoS) Irrigation Department, a related party.

17.2 This includes the portion of invoiced revenue for coal and water against which related costs have either not been incurred / fully incurred or which will be adjusted after the approval / notification of tariff true-ups by TCEB and GoS Irrigation Department. This also includes amount of Rs. 16,161,185 which will become payable subject to the approval of revised invoices from TCEB against determined COD Stage Tariff of Phase I. Decline in balance during the year is due to billings for Phase II being done on Financial Close Stage Tariff for Phase II which is lower than revenue being recognised on best estimate of expected COD stage tariff to be notified.

18. SHORT-TERM BORROWINGS

The Holding Company has entered into:

- Running finance / short-term financing facility, for its working capital requirements, available from various banks / financial institutions amounted to Rs. 9,500,000 (2022: 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. An amount of Rs. 9,391,072 (2022: Rs. 1,000,000) has been utilised against this facility. Such financing facilities have been secured against a charge over the Holding Company's project assets; and

- Musharaka agreements amounting to Rs. 10,900,000 (2022: 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. Rs. 10,900,000 (2022: Nil) have been utilised against this facility. Such financing facility has been secured against a charge over the Holding Company's project assets.

19. DIVIDEND PAYABLE

This represents interim ordinary dividend payable to CMEC Thar Mining Investments Limited, which remained unpaid due to pending approval from the State Bank of Pakistan.

(Amounts in thousand)

20. CONTINGENCIES AND COMMITMENTS

20.1 Capital commitments for civil works construction and equipment procurement as at December 31, 2023 amount to Rs. 3,645,394 (2022: Rs. 2,520,996).

20.2 Outstanding bank guarantee as at December 31, 2023 amount to Rs. 60,018 (2022: Rs. 60,018), which remains unutlised as at December 31, 2023.

20.3 Bank guarantee amounting to Rs. 2,200 has been issued by the Holding 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 Holding 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 the Subsidiary Company.

20.4 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, 2024. This guarantee is secured via cash margin provided by the Subsidiary Company.

20.5 The Group has obtained stay order on October 31, 2022 against super tax for prior period amounting to Rs. 50,962 which was levied under section 4C through enactment of Finance Act, 2022 at the rate of 4%. Against the stay order, the Group has provided guarantee in form of post dated cheque amounting to Rs. 50,962 to Nazir of the Court which was encashed during the year on the decision of the Honourable Supreme Court of Pakistan on February 16, 2023.

20.6 In 2016, a petition was filed before the Court against the Holding Company and other respondents to challenge the legality of the establishment of water reservoir by the Holding 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 Holding Company, the Holding 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.

20.7 During the year, the Holding Company received tax notice from the Sindh Revenue Board (SRB) for Tax Year 2022, in respect of provision of Sindh sales tax on services rendered by contractor. The management is currently assessing the context and is in the process of submitting the response for the said notice.

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

	2023	2022
	Rupees	
Not later than 1 year	658,305	500,542
Later than 1 year but not later than 5 years	359,981	750,813
	1,018,286	1,251,355

(Amounts in thousand)

	2023	2022
	------------------ Rupees ------------------	
21. REVENUE		
- Revenue from contracts with customers		
Capacity purchase price	71,762,422	37,720,431
Less: Sales tax (note 21.1)	(11,086,938)	(6,479,613)
	60,675,484	31,240,818
Energy purchase price	44,280,444	20,417,706
Less: Sales tax (note 21.1)	(6,365,744)	(2,877,146)
	37,914,700	17,540,560
Pre-Cod sale (note 21.2)	6,836,257	3,104,105
Less: Sales tax (note 21.1)	(1,042,819)	(450,205)
	5,793,438	2,653,900
Supply of water	4,123,276	5,605,471
Less: Sales tax (note 21.1)	(626,656)	(284,134)
	3,496,620	5,321,337
- Others (note 21.3)	5,140,442	267,341
	113,020,684	57,023,956

21.1 This represents sales tax charged on amount billed and / or accrued.

21.2 This represents sales to Lucky Electric Power Company Limited (LEPCL) and FFBL Power Company Limited (FPCL) during the period.

21.3 This includes delayed payment interest amounting to Rs. 4,281,183 (2022: reversal of Rs. 103,995).

	2023	2022
	------------------ Rupees ------------------	
22. COST OF REVENUE		
Coal extraction cost	28,747,891	13,871,968
Water allocator cost (note 22.1)	1,241,147	118,956
Fuel and power	16,833,447	7,903,869
Repair and maintenance	105,424	13,102
Depreciation (note 4.2)	5,890,006	4,002,643
Salaries, wages and staff welfare	833,815	805,126
Travelling, security and site expenses	662,285	251,485
Transportation	920,453	549,048
Insurance	1,067,781	621,118
Consultancy	276,643	213,716
Village relocation	153,477	170,523
Other expenses (note 22.2)	8,181,931	4,034,265
Amortisation (note 5)	31,509	41,013
	64,945,809	32,596,832
Add: Opening inventory	1,013,754	579,115
Less: Closing inventory (note 7)	(1,801,715)	(890,202)
	64,157,848	32,285,745

(Amounts in thousand)

22.1 This represents water allocator surcharge, O&M cost, water levy and irrigation infrastructure development payable to GoS Irrigation Department, a related party.

22.2 This includes royalty amounting to Rs. 7,398,494 (2022: Rs. 3,920,456), payable to Mines and Mineral Department - GoS, a related party, in accordance with the provisions of Sindh Mining Concession Rules, 2002.

23. ADMINISTRATIVE EXPENSES

	2023	2022
	Rupees	
Salaries, wages and staff welfare	543,209	350,426
Travelling, security and site expenses	260,053	108,645
Purchased services	143,308	100,444
Corporate social reponsibility (note 23.1)	556,238	193,225
Housing and utilities	8,353	7,092
Telecommunication	13,360	965
Directors' fee (note 30)	3,900	5,000
	1,528,421	765,797

23.1 This represents contribution for the year to be made to Thar Foundation, a related party. Amir Iqbal, Rehan Iqbal Baloch, Mahesh Kumar Malani, Kazim Hussain Jatoi, Shakeel Ahmed Mangnejo are directors of both, the Group and Thar Foundation.

24. OTHER OPERATING EXPENSES

	2023	2022
	Rupees	
Auditor's remuneration (note 24.1)	17,450	20,931
Legal and professional expenses	330,374	54,174
	347,824	75,105

24.1 Auditor's remuneration

	2023	2022
Fee for:		
- audit of annual financial statements	2,590	1,960
- review of half yearly financial information	740	450
- review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	300	150
- taxation services	7,889	3,088
- audit of special purpose financial information	1,500	850
- Phase II audit of special purpose financial information and certification	-	11,000
- certifications	3,030	897
Out of pocket expenses	1,401	2,536
	17,450	20,931

25. OTHER INCOME

	2023	2022
From financial assets		
Profit / interest income:		
- Deposits with banks	8,665,495	4,714,008
- Short term investments	805,977	477,016
From non-financial assets		
Loss on disposal of property, plant and equipment (note 4.3)	(3,269)	(1,882)
Others	19,812	-
	9,488,015	5,189,142

(Amounts in thousand)

26. FINANCE COST

	2023	2022
	--Rupees--	
Mark-up on long-term borrowings	14,364,276	6,715,164
Mark-up on short-term finances	2,160,709	26,635
Interest on worker's profits participation fund	260,147	166,224
Amortisation of transaction costs (note 14.7)	270,461	248,071
Exchange loss	9,410,632	6,817,495
Other financial charges	94,093	44,456
	26,560,318	14,018,045

27. WORKERS' PROFITS PARTICIPATION FUND

	2023	2022
Provision for Workers' Profits Participation Fund (note 27.1)	1,362,783	473,402
Pass through under tariff	(1,362,783)	(473,402)
	-	-

27.1 The Holding Company is required to pay 5% of its profit to the worker's profit participation fund. However, such payment will not effect the Holding Company's overall profitability as this is pass through item under tariff.

28. WORKERS' WELFARE FUND

	2023	2022
	--Rupees--	
Provision for Workers' Welfare Fund (note 28.1)	650,261	106,142
Pass through under tariff	(582,866)	(92,382)
	67,395	13,760

28.1 The Holding Company is required to pay 2% of its taxable income to the worker's welfare fund. However, such payment will not effect the Holding Company's overall profitability as this is pass through item under tariff.

29. TAXATION

	2023	2022
	--Rupees--	
Current		
- for the year (note 29.1)	1,004,270	3,365,515
- for prior years (note 29.2)	(1,562,818)	50,963
	(558,548)	3,416,478
Deferred (note 16)	1,430	7,255
	(557,118)	3,423,733

29.1 This represents tax charge of current year and super tax provision recognized at 10% for tax year 2024 pertaining to Subsidiary Company. The Subsidiary Company has obtained stay order from Islamabad High Court in W.P No. 2905/2023 for the portion of levy of super tax representing additional 6% inserted through the Finance Act, 2023, whereby super tax rate was increased to 10% for income exceeding Rs. 500,000. This is retrospectively applicable from tax year 2023 onwards.

(Amounts in thousand)

29.2 This represents net reversal on account of following:

i) reversal of charge amounting to Rs. 1,887,647 relating to Holding Company on account of exemption certificate under section 151 for withholding tax on profit on debt. Based on this and opinion of tax advisor and legal consultant, the Holding Company is of the view that its entire taxable income including profit on debt is subject to tax credit under section 65F. Accordingly tax provisions recognised on profit on debt in prior years have been reversed. Further, the Holding Company is in process of refund application formalities.

ii) charge of Rs. 324,829 relating to the Subsidiary Company under section 4C in respect of super tax in prior year, the Subsidiary Company had already recognized super tax provision at 4% for tax year 2023 based on the rate applicable at December 31, 2022. Accordingly, during the year, the Subsidiary Company has increased the super tax provision to 10% which has resulted in additional provision for the aforementioned amount.

29.3 Relationship between accounting profit and tax expense:

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group's applicable tax rate as follows:

	2023	2022
	Rupees	
Profit before taxation	29,846,893	15,054,646
Tax at the applicable tax rate of 39% (2022: 33%)	11,640,288	4,968,032
Tax effect of:		
- Prior year charge	(1,562,818)	50,963
- Tax credit	(10,636,510)	(1,599,085)
- Effect of change in tax rate	164	(718)
- Others	1,758	4,541
	(12,197,406)	(1,544,299)
	(557,118)	3,423,733

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2023			2022		
	Directors			Directors		
	Chief Executive Officer	Others	Executives	Chief Executive Officer	Others	Executives
	(Rupees)					
Managerial remuneration	37,681	-	529,916	34,491	-	560,886
Contribution for staff retirement benefits	3,969	-	57,054	3,878	-	55,665
Bonus	12,993	-	84,992	12,693	-	83,447
Fees (notes 23 and 30.2)	-	3,900		-	5,000	-
Total	54,643	3,900	671,962	51,062	5,000	699,998
Number of persons, including those who worked part of the year	1	11	136	1	11	130

30.1 The Group has also provided Group owned vehicles for use of certain executives of the Group.

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

ᵇ629

(Amounts in thousand)

31. STAFF RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS

31.1 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.

31.2 An amount of Rs. 118,343 (2022: Rs. 94,685) has been charged during the year in respect of defined contribution plans.

32. FINANCIAL INSTRUMENTS BY CATEGORY

	2023	2022
	------ Rupees ------	
Financial assets at amortised cost		
Trade debts	68,241,016	46,842,816
Deposits	190,536	147,295
Other receivables	15,014,244	3,265,178
Short-term investments	4,003,239	4,127,690
Interest receivable	3,808,727	3,088,877
Balances with banks	44,516,548	49,539,169
	135,774,310	107,011,025
Financial liabilities at amortised cost		
Long-term borrowings	82,124,503	81,864,833
Short-term borrowings	20,291,072	1,000,000
Accrued mark-up	1,824,261	1,039,863
Accrued and other liabilities	18,420,853	27,035,648
Dividend Payable	227,660	-
	122,888,349	110,940,344

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value 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 Group'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.

(Amounts in thousand)

As at December 31, 2023, had the Group's functional currency strengthened / weakened by 1% against foreign currency with all other variables held constant, post-tax profit for the year would have been higher / lower by Rs. 428,229 (2022: Rs. 91,791) mainly as a resulting from exposure related to foreign currency bank balances and foreign liabilities.

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 Group's interest rate risk arises from borrowings, short term investments and bank deposits. These are benchmarked to variable rates which expose The Group to interest rate risk. The Group's exposure to interest rate risk on borrowings is limited as the unfavourable fluctuation in the interest rates of long term borrowings is covered through adjustment in tariff as per the Implementation Agreement with Government of Sindh. The Group has borrowing which is subject to interest rate benchmark reform and is yet to transition. The consultation between the Group and the lender will commence in due course and transition will be completed accordingly. The Group's exposure to cashflow interest rate is limited to Group's deposits with banks and short term borrowings as at December 31, 2023. If interest rates have been 1% higher / lower with all other variables held constant , post tax profits for the year would have been higher / lower by Rs. 178,098 (2022: 462,156).

iii) Other price rate risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is 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 caused if counter party fails to discharge an obligation.

At the reporting date credit risk of the Group mainly arises from trade debts, contract assets, other receivables, interest receivables, short term investments 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 Group 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. A default on a financial asset is when the counterparty fails to make contractual payments within timelines agreed as per the respective agreeements / arrangements. 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 Group has maintained its liquid funds. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Details regarding financial assets which are neither past due nor impaired have been given in respective notes.

(Amounts in thousand)

The credit quality of the Group'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 Limited	P-1	A1
National Bank of Pakistan	A1+	AAA
Allied Bank Limited	A1+	AAA

c) **Liquidity risk**

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. the Group maintains flexibility in funding by maintaining committed credit lines available.

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

The table below analyses the Group'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.

	2023			2022		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	--------	--------	---Rupees---	--------	--------	--------
Financial liabilities						
Long-term borrowings	23,146,552	123,846,329	146,992,881	19,387,222	126,527,426	145,914,648
Short-term borrowings	20,291,072	-	20,291,072	1,000,000	-	1,000,000
Accrued mark-up	1,824,261	-	1,824,261	1,039,863	-	1,039,863
Accrued and other liabilities	18,420,853	-	18,420,853	27,035,648	-	27,035,648
Dividend payable	227,660	-	227,660	-	-	-
	63,910,398	123,846,329	187,756,727	48,462,733	126,527,426	174,990,159

33.2 Fair value of financial assets and financial liabilities

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

33.3 Capital risk management

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

(Amounts in thousand)

The gearing ratios of the Group as at December 31, 2023 and 2022 are as follows:

	2023	2022
	------------------ Rupees ------------------	
Total long term borrowings (note 14)	83,813,653	83,822,680
Total equity	86,767,067	64,362,923
Total capital	170,580,720	148,185,603
Gearing ratio	0.49	0.57

34. PRODUCTION CAPACITY

	2023	2022
	----------------- in tonnes -----------------	
34.1 Holding Company		
Maximum supply capacity	7,600,000	7,600,000
Actual coal quantity supplied	7,391,182	4,523,597

	2023	2022
	----------- US Gallons in '000 -----------	
34.2 Subsidiary Company		
Maximum supply capacity	8,256,644	8,256,644
Actual quantity of water supplied	5,636,224	3,801,499

35. CASH AND CASH EQUIVALENTS

	2023	2022
Short term investments	4,003,239	4,127,690
Balance with bank	44,516,548	49,539,169
	48,519,787	53,666,859

36. TRANSACTIONS WITH RELATED PARTIES

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

Name	**Direct shareholding**	**Relationship**
Engro Corporation Limited	N/A	Associated Company
Engro Energy Limited	11.90%	Associated Company
The Hub Power Company Limited	8.00%	Common Directorship
EFERT Agritrade (Private) Limited	N/A	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

(Amounts in thousand)

Name	Direct shareholding	Relationship
Thal Limited	11.90%	Associated Company
Thar Energy Limited	N/A	Associated Company
Thal Nova Power Thar (Private) Limited	N/A	Associated Company
Government of Sindh (note 33.2.1)	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
Muhammad Abu Bakar Madani*	N/A	Director
Dr. 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
Rehan Iqbal Baloch	N/A	Director
Asif Haider Mirza	N/A	Director
Kazim Hussain Jatoi	N/A	Director
Shakeel Ahmed Mangnejo	N/A	Director
Fayyaz Hussain Abbasi**	N/A	Director

* Left during the year

** Joined and left during the year

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

33.2.1 Government related entities

The Group has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with government related entities except for the transactions included below and elsewhere in these consolidated financial statements, which the Group considers to be significant:

	2023	2022
	---------- Rupees ----------	
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Energy Limited	224,805	139,289
- Thar Foundation	200	9,806
- Engro Corporation Limited	26,133	4,754
- Engro Powergen Qadirpur Limited	-	697
- Engro Powergen Thar (Private) Limited	-	9,174
- EFERT Agritrade (Private) Limited	13,677	-
- Engro Fertilizers Limited	-	3,607

(Amounts in thousand)

	2023	2022
	---------- Rupees ----------	
Reimbursement of expenses incurred for:		
- Engro Corporation Limited	844	633
- Engro Energy Limited	12,274	-
- Thar Foundation	104,267	18,466
- Engro Powergen Thar (Private) Limited	144,294	16,586
- Engro Polymer and Chemicals Limited	4,979	-
- Engro Powergen Qadirpur Limited	-	2,564
- Engro Fertilizers Limited	2,041	38,549
- Engro Energy Services Limited	-	3,305
Invoicing against supply of coal		
- Engro Powergen Thar (Private) Limited	56,152,327	54,823,152
Invoicing against supply of water		
- Engro Powergen Thar (Private) Limited	2,250,121	1,473,061
Delayed payment interest invoiced		
- Engro Powergen Thar (Private) Limited	-	3,611,121
Key management personnel		
- Managerial remuneration	126,032	78,190
- Contribution for staff retirement benefits	14,794	9,012
- Bonus payments	37,646	25,388
Contribution to retirement benefit funds	118,343	94,685
Donation		
- Thar Foundation	200,000	-
Dividend paid		
Ordinary dividend		
- Government of Sindh	3,113,246	-
- Engro Energy Limited	677,288	-
Royalty paid		
- Mines and Mineral Department – Government of Sindh	11,921,220	-

34. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	2023	2022	2023	2022
- Permanent	143	127	136	121
- Contractual	93	72	83	75
	236	199	219	196

(Amounts in thousand)

35. GENERAL

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

36. CORRESPONDING FIGURES

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

37. NON-ADJUSTING EVENT AFTER THE FINANCIAL POSITION DATE

The Board of Directors of the Holding Company in its meeting held on January 8, 2024 has approved an interim dividend of Rs. 0.72265 per share for preference shareholders and an interim dividend of Rs. 1.80691 per share for ordinary shareholders. These consolidated financial statements does not include the effect of the said interim dividend.

38. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 7, 2024 by the Board of Directors of the Holding Company.

Chief Executive Officer **Director**

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, 2023

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 unconsolidated Financial Information and a progress review of the Thar Coal Mining Project for the year ended December 31, 2023.

<u>Progress Update:</u>

SECMC continued operations smoothly of the 7.6 Mt/a mine at Block II and, during the year 7.4 million tons of coal was supplied.

SECMC achieved Project Completion Date (PCD) for Phase I in May 2023, and declared its first ever dividend of PKR 8 billion in June 2023 and subsequently declared the second tranche of PKR 3 billion in January 2024.

Moreover, SECMC has signed a new O&M Contract for O&M operations of 7.6 MTPA mine for the period of three years. Furthermore, SECMC has also initiated discussions with lenders for Financial Close (FC) of Phase III. On the tariff side, a positive development has been made with TCEB issuing a framework for coal sales to non-IPP's under a market competitive business model.

During the year ended December 31, 2023, SECMC achieved a TRIR of 0.15 in line with plan. To further develop HSE, multiple initiatives were taken during the year such as velocity HSE was launched in September 2023 which is a best-in-class HSE management solution and an MoU signed with Xinjiang University for the 'Sustainable Economic Halophytes Utilization in Thar' to further research on salt-tolerant plant species.

The Company contributes 2% of the profit to Thar Foundation which undertakes several CSR related initiatives. Moreover, in 2023, Thar Foundation (TF) continued its commitment to development in Thar Block II through the United Nations' Sustainable Development Goals (SDGs) framework.

On the education front, school enrollment reached was more than 4,715 students. Further, multiple medical initiatives have been taken by Thar Foundation during the year. Health screening of 7,000 children was conducted in Block-II villages and ~ 73,000 patients were treated at the TF health facilities. Moreover, 26,500 locals were provided employment through Khushhal Thar (KT), a local database managed by TF accounting for more than 60% of the total employment in the Thar project.

Financing update

As of December 31, 2023, 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	18.4	152.99	9.50%
Hub Power Company Limited	15.51	128.84	8.00%
CMEC Thar Mining Investment Company	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, SECMC repaid two installments of long-term loan amounting to USD 18.02 million against Phase I foreign currency loan, PKR 2,406 million against Phase I local currency loan and PKR 946.921 Mn against Phase II local currency loan.

Results for the Year

Apart from operations, SECMC will maintain its focus on collection from its customers. Total receivables from coal off takers as of December 31, 2023, amounted to PKR 60,187 M out of which PKR 39,577 M were overdue. Recovery against receivables has become challenging owing to circular debt issue surrounding the power and allied sectors.

SECMC declared a net profit of PKR 29,161 M for the year ended December 31, 2023 (this includes adverse impact of exchange loss of PKR 9,411 M). Since SECMC PCD which is a pre-requisite of dividend declaration, dividend of PKR 8,000 M was declared.

The Company's Earnings Per Share (EPS) for the year is PKR 17.54 / share (Consolidated EPS of PKR 18.31 / share)

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

	2023	2022	2021	2020	2019	2018
	PKR in 000					
Profit / (Loss) Before Tax	29,846,893	15,054,646	11,604,100	11,148,342	5,767,450	(26,292)
Profit / (Loss) After Tax	30,404,011	11,630,913	11,175,432	11,140,083	5,750,505	(27,132)

	2023	2022	2021	2020	2019	2018
	PKR / No. of Shares in 000					
Development Properties	210,138	186,119	9,436,904	814,567	-	51,646,291
Property, Plant & Equipment	96,006,759	96,681,882	77,361,921	76,502,778	72,275,575	9,753,385
Capital Expenditure	5,507,810	12,714,117	12,380,740	5,099,497	4,547,356	2,322,019
Intangible Assets	124,384	141,346	54,666	77,493	3,314	50,674
Net Current Assets	63,570,109	42,047,541	26,575,457	19,386,315	9,781,232	(5,026,567)
Shareholders' Fund	86,767,067	64,362,923	52,732,010	37,579,800	26,439,716	13,984,874
Ordinary Shares Outstanding at Year End	1,610,446	1,610,466	1,610,466	1,341,199	1,341,199	934,909
Preference Shares Outstanding at Year End	124,636	124,636	124,636	124,636	124,636	53,938

Allocation of Reserves

SECMC has unconsolidated reserves as follows for the year:

	PKR ('000)
Balance as at January 1, 2023	35,641,124
Less: Dividend paid	(7,999,867)
Profit for the year	29,160,750
Balance as at December 31, 2023	**56,802,007**

Key shareholding position

Following is the key shareholding position as at December 31, 2023:

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 Company	64,417,822

Directors:	
Mr. Shakeel Ahmed Mangnejo	1
Mr. Asif Haider Mirza	1
Mr. Amir Iqbal	1
Mr. Rehan Iqbal Baloch	1
Dr. Kazim Hussain Jatoi	1
Mr. Muhammad Kamran Kamal	1
Mr. Muhammad Salman Burney	1
Mr. Muhammad Tayyab Ahmad Tareen	1
Mr. Ghias Khan	1
Mr. Sami Aziz	1
Dr. Mahesh Kumar Malani	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 situation, 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 the 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 along with 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 about 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 2024 based on the recommendation of the Board Audit Committee.

Board meetings and attendance

In 2023, the Board of Directors held 8 meetings and the Board Audit Committee (BAC) held 5 meetings. The attendance record of the Directors is as follows:

S.No	Directors	Member of BAC	Executive / non-Executive	BoD meetings attended	BAC meetings attended
1	Mr. Imtiaz Ahmed Shaikh [5]		non-Executive	4	
2	Mr. Amir Iqbal		Executive	8	
3	Mr. Abu Bakar Ahmed Madni [1]	Yes	non-Executive	5	4
4	Mr. Sajid Jamal Abro [1]	Yes	non-Executive	5	4
5	Mr. Muhammad Kamran Kamal		non-Executive	6	
6	Mr. Muhammad Salman Burney		non-Executive	6	
7	Mr. Muhammad Tayyab Ahmad Tareen	Yes	non-Executive	8	5
8	Mr. Ghias Khan		non-Executive	5	
9	Mr. Sami Aziz	Yes	non-Executive	6	4
10	Dr. Mahesh Kumar Malani		non-Executive	8	
11	Mr. Bao Jianjun		non-Executive	0	
12	Mr. Syed Hasan Naqvi [1]	Yes	non-Executive	0	0
13	Mr. Asif Haider Mirza [6]	Yes	non-Executive	0	0
14	Mr. Fayyaz Hussain Abbasi [2]	Yes	non-Executive	1	1
15	Mr. Rehan Iqbal Baloch [4]	Yes	non-Executive	1	0
16	Dr. Kazim Hussain Jatoi [3]	Yes	non-Executive	3	1
17	Mr. Shakeel Ahmed Mangnejo [3]	Yes	non-Executive	2	1

1. Resigned on September 25, 2023
2. Appointed on September 25, 2023, and resigned on November 6, 2023
3. Appointed on September 25, 2023
4. Appointed on November 6, 2023
5. Resigned on December 18, 2023
6. Appointed on December 18, 2023

Principal risks to the Company

All principal risks to the Company have been disclosed adequately in the unconsolidated / consolidated financial statements.

Directors' remuneration

The remuneration of the Board members is approved by the Board itself. The Company does not pay remuneration to executive directors except for the fee for attending meetings (details of which are given below):

S.No	Directors	Board fees paid (PKR)
1	Mr. Imtiaz Ahmed Shaikh**	200,000
2	Mr. Amir Iqbal*	-
3	Mr. Abu Bakar Ahmed Madni	250,000
4	Mr. Sajid Jamal Abro	250,000
5	Mr. Muhammad Kamran Kamal	300,000
6	Mr. Muhammad Salman Burney	300,000
7	Mr. Muhammad Tayyab Ahmad Tareen	400,000
8	Mr. Ghias Khan*	-
9	Mr. Sami Aziz***	300,000
10	Dr. Mahesh Kumar Malani	400,000
11	Mr. Bao Jianjun	-
12	Mr. Syed Hasan Naqvi	-
13	Mr. Asif Haider Mirza	-
14	Mr. Fayyaz Hussain Abbasi	50,000
15	Mr. Rehan Iqbal Baloch	50,000
16	Dr. Kazim Hussain Jatoi	150,000
17	Mr. Shakeel Ahmed Mangnejo	100,000

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 28 to the financial statements.

Note

* No fee for attending meetings is paid to Engro nominated directors and director representing Preference shareholders.
** Fee for attending meetings was donated to Thar Foundation.
*** Fee for attending meetings was paid to Habib Bank Limited.

Chief Executive Officer **Director**

pwc

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, 2023.

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, 2023.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 4, 2024

UDIN: CR202310080WtODm7jaw

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>

KARACHI ▪ LAHORE ▪ ISLAMABAD

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

Name of the Company: Sindh Engro Coal Mining Company Limited

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

For the year ended: December 31, 2023

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/NA</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 Note 1.</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 / Director)</td><td>24-Nov-22</td></tr>
<tr><td rowspan="11">Non-Executive Directors</td><td>Mr. Asif Haider Mirza **</td><td>18-Dec-23</td></tr>
<tr><td>Mr. Shakeel Ahmed (Chairman) *</td><td>25-Sep-23</td></tr>
<tr><td>Mr. Muhammad Tayyab Ahmad Tareen</td><td>24-Nov-22</td></tr>
<tr><td>Mr. Sami Aziz</td><td>24-Nov-22</td></tr>
<tr><td>Mr. Ghias Uddin Khan</td><td>24-Nov-22</td></tr>
<tr><td>Mr. Muhammad Kamran Kamal</td><td>24-Nov-22</td></tr>
<tr><td>Dr. Mahesh Kumar Malani</td><td>24-Nov-22</td></tr>
<tr><td>Mr. Muhammad Salman Burney</td><td>24-Nov-22</td></tr>
<tr><td>Mr. Rehan Iqbal Baloch ***</td><td>6-Nov-23</td></tr>
<tr><td>Dr. Kazim Hussain Jatoi *</td><td>25-Sep-23</td></tr>
<tr><td>Mr. Bao Jianjun</td><td>24-Nov-22</td></tr>
</table>
*Mr. Kazim Hussain Jatoi and Mr. Shakeel Ahmed were nominated by Government of Sindh (GoS) on September 25, 2023, in place of Mr. Sajid Jamal Abro and Mr. Syed Hassan Naqvi.
**Mr. Asif Haider Mirza was nominated by GoS on December 18, 2023, in place of Mr. Imtiaz Ahmed Shaikh.
***Mr. Rehan Iqbal Baloch was nominated by GoS on November 6, 2023, in place of Mr. Fayaz Hussain Abbasi, who was nominated by GoS in place of Mr. Abu Bakar Ahmed Madani on September 25, 2023.</td><td>3(2)</td><td>No. Please refer Note 1.</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, except for 1 director who was serving in more than five listed and public sector companies. However, he ceased to act as a director on the Board with effect from September 25, 2023.</td></tr>
</table>

S. No.	Provisions of the Rules	Rule No.	Yes/No/NA
4	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.	3(7)	Yes, fit and proper criteria was applied in making majority of the nominations. In two cases, all requirements of fit and proper criteria were not applied. However, the Company has applied for exemption for the overall rule. Please refer Note 1 for details.
5	The Chairman of the Board is working separately from the chief executive of the Company.	4(1)	Yes
6	The Chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	Yes
7	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).	5(2)	No. Please refer Note 1.
8	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. The Code of Conduct of the Company can be obtained from the Group's i.e. Engro Energy Limited's website i.e. https://www.engroenergy.com/code-of-conduct/ (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Yes. However such policies are not present on the Company's website, but are available on Engro Energy Limited's website.
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Yes
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	Yes
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	Yes
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	Yes
13	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	Yes. The Company has been exempted from the Sindh Public Procurement Act, 2009 through notification dated May 29, 2014. However, the Company has policies for procurement.

S. No.	Provisions of the Rules	Rule No.	Yes/No/NA
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. The Company did not deliver 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 were 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. There were certain delays in circulation of agenda along with working papers of five board meetings, however waiver of notice was granted in the meetings as meetings were held on short notice.
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	No. There were delays in circulation of the Board minutes of five 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. However the Company has filed an exemption for rule 8(1) 'Evaluation by the Government.'
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.		N/A
	(c)The Board has placed the annual financial statements on the Company's website.		Yes

<table>
<tr><th>S. No.</th><th>Provisions of the Rules</th><th>Rule No.</th><th>Yes/No/NA</th></tr>
<tr><td>22</td><td>All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>Yes</td></tr>
<tr><td>23</td><td>(a) The Board has formed the requisite committees, as specified in the Rules.
(b) The committees were provided with written terms of reference defining their duties, authority and composition.
(c) The minutes of the meetings of the committees were circulated to all the Board members.
(d) The committees were chaired by the following non-executive directors:
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>Audit Committee</td><td>Mr. Asif Haider Mirza
Mr. Sami Aziz
Mr. Muhammad Tayyab Ahmad Tareen
Mr. Rehan Iqbal Baloch
Dr. Kazim Hussain Jatoi</td><td>Mr. Asif Haider Mirza</td></tr>
<tr><td>Risk Management Committee</td><td>Mr. Asif Haider Mirza
Mr. Sami Aziz
Mr. Muhammad Tayyab Ahmad Tareen
Mr. Rehan Iqbal Baloch
Dr. Kazim Hussain Jatoi</td><td>Mr. Asif Haider Mirza</td></tr>
<tr><td>Human Resource Committee (Board People's Committee)</td><td>Mr. Ghias Uddin Khan
Mr. Shakeel Ahmed
Mr. Kamran Kamal
Mr. Muhammad Salman Burney
Mr. Rehan Iqbal Baloch</td><td>Mr. Ghias Uddin Khan</td></tr>
<tr><td>Procurement Committee</td><td>Dr. Kazim Hussain Jatoi
Mr. Shakeel Ahmed
Mr. Amir Iqbal
Mr. Ghias Uddin Khan
Mr. Salman Burney</td><td>Dr. Kazim Hussain Jatoi</td></tr>
<tr><td>Nomination Committee</td><td>N/A</td><td>N/A</td></tr>
</table></td><td>12</td><td>Yes, with the exception of Nomination Committee. Please refer Note 1.</td></tr>
<tr><td>24</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td>There has been no change in the position of Chief Financial Officer during the year. However, Chief Internal Auditor i.e. Mr. Zaib Zaman resigned during the year and Ms. Ekta Sitani was appointed as Acting Chief Internal Auditor.
The Company Secretary i.e. Mr. Azeem Akbar Ali, was appointed during the year on October 27, 2023. He was previously serving as the Acting Company Secretary. However, there was no change in his remuneration or terms and conditions of his employment.</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>
</table>

<table>
<tr><th>S. No.</th><th>Provisions of the Rules</th><th>Rule No.</th><th>Yes/No/NA</th></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, Chief Executive Officer 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>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 Haider Mirza</td><td>Non-Executive Director</td><td>Chartered Accountant</td></tr>
<tr><td>Dr. Kazim Hussain Jatoi</td><td>Non-Executive Director</td><td>MBBS, LLB, MA Economics</td></tr>
<tr><td>Mr. Sami Aziz</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Muhammad Tayyab Ahmad Tareen</td><td>Non-Executive Director</td><td>Finance</td></tr>
<tr><td>Mr. Rehan Iqbal Baloch</td><td>Non-Executive Director</td><td>MBA</td></tr>
</table>
The Chief Executive Officer and Chairman of the board are not members of the audit committee.</td><td>21(1) and 21(2)</td><td>Yes. However, the Company has audit committee having Non-Executive Directors who are not independent directors. Please refer Note 1.</td></tr>
<tr><td>32</td><td>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.

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

(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</td><td>21(3)</td><td>Yes</td></tr>
</table>

S. No.	Provisions of the Rules	Rule No.	Yes/No/NA
33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	**22**	Yes
34	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.	**23(4)**	Yes
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	**23(5)**	Yes

Notes 1:

The Company had applied to the Securities and Exchange Commission of Pakistan (SECP) 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 as detailed in the table below. The SECP 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 its application for exemption from the said Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government. In this respect a hearing was held by the Ministry of Finance (MoF) on January 25, 2023, where the application was discussed, and the matter was sent forward to the federal cabinet for approval. A follow up letter was also issued by the Company to MoF on May 9, 2023, seeking an update.

S.No	Rule No.	Particulars
1	3(1) and 3(2)	Requirement to have independent director.
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 Chief Executive Officer.
5	8(1)	Performance evaluation.
6	12(1) (e)	Requirement to have Nomination Committee.

Shakeel Ahmed
Chairman

Amir Iqbal
Chief Executive Officer

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 Sindh Engro Coal Mining Company Limited.

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

S. No.	Rule Reference	Reason 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 gives every party the right to nominate directors and further gives Engro the right to appoint Chief Executive Officer. Since, the Joint Venture Agreement governs the relationship between the Parties, certain provisions of the Rules are impractical to comply with and therefore the Company has applied exemption from compliance with the rules being 3(1), 3(2), 3(7), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013, to Energy Department – Government of Sindh for onward submission to the Federal Government.	The Company had applied to the Securities and Exchange Commission Of Pakistan (SECP) 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 Rules. The SECP 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 its application for exemption from the said Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government. In this respect a hearing was held by the Ministry of Finance (MoF) on January 25, 2023, where the application was discussed, and the matter was forwarded to the federal cabinet for approval. A follow up letter was also issued by the Company to MoF on May 9, 2023, seeking an update. The decision of the Federal Government is pending.
2	3(5)	During the year, a director had directorships in over five listed and public sector companies, except their subsidiaries.	The said director has already stepped down from the Board on September 25, 2023.
3	6(3)	There was delay in circulation of minutes of five meetings of Board of Directors. This was attributed to delays in the review process due to multiple level of reviews.	Over the last quarter (for the 94th, 95th, and the 96th meetings), we have circulated all meeting minutes promptly to the Board. Moving forward, our commitment is to maintain this practice, ensuring that all future minutes are circulated timely.
5	24	The Company has not issued its Statement of Compliance with the Rules for the year ended December 31, 2022, because Chairman's signature on Statement of Compliance is pending.	Management is following up with the former Chairman to obtain his signature on the Statement of Compliance for the year ended December 31, 2022.

Attest

Shakeel Ahmed
Chairman

Amir Iqbal
Chief Executive Officer