SINDH ENGRO COAL MINING COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

pwc

A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sindh Engro Coal Mining Company Limited as at December 31, 2015 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

 (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the total comprehensive income, changes in equity and its cash flows for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants
Karachi
Date: February 12, 2016

Engagement Partner: Waqas A. Sheikh

SINDH ENGRO COAL MINING COMPANY LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2015

(Amounts in thousand)

	Note	2015	2014
		----------Rupees----------	
ASSETS			
Non-current assets			
Development properties	3	2,362,480	1,397,162
Property, plant and equipment	4	685,059	506,097
Intangible assets	5	1,494	178
Long term investment	6	206,000	206,000
Long term advances	7	303,778	7,708
Long term security deposit	8	14,450	14,450
		3,573,261	2,131,595
Current assets			
Advances, deposits, prepayments and other receivables	9	43,812	118,314
Taxes recoverable		32,041	22,817
Short term investments	10	275,000	897,270
Mark-up receivable on short term investments		6,186	1,105
Cash and bank balances	11	354,729	504,567
		711,768	1,544,073
TOTAL ASSETS		4,285,029	3,675,668
EQUITY AND LIABILITIES			
Equity			
Share capital	12	2,893,933	2,181,382
Advance against issue of share capital		-	600,000
Share premium		1,044,213	704,326
Remeasurement of retirement benefit obligation		382	180
Unappropriated profit		88,983	50,141
		4,027,511	3,536,029
Current liabilities			
Accrued and other liabilities	13	179,806	139,639
Short term loan	14	76,841	-
Mark-up on short term loan		871	-
		257,518	139,639
Contingencies and commitments	15		
TOTAL EQUITY AND LIABILITIES		4,285,029	3,675,668

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousand)

	Note	2015	2014
		---Rupees---	
Expenditure:			
- Administrative expenses	16	(49,534)	(32,661)
- Other expenses		(779)	(5,257)
		(50,313)	(37,918)
Other income	17	93,923	92,830
Finance cost	18	(3,033)	(294)
Workers' welfare fund		(796)	(1,092)
Profit before taxation		39,781	53,526
Taxation	19	(939)	(928)
Profit for the year		38,842	52,598
Other comprehensive income for the year		202	449
Total comprehensive income for the year		39,044	53,047

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousand)

			Capital Reserve	Revenue Reserves		
	Issued, subscribed and paid-up capital	Advance against issue of share capital	Share premium	Remeasurement of retirement benefit obligation - Actuarial gain / (loss)	Unappropriated profit / (Accumulated loss)	Total
	Rupees					
Balance as at January 1, 2014	802,165	-	46,960	(269)	(2,457)	846,399
Total comprehensive income for the year ended December 31, 2014	-	-	-	449	52,598	53,047
Transactions with owners						
Share capital issued during the year (including share premium net of share issuance cost of Rs. 7,417)	1,379,217	600,000	657,366	-	-	2,636,583
Balance as at December 31, 2014	2,181,382	600,000	704,326	180	50,141	3,536,029
Total comprehensive income for the year ended December 31, 2015	-	-	-	202	38,842	39,044
Transactions with owners						
Share capital issued during the year (including share premium net of share issuance cost of Rs. 3,563)	712,551	(600,000)	339,887	-	-	452,438
Balance as at December 31, 2015	2,893,933	-	1,044,213	382	88,983	4,027,511

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousand)

	Note	2015	2014
		----------------Rupees----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		39,781	53,526
Adjustment for non-cash and other items:			
Exchange loss		443	-
Remeasurement of retirement and other service benefits		202	449
Working capital changes:			
- Decrease in current assets		70,166	42,481
- Increase in current liabilities		41,038	685
		111,204	43,166
Loans and advances disbursed to employees, net		4,964	(5,986)
Long term security deposit		-	(14,450)
Taxes paid		(10,163)	(13,677)
Net cash generated from operating activities		146,431	63,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Development properties expenditure incurred		(949,559)	(632,332)
Purchase of intangible asset		(2,050)	-
Purchase of property, plant and equipment		(234,837)	(503,622)
Proceeds from transfer of land		40,850	-
Long term investment		-	(191,000)
Proceeds from maturity of investments		197,242	-
Investment made during the year		(99,972)	(97,270)
Net cash utilised in investing activities		(1,048,326)	(1,424,224)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital, net		452,438	2,036,583
Advance against issue of shares		-	600,000
Advance for credit insurance premium		(301,779)	-
Short term loan from Subsidiary company		76,841	-
Net cash generated from financing activities		227,500	2,636,583
Net (decrease) / increase in cash and cash equivalents		(674,395)	1,275,387
Cash and cash equivalents at beginning of the year		1,304,567	29,180
Effects of exchange rate changes on cash and cash equivalents		(443)	-
Cash and cash equivalents at end of the year	20	629,729	1,304,567

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

Director

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Sindh Engro Coal Mining Company Limited ('the Company') is a public unlisted company, incorporated in Pakistan on October 15, 2009 under the Companies Ordinance, 1984. The Company has its registered office at the 4th floor, The Harbor Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi.

1.2 The Company was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS) having 40% shareholding, Engro Powergen Limited (EPL) with 60% shareholding and Engro Corporation Limited. The aforementioned JVA is consequent to the selection of Engro Powergen Limited as the GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal. In this regard, as per JVA, the Company initiated a Detailed Feasibility Study (DFS) in November 2009 by a team of International Consultants and local experts to confirm the technical, environmental, social and economic viability of the Project. The DFS was carried out on an area of 79.6 sq. km allocated to the Company in Thar Coal field. On August 31, 2010, the Company completed the DFS which was approved by the Technical Committee of the GoS.

The GoS has granted 30 years mining lease to the Company for exploration and mining activities in Thar Block-II. Based on the detailed feasibility study conducted by the Company, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012. A revised and amended JVA was signed on January 24, 2014, under which the GoS will have minimum shareholding of 51% and Engro will retain the right to manage the Company as long as Engro and its affiliates hold a minimum of 26% shareholding in the Company.

During 2014, the Company based on the evaluation provided by its renowned international consultants and after a thorough international competitive bidding process awarded the Engineering, Procurement and Construction (EPC) contract to China Machinery Engineering Corporation (CMEC). Further, the Company also started construction activity on site and awarded initial contract of over burden removal of 3 M BCM to a local contractor, which has been completed during the year. Further, an addendum to aforementioned overburden removal contract has been signed for additional 1 M BCM overburden removal which is expected to be completed by February 29, 2016.

During the year, the Company entered into Coal Supply Agreement dated June 7, 2015 with Engro Powergen Thar (Private) Limited (EPTL) whereby the Company on commencement of commercial production of its Thar mining project, will supply 3.8 million tons per annum of coal to EPTL. Further, the Company also signed GoS Implementation Agreement with Govemment of Sindh dated November 19, 2015.

Total cost of the Project is estimated at USD 845,000 which would be financed through equity injection of USD 211,250 and Debt portion of USD 633,750. Debt portion would be a mix of local and foreign financing. During the year, the Company has signed all major Financing Agreements with lenders on December 21, 2015. Subsequent to the signing of financing agreements, financial close and loan disbursement is conditional to execution of security documents in the favour of lenders, subscription by sponsors of initial equity contribution and completion of other formalities.

Y.

(Amounts in thousand)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions or judgments used in the preparation of these financial statements are disclosed in notes 2.2, 2.3, 2.4, 2.6 and 2.12 below.

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

a) Standards, amendments to published standards and interpretations that are effective in 2015

The following new standards and amendments to published standards are mandatory for the financial year beginning January 1, 2015 and are relevant to the Company:

- IAS 27 (revised) 'Separate financial statements' . This standard replaces the current IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Company's current accounting treatment is already in line with this standard.

- IAS 19 (Amendment) 'Employee benefits' . The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The Company's current accounting treatment is already in line with this amendment.

- IAS 24 'Related party disclosures' (Amendment). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The Company's current accounting treatment is already in line with this amendment.

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard does not have any significant impact on the Company's financial statements.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2015 and have not been early adopted by the Company:

- IFRS 7 'Financial instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2016). The amendment clarifies that the additional disclosure required by the amendments is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

- IAS 34 'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the standard will have any significant impact on the Company's financial statements.

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

2.2 Exploration and evaluation assets

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

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

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

(Amounts in thousand)

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

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

2.3 **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 asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Capitalised development properties expenditure is recorded at cost less impairment, if any. As the asset is not available for use, it is not depreciated; however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

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

2.4 **Property, plant and equipment**

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Statement of Comprehensive Income during the financial year in which they are incurred.

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

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

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

(Amounts in thousand)

2.5 Intangible assets - Computer Software

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

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

Software costs and license fees capitalised as intangible assets are amortised as an expense in the Statement of Comprehensive Income, from the date of use, on a straight-line basis, over a period of 4 years.

2.6 Long term investment

Investment in subsidiary companies are initially recognised at cost. At all subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as an expense in the Statement of Comprehensive Income. Where impairment losses are subsequently reversed, the carrying amounts of the investment are increased to their revised recoverable amounts but limited to the extent of initial cost of investment. A reversal of impairment loss is also recognised in the Statement of Comprehensive Income.

2.7 Financial assets

2.7.1 Classification

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

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

(Amounts in thousand)

d) Available-for-sale

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

2.7.2 **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 purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost.

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

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

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the carrying value is reclassified from equity and is recognised in the Statement of Comprehensive Income. Impairment losses previously recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

2.8 **Cash and cash equivalents**

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

2.9 **Share capital**

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

(Amounts in thousand)

2.10 **Financial liabilities**

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

2.11 **Offsetting of financial assets and liabilities**

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

2.12 **Taxation**

Current

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

Deferred

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

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

2.13 **Retirement and other service benefit obligations**

2.13.1 **Defined contribution plans**

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

The 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, certain permanent employees who are not members of the gratuity fund (note 2.13.2) are members of defined contribution gratuity fund maintained and operated by the Company's associated company - Engro Corporation Limited.

(Amounts in thousand)

2.13.2 **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan, other than the defined contribution plan under which the Company has an obligation to provide the agreed benefits to its entitled employees. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method, related details of which are given in note 22. Actuarial valuation requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.14 **Provisions**

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

2.15 **Impairment losses**

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

2.16 **Foreign currency transactions and translation**

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

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

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

2.18 **Transactions with related parties**

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

(Amounts in thousand)

	2014	Additions during the year (note 3.5)	2015
	-----------------------------Rupees-----------------------------		
3. DEVELOPMENT PROPERTIES			
Overburden removal cost (note 3.1)	283,690	413,688	697,378
Project development costs (note 3.2)	1,207,985	358,188	1,566,173
Village relocation	-	4,000	4,000
Utility system	-	2,237	2,237
Consultancy and studies (note 3.3)	10,655	100,795	111,450
Legal, financial and professional charges (note 3.4)	1,075	145,054	146,129
	1,503,405	1,023,962	2,527,367
Expenses charged-off in the Statement of Comprehensive Income	(97,001)	(55,081)	(152,082)
Expenses netted-off in equity - Share issuance cost	(9,242)	(3,563)	(12,805)
Balance as at December 31	1,397,162	965,318	2,362,480

3.1 Includes payments to local contractor for overburden removal (note 1.2), salaries of the Company's Project site staff and operating expenses incurred at Project site.

3.2 **Project Development Costs**

	2014	Additions during the year	2015
Consultancy charges	335,191	1,363	336,554
Legal expenses	22,196	2,705	24,901
Fees and charges	41,944	22,457	64,401
Subscription for intellectual data	9,722	2,289	12,011
Depreciation / Amortisation (notes 4.1 and 5)	17,136	15,759	32,895
Salaries, wages and staff welfare	446,510	186,119	632,629
Purchased services	101,248	23,675	124,923
Other expenses	54,163	38,591	92,754
Rent, security and accommodation expenses	179,875	65,230	245,105
	1,207,985	358,188	1,566,173

3.3 These represents expenses incurred for advance engineering phase, being part of EPC contract.

3.4 Represent charges of legal and financial consultants in respect of drafting and finalization of financing documents and other agreements.

3.5 These are net-off Rs. 8,170 recovered from Engro Powergen Thar (Private) Limited (EPTL) in respect of land development cost for the transferred land (note 4.2).

	2015	2014
	---------------Rupees---------------	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets (note 4.1)	496,411	56,097
Capital work-in-progress (note 4.3)	188,648	450,000
	685,059	506,097

(Amounts in thousand)

4.1 Operating assets

	Freehold land	Furniture and fixtures	Computers, office and other equipment	Plant & machinery	Vehicles	Total
	Rupees					
As at January 1, 2014						
Cost	-	9,852	4,463	544	4,555	19,414
Accumulated depreciation	-	(7,979)	(3,173)	(79)	(979)	(12,210)
Net book value	-	1,873	1,290	465	3,576	7,204
Year ended December 31, 2014						
Opening net book value	-	1,873	1,290	465	3,576	7,204
Additions	-	5,416	5,856	-	45,262	56,534
Disposal						
- Cost	-	-	-	-	(4,555)	(4,555)
- Accumulated depreciation	-	-	-	-	1,643	1,643
	-	-	-	-	(2,912)	(2,912)
Depreciation charge	-	(1,684)	(971)	(136)	(1,938)	(4,729)
Net book value	-	5,605	6,175	329	43,988	56,097
As at December 31, 2014						
Cost	-	15,268	10,319	544	45,262	71,393
Accumulated depreciation	-	(9,663)	(4,144)	(215)	(1,274)	(15,296)
Net book value	-	5,605	6,175	329	43,988	56,097
Year ended December 31, 2015						
Opening net book value	-	5,605	6,175	329	43,988	56,097
Additions	-	-	4,422	-	2,707	7,129
Transfer from capital work-in-progress (note 4.3)	489,060	-	-	-	-	489,060
Disposal (note 4.2)						
- Cost	(40,850)	-	-	-	-	(40,850)
- Accumulated depreciation	-	-	-	-	-	-
	(40,850)	-	-	-	-	(40,850)
Depreciation charge	-	(1,480)	(2,086)	(136)	(11,323)	(15,025)
Net book value	448,210	4,125	8,511	193	35,372	496,411
As at December 31, 2015						
Cost	448,210	15,268	14,741	544	47,969	526,732
Accumulated depreciation	-	(11,143)	(6,230)	(351)	(12,597)	(30,321)
Net book value	448,210	4,125	8,511	193	35,372	496,411
Annual rate of depreciation (%)	-	25	25	25	25	

4.2 During the year, the Company entered into an agreement with Engro Powergen Thar (Private) Limited (EPTL) for sale and transfer of 215 acres of land in respect of EPTL's power project for Rs. 40,850.

4.3 Capital work-in-progress

	2015	2014
	Rupees	
Balance as at January 1	450,000	-
Add: Acquisition of land (note 4.3.1)	227,708	450,000
Less: Transferred to operating assets (note 4.1)	(489,060)	-
Balance as at December 31	188,648	450,000

(Amounts in thousand)

4.3.1 Represents payment made to Government authorities as an estimated consideration towards acquiring the possession of 3,507 acres of land for the Company's mining Project (note 1.2). As at December 31, 2015, land measuring 2,574 acres has been mutated in the name of the Company.

	2015	2014
	Rupees	
5. INTANGIBLE ASSETS - Computer Software		
Net Carrying Value		
Balance at beginning of the year	178	272
Add: Addition during the year	2,050	-
Less: Amortisation charge for the year	(734)	(94)
Balance at end of the year	1,494	178
Gross Carrying Value		
Cost	2,424	374
Less: Accumulated amortisation	(930)	(196)
Net book value	1,494	178
Annual rate of amortisation (%)	25%	25%
6. LONG TERM INVESTMENT		
Unquoted subsidiary company - at cost		
Thar Power Company Limited - 20,600,000 (2014: 20,600,000) ordinary shares of Rs.10 each	206,000	206,000

	2015	2014
	Rupees	
7. LONG TERM ADVANCES - Considered good		
Advances for:		
- Insurance policy (note 7.1)	301,779	-
- Employee benefits (notes 7.2, 7.3 and 7.4)	7,369	12,333
Less: Current portion shown under current assets (note 9)	(5,370)	(4,625)
	303,778	7,708

7.1 This represents amount paid to China Export and Credit Insurance Corporation (Sinosure) in respect of credit insurance policy to be issued in respect of Company's financing from Chinese Lenders.

(Amounts in thousand)

		2015	2014
		Rupees	
7.2	**Reconciliation of the carrying amount of advances for employee benefits**		
	Balance at beginning of the year	12,333	6,347
	Add: Disbursements	14,733	13,486
	Less: Repayments/Amortisation	(19,697)	(7,500)
	Balance at end of the year	7,369	12,333

7.3 Mainly includes prepayments to executives for car monetization / car earn out assistance, house rent and long term incentive given to certain employees amounting to Rs. 2,731 (2014: Rs. 5,007), Rs. 1,424 (2014: 1,991) and Rs. 4,596 (2014: Rs. 1,551) respectively, as per the Company's policy. These are amortised over the period as per the terms of employement.

7.4 The maximum amount outstanding at the end of any month from employees aggregated to Rs. 15,682 (2014: Rs. 9,338).

8. LONG TERM SECURITY DEPOSIT

Represents amount deposited with Hyderabad Electric Supply Corporation in respect of sanction for supply of power to Thar coal area, Islamkot.

		2015	2014
		Rupees	
9.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
	Current portion of advances for employee benefits (note 7)	5,370	4,625
	Advances to employees	1,999	2,939
	Advances to suppliers	2,213	23,340
	Prepayments for rent	1,500	-
	Security deposits	1,843	-
	Receivable from gratuity fund (note 22)	380	197
	Other receivables (notes 9.1 and 9.2)	30,507	12,350
	Receivable from associated undertakings:		
	- Thar Power Company Limited	-	74,181
	- Engro Powergen Qadirpur Limited	-	682
		43,812	118,314

9.1 Includes Rs. 14,856 (2014: Rs. 9,100) paid to a local contractor on behalf of China Machinery Engineering Corporation (CMEC), the EPC contractor of the Company.

9.2 Includes Rs. 15,163 in respect of payorder submitted with Chief Collector of Customs as security against custom duty in respect of dump trucks imported for Company's mining Project.

9.3 As at December 31, 2015 and 2014, advances and other receivables were neither past due nor impaired.

(Amounts in thousand)

	2015	2014
	------Rupees------	
10. SHORT TERM INVESTMENTS		
- Held to maturity		
Term deposit receipts (note 10.1)	275,000	800,000
Treasury bills	-	97,270
	275,000	897,270

10.1 Represents term deposits receipts with scheduled banks at profit rates ranging from 6.02% to 7.50% (2014: 8% to 9.90%) per annum. Includes Nil (2014: Rs. 600,000) deposited with Sindh Bank Limited, a related party.

	2015	2014
	------Rupees------	
11. CASH AND BANK BALANCES		
Deposits with banks		
- Foreign currency accounts (note 11.1)	244,256	-
- Local currency accounts (note 11.2)	110,473	443,980
Cheques in hand (note 11.3)	-	60,587
	354,729	504,567

11.1 Represents deposits with scheduled banks amounting to US Dollars 2,335.

11.2 Represents deposits with scheduled banks at profit rates of upto 6.50% (2014: 9.25%) per annum. It includes Rs. 93,709 (2014: Rs. 501,975) deposited with Sindh Bank Limited, a related party.

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

	2015	2014
	------Rupees------	
12. SHARE CAPITAL		
Authorised capital		
541,100,000 (2014: 260,000,000) Ordinary shares of Rs. 10 each (note 12.1)	5,411,000	2,600,000
33,000,000 (2014: Nil) Preference shares of Rs. 10 each (note 12.1)	330,000	-
Issued, subscribed and paid-up capital		
289,393,255 (2014: 218,138,194) Ordinary shares of Rs. 10 each fully paid in cash (note 12.2)	2,893,933	2,181,382

(Amounts in thousand)

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

- 260,000,000 Ordinary shares to 541,100,000 Ordinary shares of Rs. 10 each; and
- Nil Preference shares to 33,000,000 Preference shares of Rs. 10 each. These Preference shares shall be fully paid, cumulative, non-redeemable, non-convertible, non-participatory and non-voting having nominal face value of Rs. 10 each and carrying dividend at the fixed return rate of 15.4% per annum.

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

2015	2014		2015	2014
---Number of shares---			---Rupees---	
218,138,194	80,216,457	At January 1	2,181,382	802,165
71,255,061	137,921,737	Ordinary shares of Rs. 10 each issued at a premium of Rs. 4.82 per share, as fully paid right shares (note12.3)	712,551	1,379,217
289,393,255	218,138,194		2,893,933	2,181,382

12.3 During the year, the Company issued 71,255,061 Ordinary shares of Rs. 10 each as fully paid right shares at a premium of Rs. 4.82, of which 24,291,498, 16,194,332, 22,672,065 and 8,097,166 shares were issued to Thal Limited, The Hub Power Company Limited, Habib Bank Limited and CMEC Thar Mining Investments Limited respectively.

13. ACCRUED AND OTHER LIABILITIES

	2015	2014
	---Rupees---	
Accrued liabilities (note 13.1)	177,059	121,437
Payable to associated undertakings:		
- Engro Powergen Thar (Private) Limited	-	6,968
- Engro Powergen Limited	-	37
- Engro Corporation Limited	-	370
Workers' welfare fund	2,405	1,609
Withholding tax payable	342	-
Others	-	9,218
	179,806	139,639

13.1 Includes accruals made in respect of consultant's fee, overburden removal work and salaries, wages and benefits amounting to Rs. 56,472 (2014: Rs. 1,089), Rs. 34,320 (2014: Rs. 62,564) and Rs. 62,490 (2014: Rs. 46,033), respectively.

(Amounts in thousand)

14. SHORT TERM LOAN

This represents short-term loan from Thar Power Company Limited (the 'Subsidiary Company') for a period of one year against total facility of Rs. 110,000. As per the terms of the loan agreement, mark-up has been accrued at the weighted average rate of the Subsidiary Company's investment in savings accounts, term deposits receipts and money market mutual funds rate plus a spread of 0.50%, which equates to 4.50% per annum for the current year.

15. CONTINGENCIES AND COMMITMENTS

15.1 Bank guarantee amounting to Rs. 2,200 has been issued by the Company in favour of Nazir of the Sindh High 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.

15.2 Performance guarantee amounting to USD 500 has been issued in favour of Director General, Coal Mines Development Department. The guarantee was issued on September 11, 2014, in lieu of requirement of the Mining Lease of the Project. This guarantee is valid upto commercial operations date or four years and six months from the date of issue or March 14, 2019, whichever falls earlier.

	2015	2014
	----------------Rupees----------------	
16. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare	18,614	16,846
Travelling expense	4,169	4,016
Purchased services	2,367	4,928
Legal expenses	9,410	1,943
Directors' fee	4,500	3,750
Other expenses	10,474	1,178
	49,534	32,661
17. OTHER INCOME		
From financial assets		
Profit/ Interest income on:		
- Deposits with banks	16,298	83,365
- Term deposit receipts	71,168	7,749
- Treasury bills	6,457	1,716
	93,923	92,830
18. FINANCE COST		
Mark-up on short term loan from Subsidiary company	2,712	-
Bank charges	321	294
	3,033	294
19. TAXATION		
Current tax for the year (note 19.1)	939	928

(Amounts in thousand)

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

	2015	2014
	Rupees	
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances (note 11)	354,729	504,567
Short term investments -Term deposit receipts (note 10)	275,000	800,000
	629,729	1,304,567

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015			2014		
	Directors			Directors		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	(Rupees)					
Managerial remuneration	12,562	-	146,839	11,454	-	70,822
Contribution for staff retirement benefits	1,919	-	12,656	1,493	-	6,779
Other benefits	10,562	-	44,048	8,658	-	18,918
Fees	-	4,500	-	-	3,750	-
Total	25,043	4,500	203,543	21,605	3,750	96,519
Number of persons including those who worked part of the year	1	8	27	1	8	20

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

21.2 Premium charged during the year in respect of directors indemnity insurance amounts to Rs. 627 (2014: Rs. 850).

22. RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS

22.1 Defined benefit plan

The latest actuarial valuation of the defined benefit plan in respect of funded defined benefit gratuity scheme was carried out as at December 31, 2015, using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	2015	2014
	Rupees	
22.1.1 Balance sheet reconciliation		
Present value of defined benefit obligation	1,240	1,069
Fair value of plan assets	(1,764)	(1,410)
Surplus	(524)	(341)
Payable to group companies	144	144
Net asset at end of the year	(380)	(197)

Mr.

(Amounts in thousand)

		2015	2014
		----Rupees----	
22.1.2	**Movement in net (asset) / liability recognised**		
	Net (asset) / liability at beginning of the year	(197)	403
	Charge for the year	19	83
	Contribution made to the Fund	-	(234)
	Other comprehensive income - Remeasurement/Actuarial gain	(202)	(449)
	Net asset at end of the year	(380)	(197)
22.1.3	**Movement in defined benefit obligation**		
	Present value of defined benefit obligation at beginning of the year	1,069	961
	Current service cost	55	52
	Interest cost	123	127
	Remeasurement gain	(7)	(71)
	Defined benefit obligation at end of the year	1,240	1,069
22.1.4	**Movement in fair value of plan assets**		
	Plan assets at beginning of the year	1,410	702
	Expected return on plan assets	159	96
	Contributions made during the year	-	234
	Remeasurement gain	195	378
	Plan assets at end of the year	1,764	1,410
22.1.5	**Remesurement recognised in the Statement of Comprehensive Income**		
	Gain / (loss) from changes in financial assumption	(7)	(8)
	Gain / (loss) from changes in demographic assumptions	14	79
	Remeasurement of obligation	7	71
	Actual return on plan assets	234	318
	Expected return on plan assets	(160)	(96)
	Difference in opening fair value	121	156
	Remeasurement of plan assets	195	378
		202	449
22.1.6	**Amount recognised in development properties**		
	Current service cost	55	52
	Net interest cost	(36)	31
	Charge for the year	19	83

		2015	2014
22.1.7	**Principal actuarial assumptions used are as follows**		
	Discount rate	10.00%	11.25%
	Expected per annum rate of increase in future salaries	12.00%	12.00%
	Expected per annum rate of return on plan assets	10.00%	11.25%

(Amounts in thousand)

		2015	2014
		---Rupees---	
22.1.8	**Actual return on plan assets**	74	222
22.1.9	**Plan assets comprise the following:**		
	Cash and cash equivalents	1,764	1,410

		2015	2014	2013	2012	2011
		---Rupees---				
22.1.10	**Comparison of the last 5 years**					
	Present value of defined benefit obligation	1,240	1,069	961	878	655
	Fair value of plan assets	(1,764)	(1,410)	(702)	(803)	(374)
	Deficit / (Surplus)	(524)	(341)	259	75	281

22.1.11 Expected future reversal for the year ending December 31, 2016 is Rs. 20 (2014: expense of Rs. 19).

22.2 **Provident Fund**

22.2.1 The employees of the Company participate in provident fund maintained by Engro Corporation Limited (ECL). Monthly contributions are made both by the Company and employees to the fund maintained by ECL at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of provident fund as at June 30, 2014 and unaudited financial statements as at June 30, 2015:

	June 30, 2015	June 30, 2014
	---Rupees---	
Size of the fund - Total assets	3,151,304	2,091,284
Cost of the investments made	2,391,087	1,679,824
Percentage of investments made	76%	80%
Fair value of investments	2,726,289	1,861,191

The break-up of total assets is as follows:

	2015		2014	
	Rupees	%	Rupees	%
National savings scheme	-	-	290,609	14%
Government securities	1,268,752	40%	901,642	43%
Listed securities	881,000	28%	518,263	25%
Real estate investment trust	275,000	9%	-	-
Balances with banks in savings account	301,537	10%	150,677	7%
Other assets	425,015	13%	230,093	11%
	3,151,304	100%	2,091,284	100%

22.2.2 Out of the total member balance of Rs. 3,056,898, the balance pertaining to the employees of the Company amounts to Rs. 121,017.

22.2.3 The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

(Amounts in thousand)

22.3 Defined contribution plan

An amount of Rs. 28,835 (2014: Rs. 16,690) has been charged during the year in respect of defined contribution plans.

	2015	2014
	----Rupees----	
23. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
- Held to maturity		
Short term investments	281,186	898,375
- Loans and receivables		
Advances for employee benefits	1,549	3,784
Advances to employees	1,999	2,939
Long term security deposit	14,450	14,450
Other receivables	32,350	87,213
Cash and bank balances	354,729	504,567
	405,077	612,953
	686,263	1,511,328
Financial liabilities as per balance sheet		
- Financial liabilities at cost		
Accrued and other liabilities	177,059	138,030
Short term loan	76,841	-
Mark-up on short term loan	871	-
	254,771	138,030

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 Financial Risk Factors

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

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

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to outstanding foreign currency payments to consultants and Company's investment in liquid funds at fixed rates. At December 31, 2015, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the effect on post-tax profit for the year would have been lower/higher by Rs. 10,107.

(Amounts in thousand)

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to the Company's investment in liquid funds at fixed rates and short-term borrowings. As at December 31, 2015, if the interest rate had weakened/strengthened by 1% with all other variable held constant, post tax profit for the year would have been higher/lower by Rs. 629.

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 not exposed to this risk.

b) Credit risk

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

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

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

Name of bank/financial institution	Rating	
	Short term	Long term
Allied Bank Limited	A1+	AA+
Sindh Bank Limited	A1+	AA
Faysal Bank Limited	A1+	AA
Habib Bank Limited	A1+	AAA
Meezan Bank Limited	A1+	AA
Summit Bank Limited	A1	A
Bank Al-Habib Limited	A1+	AA+
Industrial and Commercial Bank of China	P1	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.

(Amounts in thousand)

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

All the financial liabilities of the Company are payable in one year form the balance sheet date.

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

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

25. TRANSACTIONS WITH RELATED PARTIES

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

	2015	2014
	Rupees	
Government of Sindh		
- Share capital issued (128,759,037 Ordinary shares of Rs. 10 each at a premium of Rs. 4.82 per share)	-	1,908,209
Subsidiary Company		
- Reimbursement of expenses incurred by the Company	705	64,205
- Reimbursement of expenses incurred for the Company	15,842	-
- Investment	-	191,000
- Receipt of short-term loan	76,841	-
Associated companies		
- Reimbursement of expenses incurred for the Company	140,935	90,443
- Reimbursement of expenses incurred by the Company	120,931	54,859
- Advance against issue of share capital	-	600,000
- Share capital issued (71,255,061 ordinary shares of Rs. 10 each at a premium of 4.82 per share)	1,056,000	135,791
- Investment in Term Deposit receipt maintained with Sindh Bank Limited	600,000	-
- Redemption of Term Deposit receipt maintained with Sindh Bank Limited	1,219,637	-
- Profit on bank deposit maintained with Sindh Bank Limited	15,538	79,443
Key management personnel		
- Managerial remuneration	86,996	39,437
- Contribution for staff retirement benefits	7,116	4,648
- Bonus payments	34,058	19,285
Contribution to retirement benefit funds	28,835	21,344

(Amounts in thousand)

26. NUMBER OF EMPLOYEES

The total and average number of employees during the year and as of December 31, 2015 and December 2014, respectively, are as follows:

	Number of employees as at		Average number of employees	
	2015	**2014**	**2015**	**2014**
Management employees	39	26	33	21

27. CORRESPONDING FIGURES

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

28. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue on 25 JAN 2016 by the Board of Directors of the Company.

Chief Executive Officer

Director