SECMC
Sindh Engro Coal Mining Company

SINDH ENGRO COAL MINING COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

SECMC
Sindh Engro Coal Mining Company

16th Floor, The Harbor Front Building, HC#3, Marine Drive, Block 4, Clifton, Karachi-75600, Pakistan
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Directors' Report

Year Ended December 31, 2020

The Directors of Sindh Engro Coal Mining Company Limited (the Company) are pleased to present the Consolidated and Standalone Financial Statements and a review of the Thar Coal Mining Project for the year ended December 31, 2020.

Project update

SECMC declared Commercial Operations Date (COD) for 3.8 Mt/a mine at Block II on July 10, 2019. Since then, it has maintained a smooth supply of coal. During the year, 3.8 million tons of coal was supplied to Engro Powergen Thar (Private) Limited.

Health Safety and Environment

The Company, its Contractors and sub-contractors have logged in 7.5 M safe man-hours without loss workday injury during the year ended December 31, 2020.

During the year, SECMC won multiple awards on environment and safety, including Global Gold Award in category of Sustainable Development by The Green Organization-UK and International Safety Award for 2020 by British Safety Awards.

Corporate Social Responsibility

Aligning the community development as per the United Nation's Sustainable Development Goals (UN-SDGs) framework, SECMC continues to work on its initiatives under the umbrella of Thar Foundation, which includes successful operations of the five health facilities including a mobile Mobile clinic, 17 Community dedicated Reverse Osmosis Water Treatment Plants with locally trained women operators and 24 school units in villages of Block II and neighbouring areas imparting quality education to 3500 students.

As a reliable responder in the times of natural and manmade disasters, Thar Foundation has taken to fight against the deadly COVID-19 pandemic affecting countries including Pakistan. Thar Foundation maintained a dedicated isolation Centre at TF Hospital in Islamkot with provision of medical equipment and necessary medicines. Amid days of hardship due to the lockdown, 6-weeks ration was provided to more than 2,730 families in Islamkot Taluka. During Naukot Floods of 2020, Thar Foundation also provided daily food to 5,000 population in 3 Union Councils of District Tharparkar and also extended health services to 1100 patients in the area. Livelihood grants have been provided to 12 local women, specially widows and differently-abled women.

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In order to make Islamkot as first SDG-compliant Taulka of Pakistan, Thar Foundation has completed baseline survey of 53,000 (100 %) households to determine the state of human development and develop focused strategy and uplift schemes.

Mine expansion

The Company achieved Financial Close on December 31, 2019 for Phase II of its mine expansion up to 7.6 Mt/a. Financial Close was declared based on local funding. Total OB volume to be removed is estimated at 47 M BCM.

Construction for expansion of mine to 7.6 Mt/a is underway. However, overburden removal process remained below target due to delay in equipment delivery because of COVID-19 lockdowns in China and Pakistan. All the main mining equipment reached site in Q3 2020, after which construction work has picked up pace in Q4. As at year-end OB removal is 17.1% completed.

Plans for expansion beyond 7.6 Mt/a are underway, a Bankable Feasibility Study for expansion of mine to 12.2 Mt/a has been completed to expand the mine to Phase III.

Financing update

As of December 31, 2020, shareholding of each equity partner is as follows:

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

On the borrowing side, loan drawdowns of PKR 7,118 million relating to Phase II were made during the year. Additionally, SECMC repaid first and second installment of long term loan amounting to PKR 2,432 million against Phase I foreign currency loan and PKR 1,657 million against Phase I local currency loan.

The outstanding receivables as at December 31, 2020 amount to PKR 26.18 Bn which constitutes a 31% increase as compared to the receivable balance outstanding at end of the prior year. Recovery against receivables has become challenging owing to circular debt issue surrounding the power and allied sectors.

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Results for the year

The Company declared a net profit amounting to PKR 11,014 million (Consolidated net profit amounting to PKR 11,140 million) for the year ended December 31, 2020 attributable to post-COD revenue and related expenses. Since the Company has not achieved Project Completion Date (POD) which is a pre-requisite of dividend declaration on shares, the Company has not declared any cash dividend. Resultantly, the Company has transferred unappropriated profit amounting to PKR 11,014 million (Consolidated unappropriated profit amounting to PKR 11,140 million) to unappropriated profit reserve.

The Company's Earnings Per Share (EPS) for the year is PKR 7.93 / share (Consolidated EPS of PKR 8.02 / share).

All statutory / non-statutory liabilities (if any) have been disclosed adequately in the financial statements.

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

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

Allocation of reserves

As at December 31, 2020, the Company has consolidated reserves as follows:

Unappropriated profit

	PKR ('000)
Balance as at January 1, 2020	5,727,851
Total unappropriated profit for the year	11,140,083
Balance as at December 31, 2020	16,867,934

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Key shareholding position

Following is the key shareholding position as at December 31, 2020:

Shareholders	No. of shares held
The Government of Sindh	733,635,650
Associated companies:	
Engro Energy Limited	159,602,635
Thal Limited	159,602,635
Habib Bank Limited	127,413,868
Hub Power Company Limited	107,295,890
CMEC Thar Mining Investment Limited	53,647,944
Directors:	
Syed Abul Fazal Rizvi	1
Ghias Khan	1
Dr. Mahesh Kumar Malani	1
Salman Burney	1
Khalid Mansoor	1
Muhammad Waseem	1
Imtiaz Ahmed Shaikh	1
Muhammad Tayyab Ahmed Tareen	1
Syed Hassan Naqvi	1
Abrar Ahmed Shaikh (share transfer in process)	1
Khalid Mohsin Shaikh	1
	1,341,198,633

Retirement funds

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

Statement of directors' responsibilities

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

1. The Board has complied with the relevant principles of corporate governance except as disclosed in the statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.

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

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

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

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5. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
6. The system of internal control is sound in design and has been effectively implemented, reviewed and monitored.
7. The appointment of chairman and other members of Board and the terms of their appointment alongwith the remuneration policy adopted are in the best interest of the Company as well as in line with best practices.
8. There are no significant doubts upon the Company's ability to continue as a going concern.

Appointment of external auditors

The Board of Directors has re-appointed A. F. Ferguson & Co., Chartered Accountants as external auditors of the Company for FY 2021 based on recommendation of the Board Audit Committee.

Board meetings and attendance

In 2020, the Board of Directors held 5 meetings and Board Audit Committee (BAC) held 5 meetings. The attendance record of the Directors is as follows:

S. No.	Directors	Member of BAC (as at December 31, 2020)	Executive / Non-Executive *	BoD meetings attended	BAC meetings attended
1.	Imtiaz Ahmed Shaikh		Non-Executive	4	
2.	Mahesh Kumar Malani		Non-Executive	5	
3.	Ghias Khan		Non-Executive	4	
4.	Bao Jianjun		Non-Executive	2	
5.	Khalid Mohsin Shaikh	✓	Non-Executive	4	4
6.	Khalid Mansoor		Non-Executive	5	
7.	Salman Burney		Non-Executive	5	
8.	Abrar Ahmed Shaikh **	✓	Non-Executive	1	-
9.	Syed Hasan Naqvi	✓	Non-Executive	1	1
10.	Syed Abul Fazal Rizvi		Executive	5	
11.	Muhammad Tayyab Ahmad Tareen	✓	Non-Executive	5	5
12.	Muhammad Waseem **	✓	Non-Executive	4	5

Directors resigned during the year

13.	Naheed S. Durrani		Non-Executive	-	-
14.	Musaddiq Ahmed Khan		Non-Executive	4	3

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Note

* Company has certain exemptions from the requirement of Rule 3(1) and 3(2) of Public Sector Companies (Corporate Governance) Rules, 2013 in connection with the requirement of Independent Directors

** Directors who joined the Board during the year

Directors' remuneration

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

S. No.	Directors *	Board fees paid (PKR)
1.	Imtiaz Ahmed Shaikh **	200,000
2.	Mahesh Kumar Malani	250,000
3.	Khalid Mohsin Shaikh ***	400,000
4.	Khalid Mansoor **	250,000
5.	Salman Burney	250,000
6.	Abrar Ahmed Shaikh	50,000
7.	Syed Hasan Naqvi	100,000
8.	Muhammad Tayyab Ahmad Tareen	500,000
9.	Muhammad Waseem	450,000
10.	Musaddiq Ahmed Khan	350,000

Note

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

** Fee for attending meetings was donated to Thar Foundation

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

Khalid Mansoor

Chief Executive Officer **Director**

March 12, 2021

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Sindh Engro Coal Mining Company

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Engro Coal Mining Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sindh Engro Coal Mining Company Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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Report on Other Legal and Regulatory Requirements

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

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

(b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Osama Kapadia.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: March 31, 2021

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(Amounts in thousand)

	Note	2020	2019
		----------------Rupees----------------	
ASSETS			
Non-current assets			
Development properties	3	814,567	-
Property, plant and equipment	4	76,483,075	72,275,575
Intangible assets	5	77,943	3,314
Long-term investment	6	206,000	206,000
Long-term advances, deposits and prepayments	7	254,534	317,952
		77,836,119	72,802,841
Current assets			
Inventory	8	666,887	585,185
Trade debts	9	26,178,387	20,026,331
Advances, deposits and prepayments	10	1,275,890	568,844
Other receivables	11	1,920,198	850,533
Interest receivable		318,847	-
Taxes recoverable		90,186	-
Balances with banks	12	16,075,145	8,149,597
		46,525,540	30,180,490
TOTAL ASSETS		124,361,659	102,983,331
EQUITY AND LIABILITIES			
Equity			
Share capital			
- Ordinary shares	13	13,411,986	13,411,986
- Preference shares	13	1,246,356	1,246,356
		14,658,342	14,658,342
Share premium		6,053,524	6,053,524
Unappropriated profit		16,739,913	5,725,772
		37,451,779	26,437,638
Non-current liabilities			
Borrowings	14	59,463,271	55,944,604
Current liabilities			
Current maturity of long-term borrowings	14	4,192,266	3,509,215
Short-term finances	15	2,500,000	4,648,700
Accrued mark-up		380,403	1,795,375
Taxes payable		-	13,922
Accrued and other liabilities	16	20,373,940	10,633,877
		27,446,609	20,601,089
Contingencies and commitments	17		
TOTAL EQUITY AND LIABILITIES		124,361,659	102,983,331

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive Officer

Director

SINDH ENGRO COAL MINING COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousand)

	Note	2020	2019
		----------------Rupees----------------	
Revenue	18	37,101,055	17,010,726
Cost of revenue	19	(19,469,721)	(8,098,226)
Gross profit		17,631,334	8,912,500
Administrative expenses	20	(622,706)	(409,752)
Other operating expenses	21	(33,542)	(19,333)
Other income	22	742,221	52,284
Profit from operations		17,717,307	8,535,699
Finance cost	23	(6,717,088)	(2,843,665)
Worker's profit participation fund	24	-	-
Profit before taxation		11,000,219	5,692,034
Taxation	25	13,922	(10,630)
Profit for the year		11,014,141	5,681,404
Other comprehensive income		-	-
Total comprehensive income for the year		11,014,141	5,681,404

The annexed notes 1 to 34 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, 2020

(Amounts in thousand)

	Note	2020	2019
		-------Rupees-------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,000,219	5,692,034
Adjustment for non-cash charges and other items:			
Income from bank deposits	22	(742,208)	(48,009)
Gain on disposal of operating assets	22	(13)	(4,275)
Finance cost	23	5,675,394	3,298,752
Depreciation	19	3,664,885	1,721,701
Amortisation	19	16,741	1,041
Exchange loss / (gain) on revaluation of foreign currency borrowings		1,022,318	(480,559)
Working capital changes:			
- Increase in current assets		(8,013,015)	(21,919,448)
- Increase in current liabilities		9,740,063	4,202,453
		1,727,048	(17,716,995)
Loans and advances to employees, net		14,213	9,814
Interest received		514,142	76,561
Taxes paid		(90,186)	56,160
Net cash generated from / (utilised in) operating activities		22,802,553	(7,393,775)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
- development properties		(3,470,541)	(2,586,728)
- property, plant and equipment		(5,079,115)	(4,547,356)
- intangible assets		(91,370)	(1,550)
Proceeds from disposal of property, plant & equipment		93	132,910
Net cash utilised in investing activities		(8,640,933)	(7,002,724)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital, net		-	6,704,338
Loan arrangement fee paid		(42,375)	-
Proceeds from long-term borrowings	14.7	7,118,128	14,041,763
Repayment of long-term borrowings	14.7	(4,088,956)	-
(Repayment of) / Proceeds from short-term finances - net		(2,148,700)	4,648,700
Finance cost paid		(7,074,169)	(4,816,782)
Net cash (utilised in) / generated from financing activities		(6,236,072)	20,578,019
Net increase in cash and cash equivalents		7,925,548	6,181,520
Cash and cash equivalents at beginning of the year		8,149,597	1,968,077
Cash and cash equivalents at end of the year	12	16,075,145	8,149,597

The annexed notes 1 to 34 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, 2020

(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, 2019	9,349,091	539,379	4,119,058	44,368	14,051,896
Total comprehensive income for the year	-	-	-	5,681,404	5,681,404
Transactions with owners:					
Share capital issued during the year (including share premium, net of share issuance cost of Rs. 23,849)	4,062,895	706,977	1,934,466	-	6,704,338
Balance as at January 1, 2020	13,411,986	1,246,356	6,053,524	5,725,772	26,437,638
Total comprehensive income for the year	-	-	-	11,014,141	11,014,141
Balance as at December 31, 2020	13,411,986	1,246,356	6,053,524	16,739,913	37,451,779

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive Officer

Director

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

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

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

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

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

The approved cost of Phase II of the Project is USD 215,900. This will be funded through debt and equity of USD 148,900 and USD 67,000, respectively, for which the Company has entered into financing agreements dated September 5, 2019.

1.3 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year, the World Health Organisation (WHO) declared COVID-19 a pandemic. To reduce the impact on businesses and economies in general, regulators / governments across the globe introduced a host of measures on social and economic fronts. While this has impacted the Country's economy, the Company's operations and financial results have not been materially impacted.

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.

(Amounts in thousand)

2.1 **Basis of preparation**

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

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

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

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

2.1.4 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions or judgments used in the preparation of these financial statements are in respect of areas / policies disclosed in notes 2.2, 2.3, 2.8, 2.15 and 16.2 of the financial statements.

2.1.5 **Initial application of a standard, amendment or an interpretation to an existing:**

a) **Standards, amendments to published standards and interpretations that are effective for the year**

There are certain amendments to published standards that are effective for the first time for the year ended December 31, 2020, however, these are considered not to have a significant impact on the Company's financial reporting and operations and therefore have not been presented here.

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

- **Amendment to IAS 1 'Presentation of financial statements' (for annual reporting periods beginning on or after 1 January 2022)**

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendment is expected not to have a significant impact on the financial statements of the Company.

(Amounts in thousand)

There are other amendments to published standards that are not yet effective and have not been early adopted by the Company. These amendments are expected not to have a significant impact on the financial statements of the Company in the period of initial application.

2.2 Development properties

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

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

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

Cash flows associated with development properties are classified as investing activities in the statement of cash flows.

2.3 Property, plant and equipment

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

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

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

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

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

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

(Amounts in thousand)

2.4 Intangible assets - Computer software

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

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

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

2.5 Long term investment

Investment in subsidiary companies are initially recognised at cost. Subsequently, at each reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of such investments are adjusted accordingly. Impairment losses are recognised as an expense in the statement of profit or loss and other comprehensive income. Where impairment losses are subsequently reversed, the carrying amounts of the investment are increased to their revised recoverable amounts but limited to the extent of initial cost of investment. A reversal of impairment loss is also recognised in the statement of profit or loss and other comprehensive income.

2.6 Financial assets

2.6.1 Classification

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

(i) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains 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.

(Amounts in thousand)

2.6.2 Recognition and measurement

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date i.e. the date on which the Company commits to purchase or sell the asset.

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

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

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

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

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

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

2.7 Inventory

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

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

(Amounts in thousand)

2.8 **Trade debts and other receivables**

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds such receivables with the objective of collecting the contractual cash flows and therefore, measures the trade debts subsequently at amortised cost using the effective interest method. Provision for impairment is recognised as per note 2.6.2.

2.9 **Cash and cash equivalents**

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

2.10 **Share capital**

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

2.11 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs 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.

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

2.12 **Borrowing costs**

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

2.13 **Financial liabilities**

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

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

2.14 **Offsetting of financial assets and liabilities**

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

(Amounts in thousand)

2.15 Revenue

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

The Company recognises revenue over time upon fulfillment of following obligations:

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

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

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

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

2.16 Taxation

Current

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

Deferred

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

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

2.17 Retirement and other service benefit obligations

2.17.1 Defined contribution plans

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

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

(Amounts in thousand)

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.

2.17.2 **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan, other than the defined contribution plan under which the Company has an obligation to provide the agreed benefits to its entitled employees. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; this benefit is discounted to determine its present value.

2.18 **Provisions**

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

2.19 **Impairment losses**

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment loss. If such indications exist, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the statement of profit or loss and other comprehensive income.

2.20 **Foreign currency transactions and translation**

These financial statements are presented in Pakistan Rupees which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currency at year end exchange rates are recognised in development properties, capital work-in-progress and statement of profit or loss and other comprehensive income.

2.21 **Dividend and appropriation to reserves**

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

	2019	**Additions during the year**	**2020**
		---Rupees---	
3. DEVELOPMENT PROPERTIES			
Phase I costs (note 3.1)	63,094,189	(117,263)	62,976,926
Phase II costs (note 3.2)	(2,910,613)	3,725,180	814,567
	60,183,576	3,607,917	63,791,493
Transferred to capital work-in-progress	(60,183,576)	(2,793,350)	(62,976,926)
Balance at the end of year	-	814,567	814,567

A[illegible]

(Amounts in thousand)

	2019	Additions during the year	2020
	-----------	Rupees	-----------
3.1 Phase I costs			
Overburden removal cost (note 3.1.1)	750,892	-	750,892
Onshore contractor cost	33,493,076	32,736	33,525,812
Project development costs	1,740,539	-	1,740,539
Village relocation	1,512,369	(18,479)	1,493,890
Road construction	417,735	-	417,735
Utility system	213,412	(9,876)	203,536
Depreciation	3,128,833	-	3,128,833
Amortisation	7,337	-	7,337
Consultancy and studies	1,992,565	(29,870)	1,962,695
Gorano water pond	1,196,161	(414)	1,195,747
Financial charges	768,906	-	768,906
Markup on long term borrowings - net (note 3.1.2)	7,042,910	-	7,042,910
Salaries, wages and staff welfare	2,664,186	(873)	2,663,313
Purchased services	206,390	(12,103)	194,287
Operating expenses	1,782,869	(80,587)	1,702,282
Insurance	349,595	(2,269)	347,326
Exchange loss	6,157,356	-	6,157,356
Share issuance cost	37,103	-	37,103
Legal and professional charges	327,767	4,472	332,239
Sale of inventory coal	(274,406)	-	(274,406)
	63,515,595	(117,263)	63,398,332
Expenses charged-off in the statement of profit or loss and other comprehensive income	(259,219)	-	(259,219)
Expenses netted-off in equity - Share issuance cost	(58,187)	-	(58,187)
Transferred to inventory	(104,000)	-	(104,000)
Balance as at December 31	63,094,189	(117,263)	62,976,926

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

3.1.2 This includes borrowing costs of Rs. 7,143,573 (2019: Rs. 7,143,573) incurred on borrowings obtained for the Project net of income on bank deposits of Rs. 100,663 (2019: Rs. 100,663).

(Amounts in thousand)

		2019	Additions during the period	2020
		---Rupees---		
3.2	**Phase II costs**			
	Overburden removal cost	99,076	42,497	141,573
	Offshore contractor cost	-	2,008,143	2,008,143
	Onshore contractor cost	-	662,924	662,924
	Fuel cost	-	563,153	563,153
	Consultancy and studies	58,312	72,981	131,293
	Legal and professional charges	-	41,066	41,066
	Financial charges	22,600	93,549	116,149
	Transaction cost amortization	-	2,319	2,319
	Project development costs (note 3.2.1)	180,512	3,260	183,772
	Mark-up on long term borrowings - net (note 3.2.2)	-	135,057	135,057
	Insurance	40,715	138,256	178,971
	Exchange loss / (gain)	392	(4,226)	(3,834)
	Pre-COD sales related expenses	212,385	(33,799)	178,586
	Pre-COD sales (note 3.2.3)	(3,514,071)	-	(3,514,071)
		(2,900,079)	3,725,180	825,101
	Expenses netted-off in equity - Share issuance cost	(10,534)	-	(10,534)
	Balance as at December 31	(2,910,613)	3,725,180	814,567
3.2.1	**Project development costs**			
	Consultancy and studies	36,031	-	36,031
	Legal and professional charges	133,947	3,260	137,207
	Share issuance cost	10,534	-	10,534
		180,512	3,260	183,772

3.2.2 This represents borrowing costs of Rs. 225,838 (2019: Nil) incurred as at reporting date on borrowings obtained for the Project net-off income on bank deposits of Rs. 90,781 (2019: Nil).

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

		2020	2019
		---Rupees---	
3.3	**Movement during the year**		
	Balance at January 1	-	51,646,291
	Add: Additions during the year	3,607,917	8,676,087
	Less: Expenses charged-off in the statement of profit or loss and other comprehensive income	-	(15,427)
	Less: Expenses netted-off in equity - Share issuance cost	-	(19,375)
	Less: Transferred to inventory	-	(104,000)
	Less: Transferred to capital work-in-progress	(2,793,350)	(60,183,576)
	Balance at December 31	814,567	-

(Amounts in thousand)

	2020	2019
	---------Rupees---------	

4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
Operating assets (note 4.1)	68,268,538	70,723,978
Capital work-in-progress (note 4.3)	8,214,537	1,551,597
	76,483,075	72,275,575

4.1 Operating assets

	Freehold land	Buildings	Computers, office and other equipment	Plant & machinery	Vehicles	Mining asset	Total
	----------	----------	----------	Rupees	----------	----------	----------
As at January 1, 2019							
Cost	354,087	11,314	140,992	5,483,518	139,788	-	6,129,699
Accumulated depreciation	-	(2,506)	(67,774)	(2,545,016)	(95,734)	-	(2,711,030)
Net book value	354,087	8,808	73,218	2,938,502	44,054	-	3,418,669
Year ended December 31, 2019							
Opening net book value	354,087	8,808	73,218	2,938,502	44,054	-	3,418,669
Additions (note 4.3)	-	1,680,170	5,835	4,428,401	31,050	63,368,595	69,514,051
Disposals							
- Cost	(21,814)	-	(2,701)	-	(14,537)	-	(39,052)
- Accumulated depreciation	-	-	997	-	3,543	-	4,540
	(21,814)	-	(1,704)	-	(10,994)	-	(34,512)
Depreciation charge (note 4.2)	-	(59,925)	(26,244)	(1,070,638)	(12,383)	(1,005,040)	(2,174,230)
Net book value	332,273	1,629,053	51,105	6,296,265	51,727	62,363,555	70,723,978
As at December 31, 2019							
Cost	332,273	1,691,484	144,126	9,911,919	156,301	63,368,595	75,604,698
Accumulated depreciation	-	(62,431)	(93,021)	(3,615,654)	(104,574)	(1,005,040)	(4,880,720)
Net book value	332,273	1,629,053	51,105	6,296,265	51,727	62,363,555	70,723,978
Year ended December 31, 2020							
Opening net book value	332,273	1,629,053	51,105	6,296,265	51,727	62,363,555	70,723,978
Additions (note 4.3)	-	425,775	69,435	1,040,209	65,775	(391,669)	1,209,525
Disposals							
- Cost	-	-	(183)	-	-	-	(183)
- Accumulated depreciation	-	-	103	-	-	-	103
	-	-	(80)	-	-	-	(80)
Depreciation charge (note 4.2)	-	(212,296)	(37,236)	(1,301,308)	(21,048)	(2,092,997)	(3,664,885)
Net book value	332,273	1,842,532	83,224	6,035,166	96,454	59,878,889	68,268,538
As at December 31, 2020							
Cost	332,273	2,117,259	213,378	10,952,128	222,076	62,976,926	76,814,040
Accumulated depreciation	-	(274,727)	(130,154)	(4,916,962)	(125,622)	(3,098,037)	(8,545,502)
Net book value	332,273	1,842,532	83,224	6,035,166	96,454	59,878,889	68,268,538
Annual rate of depreciation (%)	-	6.67 to 25	25	6.67 to 25	20 to 25	3.33	

(Amounts in thousand)

		2020	2019
		------Rupees------	
4.2	Depreciation charge for the year has been allocated as follows:		
	Development properties	-	452,529
	Cost of revenue (note 19)	3,664,885	1,721,701
		3,664,885	2,174,230
4.3	**Capital work-in-progress**		
	Balance as at January 1	1,551,597	6,334,716
	Add: Additions during the year, including transfers from development properties (note 3)	7,872,465	64,730,932
	Less: Transferred to operating assets (note 4.1)	(1,209,525)	(69,514,051)
	Balance as at December 31	8,214,537	1,551,597
5.	**INTANGIBLE ASSETS - Computer software**		
	Net carrying value		
	Balance at beginning of the year	3,314	3,791
	Add: Additions during the year	91,370	1,550
	Less: Amortisation charge for the year (note 5.1)	(16,741)	(2,027)
	Balance at end of the year	77,943	3,314
	Gross carrying value		
	Cost	103,062	11,692
	Less: Accumulated amortisation	(25,119)	(8,378)
	Net book value	77,943	3,314
	Annual rate of amortisation (%)	25	25
5.1	Amortisation charge for the year has been allocated as follows:		
	Development properties (note 3)	-	986
	Cost of revenue (note 19)	16,741	1,041
		16,741	2,027
6.	**LONG TERM INVESTMENT**		
	Unquoted subsidiary company - at cost		
	Thar Power Company Limited - 20,600,000 (2019: 20,600,000) ordinary shares of Rs.10 each	206,000	206,000

(Amounts in thousand)

		2020	2019
		------Rupees------	
7.	**LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS - Considered good**		
	Loan arrangement charges (note 7.1)	3,118,513	3,076,138
	Less: Transaction cost netted-off from borrowings (note 14.6)	(2,890,978)	(2,796,852)
		227,535	279,286
	Security deposit (note 7.2)	14,450	14,450
	Advances for employee benefits (notes 7.3, 7.4 and 7.5)	25,603	39,816
	Less: Current portion shown under current assets (note 10)	(13,054)	(15,600)
		12,549	24,216
		254,534	317,952

7.1 Loan arrangement charges of Rs. 3,118,513 (2019: 3,076,138) have been incurred in connection with long-term loan / financing arrangements. Out of this Rs. 2,890,978 (2019: Rs. 2,796,852) has been recognised as transaction cost and deducted from the borrowings in proportion of the drawn down loan amount to the total facilities available as at December 31, 2020. Accordingly, transaction costs of Rs. 227,535 (2019: Rs. 279,286) have been carried forward as long term advances as at December 31, 2020 and will be recognised as transaction costs as and when the draw downs are made against remaining limits of loan facilities.

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

		2020	2019
		------Rupees------	
7.3	**Reconciliation of the carrying amount of advances for employee benefits**		
	Balance at beginning of the year	39,816	49,630
	Add: Disbursements	7,723	22,539
	Less: Repayments/Amortisation	(21,936)	(32,353)
	Balance at end of the year	25,603	39,816

7.4 Includes interest free loans under investment loan plan to executives of Rs. 17,784 (2019: Rs. 24,050) repayable after three years in lump sum. It also includes advances to executives for car earn out assistance and house rent given to certain employees amounting to Rs. 1,284 (2019: Rs. 8,847) and Rs. 333 (2019: 1,210) respectively, as per the Company's policy. These are amortised over the period as per the terms of employment.

7.5 The maximum amount outstanding at the end of any month from employees aggregates to Rs. 33,244 (2019: Rs. 58,218).

8. **INVENTORY**

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

(Amounts in thousand)

9. TRADE DEBTS
- considered good

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

	2020	2019
	---Rupees---	
9.2 The ageing analysis of trade debts is as follows:		
Neither past due nor impaired	7,725,328	8,115,276
Past due but not impaired (note 9.3)		
- Upto 3 months	13,845,279	11,751,722
- 3 to 6 months	3,922,749	159,333
- More than 6 months	685,031	-
	18,453,059	11,911,055
	26,178,387	20,026,331

9.3 The overdue receivables carry delayed payment interest at the rate of 3-month KIBOR plus 2% per annum.

9.4 The maximum amount outstanding from associated undertaking at the end of any month aggregated to Rs. 29,250,238 (2019: 20,026,331).

	2020	2019
	---Rupees---	
10. ADVANCES, DEPOSITS AND PREPAYMENTS		
Current portion of advances for employee benefits (note 7)	13,054	15,600
Advances to suppliers	1,082,996	373,308
Advances to employees	4,724	6,066
Prepayments	167,671	166,425
Security deposits	7,445	7,445
	1,275,890	568,844

10.1 As at December 31, 2020 and 2019, advances and deposits were neither past due nor impaired.

	2020	2019
	---Rupees---	
11. OTHER RECEIVABLES		
Due from associated companies (note 11.1):		
- Thar Foundation	7,253	16,536
- Thar Power Company Limited	3,146	5,133
- Engro Powergen Thar (Private) Limited	1,890	2,073
- Engro Powergen Qadirpur Limited	557	72
- Engro Energy Services Limited	3	4
Others (note 11.2)	1,907,349	826,715
	1,920,198	850,533

(Amounts in thousand)

11.1 As at December 31, 2020 and 2019 other receivables due from associated companies were neither past due nor impaired. The maximum amount outstanding at the end of any month from associated undertakings aggregated to Rs. 109,946 (2019: Rs. 86,156).

	2020	2019
	Rupees	
11.2 Includes receivables in respect of following (note 11.2.1):		
Delayed payment interest (note 11.2.2)	329,968	322,455
Worker's profit participation fund (note 11.2.2)	834,613	284,602
Fuel payments on behalf of O&M contractor	696,798	213,712
Others	45,970	5,946
	1,907,349	826,715

11.2.1 These receivables are neither past due nor impaired and represents maximum amount outstanding at the end of any month.

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

	2020	2019
	Rupees	
12. BALANCES WITH BANKS		
Deposits with banks		
- Foreign currency accounts (note 12.1)	1,928,380	1,351,987
- Local currency accounts (note 12.2)	14,085,313	6,728,315
Cheques in hand	61,452	69,295
	16,075,145	8,149,597

12.1 Represents deposits with scheduled banks amounting to US Dollars 12,065 (2019: US Dollars 8,731).

12.2 Represents deposits with scheduled banks at profit rates of upto 12.25% (2019: 12.25%) per annum.

	2020	2019
	Rupees	
13. SHARE CAPITAL		
Authorised capital		
2,065,700,000 (2019: 2,065,700,000) Ordinary shares of Rs. 10 each	20,657,000	20,657,000
144,000,000 (2019: 144,000,000) Preference shares of Rs. 10 each	1,440,000	1,440,000
Issued, subscribed and paid-up capital		
1,341,198,633 (2019: 1,341,198,633) Ordinary shares of Rs. 10 each fully paid in cash (note 13.1)	13,411,986	13,411,986
124,635,575 (2019: 124,635,575) Preference shares of Rs. 10 each fully paid in cash (note 13.2)	1,246,356	1,246,356

(Amounts in thousand)

13.1 Ordinary shares

2020	2019		2020	2019
Number of shares			Rupees	
1,341,198,633	934,909,050	As at January 1	13,411,986	9,349,091
-	406,289,583	Ordinary shares of Rs. 10 each issued for cash at a premium of Rs. 4.82 per share, as fully paid right shares	-	4,062,895
1,341,198,633	1,341,198,633	As at December 31	13,411,986	13,411,986

13.1.1 Ordinary shareholders

	2020	2019
	Number of shares	
Government of Sindh	733,635,655	733,635,655
Engro Energy Limited	159,602,637	159,602,637
Thal Limited	159,602,637	159,602,637
Habib Bank Limited	127,413,869	127,413,869
The Hub Power Company Limited	107,295,891	107,295,891
CMEC Thar Mining Investments Limited	53,647,944	53,647,944
	1,341,198,633	1,341,198,633

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

13.2 Preference shares

2020	2019		2020	2019
Number of shares			Rupees	
124,635,575	53,937,925	As at January 1	1,246,356	539,379
-	70,697,650	Preference shares of Rs. 10 each issued for cash, as fully paid right shares	-	706,977
124,635,575	124,635,575	As at December 31	1,246,356	1,246,356

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

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

- the Company has made a profit after tax; and

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

Based on coupon rate of 15.4% per annum, the preference dividend for the period subsequent to COD amounts to Rs. 364,160 (2019: Rs. 114,333).

(Amounts in thousand)

14. BORROWINGS

	2020	2019
	------Rupees------	
Local currency borrowings (notes 14.1, 14.4 and 14.5)	36,340,755	30,879,519
Foreign currency borrowings (notes 14.1, 14.4 and 14.5)	29,559,774	30,969,520
	65,900,529	61,849,039
Less: Current portion shown under current liabilities:		
- Local currency borrowings	(1,876,290)	(1,419,245)
- Foreign currency borrowings	(2,557,350)	(2,332,005)
	(4,433,640)	(3,751,250)
Less: Transaction costs (note 14.6)	(2,244,992)	(2,395,220)
Current portion of transaction costs	241,374	242,035
	(2,003,618)	(2,153,185)
	59,463,271	55,944,604

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

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

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

- US Dollar Term Loan Facility Agreement with three foreign banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited.

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

14.2 Terms of borrowing facilities

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

(Amounts in thousand)

14.3 Unutilized amounts against borrowing facilities

	2020			2019		
	Facility	Drawdown	Unutilized	Facility	Drawdown	Unutilized
	----(Rupees)----			----(Rupees)----		
Syndicate Facility Agreement - Phase-I mine	24,340,600	(20,570,119)	3,770,481	24,340,600	(20,570,119)	3,770,481
Syndicate Facility Agreement - Phase-II mine	17,350,000	(7,118,128)	10,231,872	17,350,000	-	17,350,000
Islamic Finance Agreement	10,309,400	(10,309,400)	-	10,309,400	(10,309,400)	-
Supplemental Facility Agreement (note 14.3.1)	5,000,000	-	5,000,000	5,000,000	-	5,000,000
	57,000,000	**(37,997,647)**	**19,002,353**	**57,000,000**	**(30,879,519)**	**26,120,481**
US Dollar Term Loan Facility Agreement (Amounts in US Dollars)	200,000	(200,000)	-	200,000	(200,000)	-

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

14.4 Outstanding amount against borrowing facilities

	2020			2019		
	Drawdown	Repayment	Outstanding	Drawdown	Repayment	Outstanding
	----(Rupees)----			----(Rupees)----		
Syndicate Facility Agreement - Phase-I mine	20,570,119	(1,103,724)	19,466,395	20,570,119	-	20,570,119
Syndicate Facility Agreement - Phase-II mine	7,118,128	-	7,118,128	-	-	-
Islamic Finance Agreement	10,309,400	(553,168)	9,756,232	10,309,400	-	10,309,400
	37,997,647	**(1,656,892)**	**36,340,755**	**30,879,519**	**-**	**30,879,519**
US Dollar Term Loan Facility Agreement (Amounts in US Dollars)	200,000	(15,060)	184,940	200,000	-	200,000

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

	2020	2019
	----(Rupees)----	
Transaction costs netted-off from borrowings (note 7)	2,890,978	2,796,852
Less: amortisation recognised to date in profit or loss	(354,244)	(112,209)
Less: amortisation recognised to date in development properties	(291,742)	(289,423)
	2,244,992	2,395,220

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(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:

	2020	2019
	(Rupees)	
Balance as at January 1	59,453,819	43,419,167
Proceeds from borrowings	7,118,128	14,041,763
Transaction costs netted-off from borrowings	(94,126)	(684,104)
Amortisation of transaction cost	244,354	211,038
	150,228	(473,066)
Current portion shown under current liabilities	-	-
Repayments	(4,088,956)	-
Exchange loss	1,022,318	2,465,955
Balance as at December 31	63,655,537	59,453,819

15. SHORT-TERM FINANCES

The Company has entered into:

- Running-Musharakah Agreement with Meezan Bank Limited, as Running Musharakah Agent and Dubai Islamic Bank (together referred as Running Musharakah Participants) for an amount of Rs. 5,400,000. The profits under this Islamic financing liability are accrued on outstanding Musharakah Investment amounts of Musharakah Participants at the rate of one month KIBOR plus a margin of 1.25% per annum payable quarterly. As at reporting date, Rs. 129,650 and Rs. 370,350 have been utilised against this facility from Dubai Islamic Bank and Meezan Bank Limited respectively;

- Running Finance Facility with National Bank of Pakistan for an amount of Rs. 2,000,000. Mark-up on outstanding principal of this facility is accrued at the rate of one month KIBOR plus a margin of 1.25% per annum payable quarterly. As at reporting date, Rs. 200,000 has been utilised against this facility; and

- Working Capital Facility with Pak China Investment Limited and Pak Kuwait Investment Company (Private) Limited for an amount of Rs. 2,000,000 and Rs.1,000,000 respectively. Mark-up on outstanding principal of these facilities is accrued at the rate of three month KIBOR plus a margin of 1.25% per annum payable quarterly. As at reporting date, Rs. 1,000,000 and Rs. 800,000 have been utilised against this facility from Pak China Investment Limited and Pak Kuwait Investment Company (Private) Limited respectively.

16. ACCRUED AND OTHER LIABILITIES

	2020	2019
	(Rupees)	
Accrued liabilities and other payables (note 16.1)	8,688,240	6,295,701
Retention money	198,807	236,694
Workers' profit participation fund	834,613	284,602
Interest on worker's profit participation fund	7,231	-
Sales tax payable	858,623	1,109,972
Deferred liabilities (note 16.2)	9,753,602	2,690,461
Due from associated undertakings:		
- Engro Energy Limited	12,333	1,558
- Engro Corporation Limited	6,016	6,002
- Engro Polymers and Chemicals Limited	470	421
Withholding tax payable	14,005	8,466
	20,373,940	10,633,877

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(Amounts in thousand)

16.1 Includes accruals against O&M Contractor cost, Offshore and Onshore Agreements for Phase II amounting to Rs. 2,779,307 (2019: Rs. Rs. 3,779,804), Rs. 2,655,566 (2019: Rs. Nil) and Rs. 346,315 (2019: Nil) respectively.

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

17. CONTINGENCIES AND COMMITMENTS

17.1 Capital commitments for civil works construction and equipment procurement as at December 31, 2020 amounts to Rs. 12,929,932 (2019: Rs. 627,976).

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

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

	2020	2019
	Rupees	
18. REVENUE		
Capacity purchase price	31,576,589	15,155,539
Less: Sales tax	(5,388,291)	(2,519,773)
	26,188,298	12,635,766
Energy purchase price	10,766,766	4,672,680
Less: Sales tax	(1,778,375)	(752,172)
	8,988,391	3,920,508
Others (note 18.1)	1,924,366	454,452
	37,101,055	17,010,726

18.1 Includes delayed payment interest amounting to Rs. 1,724,291 (2019: 322,455).

(Amounts in thousand)

19. COST OF REVENUE

	2020	2019
	------------------Rupees------------------	
O&M contractor cost	9,045,421	3,779,804
Fuel and power	3,827,944	2,263,183
Depreciation (note 4.2)	3,664,885	1,721,701
Salaries, wages and staff welfare	464,495	192,557
Travelling, security and site expenses	398,803	179,974
Transportation	374,620	187,917
Insurance	290,257	154,367
Consultancy	151,093	56,216
Village relocation	28,182	10,506
Other expenses (note 19.1)	1,288,982	32,145
Amortisation (note 5.1)	16,741	1,041
	19,551,423	8,579,411
Add: Opening inventory	481,185	-
Less: Closing inventory	(562,887)	(481,185)
	19,469,721	8,098,226

19.1 This includes accrued royalty amounting to Rs. 1,211,160 (2019: Nil) in accordance with the provisions of Sindh Mining Concession Rules, 2002 and tariff determination by the Thar Coal and Energy Board.

20. ADMINISTRATIVE EXPENSES

	2020	2019
	------------------Rupees------------------	
Salaries, wages and staff welfare	220,915	188,664
Travelling, security and site expenses	82,410	57,923
Purchased services	92,087	43,801
Corporate social reponsibility (note 20.1)	224,494	116,164
Directors' fee (note 26)	2,800	3,200
	622,706	409,752

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

21. OTHER OPERATING EXPENSES

	2020	2019
	------------------Rupees------------------	
Auditor's remuneration (note 21.1)	7,388	1,474
Legal and professional expenses	26,154	17,859
	33,542	19,333

21.1 Auditor's remuneration

Fee for:		
- audit of annual financial statements	1,060	865
- review of half yearly financial information	318	310
- review of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	85	75
- taxation services	2,250	-
- other services	2,745	-
Out of pocket expenses	930	224
	7,388	1,474

(Amounts in thousand)

	2020	2019
	------------------Rupees------------------	

22. OTHER INCOME

	2020	2019
On financial assets		
Profit / Interest income on deposits with banks	742,208	48,009
On non-financial assets		
Gain on disposal of property, plant and equipment	13	4,275
	742,221	52,284

23. FINANCE COST

	2020	2019
Mark-up on long-term borrowings	4,996,986	2,952,247
Mark-up on short-term finances	390,351	190,851
Interest on worker's profit participation fund	7,231	-
Amortisation of transaction costs (note 14.6)	242,035	112,209
Exchange loss / (gain)	1,041,694	(455,087)
Other financial charges	38,791	43,445
	6,717,088	2,843,665

24. WORKER'S PROFIT PARTICIPATION FUND

	2020	2019
Provision for Worker's Profit Participation Fund (note 24.1)	550,011	284,602
Pass through under tariff (note 11.1)	(550,011)	(284,602)
	-	-

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

	2020	2019
	------------------Rupees------------------	

25. TAXATION

	2020	2019
Current		
- expense for the year	-	13,922
- income for the prior year	(13,922)	(3,292)
	(13,922)	10,630

25.1 Pursuant to the amendment in Second Schedule to the Income Tax Ordinance, 2001, through Finance Act 2014, profits and gains derived from a coal mining project in Sindh, supplying coal exclusively to power generation projects, have been exempted from the provisions of Income Tax Ordinance, 2001.

(Amounts in thousand)

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020			2019		
	Directors			Directors		
	Chief Executive Officer	Others	Executives	Chief Executive Officer	Others	Executives
	(Rupees)					
Managerial remuneration	22,601	-	263,417	21,474	-	285,383
Contribution for staff retirement benefits	2,632	-	29,428	2,434	-	31,298
Bonus	16,513	-	101,565	35,459	-	152,902
Fees (notes 20 and 26.3)	-	2,800	-	-	3,200	-
Total	41,746	2,800	394,410	59,367	3,200	469,583
Number of persons, including those who worked part of the year	1	11	60	1	11	62

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

26.2 Premium charged during the year in respect of directors indemnity insurance amounts to Rs. 381 (2019: Nil).

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

27. RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS

27.1 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.

27.2 An amount of Rs. 71,692 (2019: Rs. 69,543) has been charged during the year in respect of defined contribution plans.

28. FINANCIAL INSTRUMENTS BY CATEGORY

	2020	2019
	Rupees	
Financial assets at amortised cost		
Trade debts	26,178,387	20,026,331
Deposits	21,895	21,895
Other receivables	1,920,198	850,533
Balances with banks	16,075,145	8,149,597
	44,195,625	29,048,356
Financial liabilities at amortised cost		
Borrowings	63,655,537	59,453,819
Short-term finances	2,500,000	4,648,700
Accrued mark-up	380,403	1,795,375
Accrued and other liabilities	8,905,866	6,540,376
	75,441,806	72,438,270

(Amounts in thousand)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 Financial Risk Factors

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

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

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to outstanding foreign currency payments, foreign currency borrowings, related interest payments and bank account balances. The Company's exposure to currency risk is limited as the fluctuation in the foreign exchange rates are covered through adjustment in tariff as per the Implementation Agreement with Government of Sindh.

ii) Interest rate risk

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

iii) Other price rate risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is exposed to inflation rate risk but the exposure is covered through adjustments in tariff as per Implementation Agreement with Government of Sindh.

b) Credit risk

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

(Amounts in thousand)

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

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

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

c) **Liquidity risk**

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

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

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

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

	2020			2019		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------Rupees------					
Financial liabilities						
Borrowings	8,729,331	82,326,761	91,056,092	10,186,496	92,089,143	102,275,639
Short-term finances	2,500,000	-	2,500,000	4,648,700	-	4,648,700
Accrued mark-up	380,403	-	380,403	1,795,375	-	1,795,375
Accrued and other liabilities	8,905,866	-	8,905,866	6,540,376	-	6,540,376
	20,515,600	**82,326,761**	**102,842,361**	**23,170,947**	**92,089,143**	**115,260,090**

(Amounts in thousand)

29.2 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.

29.3 Capital Risk Management

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

The gearing ratios of the Company as at December 31, 2020 and 2019 are as follows:

	2020	2019
	-----Rupees-----	
Total borrowings (note 14)	65,900,529	61,849,039
Total equity	37,451,779	26,437,638
Total capital	103,352,308	88,286,677
Gearing ratio	0.64	0.70

30. PRODUCTION

	2020	2019
	-----Tonnes-----	
Actual coal quantity supplied	3,798,830	1,815,609

31. TRANSACTIONS WITH RELATED PARTIES

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

Name of related parties	Direct shareholding	Relationship
Thar Power Company Limited	N/A	Subsidiary Company
Engro Corporation Limited	N/A	Associated Company
Engro Energy Limited	11.90%	Associated Company
Engro Fertilizers Limited	N/A	Associated Company
Engro Powergen Qadirpur Limited	N/A	Associated Company
Engro Energy Services Limited	N/A	Associated Company
Engro Powergen Thar (Private) Limited	N/A	Associated Company
Engro Polymer and Chemicals Limited	N/A	Associated Company
Thar Foundation	N/A	Associated Company
Engro Vopak Terminal Limited	N/A	Associated Company
Syed Abul Fazal Rizvi	N/A	Key Management Personnel
Mohammed Saqib	N/A	Key Management Personnel
Zeshan Taj Khan	N/A	Key Management Personnel

(Amounts in thousand)

Name of related parties	Direct shareholding	Relationship
Syed Murtaza Azhar Rizvi	N/A	Key Management Personnel
Imtiaz Ahmed Shaikh	N/A	Director
Musaddiq Ahmed Khan	N/A	Director
Abrar Ahmed Shaikh	N/A	Director
Muhammad Salman Burney	N/A	Director
Khalid Mohsin Shaikh	N/A	Director
Khalid Mansoor	N/A	Director
Syed Hassan Naqvi	N/A	Director
Muhammad Tayyab Ahmad Tareen	N/A	Director
Mahesh Kumar Malani	N/A	Director
Muhammad Waseem	N/A	Director

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

	2020	2019
	------------------Rupees------------------	
Subsidiary companies		
Reimbursement of expenses incurred for:		
- Thar Power Company Limited	85,385	20,974
Associated companies		
Reimbursement of expenses incurred by:		
- Engro Corporation Limited	26,535	125,975
- Engro Energy Limited	110,935	9,071
- Engro Fertilizers Limited	394	6,318
- Engro Powergen Qadirpur Limited	2,942	5,004
- Thar Foundation	7,590	8,221
- Engro Energy Services Limited	-	315
- Engro Powergen Thar (Private) Limited	7,370	-
- Engro Vopak Terminal Limited	3,815	-
- Engro Polymer and Chemicals Limited	549	-
Reimbursement of expenses incurred for:		
- Engro Energy Limited	3,820	37,782
- Engro Powergen Thar (Private) Limited	47,439	43,349
- Engro Corporation Limited	-	7,256
- Engro Powergen Qadirpur Limited	226	4,978
- Engro Fertilizers Limited	126	-
- Engro Vopak Terminal Limited	1,358	-
- Thar Foundation	121,501	39,065
- Engro Energy Services Limited	6,371	5,237

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(Amounts in thousand)

	2020	2019
	---Rupees---	
Subsidiary companies		
Coal sales		
- Engro Powergen Thar (Private) Limited	50,657,976	22,650,678
Pre-COD coal sales		
- Engro Powergen Thar (Private) Limited	-	4,428,879
Delayed Payment Interest		
- Engro Powergen Thar (Private) Limited	1,716,778	-
Key management personnel		
- Managerial remuneration	52,315	73,196
- Contribution for staff retirement benefits	5,854	8,085
- Bonus payments	49,699	85,093
Contribution to retirement benefit funds	71,692	69,543

32. NUMBER OF EMPLOYEES

	Number of employees		Average number of employees	
	2020	2019	2020	2019
- Permanent	99	97	98	101
- Contractual	75	70	73	91
	174	167	171	192

33. CORRESPONDING FIGURES

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

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 12, 2021. by the Board of Directors of the Company.

Chief Executive Officer

Director