



INDUS DYEING & MANUFACTURING CO. LIMITED

IDYM/003/AGMEXT/KHI/

December 09, 2022

The Executive Director

Corporate Supervision Department,
Securities & Exchange Commission of Pakistan,
9th Floor, NIC Building,
63 Jinnah Avenue,
Islamabad.

**SUBJECT: APPLICATION FOR DIRECTION FOR HOLDING OF OVERDUE ANNUAL GENERAL MEETING
UNDER SECTION 147 OF COMPANIES ACT, 2017**

Dear Sir,


We are enclosing herewith following documents in this regard.

1. Original Application for holding of Overdue Annual General Meeting June 30, 2022.
2. Original Affidavit of Chief Executive Officer.
3. Copy of Financial Results Unconsolidated & Consolidated for the year June 30, 2022.
4. Original Paid Challan # M-2022-474329 of Rs.15,000/-
5. Copy of Independent Auditor's Review Report Unconsolidated & Consolidated for the year June 30, 2022.

We will be pleased to provide you any further details if you desire so.

Kindly acknowledge the receipt and obliged.

Yours truly,


Ahmed Faheem Niazi
Company Secretary

C.C. Head of Department

Enforcement Department,
Securities and Exchange Commission of Pakistan,
7th Floor, NIC Building, 63 Jinnah Avenue,
Islamabad.

C.C. The Chief Regulatory Officer

Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

5th Floor, Office No.508, Beaumont Plaza, Beaumont Road, Civil Lines Quarters, Karachi-75530, Pakistan.

Tel # (92-21) 111-404-404 & 35693641 to 35693660(20 Lines). Fax # (92-21) 35693593 & 35693594

E-mail: info@indus-group.com & indus@khi.comsats.net.pk

Web Site : www.indus-group.com



APPLICATION FOR DIRECTION FOR HOLDING OF OVERDUE ANNUAL GENERAL MEETING UNDER SECTION 147 OF COMPANIES ACT, 2017

- | | |
|---|--|
| i) Name | Indus Dyeing and Manufacturing Company Limited (the Company) |
| ii) Corporate Universal Identification No. | 0000885 |
| iii) Registered address of the Company | 5 th Floor, 508, Beaumont Plaza Beaumont Road Civil lines Quarters Karachi |
| iv) Detail of Overdue Annual General Meeting | Annual General Meeting for the year 2022 is overdue. |
| v) The date upto which the Annual General Meetings were required to be held under and for the purposes of the section 132 read with section 223 of the Companies Act, 2017 and the date upto which the Financial Statements were required to be laid therein. | The last date for holding the Annual General Meeting (AGM) for the year 2022 was November 27, 2022 vide SECP AGM Extension Approval letter No. SMD/PRDD/Comp/(82)/2022/336 dated October 10, 2022 and therein Financial Statements for year ended June 30, 2022 was required to be laid before the meeting. (Copy of SECP AGM Extension Approval Letter is attached as Annexure A) |
| vi) Reasons for not being able to hold the Annual General Meeting, or laying the balance sheet and profit and loss account at the general meeting by the date mentioned in above para (v) and justification for not holding AGM on due Date. | The Company has a wholly owned subsidiary company with name and style of Indus Wind Energy Limited . An application of 12 Wind Power Companies including Indus Wind Energy Limited is pending before the SECP for reinstatement of exemptions pertaining to applicability of IFRS 16 (Leases), Capitalization of exchange differences (IAS 21) and Recognition of Embedded Derivatives (IFRS 9) granted through SRO 24(I)/2012, dated 16.01.2012 <i>which had been partially modified/withdrawn through (SRO 986(I)/2019), dated 02.09.2019</i> (“ the Impugned Notification ”). |



INDUS DYEING & MANUFACTURING CO. LIMITED

It is further submitted that the standalone Financial Statements for the year 30.06.2022 of the Company has already been got audited from our Auditors however; the audited financial statements for the year ended 30.06.2022 of our wholly owned subsidiary Indus Wind Energy Limited were not available due to above said Impugned Notification and pending application. Resultantly; due to unavailability of Consolidated Financial Statements, the Company has therefore sought 30 days extension in holding of AGM and the SECP has granted the same vide their approval letter No. SMD/PRDD/Comp/(82)/2022/336 dated October 10, 2022 .

It is pertinent to mention here that the above stated 30 days extension in AGM was sought with a view/assumption that in the meantime, the pending application of all Wind Power Companies with SECP will be concluded/resolved/decided.

However; the matter is still pending at the end of the SECP and therefore the Company was not in a position to consolidate its financial statements for the year June 30, 2022 before due date of AGM (i.e November 27, 2022) Consequently; due to non-availability of Audited Consolidated Accounts, AGM for the year 2022 under section 132 of the Companies Act, 2017 could not be possible to convene even in extended 30 days period and hence delayed and overdue.

In view of the delay in pending application with SECP, the aforesaid Wind Companies have filed Writ Petition under Article 199 of the Constitution of the Islamic Republic of Pakistan, 1973 No. 72979 of 2022 (Writ Petition) before Honorable Lahore High Court, Lahore *for suspension of the Impugned Notification together with related dispensation.* **(Copy of Writ Petition is attached as Annexure B)**

5th Floor, Office No.508, Beaumont Plaza, Beaumont Road, Civil Lines Quarters, Karachi-75530, Pakistan.

Tel # (92-21) 111-404-404 & 35693641 to 35693660(20 Lines). Fax # (92-21) 35693593 & 35693594

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INDUS DYEING & MANUFACTURING CO. LIMITED

It is further submitted that Honorable Lahore High Court, Lahore has now suspended the Impugned Notification till the further orders together with dispensation sought for is allowed vide their Court Order dated 21.11.2022 (copy of the Court Order is attached as Annexure C).

In view of the Court Order our wholly owned subsidiary Indus Wind Energy Limited has now prepared its financial Statements for the year ended 30.06.2022 and got audited. On availability of audited Financial statements for the year ended June 30, 2022 of wholly owned subsidiary company we are able to consolidate financial statements of the Company for the said year. The Auditors of the Company has now also completed its audit and issued their reports on standalone and consolidated financial statements for the year ended June 30, 2022.

The Board of Directors has also approved the said Financial Statements and PSX has already been informed accordingly together with Financial Results in accordance with PSX Rule Book (Copy intimation letter to PSX for Annual Financial Results for the year 2022 is attached as Annexure D).

Keeping foregoing in view an application for seeking direction under section 147 of the Companies Act, 2017 for holding of overdue Annual General Meeting for the year 2022 is being filed together with the following documents:-

- 1 Affidavit as required under Regulation No.5 of the Companies (General Provisions and Forms) Regulations, 2018;
- 2 Audited Accounts for the Financial Year ended 30.06.2022; and
- 3 Paid treasury challan towards application fee.

We therefore request in your honour to consider our application and allow us to hold the said overdue AGM for the year 2022.

DATED: 08.12.2022
PLACE: KARACHI



Director/Chief Executive

5th Floor, Office No.508, Beaumont Plaza, Beaumont Road, Civil Lines Quarters, Karachi-75530, Pakistan.

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Securities and Exchange Commission of Pakistan
Securities Market Division

Policy, Regulation and Development Department

No. SMD/PRDD/Comp/ (82)/2022/336

October 10, 2022

Mr. Ahmed Faheem Niazi,
Company Secretary,
Indus Dyeing and Manufacturing Company Limited,
5th Floor, Office No. 508,
Beaumont Plaza, Beaumont Road,
Civil Lines Quarters,
Karachi.

Subject: APPLICATION FOR EXTENTION IN HOLDING OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED JUNE 30, 2022.

Dear Sir,

Please refer to the letter dated September 23, 2022 on the subject matter received from Indus Dyeing and Manufacturing Company Limited (the "Company") in terms whereof the Company has sought extension of 30 days u/s 132 of the Companies Act, 2017 (the "Act") for convening of its Annual General Meeting ("AGM") and to lay therein annual audited accounts for the year ended June 30, 2022 for shareholders' consideration.

2. In this connection, based on the submissions made by the Company, I am directed to convey that in terms of section 132 of the Act, the Commission has granted extension to the Company to convene and hold its aforesaid AGM for the year ended June 30, 2022 at earliest by November 27, 2022 and lay therein financial statements for shareholders' consideration. The Company is further directed to submit, within a week of date of AGM held, a compliance report along with attested copies of minutes of the said meeting to this office.

Regards,

Sanaullah Jatoi
Assistant Director

IN THE HONORABLE LAHORE HIGH COURT, LAHORE

Writ Petition No. 72979 of 2022

In re:

Master Green Energy Limited and 11 others

Versus

Federation of Pakistan and another

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IN THE HONORABLE LAHORE HIGH COURT, LAHORE

Writ Petition No. 72979 of 2022

1. Master Green Energy Limited
Through its duly authorized representative,
82-C-1, Gulberg III, Lahore
2. Metro Wind Power Limited
Through its duly authorized representative,
7th Floor, Al-Tijarah Centre, 32-1-A,
Block 6, PECHS, Karachi
3. Act2 Din Wind (Pvt.) Ltd.
(Formerly Act2 Wind (Pvt.) Ltd.)
Through its duly authorized representative,
Suite No. 1002, 10th Floor, Emerald Tower,
Near 2 Talwar, Clifton, Karachi
4. Lucky Renewables (Private) Limited
Through its duly authorized representative,
7-A, Tabbā Street,
Muhammad Ali Society, Karachi
5. Din Energy Limited
Through its duly authorized representative,
Din House, 35-A/1, Lalazar Area,
Opposite Beach Luxury Hotel,
Karachi
6. Lakeside Energy Limited
Through its duly authorized representative,
B-21, Block 7/8 Banglore Twin,
Main Shahrah-e-Faisal, Karachi
7. Indus Wind Energy Limited
Through its duly authorized representative,
5th Floor, Office No. 508, Beaumont Plaza,
Beaumont Road, Civil Lines Quarters,
Karachi
8. Artistic Wind Power (Private) Limited
Through its duly authorized representative,
Plot 4 & 8, Sector 25,
Korangi Industrial Area, Karachi

A/51-A, SITE, Karachi

11. Nasda Green Energy Limited
Through its duly authorized representative,
26/A, SMCHS, Off Shahrah-e-Faisal,
Karachi

12. Gul Ahmed Electric Limited
Through its duly authorized representative,
7th Floor, Al-Tijarah Centre, 32-1-A,
Block 6, PECHS, Karachi

... Petitioner

Versus

1. The Federation of Pakistan
Through Secretary Finance
Federal Secretariat, Islamabad

2. Securities and Exchange Commission of Pakistan
Through its Chairman, having address at:
a. State Life Building 7, Jinnah Avenue,
Blue Area, Islamabad.
b. Kashmir Road, Garhi Shahu, Lahore

... Respondents

WRIT PETITION UNDER ARTICLE 199 OF THE CONSTITUTION OF THE
ISLAMIC REPUBLIC OF PAKISTAN, 1973 ("CONSTITUTION")

Respectfully Sheweth:

1. That the Petitioners are Power Producing Companies which have entered into Power Purchase Agreements with Central Power Purchasing Agency (Guarantee) Limited (acting on behalf of Ex-WAPDA distribution Companies) for the sale of electricity, which electricity is priced in American Dollars (USD) but is payable in equivalent Pakistani Rupees. However, in an arbitrary, whimsical and illegal exercise of power, the Respondent No. 2 has suddenly imposed illogical accounting standards, by which the Petitioner Companies are now required to calculate the average value of the exchange rate between the Pakistani Rupee and the USD over the lifetime of their

on which the Power Purchase Agreement was signed. Bizarrely they are supposed to show this entire differential (at Net Present Value) as income for the first year. What is critical to note is that this is now categorized as "Other Income" which resultantly would now not be exempt from income tax. Thus, the Petitioners face a situation where if their actual profits are maybe only One Hundred Rupees (Rs. 100/-) they are now forced to declare (on paper only), let us say, the notional figure of Five Thousand Rupees (Rs. 5000/-) as their profits. As a result, instead of paying no tax on the One Hundred Rupees (pursuant to the tax exemption granted by the Income Tax Ordinance) under the newly imposed accounting standard they are now liable to pay tax on the notional figure of Five Thousand Rupees which they may (or may not) receive over the lifetime of the Agreements (of approximately twenty-five years). Since following such an accounting standard would force the Petitioners to shut down, therefore, the Respondent No. 2, on the instruction of the Federal Government, realizing the urgent need for power production, exempted all companies from applying such standards (through Notification (SRO 24(I)/2012), dated 16.01.2012). Consequently, as per the normal accounting norms every year the Petitioner Companies will declare their actually received revenue based on the number of units they will sell and this would then be used to calculate their respective profit of the year. **It is critical to note that as per Entry 132 of the Second Schedule of the Income Tax Ordinance, 2001, the Petitioners enjoy a tax exemption.** Pursuant thereto the Petitioners entered into necessary and relevant agreements with the Government, acquired land for thirty years on lease for installation purposes and purchased machinery and equipment, raised finance by mortgaging the same through international lenders and entered into agreements with foreign counterparties. However, thereafter, the Respondent No. 2, suddenly took a u-turn and decided to withdraw the earlier exemption and mandated the implementation of the (illogical) accounting standards through Notification (SRO 986(I)/2019), dated 02.09.2019 ("the Impugned Notification"). It is imperative to point out that this Impugned Notification has already been suspended by this Honorable

submitted that the Petitioners case is on all fours with that of the *Punjab Thermal Power* case.

2. That moreover, the Impugned Notification is obviously in breach of *inter alia*:
 - a. The principle of promissory estoppel as the aforesaid agreements constitute past and closed transactions, with the Petitioners having gained vested rights which now cannot be infringed.
 - b. The Petitioners have taken decisive steps on the basis of the (earlier) exemption from the application of the illogical accounting standard and therefore the Respondent No. 2 cannot now withdraw the said exemption or resile thereof as perpetual rights have been created in favor of the Petitioner.
 - c. The principle laid down in the case of *Pakistan State Oil Ltd. vs Commissioner Income Tax, Karachi* [2018 SCMR 894] in which the Honorable Supreme Court of Pakistan has categorically stated and held that income tax liabilities can never exceed 100% of the income of a person/entity.

Copies of the Writ Petition in Punjab Thermal Power (Pvt.) Limited vs Federation of Pakistan and another [W.P. No. 75 of 2022], Order dated 04.01.2022 of this Honorable Court passed in the Punjab Thermal Power case, Judgement of the Honorable Supreme Court in Pakistan State Oil Ltd. vs Commissioner Income Tax, Karachi [2018 SCMR 894], as well as the 2019 Notification are attached herewith and marked as Annexure 'A', 'B', 'C' and 'D' respectively.

3. That the Petitioners are renewable energy Independent Power Producers who develop, own and operate a Wind Power Projects in Sindh, Pakistan.

4. That under Section 225 of the Companies Act, 2017 (previously Section 234 of the Companies Ordinance, 1984) Companies are required to prepare annual accounts which is done through a financial statement. The basic and over-riding principle of preparing such accounts is that financial statements give a true and fair view of the state of affairs of the Company at the end of the financial year. These financial statements are prepared and made in accordance with the International Financial Reporting Standards (that is the accounting standards) notified by the Commission.
5. That Company Law envisages and takes into consideration the fact that all accounting standards cannot apply absolutely and in their entirety to all circumstances. It is on this basis that Section 234(5) of the Companies Ordinance, 1984 empowered the Federal Government to grant exemptions to Companies from complying with all or any of the accounting standards if it was in the public interest to do so. With the promulgation of the Companies Act, 2017 such powers to grant exemptions now vests with the Respondent No. 2, through Section 225(3). Section 234(5) of the Companies Ordinance and Section 225(3) of the Companies Act are reproduced herewith below:

Section 234(5) Companies Ordinance, 1984

"The Federal Government shall have the power from time to time to grant exemption to any company or any class of companies if it is in the public interest so to do, from compliance with all or any of the requirements of the Fourth or in the Fifth Schedule"

Section 225(3) Companies Act, 2017

"The Commission shall have power from time to time to grant exemption to any

A copy of the relevant sections of the Companies Act, 2017 and Companies Ordinance are attached herewith and marked as Annexures 'F/1' and 'F/2' respectively.

6. That at this juncture it is germane to the instant discussion to explain that the accounting standards which applied in Pakistan were the International Accounting Standards (IAS), which was subsequently replaced by International Financial Reporting Standards (IFRS). Both these standards provide a set of accountancy rules for making financial statements. It is respectfully submitted that the IAS and IFRS themselves branch into various forms of standards applicable to different situations (such as leases and contracts). For the purposes of the instant Petition it is necessary to explain three standards, namely, IFRS 16, IAS 21 and IFRS 9. Firstly, IFRS 16 (which has superseded IAS 17 and IFRIC 4 which were the earlier standards applicable), establishes principles for the recognition, measurement, presentation and disclosure of leases. Turning to the second standard, IAS 21 prescribes how to record foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency (which in the case of the Petitioners is in terms of the local currency). Finally, IFRS 9 specifies how Companies classify and measure financial assets and liabilities.
7. That since 2006, as has been explained above in paragraph 2, the Respondent No. 2 has been granting exemptions to power generation companies from the applicability of the standards referred to. The details of these exemptions are stated herewith below:

i. Circular No. 13 of 2006, dated 31.08.2006

The Respondent No. 2 at the request of Independent Power Producers, endorsed by the Institute of Chartered Accountants of Pakistan, decided to defer the implementation of IAS 17 and IFRIC 4 (both of which were superseded by

basis of accounting with a material impact on the financial position and result operations of the Power Producers.

ii. Circular No. 07 of 2007, dated 27.06.2007

The exemption from IFRIC 4 (which was superseded by IFRS 16) granted through the aforesaid Circular No. 13 of 2006, dated 31.08.2006, was extended by another two years.

iii. Circular No. 21 of 2009, dated 22.06.2009

The Respondent No. 2 in view of the practical difficulties explained by the Companies decided to defer once again the implementation of IFRIC 4 (which was superseded by IFRS 16) as otherwise it would *inter alia* materially affect the status of the assets, available profits and distribution of dividends of Companies. It is critical to note that the exemption was applicable to those Power Sector Companies where the *letter of intent* was issued by the Government on or before 30.06.2010. The rationale behind such a decision was that a letter of intent is issued keeping in view the relevant applicable framework at the time and is considered as the base of the structure on which decisive steps are taken by the Power Company which is then set-up and operated.

iv. SRO 24(I)/2012, dated 16.01.2012

The Respondent No. 2 instead of deferring the implementation of IFRIC 4 (which was superseded by IFRS 16) now granted a blanket exemption to all Companies including Power Sector Companies. in exercise of the powers

A copy of the Notifications issued by the Respondent No. 2 are attached herewith and marked as Annexures G/1 to G/4 respectively.

8. That an examination of the aforesaid Circulars/Notifications shows that the Respondent No. 2 consistently was of the view that the application of such accounting standards was neither practical nor in the public interest. Therefore, in 2012 vide SRO 24(I)/2012, the Respondent No. 2 provided a complete exemption to Power Companies from applying the accounting standards (namely IFRS 9, IAS 21 and IFRS 16).

9. That thereafter, keeping in view the 2012 Notification, the Petitioners Power Projects were conceived in order to tackle the shortage of power in the Country. For the sake of brevity only details of the Petitioner No. 1's project are being set out herein. It is respectfully submitted that the details of the remaining Petitioners can be provided to this Honorable Court if so directed.

10. That before explaining the steps taken by the Petitioner No. 1 we find it germane to the instant discussion to produce the same in tabulated form for ease of reference:

| Description of Event | Date |
|--|------------|
| Exemption granted through the 2012 Notification to all Companies | 16.01.2012 |
| Letter of Intent | 01.10.2015 |
| Topographic Studies | 22.02.2016 |
| Geotech Studies | 22.02.2016 |
| Installation of Met Mast | 22.02.2016 |
| IEE | 22.03.2016 |
| Grid Interconnection Study | 30.03.2017 |
| Submission of Feasibility Study | 22.02.2016 |
| Approval of Feasibility Study by EDGOS | 12.10.2017 |

| | |
|---|------------|
| Signing of Equipment Supply & Construction Contracts | 01.07.2019 |
| Issuance of Letter of Support (LOS) | 08.08.2019 |
| Signing of Energy Purchase Agreement | 08.08.2019 |
| Signing of Implementation Agreement | 09.08.2019 |
| Signing of Financing Documents | 09.08.2019 |
| Issuance of Government Guarantee | 19.08.2019 |
| Financial Closing | 19.08.2019 |
| 2019 Notification retrospectively taking the exemption away from 01.01.2019 | 02.09.2019 |

11. That the Petitioner No. 1, Master Green Energy Limited (MGEL), on 13.04.2015, submitted a proposal to the Government of Sindh for establishing a Wind Power Generation Project in wind corridor Thatta. Moreover, MGEL also submitted Fifty Thousand Dollars (USD 50,000/-) through a Bank Guarantee (Bank Guarantee No. BAH/0011/032/2015), dated 11.09.2015, for the issuance of a Letter of Intent. After examining the proposal, the Government of Sindh, on 01.10.2015 accepted the proposal made, acknowledged receipt of the Bank Guarantee and issued a Letter of Intent. As per the Letter of Intent the Petitioner had to take the following steps:

- i. Approach the Land Utilization Department (Energy Department, Government of Sindh) for the acquisition of land;
- ii. Carry out and complete the Feasibility Study;
- iii. Approval of IEE/EIA from SEPA
- iv. Approval of Electrical and Grid Studies by NTDC
- v. Submit verification fee
- vi. Final approval of feasibility study by Panel of Experts
- vii. Submission of application to NEPRA for tariff determination and Generation License

A copy of the Letter of Intent dated 01.10.2015 is attached herewith and marked as Annexure 'H'

12. That pursuant to the Letter of Intent, MGEL started and completed its feasibility studies in a record time of four months. The Petitioner No. 1 in this time period also installed its Met Masts. Moreover, the Environmental Protection Agency, Government of Sindh accorded MGEL its approval, on 22.03.2016, after reviewing its Initial Environmental Examination Report. The Petitioner No. 1 submitted all such documentation / project milestones to the Energy Department, Government of Sindh for its examination.

A copy of the letter dated 22.02.2016 whereby the Petitioner No. 1 submitted its documents and letter dated 22.03.2016 of SEPA are attached herewith and marked as Annexures 'I' and 'J' respectively.

13. That in the meanwhile the Petitioner No. 1 had applied to the Government of Sindh for allotment of land for its Project. Consequently, the Land Utilization Department, Government of Sindh on 21.06.2017 issued the Petitioner No. 1 its allotment letter which stated that three hundred (300) acres of land at Deh Sonwalhar, Taluka Kotri, District Jamshoro had been allotted to it. Consequently, the Petitioner No. 1 formally executed its Agreement to Lease with the Government of Sindh on 16.10.2017. The Agreement stipulated that the lease would be for a term of thirty (30) years and would be in relation to the aforesaid land that it had been allotted.

A copy of the Agreement to Lease is attached herewith and marked as Annexure 'K'.

14. That it may be noted that the Petitioner No. 1 had also initiated the process for selecting its EPC Contractors and WTG Suppliers. In October - November 2015, the Petitioner No. 1 carried out a competitive bidding process and floated its Request For Proposals

commercial evaluation process, the Petitioner selected Powerchina Huadong Engineering Corporation Limited as their preferred EPC Contractor. Consequently, the EPC Contract was initialed in January 2016 followed by execution of the EPC Contracts under an off-shore and on-shore arrangement between MGEL and its foreign counterparty in February 2017. In relation to the WTG, after an extensive cost-benefit analysis and keeping in view the suitability of the turbines for Pakistan and more specifically the environment the Petitioner No. 1 chose Gamesa G114-2.0 MW model as the WTG for the Project.

15. That following this on 12.10.2017 a meeting took place of the Panel of Experts Committee (Energy Department, Government of Sindh) regarding the approval of the feasibility study for the development of the Project. The Panel of Experts studied the major milestones that had taken place in the Project by the Petitioner No. 1 namely, (1) Completed the Feasibility Studies (2) the Sindh Environmental Protection Agency had issued a No Objection Certificate and (3) land had been allocated by the Government of Sindh for the Project. After examining the relevant material the Panel of Experts unanimously approved the Feasibility Study of the Project and advised the Petitioner to seek the grant of Tariff and Generation License from NEPRA.

A copy of the Panel of Expert approval is attached herewith and marked as Annexure 'E'.

16. That following this, the Petitioner No. 1 applied for its Generation License from the National Electrical Power Regulatory Authority (NEPRA) which Certificate was awarded to the Petitioner on 27.11.2017. Concomitantly, the Petitioner also submitted its Tariff Petition, on 27.10.2017, to NEPRA. The summary of the key information provided by the Petitioner No. 1 is reproduced herewith below:

| | | |
|------------------------------------|---|--|
| Land area | : | 300 acres (allocated by the Government of Sindh) |
| Concession period | : | 25 years from Commercial Operations Date |
| Power purchaser | : | Central Power Purchasing Agency Guarantee Ltd. |
| Wind turbine | : | Gamesa G114-2.0 MW |
| Plant capacity factor | : | 38% |
| Annual energy generation | : | 166.440 GWh |
| EPC Contractor | : | Powerchina Huadong Engineering Corporation |
| O&M Contractor | : | Powerchina Huadong Engineering Corporation |
| Technical Advisor | : | Lahmeyer International & Renewable Resources (Pvt.) Ltd. |
| Project cost | | USD Millions |
| EPC cost | : | 78.500 |
| Non-EPC & Project Development Cost | : | 3.000 |
| Insurance during construction | : | 0.432 |
| Financial charges | : | 2.279 |
| Interest during construction | : | 3.406 |
| Total Project Cost | : | 87.624 |
| Financing Structure | : | Debt: 75% : Equity: 25% |
| Debt composition | : | 48.3% local % 51.7% foreign loan |
| Interest rate | : | 3 month KIBOR (6%) + 2.5% |
| | : | 3 month LIBOR (0.6%) + 4.5% |
| Debt repayment period | : | 13 years |
| Return on Equity | : | 15% IRR based |
| Operations cost | : | USD 1.90 million per annum |

| | | |
|---------------|---|-----------------|
| Exchange rate | : | 1 USD = PKR 105 |
|---------------|---|-----------------|

17. That a hearing on the subject matter was held on 04.04.2018. After examining all documentation and hearing all relevant parties, NEPRA on 20.08.2018 issued its determination which was in favor of the Petitioner No. 1.

A copy of the certificate for the Generation License as well as the determination by NEPRA are attached herewith and marked as Annexure 'M' and 'N' respectively.

18. That the following the approvals received by NEPRA the Petitioner No. 1 executed and formally entered into the Construction Contract with Hydrochina International Engineering Company Ltd. on 01.06.2019 for the construction of the Project. On the same day, the Petitioner executed and formally entered into the Offshore Supply Contract with Hangzhou Huachen Electric Power Control Company Limited.

19. That thereafter on 08.08.2019 the Government of Pakistan, through the Alternative Energy Development Board, Ministry of Energy (Power Division) (AEDB), with the concurrence of the Government of Sindh, issued a tripartite Letter of Support to the Petitioner No. 1. For the issuance of the Letter of Support the Petitioner No. 1 made two payments, namely: (1) it paid a non-refundable processing and legal fee of Fifty Thousand Dollars (USD 50,000/-) in favor of AEDB and the Energy Department Government of Sindh and (2) delivered an irrevocable, unconditional, without recourse and on demand bank guarantee in the amount of One Hundred and Twenty-Five Thousand Dollars (USD 125,000/-).

A copy of the Letter of Support is attached herewith and marked as Annexure 'O'.

20. That pursuant to the Letter of Support, the Petitioner No. 1 entered into an Energy

developed by it to the Central Power Purchasing Agency. Simultaneously, the Petitioner also entered into an Implementation Agreement with the Government of Pakistan on the same day, that is 08.08.2019. It may be noted that the Petitioner No. 1 executed its Financing Documentation on 09.08.2018.

21. That thereafter a Guarantee was executed between the Petitioner No. 1 and the Government of Pakistan on 19.08.2019. Following this, the Alternative Energy Development Board (AEDB), the same day, sent a letter to the Central Power Purchasing Agency (Guarantee) Ltd. that the Financial Closing of the Project had taken place as all requirements had been fulfilled. This is critical to note, as Financial Closing signifies that all the financial terms (and in particular the finance documentation including the interest rates) are "locked in". After this point the works for the Project commence.

A copy of the Letter, dated 19.08.2019, showing that Financial Close has taken place is attached herewith and marked as Annexure 'P'.

22. That at this stage, after all works had been completed and the Project had been initiated, on 02.09.2019, to the utter shock and dismay of the Petitioners, the Respondent No. 2 issued its Notification (SRO 986(1)/2019), dated 02.09.2019 ("the 2019 Notification") and retroactively modified SRO 24(1)/2012, dated 16.01.2012 ("the 2012 Notification"). The 2019 Notification in essence, and without any justification whatsoever, (illogically) changed the exemption from IFRS 9, IAS 21 and IFRS 16 granted to all Companies through the 2012 Notification to only those Companies that had executed their Power Purchase Agreements before 01.01.2019. Therefore, despite the fact that the Petitioners had executed valid Letter of Intents (many years earlier), invested extremely large sums of money into their respective Projects, received Generation Licenses and Tariff Approvals from NEPRA, entered into contracts with

23. That consequently the Petitioner No. 2 (Metro Wind Power Limited) wrote to the Respondent No. 2 on 06.08.2020 seeking an exemption under Section 225(3) of the Companies Act, 2017 from the 2019 Notification. The Petitioner No. 2 explained:

“Further, we would also like to highlight that power projects, including that of the Company are infrastructure projects and it takes a significant amount of time from the incorporation of the Company until the signing of EPA, which in our case occurred on 11th November 2019, i.e., only 69 (days) after the issuance of SRO. The Company was incorporated on 27th August 2015 and was issued LOI by Government of Sindh on July 14, 2015. Since the receipt of LOI, the sponsor of the Company was busy carrying out feasibility studies, identifying other investors and lenders, identifying EPC Contractors, dealing with AEDB, NEPRA and other regulatory bodies. The Company was issued Generation License by NEPRA on August 02, 2017 and the Tariff Petition was filed with NEPRA on 13th December 2017, which was well before January 1, 2019. In view of the foregoing, several works were carried out, which included, inter alia, feasibility studies, identification of lenders and investors and filling of Tariff Petition was made under the assumption that the accounting framework in place (whereby exemptions were already granted by the SECP) will continue. The change in accounting framework now will significantly impact the accounting of the financial model assumptions and the return to investors. Additionally, the financial statements of the Company that signed the PPA before January 1, 2019 and after this date will not be comparable even if there is a different of few months in signing the PPA”.

A copy of the Letter dated 06.08.2020 is attached herewith and marked as Annexure

Q:

24. That the Respondent No. 2 after almost a year had passed replied to the Petitioner No.

exemption/deferment of IFRS 16 was not going to be granted to Power Sector Companies.

A copy of the Letter dated 24.03.2021 is attached herewith and marked as Annexure 'R'.

25. That thereafter all the Petitioners wrote to the Respondent No. 2 on 13.09.2022. Through the said letter the Petitioners, collectively, requested the Respondent to reconsider its stance on the exemption of accounting standards by reinstating the position as it was in the 2012 Notification by stating:

"We reiterate our views that such exemption should not be withdrawn for IPPs to whom, Letter of Intent (LOIs) were issued prior to the date of withdrawal of such exemption on the following reasons:

- *Withdrawal of exemption from the applicability of Accounting Standards came at the point where we were at conclusion stage and at that point of time consideration of change in accounting framework was not practical;*
- *We have evaluated the applications of the Accounting Standards and are of the view that application of Accounting Standards may result in significant impact on the presentation of the Financial Statements of the Company, which was never considered from point of getting LOI to the signing of PPA. Accordingly, this may require consultation with the lenders and other stakeholders of the Company for their consideration and approval;*

is imposed on Wind Power Projects, they may not be able to pay due to Liquidity Crunch and such shall be discussed with Power Purchaser to allow this huge cost as Pass Through under Tariff, which ultimately will result in increase in Unit Cost of Power and will impact Electricity Basket Price of the Country;

- *Value determination of embedded derivative is a complex exercise requiring special expertise that will result in huge cost to company on annual basis as no internal expertise is available – Further the estimates and judgements involved are complex and provide unusual results on annual basis which can be huge profit or loss depending on how the market interest rates in Pakistan and US economy move;*
- *The accounting treatment expected as a consequence of adoption will result in recognition of embedded derivatives. Pakistan is not a matured market for the financial derivatives and understanding and expertise of valuing such derivatives and access to systems which generate such valuations reliably are limited. Further, there is significant exchange rate volatility as a result of which the estimates of valuation may fluctuate significantly and result in significant variations which may affect true and fair view of financial statements; and*
- *The application of Accounting Standards may result in huge Gains / Losses, which are only Notional Gain / Loss which will unwind the Project Life and may not be able to give True and Fair view of the operations and profitability of the Wind Power Projects”*

exemption/deferment from the 2019 Notification. Through the said letter, the Petitioners brought to the Respondent No. 2's attention the Order of this Honorable Court dated 04.01.2022 passed in *Punjab Thermal Power (Pvt.) Limited vs Federation of Pakistan and another* [W.P. No. 75 of 2022] wherein, as explained above, this Honorable Court suspended the 2019 Notification. Moreover, the Respondent No. 2 was informed of the practical issues which would arise if the applicability of the 2019 Notification was not exempted or deferred. The Petitioners presented the following information to the Respondent through the aforesaid Letter:

| Balance Sheet | With accounting treatment under IFRS | Without accounting treatment under IFRS |
|--------------------------------|--------------------------------------|---|
| Assets: | | |
| Others: | 10,234 | |
| Receivable from CPGA- Embedded | 9,000 | 11,293 |
| Derivative Adjustment: | | - |
| Total Assets | 19,234 | 11,293 |
| | | |
| Liabilities current assets | 11,480 | 8,898 |
| Capital | 2,213 | 2,213 |
| Reserves | 5,541 | 171 |
| Total Liabilities and Equities | 19,234 | 11,293 |

As per the aforesaid letter the Petitioner explained to the Respondent that the following issues would arise in light of the working done in the table above:

equity and O&M). Therefore, the Embedded Derivative Adjustment is spread over the lifetime of the Agreement. However, if the 2019 Notification was to be made applicable the whole amount is to be recorded in the first year (i.e. shown in the books). Therefore, this amount has been credited as 'other income' and effectively means that the primary asset of the company is the amount receivable from the Government for expected currency difference over time. In other words, the Company will have to record the entire amount in the first year and in this particular case it is amounting to an astonishing tentative Rupees Nine Billion.

- ii. In relation to Equity (that is Notional / Non-Distributable) the Respondent was informed that this equity is represented by adjustment on account of IFRS adjustments after WPPF and tax charge. This theory is distributable profit, however, the same can never be distributed as it is only a book adjustment.

27. That in addition to the aforesaid table showing the issues that would arise in the Balance Sheet if the 2019 Notification were to be followed, the Petitioner also showed to the Respondent No. 2 the issues that would come in the Income Statement by presenting the following table:

| Income Statement | After accounting for IFRS treatment | Without IFRS treatment |
|---|-------------------------------------|------------------------|
| Profit from Operations | 50 | 14 |
| Credit for IFRS Embedded Derivative treatment | 9007 | - |
| Adjustment for exchange difference | 1105 | - |

| | | |
|------------------|------|----|
| Income Tax | 2175 | - |
| Profit after tax | 5379 | 11 |

As per the aforesaid letter the Petitioner explained to the Respondent that the following issues would arise in light of the working done in the table above:

- i. In relation to the credit for IFRS Embedded derivative treatment this is the present value of future cash flows of foreign components (which is principal and interest of foreign loan, return on equity and O&M) using expected exchange rates over 25 years, in the first year for the probable exchange difference which is expected to be realized over the period of the agreement (that is 25 years). The same has been recorded as an asset.
- ii. In relation to the adjustment for exchange difference this is the Exchange Loss on Foreign Loan which was earlier supposed to be capitalized before the 2019 Notification. This was supposed to be shown earlier in the Balance Sheet, however, due to the withdrawal of the exemption it is now part of the Income Statement.
- iii. In relation to the WPPF it is seen that it has increased astronomically if the 2019 Notification were to apply. Such increase can not be avoided as its on accounting profit. Moreover, it is may not reimbursable under Tariff as its on Other Income, even if it were on Profit from Operations (Classification changed to Revenue), this amount may not be allowed by CPPA-G as it will increase the Unit cost and as it is on account of Notional Gain only and it will unwind during the Project Life.
- iv. In relation to the Income Tax the Respondent No. 2 was informed that under

carry back provision in Pakistan. This effectively means that this amount will be payable in the first year as the Federal Board of Revenue may not agree to the fact that this amount is not taxable on the basis that it is the present value of expected exchange gain not being income from operation. The charge when allowed will be useless as income is exempt from tax. Even if there is a possibility that this amount will be recovered in tariff this accounting treatment increases the unit price of Electricity for no reason.

28. That the aforesaid letter ended with a note from Mr. Shabbar Zaidi, acting on behalf of the Petitioners, to the Respondent No. 2 which reads:

"The aforesaid working is real time example. There may be reasons to treat the income and receivable under the strict application of accounting standards. However for all practical reasons specially the aberrations which are being created on account of regulatory matters it is my concerted view that there has to be a waiver from the IFRS implementation for the power projects under the present framework. There is no cogent reason in the present economic environment with very high fluctuations in exchange rate and uncertainties about the future course to be adopted for such a project that a sum of Rs 9 billion is recorded upfront as receivable from Government of Pakistan. I have dealt with this issue since 2009 and I believe that what we have done in the past was not against the interest of the country and in accordance with the prudent concept of accounting. The IFRS treatment is to be deferred under the present IPP framework."

A copy of the letter sent to the Respondent is marked as Annexures 'T'.

29. That the Respondent No. 2, thereafter, sent a letter dated 19.10.2022, addressed to all the Petitioners seeking certain information. The Petitioners, collectively, responded to

"Q1. How PPA of the wind power company would be accounted for under IFRS 16?

A1. Under Energy Purchase Agreement (EPA) of the Wind Power Companies, the main schedule through which IFRS 16 treatment has been decided is Tariff. Tariff was awarded by NEPRA and Wind IPPs have to bear the Wind Risk i.e. In case the Wind doesn't blow as per the pattern and WIPPs are unable to achieve the requisite capacity factor (in these 12 WIPPs, 38%), then any shortfall in revenue has to be borne by the WIPPs. Due to Wind Risk on the WIPPs, there shall be variable payments (rentals as per IFRS 16), due to which WIPPs contract is classified as being under Operating Lease.

Q2. What is the impact of application of IAS 21?

A2. All 12 WIPPs have secured 50% of their Debt as Foreign Debt, obtained from various Multi-Lateral Lenders. Under IAS 21, Outstanding Foreign Liabilities are remeasured at each Reporting Date. The Tenure of such Foreign Loan is 13 years. Since, there have been abrupt devaluation of Foreign Exchange, all WIPPs will be recording a loss of approximately Rs. 1 billion in their Financial Statements under IAS 21. If such is continued for another year, their Complete Equity will erode and all WIPPs will fail to meet all of their Covenants agreed under their Financing Agreement as they will have Negative Equity. Due to this reason, All WIPPs sought exemption from application of IAS 21 and requested to allow them to capitalize Exchange Losses and Depreciate / Amortize on the life of the loan, as is being done by all IPPs, which are in exempt regime."

A copy of the Letter dated 20.10.2022 sent by all the Petitioners to the Respondent No. 2 is attached herewith and marked as Annexure 'U'.

30. That it may be noted that the Petitioner in the *Punjab Thermal Power* case (Supra) had filed an appeal before the Respondent No. 2, however, the same was dismissed. Therefore, it is respectfully submitted that it would be of no use for the instant Petitioners in filing an appeal before the Commission as the Respondent No. 2 has made up its mind. Hence, there exists no other adequate or alternate remedy for the Petitioners other than to come to this Honorable Court. It is submitted that the 2019 Notification is illegal, discriminatory, arbitrary and contrary to the Constitution on *inter alia* the following grounds:

GROUNDS

A. That it is respectfully submitted that vested rights have accrued to the Petitioner in respect of the Project which cannot be taken away or dispensed with retrospectively through the 2019 Notification. The Petitioner has taken decisive steps in respect of the Project prior to the issuance of the 2019 Notification such as issuance of the letter of intent, carrying out feasibility studies, expended large sums of money, received approvals for its Feasibility Study, Generation License and Tariff and entered into an Agreement to Lease with the Government of Sindh. It is submitted that any exemption which has been acted upon and on the basis of which decisive steps have been taken cannot be withdrawn retrospectively as vested rights have accrued as is the case in the instant situation. Therefore, the 2019 Notification is liable to be set aside.

B. That it is respectfully submitted that all Projects of such nature are implemented on the basis of financial models for the structuring of equity and loan. This includes, for example, a calculation of the profits or dividends which such a Company would be able to provide to those who are making investments by injecting equity. In addition to this,

21. It is submitted that any exemption which has been acted upon and on the basis of which decisive steps have been taken cannot be withdrawn retrospectively as vested rights have accrued such as in the present situation. Therefore, the 2019 Notification is liable to be set aside.

- C. That it is respectfully submitted that the 2019 Notification was issued by the Respondent No. 2 on 02.09.2019, with retrospective effect from 01.01.2019. It is respectfully submitted, as has been shown in detail above, all actions of the Petitioner in relation to its Wind Power Project, that is from the issuance of the Letter of Intent (01.10.2015) till its financial close (19.08.2019), occurred prior to the issuance of the 2019 Notification. In other words, all steps in relation to the Wind Power Project (from inception to start of operations) had already occurred before the 2019 Notification was issued. As such it is submitted that the 2019 Notification cannot have the effect of opening or destroying past and closed transactions. Therefore, the 2019 Notification is liable to be set aside.
- D. That it is respectfully submitted that the 2019 Notification is in direct contravention with the dictum of the Honorable Supreme Court in the case *Pakistan State Oil Ltd. vs Commissioner Income Tax, Karachi* [2018 SCMR 894]. The 2019 Notification imposed onto the Petitioner Companies accounting standards which require them to calculate the average value of the exchange rate between the Pakistani Rupee and the USD over the lifetime of their respective Agreements. They are then supposed to calculate the revenue they would get in terms of this estimated average exchange rate. Thereafter, they have to see how much more revenue they would get in comparison to the revenue they would receive based on the exchange rate on the day on which the Power Purchase Agreement was signed. Bizarrely they are supposed to show this entire differential (at Net Present Value) as income for the first year. What is critical to note is that this now being categorized as "Other Income" this would now not be exempt

Thousand Rupees which they may (or even may not) receive over the next 25 years. Since following such an accounting standard would force the Petitioners to shut down, therefore, the Government realizing the urgent need for power production exempted all companies from applying such standards (through Notification (SRO 24(I)/2012), dated 16.01.2012). However, after the Petitioners had entered into agreements with the Government, acquired land and placed order for purchase of machinery the Respondent No. 2 suddenly decided to make it mandatory for them to apply this accounting procedure through Notification (SRO 986(I)/2019), dated 02.09.2019 ("the Impugned Notification"). The Honorable Supreme Court in the *Pakistan State Oil* case (supra) has categorically stated and held that income tax liabilities can never exceed 100% of the income of a person/entity.

E. That it is respectfully submitted that the accounting standards (in particular IFRS 9) are extremely technical and such valuation experts are not readily available in Pakistan. Therefore, such valuation has to be taken from foreign experts. It is seen that tentatively the cost for one project comes out to be Three-Hundred and Sixty Thousand Dollars (\$360,000) for the first year and thereafter an annual expense of One Hundred and Eighty Thousand Dollars (\$180,000). First and foremost, keeping in view the Country dynamics, such costs will not be allowed to be paid by the State Bank of Pakistan as it there is a bar on the outflow of foreign exchange. Secondly, such costs are in of themselves unreasonable and have been imposed onto the Petitioner without any application of mind by the Respondent No. 2. Consequently, there is no rational basis for the 2019 Notification and as such it is liable to be set aside.

F. That it is respectfully submitted that the 2019 Notification contravenes Article 25 of the Constitution. The 2019 Notification allows the exemption to apply to those Companies that have executed their Power Purchase Agreements prior to 01.01.2019. It is submitted that there is no intelligible differentia that distinguishes those Companies

license and Tariff determination from NEPRA. It is seen that once the letter of intent is issued the contours of the Project are finalized and the Power Company is informed of the steps that are needed to be taken. Therefore, it is submitted that both those Companies that have executed their Power Purchase Agreements on or before 01.01.2019 and those that have not have to start, initiate and carry out the process for fulfilling the requirements in making a Wind Power Project well before 01.01.2019. It may be noted that in Circular No. 21 of 2009, dated 22.06.2009 the Respondent No. 2 in view of the practical difficulties explained by the Companies decided to defer once again the implementation of IAS 17 and IFRIC 4 (both of which were superseded by IFRS 16) to those Power Sector Companies where the *letter of intent* was issued by the Government on or before 30.06.2010. The rationale behind such a decision was that the letter of intent is issued keeping in view the relevant applicable framework at the time and is considered as the base of the structure on which decisive steps are taken by the Power Company which is then set-up and operated. However, the Respondent No. 2, through the 2019 Notification, without any application of mind has differentiated between Power Companies arbitrarily. Consequently, as there is no intelligible differentia that distinguishes the two classes of Companies (that is those who have executed the Power Purchase Agreement prior to 01.01.2019 and those that have not) the 2019 Notification is liable to be set aside.

- G. That it is respectfully submitted that the Respondent No. 2 through SRO 24(1)/2012, dated 16.01.2012 gave a blanket exemption to all Companies from implementing IAS 17 and IFRIC 4 (both of which were superseded by IFRS 16). Such exemption was granted in light Section 234(5) of the Companies Ordinance, 1984, therefore, was done in the public interest. It is seen that any such modification to the 2012 Notification has to comply with Section 225(3) of the Companies Act, 2017 which states:

"The Commission shall have power from time to time to grant exemption to any

A reading of the aforesaid Section shows that the 2019 Notification could only be issued if it was in the public interest to do so. The circumstances prevailing in 2012 for Power Companies are similar to those in 2019 (and present), therefore, there has been no change in the public interest. Consequently, it is submitted that the 2019 Notification is unlawful and is liable to be set aside.

- H. That it is respectfully submitted that the 2019 Notification contravenes the doctrine of legitimate expectation. It is seen that it is a legitimate expectation of the Petitioner that the exemptions that were available at the time it obtained its approvals and made its investments would not be arbitrarily and unlawfully be taken away and that to in a discriminatory manner. As per the doctrine if a public authority so conducts itself as to create a legitimate expectation that a certain course will be followed, it is deemed to be unlawful if the authority then decides to follow a different course to the detriment of an entity who has acted on the expectation that it will not be taken away. Therefore, the 2019 Notification is liable to be set aside.
- I. That it is respectfully submitted that the 2019 Notification results in greater tax obligations and WPPF obligations for the Petitioner in the first year instead of allowing the same to be spread throughout the lifetime of the Agreement as is done in the normal course. In other words, the Petitioner would have to make such payments in the first year as opposed to making the same over the duration of the Agreement. Furthermore, Profits and Gains from income of power generation is exempt from tax, however, with the application of the accounting standards the same is recorded as "other income", therefore, incurring tax liability. As this was not taken into consideration the actual liquidity of the Petitioner does not correlate to the tax/WPPF payments that would need to be made under the accounting regime introduced through the 2019 Notification. Therefore, such payments would not be payable and the Power Company would have no choice but to pass it through to the consumer which would result in an increase in

- J. That it is submitted that the 2019 Notification was issued without giving any due consideration to the practical realities and issues that Power Companies would face and as such is liable to be set aside.
- K. That the Petitioner reserves the right to bring forth additional arguments at the time of hearing.

Prayer

31. In view of the foregoing, it is most respectfully prayed that this Honorable Court may graciously be pleased to:

- a. Declare that the 2019 Notification does not apply to the Petitioners as vested rights have accrued in their favor and direct the Respondent No. 2 to treat the Petitioners at par with those Companies to whom the exemption continues to be available, or
- b. In the alternative, declare the 2019 Notification to be discriminatory, illegal, unlawful and ultra vires the Constitution, and set it aside.

In the meanwhile and during pendency of the instant petition, the operation of the 2019 Notification to the extent of the Petitioner may kindly be suspended.

Any other relief that this Honorable Court may deem appropriate under the facts and circumstances of the case may kindly be granted to the Petitioner.

Raashid Anwer
Advocate Supreme Court

Syed Mustafa Ali
Advocate High Court

Certificate

Certified as per instructions that this is the first petition on the subject by the Petitioners.

Advocate

IN THE HONORABLE LAHORE HIGH COURT, LAHORE

CM No. _____ of 2022

in

Writ Petition No. 72979 of 2022

In re:

Master Green Energy Limited and 11 others

Versus

The Federation of Pakistan and another

WRIT PETITION UNDER ARTICLE 199 OF THE CONSTITUTION OF
THE ISLAMIC REPUBLIC OF PAKISTAN, 1973 ("CONSTITUTION")

APPLICATION ON BEHALF OF THE PETITIONERS FOR INTERIM
RELIEF UNDER SECTION 151 OF THE CODE OF CIVIL PROCEDURE,
1908 AND ALL OTHER ENABLING PROVISIONS OF LAW

Respectfully Sheweth:

1. That the Applicants are the Petitioners in the titled Writ Petition the contents of which may be graciously be read as integral thereto.
2. That as explained in detail in the titled Writ Petition the Petitioners are are renewable energy Independent Power Producers who develop, own and operate a Wind Power Projects in Sindh, Pakistan.
3. That the Petitioners are Power Producing Companies which have entered into Power Purchase Agreements with Central Power Purchasing Agency (Guarantee) Limited (acting on behalf of Ex-WAPDA distribution Companies) for the sale of electricity, which electricity is priced in American Dollars (USD) but is payable in equivalent Pakistani Rupees. However, in an arbitrary, whimsical and illegal exercise of power, the Respondent No. 2 has suddenly imposed illogical accounting standards, by which the Petitioner Companies are

calculate the revenue they would get in terms of this estimated average exchange rate. Thereafter, they have to see how much more revenue they would get in comparison to the revenue they would receive based on the exchange rate on the day on which the Power Purchase Agreement was signed. Bizarrely they are supposed to show this entire differential (at Net Present Value) as income for the first year. What is critical to note is that this is now categorized as "Other Income" which resultantly would now not be exempt from income tax. Thus, the Petitioners face a situation where if their actual profits are maybe only One Hundred Rupees (Rs. 100/-) they are now forced to declare (on paper only), let us say, the notional figure of Five Thousand Rupees (Rs. 5000/-) as their profits. As a result, instead of paying no tax on the One Hundred Rupees (pursuant to the tax exemption granted by the Income Tax Ordinance) under the newly imposed accounting standard they are now liable to pay tax on the notional figure of Five Thousand Rupees which they may (or may not) receive over the lifetime of the Agreements (of approximately twenty-five years). Since following such an accounting standard would force the Petitioners to shut down, therefore, the Respondent No. 2, on the instruction of the Federal Government, realizing the urgent need for power production, exempted all companies from applying such standards (through Notification (SRO 24(I)/2012), dated 16.01.2012). Consequently, as per the normal accounting norms every year the Petitioner Companies will declare their actually received revenue based on the number of units they will sell and this would then be used to calculate their respective profit of the year. **It is critical to note that as per Entry 132 of the Second Schedule of the Income Tax Ordinance, 2001, the Petitioners enjoy a tax exemption**. Pursuant thereto the Petitioners entered into necessary and relevant agreements with the Government, acquired land for thirty years on lease for installation purposes and purchased machinery and equipment, raised finance by mortgaging the same through international lenders and entered into

Notification (SRO 986(I)/2019), dated 02.09.2019 ("the Impugned Notification"). It is imperative to point out that this Impugned Notification has already been suspended by this Honorable Court vide Order dated 04.01.2022 in the case of *Punjab Thermal Power (Pvt.) Limited vs Federation of Pakistan and another* [W.P. No. 75 of 2022]. It is respectfully submitted that the Petitioners case is on all fours with that of the *Punjab Thermal Power* case.

4. That moreover, the Impugned Notification is obviously in breach of *inter alia*:
 - d. The principle of promissory estoppel as the aforesaid agreements constitute past and closed transactions, with the Petitioners having gained vested rights which now cannot be infringed,
 - e. The Petitioners have taken decisive steps on the basis of the (earlier) exemption from the application of the illogical accounting standard and therefore the Respondent No. 2 cannot now withdraw the said exemption or resile thereof as perpetual rights have been created in favor of the Petitioner.
 - f. The principle laid down in the case of *Pakistan State Oil Ltd. vs Commissioner Income Tax, Karachi* [2018 SCMR 894] in which the Honorable Supreme Court of Pakistan has categorically stated and held that income tax liabilities can never exceed 100% of the income of a person/entity.
5. That it is respectfully submitted that the Petitioners are entitled to an injunction suspending the Impugned Notification. In the alternative, it is respectfully submitted that the Petitioners are entitled to be allowed to finalize their accounts and file their statutory returns on the basis of the exemption granted through

suffered by the Respondents if the Impugned Notification is suspended. It is further submitted that the Petitioners will suffer irreparable harm an injury if the Impugned Notification is not suspended or in the alternative if the Petitioners are entitled to be allowed to finalize their accounts and file their statutory returns on the basis of the exemption granted through Notification (SRO 24(1)/2012), dated 16.01.2012. It is therefore, respectfully submitted that the Petitioners are entitled to the injunctive relief as prayed by them.

6. That it is in the interest of justice that the instant Application for safeguarding the valuable rights of the Applicant as an interim measure may kindly be allowed.

PRAYER

In view of the above, it is respectfully prayed that during the pendency of the Writ Petition, the operation of Notification (SRO 986(1)/2019), dated 02.09.2019 ("the Impugned Notification"), to the extent of the Petitioners, may kindly be suspended.

In the alternative, it is respectfully prayed that the Petitioners may be allowed to finalize their accounts and file their statutory returns on the basis of the exemption granted through Notification (SRO 24(1)/2012), dated 16.01.2012

Any other relief that this Honorable Court may deem appropriate under the facts and circumstances of the case, may kindly be granted to the Applicant.

Petitioners

Through

Rashid Anwer
Advocate, Supreme Court

Syed Mustafa Ali
Advocate, High Court

IN THE HONORABLE LAHORE HIGH COURT, LAHORE

CM No. _____ of 2022

in

Writ Petition No. 72979 of 2022

In re:

Master Green Energy Limited and 11 others

Versus

The Federation of Pakistan and another

**WRIT PETITION UNDER ARTICLE 199 OF THE CONSTITUTION OF
THE ISLAMIC REPUBLIC OF PAKISTAN, 1973 ("CONSTITUTION")**

**APPLICATION ON BEHALF OF THE PETITIONERS UNDER SECTION
151 OF THE CODE OF CIVIL PROCEDURE, 1908 FOR DISPENSING
WITH THE PRODUCTION OF CERTIFIED AND ORIGINAL COPIES OF
DOCUMENTS ANNEXED WITH THE WRIT PETITION**

Respectfully Sheweth:

1. That the Applicants are the Petitioners in the titled Writ Petition the contents of which may be graciously be read as integral thereto.
2. That the Applicants have a strong case on merits and it is a matter of extreme urgency for the Applicants to file the titled Writ Petition. In order to expedite the filing of the titled Writ Petition, the Applicants have appended certain copies of the documents along with the titled Writ Petition. In case of delay in filing of the titled Writ Petition the fundamental rights of the Applicants/Petitioners shall stand prejudiced.
3. That through the instant Application, the Applicants seeks this Honorable Court's kind indulgence and latitude for dispensing with the requirement of filing certified as well as original copies of the documents attached with the

attached with the titled Writ Petition may very kindly be dispensed with and the titled Application may very kindly be accepted.

In view of the foregoing facts and circumstances it is most respectfully prayed that this Honorable Court may graciously be pleased to allow the instant Application and the requirement for production of certified as well as original copies of the documents attached with the titled Petition may graciously be dispensed with.

It is also prayed that any other relief, which this Honorable Court may graciously deem fit and appropriate in the facts and circumstances of the case, may also kindly be granted.

Petitioners

Through

Rashid Anwer
Advocate, Supreme Court

Syed Mustafa Ali
Advocate, High Court

For Private Use

Form No: HCJD/C-121
ORDER SHEET
IN THE LAHORE HIGH COURT, LAHORE.
JUDICIAL DEPARTMENT

W.P. No. 72979 of 2022

Master Green Ltd & others

Vs.

FoP etc.

| S. No. of order/ Proceeding | Date of order/ Proceeding | Order with signature of Judge, and that of Parties or counsel, where necessary |
|-----------------------------|---------------------------|--|
|-----------------------------|---------------------------|--|

21.11.2022

M/s. Rashid Anwer, Adil Bandial and Syed Mustafa Ali, Advocates for the Petitioners.
Ch. Najam ul Hassan, Asstt. Attorney General for Federation of Pakistan, on Court's call.

Through this constitutional Petition, the Petitioners have assailed the vires of a condition contained in Notification / SRO No. 986 (1) / 2019 dated 02.09.2019, whereby, the exemptions granted vide SRO 24 (1) / 2012 dated 16.01.2012 with respect to requirements of International Financial Reporting Standards ("IFRS") to all power sectors companies, were curtailed to apply to only such companies who have executed Power Purchase Agreements before January 1, 2019. In this behalf, learned counsel for the Petitioners submits that imposition of this condition retrospectively takes away vested rights accrued to the Petitioners through their respective Letter of Intent (LOI), Letter of Support (LOS) and Letter of Power Tariff Determination by NEPRA. Adds that the impugned condition is also discriminatory since similarly placed power companies are being subjected to different accounting standards which is unconstitutional in terms of Article 25 of the Constitution of Islamic Republic of Pakistan, 1973. Reliance is placed on cases titled "Al-Samrez Enterprise vs. The Federation of Pakistan" (1986 SCMR 1917); "Pak Electron Ltd. and another vs. Federal Board of Revenue and others" (2018 PTD 778); "Messrs ASIO African Co. (Pvt.) Ltd. And others vs. Federation of Pakistan and others" (2019 PTD 1368) and "I.A. Sharwani and others vs. Government of Pakistan through

A

Secretary, Finance Division, Islamabad and others" (1991 SCMR 1041).

2. The issue raised, needs consideration. Let notice be issued to the Respondents for 12.12.2022 to file report and parawise comments so as to reach this Court on or before the date fixed. To be heard along with W.P. No. 75 of 2022.

3. Notice to the Attorney General of Pakistan under Order XXVII-A of the Code of Civil Procedure, 1908. Learned Law Officer accepts notice on his behalf.

C.M. No. 01 of 2022

4. Notice for the aforesaid date. Meanwhile, the impugned condition in Notification / SRO No. 986 (1) / 2019 dated 02.09.2019 shall remain suspended till further Orders.

C.M. No. 02 of 2022

5. Dispensation sought for is allowed, subject to all just and legal exceptions.

(Signature)
(Abid Hussain Chattha)
Judge

Examiner Copy Supply Section
Authorized Under Article 87 of
Qanun-e-Shahadat Order 1984

72979/22
True Copy
Case No. _____
(Signature)
Examiner: JTS (W/branch)
Lahore High Court, Lahore

Copy Petition No. 69479

Case No. _____

Submitted on 27/11/22

No. of _____ 5

Fee _____

Urgent _____ 15

Total Fee _____

Date of _____ 27/11/22

Date of Delivery: _____ *(Signature)*



MUKHTAR ALI STAMP VENDOR
Licence # 22, Shop # 50, Opp. Site Market
Opp. NADRA Karachi
S.No. 147532
ISSUED WITH AD...
THROUGH WITH AD...
PURPOSE...
VALUE RS...
STAMP VENDOR'S...
Stamp Paper is not valid...

30 JUN 2022



ONE HUNDRED ONLY

AFFIDAVIT

I, Mian Shahzad Ahmed S/o Mian Muhammad Ahmed R/o House No 130/II, Khayaban-e-Amir Khusro, Phase VI, DHA, Karachi, do hereby solemnly declare and affirm as follows:

1. That I am Director/Chief Executive of **Indus Dyeing and Manufacturing Company Limited**, having its Registered Office at 5th Floor, 508, Beaumont Plaza Beaumont Road Civil lines Quarters Karachi.
2. That the information given in the annexed application for direction under section 147 of the Companies Act, 2017 for holding of overdue Annual General Meeting for the year 2022 of the above named Company is true and correct to the best of my knowledge and belief and all necessary information are given as required under the Companies Act, 2017.

DEPONENT

Director/Chief Executive



INDUS DYEING & MANUFACTURING CO. LIMITED

OFFICE COPY
ANNEXURE - D

3

December 08, 2022
IDML/118/C&SD/2022

FORM -3

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Fax No. 111-573-329

Subject: Financial Results for The Year Ended June 30, 2022

Dear Sir,

We have to inform you that the Board of Directors of our Company in their meeting held on December 08, 2022 at 12:00 p.m. at its registered office Karachi recommended the following:

CASH DIVIDEND

NIL

Financial results of the Company for the year ended June 30, 2022 are attached herewith as Annexure "A & B".

The 65th Annual General Meeting of the Company was not held within stipulated time due to unavailability of audited financial statements for the year ended June 30, 2022 of its wholly owned subsidiary company i.e "Indus Wind Energy Limited" (IWEL) for consolidation purposes and therefore AGM for year 2022 was overdue.

The said audited financial statements of IWEL were not finalized and got audited due to its pending application before the SECP for reinstatement of exemptions pertaining to applicability of IFRS 16 (Leases), Capitalization of exchange differences (IAS 21) and Recognition of Embedded Derivatives (IFRS 9) granted through SRO 24(I)/2012, dated 16.01.2012 which had been partially modified/withdrawn through (SRO 986(I)/2019), dated 02.09.2019 ("the Impugned Notification").

The matter is still pending at the end of the SECP however on the writ petitions of Wind companies including IWEL the Honorable Lahore High Court, Lahore has now suspended the Impugned Notification till the further orders. Resultantly; financial statements of IWEL has now been finalized and got audited. On availability of said consolidated financial statements, the Board of Directors of the Company has now approved the financial statements (standalone and consolidated) for the year ended June 30, 2022.

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5th Floor, Office No.508, Beaumont Plaza, Beaumont Road, Civil Lines Quarters, Karachi-75530, Pakistan.

Tel # (92-21) 111-404-404 & 35693641 to 35693660(20 Lines). Fax # (92-21) 35693593 & 35693594
E-mail: info@indus-group.com & indus@khi.comsats.net.pk
Web Site : www.indus-group.com

INDUS DYEING & MANUFACTURING CO. LIMITED

An application for seeking direction of overdue AGM for the year 2022 under section 147 of the Companies Act, 2017 is now being filed with SECP. The Board has therefore recommended that 65th Annual General Meeting of the Company will be held in accordance with the direction of the SECP.

The Annual Report of the Company will be transmitted through PUCARS atleast 21 days before holding of Annual General Meeting.

Thanking You,

Yours Faithfully,

Director

CC: The Director (Enforcement),
Securities and Exchange Commission of Pakistan,
NIC Building, 63 Jinnah Avenue,
Islamabad.

Indus Dyeing & Manufacturing Company Limited
Unconsolidated Statement of Profit or Loss
For the year ended June 30, 2022

| | Note | 2022 ----- (Rupees in '000) ----- | Restated 2021 |
|--|------|--------------------------------------|--------------------|
| Revenue | 27 | 49,461,116 | 33,065,359 |
| Cost of goods sold | 28 | (39,100,655) | (28,109,745) |
| Gross profit | | <u>10,360,461</u> | <u>4,955,614</u> |
| Other income | 29 | 278,318 | 471,249 |
| Distribution cost | 30 | (608,808) | (451,191) |
| Administrative expenses | 31 | (339,737) | (316,728) |
| Other operating expenses | 32 | (643,761) | (233,383) |
| Finance cost | 33 | (881,844) | (591,007) |
| | | <u>(2,474,150)</u> | <u>(1,592,309)</u> |
| Profit before taxation | | 8,164,629 | 3,834,554 |
| Taxation | 34 | (477,307) | (622,259) |
| Profit for the year | | <u>7,687,322</u> | <u>3,212,295</u> |
| | | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | 35 | <u>141.78</u> | <u>59.24</u> |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

MA

[Signature]
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Director


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Indus Dyeing & Manufacturing Company Limited
 Consolidated Statement of Profit or Loss
 For the year ended June 30, 2022

| | Note | 2022 ----- (Rupees in '000) ----- | Restated 2021 ----- (Rupees) ----- |
|---|------|--------------------------------------|--|
| Revenue | 28 | 75,267,958 | 49,042,471 |
| Directly attributable cost for generating revenue | 29 | (60,730,755) | (42,515,152) |
| Gross profit | | <u>14,537,203</u> | <u>6,527,319</u> |
| Other income | 30 | 817,819 | 1,057,970 |
| Distribution cost | 31 | (1,295,198) | (979,942) |
| Administrative expenses | 32 | (762,303) | (665,218) |
| Other operating expenses | 33 | (840,544) | (312,417) |
| Finance cost | 34 | (1,664,664) | (911,809) |
| | | <u>(4,562,709)</u> | <u>(2,869,386)</u> |
| Share of profit from associate - net of tax | | 37,606 | 11,572 |
| Profit before tax | | <u>10,829,919</u> | <u>4,727,475</u> |
| Taxation | 35 | (847,326) | (878,822) |
| Profit for the year | | <u>9,982,593</u> | <u>3,848,653</u> |
| Earnings per share - basic and diluted | 36 | <u>184.11</u> | <u>70.98</u> |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

[Signature]
 Chief Financial Officer

[Signature]
 Chief Executive Officer

[Signature]
 Director

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4



SECP Challan

M-2022-474329

07

| | | | |
|-----------------|--|------------------|-----------------|
| Bank Branch | KARACHI, MCB - PIDC[915] | Date | 06-12-2022 |
| Account Title | Securities and Exchange Commission of Pakistan | Account No. | 018308987100097 |
| Name of Company | INDUS DYEING & MANUFACTURING COMPANY LIMITED | Registration No. | 0000885 |

Receipt under Companies Act, 2017

| Code No. | Head of Accounts | Amount (Rs) |
|----------|--|-------------|
| 61051 | Registration Fee for New Incorporation | |
| 61053 | Filing Fee | |
| 61055 | Mortgages / Charge Registration | |
| 61054 | Additional Filing Fee | |
| 61056 | Availability of Name Fee | |
| 61057 | Copying Fee | |
| 61058 | Inspection Fee | |
| 61059 | License Fee - U/S 42 / Renewal Fee | |
| 61060 | Application Fee | |
| 61063 | Application for extention in AGM | |
| 61052 | Enhancement of Capital Fee (Form - 7) | |
| 61061 | Appeal/Complaint Fee | |
| 61064 | Application for Capital issue U/S 86 | |
| 61063 | Application for extention in AGM 30-06-2022 | 15000.00 |
| 24071 | CLD Penalty | |
| 24075 | Penalty imposed by Enforcement | |
| 61060 | Annual Fee payable by an Inactive Company u/s 424 | |
| 61060 | Annual Renewal Fee under for Free Zone Companies u/s 454 | |
| 61060 | Application for change of Name u/s 11 and 12 | |
| 61060 | Application Fee for Petition u/s 32 | |
| 61060 | Application for conversion of status of the Company u/s 46., 47, 48 and 49 | |
| 61060 | Application for Issuance of Shares at discount u/s 82 | |
| 61069 | Annual Fee for Inactive Companies U/S 424 | |
| 61070 | Data Sharing (Banks) Fee | |
| 52403 | Bank Collection Charges (To Be Paid By Applicant) | 25.00 |
| Total | | 15025.00 |

| | |
|---------------------|--|
| Payment Details | |
| Cheque No. | |
| Drawn On | |
| Rupees (in words) | Fifteen Thousand Twenty Five Rupees Only |
| Name of Depositor | |
| Depositor Signature | Teller Signature & Bank Stamp |

Original

- Payment may kindly be deposited in the bank within a month of the date appearing in date column of challan.
- Photocopy of the challan shall not be entertained, kindly print separate challans for each company/ Form.
- Cutting and erasing of any field on challan is not allowed.
- Challan number and amount of money deposited must be clearly legible on a printed challan.
- If system erroneously generates a challan without company name or challan No. then kindly do not deposit that challan into bank and contact concerned CRO.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INDUS DYEING & MANUFACTURING COMPANY LIMITED

Opinion

We have audited the annexed consolidated financial statements of Indus Dyeing & Manufacturing Company Limited (the holding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2022 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (collectively referred as "consolidated financial statements").

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the 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.

Emphasis of Matter

We draw attention to note 2.1.1 to the accompanying consolidated financial statements which states about the recent Order of Honorable Lahore High Court dated November 21, 2022.

Our opinion is not modified in respect of the above matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key audit matter | How our audit addressed the key audit matter |
|------------------|--|
| | <p>year-end and determined cost necessary to make the sales; and</p> <ul style="list-style-type: none"> • Checked the calculations of net realizable value of itemized list of stock-in-trade, on selected sample and compared the net realizable value with the cost to ensure that valuation of stock-in-trade is in line with the accounting policy. |

Information other than the financial statements and auditors' report thereon

Management is responsible for the other information. The other information comprises the information included in annual report, but does not include the financial statements and our auditors' reports 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. When we read the annual report, if we conclude that there is a material misstatement of therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under law. We have nothing to report in this regard.

Responsibilities of management and board of directors for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the unconsolidated financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Shafqat Ali.


Chartered Accountants

Place: Karachi
Date: December 08, 2022

UDIN: AR202210186VfjoCbXAJ

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Indus Dyeing & Manufacturing Company Limited
Consolidated Statement of Financial Position
As at June 30, 2022

| | Note | 2022 | Restated 2021 | Restated 2020 |
|---|------|-------------------|-------------------|-------------------|
| (Rupees in '000) | | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 5 | 33,231,075 | 25,281,602 | 14,237,986 |
| Intangibles | 6 | 7,476 | 7,895 | 11,279 |
| Long-term investments | 7 | 80,218 | 143,637 | 133,431 |
| Long-term deposits | 8 | 19,898 | 19,245 | 18,240 |
| Long-term advances | | 1,955 | 2,156 | 3,864 |
| | | 33,340,622 | 25,454,535 | 14,404,800 |
| Current assets | | | | |
| Stores, spares and loose tools | 9 | 1,004,358 | 696,015 | 692,603 |
| Stock-in-trade | 10 | 19,120,314 | 11,982,227 | 10,518,566 |
| Trade debts | 11 | 14,636,476 | 7,311,031 | 4,365,615 |
| Loans and advances | 12 | 220,101 | 391,065 | 358,507 |
| Trade deposits and short-term prepayments | 13 | 90,261 | 16,921 | 34,263 |
| Other receivables | 14 | 477,827 | 250,673 | 140,134 |
| Other financial assets | 15 | 76,688 | 1,194,475 | 1,219,465 |
| Tax refundable | 16 | 1,281,971 | 1,272,881 | 1,174,646 |
| Cash and bank balances | 17 | 1,172,533 | 1,225,462 | 524,957 |
| | | 36,080,529 | 24,340,750 | 19,028,756 |
| TOTAL ASSETS | | 71,421,151 | 49,795,285 | 33,433,556 |
| EQUITY AND LIABILITIES | | | | |
| Share capital and reserves | | | | |
| Authorized share capital 100,000,000 ordinary shares of Rs.10 each | | 1,000,000 | 1,000,000 | 450,000 |
| Issued, subscribed and paid up capital | 18 | 542,211 | 542,211 | 180,737 |
| Reserves | 19 | 9,000,677 | 9,000,677 | 7,000,732 |
| Unappropriated profits | | 20,092,138 | 10,389,074 | 9,092,666 |
| | | 29,635,026 | 19,931,962 | 16,274,136 |
| Non-current liabilities | | | | |
| Long-term financing | 20 | 19,520,193 | 13,950,010 | 5,422,907 |
| Deferred taxation | 21 | 129,463 | 205,230 | 24,897 |
| Deferred liabilities | 22 | 729,056 | 1,021,927 | 1,525,653 |
| Lease liabilities | 23 | 73,502 | 87,102 | 38,994 |
| | | 20,452,214 | 15,264,269 | 7,012,451 |
| Current liabilities | | | | |
| Trade and other payables | 24 | 5,766,530 | 4,406,394 | 2,919,088 |
| Unclaimed dividends | | 3,735 | 3,361 | 209,634 |
| Interest / mark-up payable | 25 | 331,015 | 180,744 | 108,828 |
| Short-term borrowings | 26 | 12,635,272 | 8,577,090 | 6,743,684 |
| Current portion of long term financing | 20 | 2,067,958 | 1,162,370 | 140,364 |
| Current portion of other deferred liabilities | 22 | 508,310 | 249,234 | 21,474 |
| Current portion of Lease liabilities | 23 | 21,091 | 19,861 | 3,891 |
| | | 21,333,911 | 14,599,054 | 10,146,961 |
| TOTAL EQUITY AND LIABILITIES | | 71,421,151 | 49,795,285 | 33,433,556 |

Contingencies and commitments

27

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Director

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INDEPENDENT AUDITOR'S REPORT

To the members of Indus Dyeing And Manufacturing Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Indus Dyeing and Manufacturing Company Limited** (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2022, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information (herein after referred 'as unconsolidated financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Unconsolidated Financial Statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CERTIFIED TRUE COPY

Following are the key audit matters:

| S. No. | Key audit matter | How the matter was addressed in our audit |
|--------|---|--|
| 1. | Revenue from Contracts with Customers | Our audit procedures to address the Key Audit Matter included the following: |
| | <p>The Company is engaged in manufacturing and sale of yarn. Revenue recognition policy has been explained in note 4.14 to the unconsolidated financial statements, and the related amounts of revenue recognized during the year are disclosed in note 27 to the unconsolidated financial statements.</p> <p>The Company generates revenue from sale of goods to domestic and export customers. Revenue from the local and export sales (including indirect exports) is recognized when performance obligation is satisfied as per the requirements of the International Financial Reporting Standard (IFRS) 15 – ‘Revenue from Contracts with Customers’.</p> <p>We identified revenue recognition as key audit matter since it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized on point in time basis i.e. when control of goods is transferred to the customer, in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p> | <p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> • Considered the appropriateness of revenue recognition policy and compared it with the applicable accounting and reporting standards; • Obtained an understanding of revenue from customers and assessed the design, implementation and operating effectiveness of controls around recognition of revenue; • Checked on sample basis relevant underlying supporting documents for ensuring that management has complied with the revenue recognition criteria as per IFRS 15; • Tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents and by checked significant credit notes issued after year-end, if any; and • Evaluated the adequacy and appropriateness of disclosures made in the unconsolidated financial statements. |
| 2. | Valuation of stock in trade | |
| | <p>Stock-in-trade has been valued following an accounting policy as stated in note 4.5 to the unconsolidated financial statements and the value of stock-in-trade is disclosed in note 9 to the unconsolidated financial statements. Stock-in-trade forms material part of the Company's assets comprising around 29% of total assets.</p> <p>The valuation of stock in trade is carried at amount i.e Cost or Net Realizable Value, whichever is lower. Cost has different components, which includes judgment in relation to the allocation of overheads costs, which are incurred in bringing the finished goods to its present location and condition. Judgments are also involved in determining the net realizable value (estimated selling price in the ordinary course of business less estimated cost of</p> | <p>Our audit procedures to address the valuation of stock-in-trade, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of mechanism of recording purchases and valuation of stock-in-trade; • Tested on a sample basis purchases with underlying supporting documents; • Verified on test basis, the moving average calculations of raw material as per accounting policy; • Verified the calculations of the actual overhead costs and checked allocation of labor and |

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Yousuf Adil
Chartered Accountants

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Place: Karachi
Date: December 08, 2022

UDIN: AR2022101864BspyJYQW

Indus Dyeing & Manufacturing Company Limited
Unconsolidated Statement of Financial Position
As at June 30, 2022

| | Note | 2022 | Restated 2021 | Restated 2020 |
|--|------|--------------------------|--------------------------|--------------------------|
| (Rupees in '000) | | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 5 | 9,920,873 | 7,201,544 | 6,383,628 |
| Intangibles | 6 | 4,982 | 7,117 | 10,167 |
| Long-term investments | 7 | 6,399,992 | 5,949,992 | 4,149,680 |
| Long-term deposits | | 6,287 | 6,287 | 6,287 |
| | | <u>16,332,134</u> | <u>13,164,940</u> | <u>10,549,762</u> |
| Current assets | | | | |
| Stores, spares and loose tools | 8 | 473,268 | 319,951 | 361,256 |
| Stock-in-trade | 9 | 11,159,676 | 7,394,181 | 7,000,374 |
| Trade debts | 10 | 9,348,186 | 4,788,327 | 3,389,567 |
| Loans and advances | 11 | 341,524 | 320,708 | 210,033 |
| Trade deposits and short term prepayments | 12 | 68,126 | 10,247 | 1,898 |
| Other receivables | 13 | 127,244 | 88,447 | 55,286 |
| Other financial assets | 14 | 76,688 | 86,628 | 191,993 |
| Tax refundable | 15 | 121,646 | 149,613 | 347,623 |
| Cash and bank balances | 16 | 309,882 | 173,272 | 116,432 |
| | | <u>22,026,240</u> | <u>13,331,374</u> | <u>11,674,462</u> |
| TOTAL ASSETS | | <u>38,358,374</u> | <u>26,496,314</u> | <u>22,224,224</u> |
| EQUITY AND LIABILITIES | | | | |
| Share capital and reserves | | | | |
| Authorized share capital 100,000,000 ordinary shares of Rs.10 each | | <u>1,000,000</u> | <u>1,000,000</u> | <u>450,000</u> |
| Issued, subscribed and paid up capital Reserves | 17 | 542,211 | 542,211 | 180,737 |
| Unappropriated profits | 18 | 9,000,000 | 9,000,000 | 7,000,000 |
| | | <u>13,719,428</u> | <u>6,310,840</u> | <u>5,650,228</u> |
| | | <u>23,261,639</u> | <u>15,853,051</u> | <u>12,830,965</u> |
| Non-current liabilities | | | | |
| Long-term financing | 19 | 4,679,766 | 3,148,845 | 2,078,896 |
| Deferred taxation | 20 | 110,177 | 207,578 | 77,993 |
| Deferred liabilities | 21 | 665,423 | 955,335 | 1,313,670 |
| Lease liabilities | 22 | 35,111 | 48,372 | - |
| | | <u>5,490,477</u> | <u>4,360,130</u> | <u>3,470,559</u> |
| Current liabilities | | | | |
| Trade and other payables | 23 | 3,557,725 | 2,380,240 | 1,849,857 |
| Unclaimed dividends | | 3,735 | 3,361 | 209,634 |
| Interest / mark-up payable | 24 | 126,578 | 53,429 | 65,715 |
| Short-term borrowings | 25 | 4,914,087 | 3,061,800 | 3,695,663 |
| Current portion of long term financing | 19 | 490,743 | 552,755 | 90,388 |
| Current portion of deferred liabilities | 21 | 496,365 | 216,070 | 11,443 |
| Current portion of Lease liabilities | 22 | 17,025 | 15,478 | - |
| | | <u>9,606,258</u> | <u>6,283,133</u> | <u>5,922,700</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>38,358,374</u> | <u>26,496,314</u> | <u>22,224,224</u> |
| CONTINGENCIES AND COMMITMENTS | | | | |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

me

[Signature]
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Director

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