

Pakistan LNG Limited
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan LNG Limited Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan LNG Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code), as adopted by the Institute of Chartered Accountants of Pakistan 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 1.4 to the financial statements, in respect of principal approval of Company's merger with the Pakistan LNG Terminals limited. Our opinion is not qualified in respect of this matter.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



Chartered Accountants

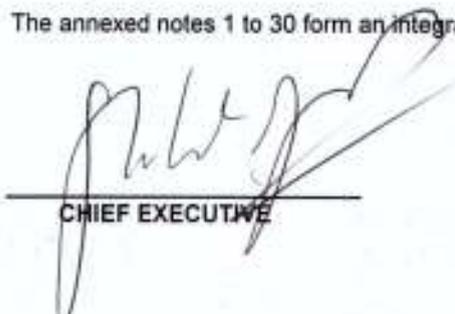
Place: Islamabad

Date: 12 March 2020

PAKISTAN LNG LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
ASSETS			
Non Current Assets			
Property and equipment	6	18,947,643	25,386,887
Intangible assets	7	105,729	141,979
		<u>19,053,372</u>	<u>25,528,866</u>
Current Assets			
Advances and prepayments		2,586,901	1,017,969
Accrued interest		79,470,447	15,737,073
Trade and other receivables	8	34,334,513,375	15,803,768,897
Stock-in-trade	9	4,663,244,948	3,466,199,810
Advance tax	10	499,625,891	-
Cash and bank balances	11	6,454,307,739	6,300,086,070
		<u>46,033,749,301</u>	<u>25,586,809,819</u>
TOTAL ASSETS		<u>46,052,802,673</u>	<u>25,612,338,685</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital (100,000,000 ordinary shares of Rs. 10 each)		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital	12	15,000,030	15,000,030
Accumulated profit/(loss)		800,786,027	941,094,781
Total Equity		<u>815,786,057</u>	<u>956,094,811</u>
Non Current Liabilities			
Deferred employees' benefits	13	18,827,636	9,810,819
Loan from a related party - unsecured	14	2,782,346,884	-
Current Liabilities			
Loan from a related party - current portion	14	2,534,000,000	5,316,346,884
Accrued interest		1,393,180,077	503,084,093
GOP Payable - ITFC Agreement	15	11,401,228,197	-
Income tax payable		-	25,565,325
Trade and other payable	16	27,107,433,822	18,801,436,753
Total Liabilities		<u>45,237,016,616</u>	<u>24,656,243,874</u>
TOTAL EQUITY AND LIABILITIES		<u>46,052,802,673</u>	<u>25,612,338,685</u>
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes 1 to 30 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

PAKISTAN LNG LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
	Note	-----Rupees-----	
Sales - net	18	179,477,667,268	73,638,109,195
Cost of sales	19	(173,419,391,792)	(70,451,764,006)
Gross profit		<u>6,058,275,476</u>	<u>3,186,345,189</u>
Administrative expenses	20	(179,693,166)	(150,578,389)
Other income	21	393,515,881	124,222,193
Exchange loss		(3,595,795,930)	(768,759,666)
Finance cost	22	(924,745,940)	(503,084,093)
Profit before tax		<u>1,751,556,321</u>	<u>1,888,145,234</u>
Taxation	23	(1,891,865,075)	(857,114,900)
Profit after tax		<u><u>(140,308,754)</u></u>	<u><u>1,031,030,334</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.



CHIEF EXECUTIVE

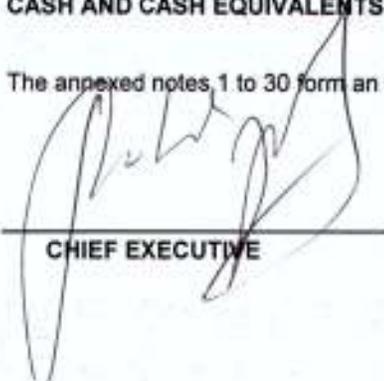
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DIRECTOR

PAKISTAN LNG LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,751,556,321	1,888,145,234
Adjustment for non-cash items		
-Depreciation expense	6,818,602	5,932,611
-Amortization expense	36,250	3,021
-Provision for gratuity and leave encashment	12,033,951	8,089,520
-Interest expense	924,745,940	503,084,093
-Unrealised exchange loss	368,285,631	101,185,941
Working capital changes		
(Increase) / decrease in current assets		
-Advances and prepayments	(1,568,932)	2,971,087
-Accrued interest	(63,733,374)	(13,935,146)
-Trade and other receivables	(18,530,744,478)	(15,803,768,897)
-Stock-in-Trade	(1,197,045,138)	(3,466,199,810)
Increase / (decrease) in current liabilities		
-Trade and other payable	7,937,711,438	18,669,708,192
Cash generated from / (used in) operations	(8,791,903,789)	1,895,215,846
Employee benefits paid	(3,017,134)	(2,726,192)
Income taxes paid	(2,417,056,291)	(831,078,772)
Interest paid	(34,649,956)	-
Net cash flows from operating activities	(11,246,627,170)	1,061,410,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(379,358)	(14,901,718)
Purchase of intangible assets	-	(145,000)
Net cash out flows from investing activities	(379,358)	(15,046,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds from related party	-	5,185,162,409
ITFC loan proceeds	11,401,228,197	-
Net cash inflows from financing activities	11,401,228,197	5,185,162,409
NET INCREASE IN CASH AND CASH EQUIVALENTS	154,221,669	6,231,526,573
Cash and cash equivalents at the beginning of the year	6,300,086,070	68,559,497
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6,454,307,739	6,300,086,070

The annexed notes 1 to 30 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

PAKISTAN LNG LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Share capital</u>	<u>Revenue reserve</u>	<u>Total</u>
	issued, subscribed and paid up capital	Accumulated profit / (losses)	
	-----Rupees-----		
Balance as at June 30, 2017	15,000,030	(89,935,553)	(74,935,523)
Total comprehensive income for the year			
Profit for the year ended June 30, 2018	-	1,031,030,334	1,031,030,334
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,031,030,334	1,031,030,334
Balance as at June 30, 2018	15,000,030	941,094,781	956,094,811
Total comprehensive income for the year			
Profit for the year ended June 30, 2019	-	(140,308,754)	(140,308,754)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(140,308,754)	(140,308,754)
Balance as at June 30, 2019	15,000,030	800,786,027	815,786,057

The annexed notes 1 to 30 form an integral part of these financial statements.



CHIEF EXECUTIVE

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DIRECTOR

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Pakistan LNG Limited (the Company) was incorporated in Pakistan as a public company on December 11, 2015 under the repealed Companies Ordinance 1986. The principle activity of the Company is to import, transport, market and distribute Liquefied Natural Gas (LNG). The Company's registered office is located at 3rd floor, Block A, Pak Secretariat, Islamabad, Pakistan. The Company has achieved its commercial operations date on January 04, 2018. The Company is wholly owned by Government Holdings (Private) Limited (the Parent Company).
- 1.2 In previous year, the Company has awarded contracts to M/s. Gunvor and M/s ENI SPI (the Sellers) for purchase and import of one (01) LNG cargo per month from each seller for a period of five years and fifteen years respectively. Under the award, the Company shall purchase and import total two hundred and forty (240) cargoes over the respective contract periods.
- 1.3 Imported LNG is re-gasified at LNG Terminal to be operated by Pakistan LNG Terminal Limited (PLTL) an associated company. PLTL has Operation and Service Agreement (OSA) with Pakistan Gas Port Consortium Limited (PGPCL) as Terminal Operator. In the meanwhile, the Company has agreed the terms of Terminal Use and Regasification Agreement (TURA) with PLTL for getting the re-gasification capacity of terminal. Under the said agreement, the Company has committed to purchase 600 MMSCFD per day subject to 96% availability factor.
- 1.4 The Ministry of Energy (Petroleum Division) vide its letter dated 6th February, 2018 directed that Pakistan LNG Limited and Pakistan LNG Terminal Limited shall merge and notwithstanding the terms of any contract, document, stand amalgamated/merged with and vest in Pakistan LNG Limited. Existing shares of acquiree (PLTL) shall stand cancelled and acquirer (PLL) shall with effect from the Completion Date be entitled to carry out all the business of acquiree in its own right and shall be entitled to all the rights and the benefits thereof. However, to date, the final decision on the merger by the parent Company is still pending.
- 1.5 The Company has also agreed the terms of Gas Sales and Purchase Agreement (GSPA) with the Sui Northern Gas Pipelines Limited (SNGPL) (the Buyer) for sale of Re-gasified LNG (RLNG). However, formal execution of Gas Sales and Purchase Agreement with the Buyer is pending. Further, final sales price determination in this regard is subject to Oil and Gas Regulatory Authority (OGRA) approval which is pending.
- 1.6 The Company has agreed the terms of "LNG Terminal Use & Regasification Agreement" (TURA) with PLTL, an associated company, for re-gasification at LNG Terminal to be operated by PLTL. PLTL has Operation and Service Agreement (OSA) with Pakistan Gas Port Consortium Limited (PGPCL) as Terminal Operator.

As per terms of above referred Operation and Service Agreement, PGPCL was required to achieve the COD on or before July 1, 2017; failing which, PLTL is entitled to receive liquidated damages from PGPCL @ US\$ 200,000/- per day until new scheduled commercial start date (i.e. November 28, 2017) and thereafter @ US\$ 300,000/- per day until the COD is achieved. Said terms for achieving COD and liquidated damages are mutatis mutandis applicable to TURA between the Company and PLTL. The COD was delayed and actually achieved on January 4, 2018. Accordingly, the Company is entitled to receive liquidated damages from PLTL for the period of delay. Accordingly, the Company has lodged a claim to PLTL in this respect.

Subsequent to the year-end, PLTL terminated the OSA with PGP Consortium Limited ("PGPCL") on October 14, 2019 with immediate effect due to persistent breach of PGPCL of its obligations under the OSA. PGPCL has raised a dispute regarding the termination by PLTL under the relevant provisions of the OSA pertaining to dispute resolution, and the matter is currently in arbitration and both parties have appointed their respective representatives. As per the terms of the OSA, the parties are required to continue to perform their respective obligations to the extent not affected by the relevant dispute, therefore, management believes that the Company's future operations shall not be affected by this event.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

Where the provisions of and directives issued under Companies Act, 2017 differs IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except financial instruments which are stated at fair value. The methods used to measure fair values are discussed further in their respective policy notes.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR) which is the Company's functional and presentation currency.

3. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Significant estimates used by the management in preparation of these financial statements are disclosed in notes 5.3, 5.5, 5.6, 5.7, 5.9 and 5.14.

4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019.

	Effective from accounting period beginning on or after
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018

**Effective from accounting period beginning on
or after**

IFRS 15 'Revenue From Contract With Customer' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

July 01, 2018

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.

January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018

4.1.1 IFRS 9 Financial Instruments:

IFRS 9 'Financial Instruments' - This standard replaces the guidance in IAS 39.

IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting. Details of these new requirements as well as their impact on the Company's financial statements are described below:

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification and measurement and impairment. This means that the cumulative impact of the adoption has been recognized in unappropriated profit as of July 1, 2018 and that comparatives are not restated.

Classification and measurement of financial assets and financial liabilities

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

Debt instrument should be classified

- amortized cost, where the effective interest rate method will apply;
- fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

- fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss

Application of IFRS 9 had no material impact on the financial assets and financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original Rs.	New Rs.	Difference Rs.
Current financial assets					
Accrued interest	Loans and Receivables	Amortized Cost	15,737,073	15,737,073	-
Trade and other receivables	Loans and Receivables	Amortized Cost	15,803,768,897	15,803,768,897	-
Cash and bank balances	Loans and Receivables	Amortized Cost	6,300,086,070	6,300,086,070	-
Current financial liabilities					
Trade and other payable	Amortized Cost	Amortized Cost	18,801,436,753	18,801,436,753	-
Non-current financial liabilities					
Loan from a related party - secured	Amortized Cost	Amortized Cost	5,316,346,884	5,316,346,884	-
Accrued interest	Amortized Cost	Amortized Cost	503,084,093	503,084,093	-

Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaced the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets, since initial recognition, irrespective of whether a loss event has occurred or not. The impairment methodology depends on whether there has been a significant increase in credit risk. For financial assets advances, deposits, other receivables and cash and bank balances the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

4.1.2 IFRS 15 'Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5 - step approach to revenue recognition.

- Step 1 Identify the contract with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has assessed the impact of IFRS-15 on its financial statements and concluded that the impact is immaterial.

Other standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

IFRS 16 'Leases' replaces the previous lease standard: IAS 17 Leases and is effective from annual accounting period beginning on or after January 01, 2019. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low value leases.

Management is in the process of assessing the impact of changes laid down by this standard on its financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

5.1 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are initially recognized at fair value which is the invoice value. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment (if any). Any change in their value is recognized in statement of profit and loss. Trade and other receivables are assessed on regular basis for impairment.

5.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of cash balances and bank deposits. Cash equivalents are short term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5.3 PROPERTY AND EQUIPMENT

These are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses, if any.

The cost includes the cost of replacing parts of the equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged using the straight line method at the rates specified in note 5 when assets are available for use. No depreciation is charged on the assets in the month of sale/disposal, while full depreciation is charged in the month of acquisition. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

The carrying amounts of the Company's assets are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income for the year. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in profit and loss in the year the asset is derecognized. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

5.4 TRADE AND OTHER PAYABLES

Liabilities for trade and other amounts payables are carried at cost which is the fair value considered to be paid in the future for goods and services received, whether or not billed to the Company. Subsequent to initial recognition trade and other payables are measured at amortized cost using the effective interest method.

5.5 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

5.6 INTANGIBLE ASSETS

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment annually, if any.

5.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of profit or loss.

5.7.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

(i) Debt instruments designated at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition

Amortized cost and effective interest rate method:

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

(iv) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains

Impairment of financial assets:

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(i) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

(ii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties

(iii) Write-off policy:

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(iv) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets:

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

5.7.2 Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognized in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognized in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss

(ii) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities:

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5.8 OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities and taxation assets and taxation liabilities are offset and the net amount reported in the statement of financial position, if the Company has a legally enforceable right to set-off the transaction and also intends to either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.9 TAXATION

CURRENT

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

DEFERRED

Deferred tax is computed using the statement of financial position liability method for all temporary differences at the reporting date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences and carry forward unused tax losses, if any to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period where the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

5.10 REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable.

5.11 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Foreign currency transactions during the year are recorded at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Exchange differences are taken to the statement of profit and loss for the year.

5.12 DIVIDENDS

Dividend distribution and appropriation of reserves are recognized in the financial statements in the period in which these are approved.

5.13 STOCK-IN-TRADE

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

5.14 STAFF RETIREMENT BENEFITS

5.14.1 Defined benefit plan

The Company operates unfunded gratuity scheme for its eligible employees completing the minimum qualifying period of six month as specified in the scheme. The Company is in process of registering of Gratuity fund. Gratuity shall be equivalent to one month last drawn gross salary for each year of service.

5.14.2 Compensated absences

The Company accounts for all compensated absences when employees render services that increase their entitlement to future compensated absences. Cash compensation for the balance of earned leaves upto maximum of 90 days at the time of retirement, resignation, death or termination of service. It shall be paid at the rate of latest gross salary to the regular and contract employee of the company.

	Note	2019 -----Rupees-----	2018
8. TRADE AND OTHER RECEIVABLES			
Considered good - unsecured	8.1	<u>34,334,513,375</u>	<u>15,803,768,897</u>
8.1 Break up of trade and other receivables:			
Sui Northern Gas Pipelines Limited		33,518,047,573	11,527,060,233
Sui Southern Gas Company Limited		-	2,260,615,910
General sales tax recoverable		616,015,802	1,815,642,754
Other receivable	8.2	<u>200,450,000</u>	<u>200,450,000</u>
		<u>34,334,513,375</u>	<u>15,803,768,897</u>

8.2 It represents the cost incurred and paid by the Company on commissioning cargo due to associated costs such as extended laytime, additional crew and activities related to commissioning of Floating Storage and Regasification Unit (FSRU). It will be recovered from SNGPL after the actualization of provisional price by OGRA.

	Notes	2019 ----Rupees----	2018
9. STOCK-IN-TRADE			
LNG held with third party	9.1	940,389,035	3,449,105,105
LNG in transit	9.2	3,700,448,933	-
RLNG held in pipeline	9.3	<u>22,406,980</u>	<u>17,094,705</u>
		<u>4,663,244,948</u>	<u>3,466,199,810</u>

9.1 Amount relates to closing stock of LNG 35,753.18 m³ (2018: 155,130.3 m³) inventory held with Pakistan Gas Port Consortium Limited (PGPCL) at the (FSRU) as at June 30, 2019.

9.2 This includes inventory (140,737.02 m³) value for a cargo which commenced discharge operations on June 30, 2019 and duly completed discharge on July 01, 2019. The LNG was subsequently accepted by PLL and accordingly, amount has been recognized as part of inventory as at June 30, 2019.

9.3 Amount relates to RLNG held in 14 km pipeline between Floating Storage and Regasification Unit (FSRU) and Custody Transfer System (CTS).

	2019 -----Rupees-----	2018
10. ADVANCE TAX		
Balance at the beginning of the year	-	470,803
Payment made during the year	499,625,891	11,230,530
Provision for the year	-	(11,701,333)
Balance at the end of the year	<u>499,625,891</u>	<u>-</u>

	Note	2019 -----Rupees-----	2018
11. CASH AND BANK BALANCE			
Cash in hand		38,687	22,184
Cash at bank - Saving account	11.1	<u>6,454,269,052</u>	<u>6,300,063,886</u>
		<u>6,454,307,739</u>	<u>6,300,086,070</u>
11.1	These are in local currency and carry's profit at the rate ranging from 6.75% to 12.5% (2018: 4.25% to 5.85%)		
	Note	2019 -----Rupees-----	2018
12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Issued, subscribed and paid up capital:			
1,500,003 ordinary shares of Rs.10 each fully paid in cash	12.1	<u>15,000,030</u>	<u>15,000,030</u>
12.1	Government Holdings (Private) Limited (parent company) holds 100% of the issued, subscribed and paid-up capital.		
	Note	2019 -----Rupees-----	2018
13. DEFERRED EMPLOYEE'S BENEFITS			
Provision for gratuity	13.1	<u>10,495,903</u>	<u>4,135,989</u>
Provision for leave encashment	13.2	<u>8,331,733</u>	<u>5,674,830</u>
		<u>18,827,636</u>	<u>9,810,819</u>
13.1	Provision for gratuity		
Balance at the beginning of the year		4,135,989	3,233,150
Provision made during the year		7,946,876	3,629,031
Payment made during the year		<u>(1,586,962)</u>	<u>(2,726,192)</u>
Balance at the end of the year		<u>10,495,903</u>	<u>4,135,989</u>
13.2	Provision for leave encashment		
Balance at the beginning of the year		5,674,830	-
Provision made during the year		4,087,075	5,674,830
Payment made during the year		<u>(1,430,172)</u>	<u>-</u>
Balance at the end of the year		<u>8,331,733</u>	<u>5,674,830</u>
14. LOAN FROM RELATED PARTY- UNSECURED			
Balance at the beginning of the year	14.1	5,316,346,884	131,184,475
Received during the year		-	5,185,162,409
Repayment made during the year		-	-
Balance at the end of the year		<u>5,316,346,884</u>	<u>5,316,346,884</u>
less: current portion		<u>(2,534,000,000)</u>	<u>-</u>
Non-current portion		<u>2,782,346,884</u>	<u>5,316,346,884</u>
14.1	The Government Holdings (Private) Limited (Parent Company) has provided the advance, solely to meet the operational activities related to LNG imports and to meet the guarantee requirements under the contract for LNG imports. On November 22, 2017, the Company agreed to convert entire amount of advances into interest bearing loan agreed under term sheet signed by both parties. The loan repayment schedule was re-negotiated by both parties during the fiscal year, with the loan now payable to GHPL over a course of three (03) years up till March 2021. No repayment of the loan installment has been made during the year. Rate of interest on loan is six (06) months KIBOR plus 2 percent at the date of transaction.		

15. PAYABLE TO GOVERNMENT - ITFC AGREEMENT

	Note	2019 -----Rupees-----	2018
Balance at the beginning of the year		-	-
Payments made during the year	15.1	18,547,575,610	-
Amount repaid by the Company		(7,146,347,412)	-
Balance at the end of the year		<u>11,401,228,198</u>	<u>-</u>

- 15.1 During the financial year ended June 30, 2019, the Government of Pakistan (GoP) and International Islamic Trade Finance Corporation (ITFC) entered into a deferred financing facility dated April 22, 2019, PLL designated as an executing agency by the GoP. As per the agreement, payments to LNG suppliers are processed by ITFC, with PLL processing the payment to the State Bank of Pakistan (SBP) in the designated bank account in USD equivalent PKR. Accordingly, PLL executed five (05) transactions with LNG suppliers under the agreement during the fiscal year, amounting to USD 122.77 million. As at the year end, the payable to the GoP under the agreement stood at USD 74.82 million (PKR 11.40 billion).

	Note	2019 -----Rupees-----	2018
16. TRADE AND OTHER PAYABLE			
Trade Payables	16.1	21,851,921,738	18,783,934,146
Sales tax payable at import stage		1,415,021,660	-
Income tax payable at import stage		132,068,689	-
Excise duty payable at import stage		177,849,276	-
Accrued liabilities		3,518,302,864	13,717,426
Withholding income tax payable		9,655,268	3,557,498
Withholding sales tax payable		227,683	227,683
Provident fund payable	16.2	2,386,644	-
		<u>27,107,433,822</u>	<u>18,801,436,753</u>

- 16.1 This amount represents payable to Pakistan LNG Terminals Limited (PLTL) of Rs. 1,465.59 million (2018: Rs. 1,078.96 million) on account of regasification charges and payable to LNG suppliers namely M/s. Gunvor International B.V, M/s ENI SPA and BB Energy amounting to Rs. 16,252.45 million (2018: Rs. 10,767.67 million), Rs. 4,125.5 million (2018: Rs. 3,264.38 million) and Nil (2018: Rs. 3,667.22 million) respectively.

- 16.2 The Company is in process of registering the provident fund as of June 30, 2019, and accordingly, the amounts payable towards the Fund shall be transferred once the registration process is completed.

17. CONTINGENCIES AND COMMITMENTS

17.1 CONTINGENCIES

- 17.1.1 The Company has awarded contracts to M/s. Gunvor and M/s ENI SPA (the Sellers) for purchase and import of LNG for the period of five years and fifteen years. The Company has provided the sellers with the credit support in the form of irrevocable Standby Letter of Credit (SBLC) for an amount of US\$ 21,482,496 and US\$ 22,229,424 to M/s Gunvor and M/s ENI respectively. Aforementioned SBLCs expired on November 02, 2019 and November 15, 2019 respectively, however, they were subsequently extended up till November 02, 2020 and November 15, 2020 respectively. The parent company on behalf of the Company has provided the security for issuance of SBLC in favor of the sellers.

17.2 COMMITMENTS

- 17.2.1 In accordance with the provisions of the Terminal Use and Regasification Agreement (TURA), the Company shall pay to PLTL a capacity charge of USD 245,220 per day subject to capped availability factor (96%) and a flexibility charge in the event of excess terminal capacity utilisation at the rate of 25% of the applicable capacity fee, from the commencement of commercial operation date.
- 17.2.2 In accordance with provisions of Master Sale and Purchase Agreement (MSPA), the Company is obliged to import one cargo of LNG per month from M/s. Gunvor and M/s ENI SPA (the Seller) for the period of 5 years and 15 years respectively from the start of commercial operation date.

18. SALES - NET	Note	2019	2018
		-----Rupees-----	
Gross sales - RLNG	18.1	201,014,987,340	86,156,587,758
Sales tax		(21,537,320,072)	(12,518,478,563)
Net sales		<u>179,477,667,268</u>	<u>73,638,109,195</u>

- 18.1 During the FY 18-19, the Company suffered exchange losses amounting to PKR 2.65 billion due to significant exchange rate fluctuations, which resulted in significant instances of higher PKR payments to LNG suppliers / Terminal Operator and lower related PKR recovery from SNGPL. As per guidelines of the RLNG pricing framework determined by the Economic Coordination Committee (ECC) of the Cabinet vide Case no. ECC-87/11/2015 dated June 06, 2015, the RLNG price determined includes exchange rate adjustments on USD payments due to difference in exchange rates at the time of payment and at the time of recovery. Such amounts are recoverable by the Company in future fiscal year(s) upon actualization of RLNG prices by OGRA for the respective months.

Furthermore, RLNG sales include sales to SNGPL and SSGCL invoiced on provisional prices. There may be adjustment in revenue upon issuance of final RLNG price notification by OGRA for the respective month, impact of which cannot be determined at this stage for all costs. Any possible impact related to such adjustments will be adjusted in prospective periods.

- 18.2 As per the decision of the Economic Coordination Committee (ECC) vide case no. ECC-62/12/2018 dated May 30, 2018, the LNG margin of PLL was increased from 2.5% to 3.75% w.e.f. June 01, 2018. This equates to USD 2.15 million recoverable for June 2018 and USD 14.5 million recoverable for the fiscal year 2018-19. However, implementation of the same is currently pending with OGRA. Once implemented, the margin will be recovered by PLL prospectively in future fiscal years.

19. COST OF SALES	Note	2019	2018
		-----Rupees-----	
Opening stock of LNG / RLNG		3,466,199,810	-
Gas purchases:			
Purchase of LNG		159,229,106,037	67,326,732,135
Import related costs		3,126,184,313	1,437,507,862
Capacity, utilization and flexibility charges	19.1	11,774,466,631	4,976,554,039
LSA management fee - PLTL		486,679,949	177,169,780
		<u>174,616,436,930</u>	<u>73,917,963,816</u>
Less: Closing stock	9	(4,663,244,948)	(3,466,199,810)
		<u>173,419,391,792</u>	<u>70,451,764,006</u>

- 19.1 These charges are subject to adjustment on discrepancy identification after receipt of Wet Calibration report from Euro loop (laboratory) after the completion of first fiscal year ending on December 2018. Impact of which cannot be determined at this stage, correction will be incorporated prospectively.

20.	ADMINISTRATIVE EXPENSES	Note	2019 -----Rupees-----	2018
	Salaries and allowances	20.1	112,440,049	94,793,815
	Fee and consultancy charges		4,328,832	3,182,732
	Board meetings		3,200,000	7,050,000
	Business promotion		1,167,923	3,956,851
	Travelling		5,404,547	5,247,268
	Rent		4,162,892	4,928,130
	Depreciation		6,818,602	5,932,611
	Utilities		3,347,672	2,315,444
	Insurance		1,357,108	346,275
	Entertainment		757,854	999,597
	Printing and stationary		298,854	592,636
	Custom clearing charges		8,379,477	4,650,570
	Bank charges		8,775,547	12,951,278
	Metering cost		13,164,078	1,460,650
	Auditors' remuneration	20.2	1,116,500	875,000
	Miscellaneous		2,542,946	1,269,271
	Repair and maintenance		911,815	23,240
	Security expenses		1,482,220	-
	Amortization		36,250	3,021
			<u>179,693,166</u>	<u>150,578,389</u>
20.1	It includes gratuity and leave encashment expenses amounting to Rs. 7.95 million (2018: Rs 3.01 million) and Rs. 4.08 million (2018: Rs 5.08 million) respectively, for eligible employees as per Company policy.			
20.2	Auditors' remuneration	Note	2019 -----Rupees-----	2018
	Statutory audit fee		880,000	800,000
	Report on compliance of Public Sector Companies (Corporate Governance) Rules 2013		82,500	75,000
	Sales tax		154,000	-
			<u>1,116,500</u>	<u>875,000</u>
21.	OTHER INCOME			
	- Profit on bank deposit		367,821,556	123,970,193
	- Others		25,694,325	252,000
			<u>393,515,881</u>	<u>124,222,193</u>
22.	FINANCE COST			
	Interest on loan from related party		436,652,393	229,775,627
	Interest on SBLC provided by a related party		453,443,591	273,308,466
	Interest on forced loan		34,649,956	-
			<u>924,745,940</u>	<u>503,084,093</u>
23.	TAXATION			
	Current		1,891,865,075	857,114,900
23.1	Reconciliation of tax charge for the year			
	Accounting profit		1,751,556,321	1,888,145,234
	Tax rate		29%	30%
	Tax on accounting profit at applicable rate		507,951,333	566,443,570
	Adjustment due to non applicability of corporate tax regime		(539,599,003)	(529,176,912)
	Tax effect of amounts that are taxable separately		1,777,573,398	819,848,242
	Adjustments		145,939,347	-
			<u>1,891,865,075</u>	<u>857,114,900</u>

24. TRANSACTIONS WITH RELATED PARTIES

The Company is wholly owned subsidiary of Government Holdings (Private) Limited. Other related parties comprise associated company (Pakistan LNG Terminals Limited), directors, companies with common directorship, key management personnel. Balances of related parties are disclosed in the relevant notes to these financial statements, please refer to note 13 and 14. Significant transactions with related parties are as follows:

	Relationship basis/ ownership	2019 -----Rupees-----	2018
Balance with related parties			
Balance with the parent company			
Loan from Government Holdings (Pvt) Limited (GHPL)	GHPL as a parent company holds 100% shares of the Company	(5,316,346,884)	(5,316,346,884)
Interest payable to GHPL		(1,393,180,077)	(503,084,093)
Balance with associated company			
Pakistan LNG Terminals Limited	100% owned by the parent company (GHPL)	1,465,598,250	1,078,965,310
Transactions with related parties			
Transaction with parent parties			
Loan obtained from GHPL		-	5,185,162,409
Interest accrued on loan from GHPL		890,095,984	503,084,093
Transaction with associated company			
Regasification charges and management fee paid to PLTL	100% owned by the parent company (GHPL)	12,261,146,580	5,153,723,819
Other related parties			
Remuneration to Directors		3,200,000	7,050,000
Ministry of Energy (Petroleum Division)			
Rent		4,162,892	4,928,130

25. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to Chief Executive Officer and executives are as follows:

	2019		2018	
	Chief Executive -----Rupees-----	Executives	Chief Executive -----Rupees-----	Executives
Basic salary	16,959,842	29,319,685	5,401,843	23,435,510
Rent allowance	7,631,929	13,193,858	2,430,829	10,545,979
Medical allowance	1,695,984	2,931,969	540,184	2,343,551
Utility allowance	1,695,984	2,931,969	540,184	2,343,551
Conveyance allowance	2,400,000	4,397,953	885,714	3,515,326
Mobile allowance	96,000	306,000	35,429	-
	<u>30,479,740</u>	<u>53,081,433</u>	<u>9,834,183</u>	<u>42,183,917</u>
Number of persons	<u>1</u>	<u>11</u>	<u>1</u>	<u>8</u>

In addition, 4 (2018: 7) directors were paid aggregate amount of Rs. 3.20 million (2018: Rs 7.05 million) on account of fee for attending various meetings.

26. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks associated with its financial instruments:

Credit risk
Liquidity risk
Market risk

The senior management of the Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders. Further, senior management under the guidance of Board of Directors (the Board) ensures that the Company's financial risk-taking activities are governed through resolution passed by the Board and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The capital structure of the Company consists of equity (comprising issued capital and accumulated loss as detailed in notes 11). The Company is not subject to any externally imposed capital requirements.

The Board reviews and agrees the policies for measuring each of their risks which are summarized below:

FINANCIAL INSTRUMENTS BY CATEGORIES

The Company's activities are exposed to a variety of financial risks namely credit risk, interest rate risk, foreign exchange risk and liquidity risk. Overall, risks arising from the Company's financial instruments are limited. The Company manages its exposure to financial risk in the following manner:

June 30, 2019

Description	INTEREST / MARK UP BEARING			NON INTEREST / MARK-UP BEARING			Total
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	
-----Rupees-----							
FINANCIAL ASSETS							
Amortized cost							
Accrued Interest	-	-	-	79,470,447	-	79,470,447	79,470,447
Trade and other receivables	-	-	-	34,334,513,375	-	34,334,513,375	34,334,513,375
Cash and bank balances	6,454,269,052	-	6,454,269,052	38,687	-	38,687	6,454,307,739
	6,454,269,052	-	6,454,269,052	34,414,022,509	-	34,414,022,509	40,868,291,561
FINANCIAL LIABILITIES							
Financial liabilities measured at amortized cost							
Loan from a related party	2,534,000,000	2,782,346,884	5,316,346,884	-	-	-	5,316,346,884
Trade and other payables	-	-	-	26,919,929,278	-	26,919,929,278	26,919,929,278
Accrued interest	-	-	-	1,393,180,077	-	1,393,180,077	1,393,180,077
Deferred employee benefits	-	-	-	-	18,827,636	18,827,636	18,827,636
Payable to Government	-	-	-	11,401,228,197	-	11,401,228,197	11,401,228,197
	2,534,000,000	2,782,346,884	5,316,346,884	39,714,337,552	18,827,636	39,733,165,188	45,049,512,072

June 30, 2018

Description	INTEREST / MARK UP BEARING			NON INTEREST / MARKUP BEARING			Total
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	
-----Rupees-----							
FINANCIAL ASSETS							
Amortized cost							
Accrued Interest	-	-	-	15,737,073	-	15,737,073	15,737,073
Trade and other receivables	-	-	-	15,803,768,897	-	15,803,768,897	15,803,768,897
Cash and bank balances	6,300,063,886	-	6,300,063,886	22,184	-	22,184	6,300,086,070
	6,300,063,886	-	6,300,063,886	15,819,528,154	-	15,819,528,154	22,119,592,040
FINANCIAL LIABILITIES							
Financial Liabilities Measured at Amortized Cost							
Loan from a related party	5,316,346,884	-	5,316,346,884	-	-	-	5,316,346,884
Trade and other payables	-	-	-	18,798,865,913	-	18,798,865,913	18,798,865,913
Accrued Interest	-	-	-	503,084,093	-	503,084,093	503,084,093
Deferred Employee Benefits	-	-	-	-	8,596,478	8,596,478	8,596,478
	5,316,346,884	-	5,316,346,884	19,301,950,006	8,596,478	19,310,546,484	24,626,893,368

26.1 Credit risk

Credit risk represents that risk that one party to a financial instruments will cause a financial loss for the another party by failing to discharge an obligation. The carrying amount of financial assets represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follow:

	2019	2018
	-----Rupees-----	
Bank balances	6,454,269,052	6,300,063,886
Accrued interest	79,470,447	15,737,073
Trade and other receivables	34,334,513,375	15,803,768,897
	<u>40,868,252,874</u>	<u>22,119,569,856</u>

26.1.1 Counter parties

The Company conducts transactions with the following major types of counterparties:

Companies

The Company has receivable from SNGPL which is government owned entity and Company does not expect SNGPL companies to fail to meet their obligations.

Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with Banks having credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet obligations.

26.1.2 The Company's credit risk is primarily attributes to its short term investments and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The name and credit ratings of major banks where the Company maintains its bank balances are as follows:

Name of Bank	Rating Agency	Credit Rating	
		Short Term	Long Term
National Bank of Pakistan	PACRA	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	VIS	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+
Habib Metropolitan Bank	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Habib Bank Limited	VIS	A-1+	AAA

26.2 Market risk

26.2.1 Interest rate risk

Interest Rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. As the company has fixed interest bearing assets, the Company's income and operating cash flows are substantially independent of market interest rates.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2019	2018
	-----Rupees-----	
Financial assets		
Cash and bank balances	<u>6,454,269,052</u>	<u>6,300,063,886</u>
Financial liabilities		
Loan from a related party	<u>(5,316,346,884)</u>	<u>(5,316,346,884)</u>

The effective interest rates for the financial assets and liabilities are mentioned in respective notes to the financial statements.

Interest rate sensitivity analysis

At June 30, 2019 if interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Company's profit before tax for the year ended June 30, 2019 would increase/ decrease by Rs 5.69 million (2018: increase/ decrease by Rs 4.92 million).

26.2.2 Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company's income of the value of its holding of financial instruments. The objective of foreign currency risk exposures within acceptable parameters, while optimizing the return on financial instruments.

	2019		2018	
	Rupees	US Dollar	Rupees	US Dollar
Foreign currency payables	(21,799,805,560)	(137,491,190)	(17,700,512,723)	(145,563,427)
Foreign currency receivable			12,467,986,291	102,532,782
Net exposure	<u>(21,799,805,560)</u>	<u>(137,491,190)</u>	<u>(5,232,526,432)</u>	<u>(43,030,645)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	----- (Pak Rupees) -----			
USD	136.4	110.07	158.55	121.60

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2019 would have decreased profit and loss by Rs. 2,179.98 million (2018: 523.25 million). A 10% weakening of the functional currency against USD at June 30, 2019 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

26.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities.

Financial liabilities in accordance with their contractual maturities are presented below:

June 30, 2019

	Rupees		
	Carrying amount	Contractual cash flows	Less than 1 Year
Trade and other payables	26,919,929,278	26,919,929,278	26,919,929,278
Loan from related party	5,316,346,884	5,316,346,884	2,534,000,000
Accrued interest	1,393,180,077	1,393,180,077	1,393,180,077
GOP Payable - ITFC Agreement	11,401,228,197	11,401,228,197	11,401,228,197
	<u>45,030,684,436</u>	<u>45,030,684,436</u>	<u>42,248,337,552</u>

June 30, 2018

	Rupees		
	Carrying amount	Contractual cash flows	Less than 1 Year
Trade and other payables	18,798,865,913	18,798,865,913	18,798,865,913
Loan from related party	5,316,346,884	5,316,346,884	5,316,346,884
Accrued Interest	503,084,093	503,084,093	503,084,093
	<u>24,618,296,890</u>	<u>24,618,296,890</u>	<u>24,618,296,890</u>

26.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The Company has no financial instruments under the fair value hierarchy. As at statement of financial position date, the carrying values of the financial assets and financial liabilities approximate their fair values.

26.4.1 Fair value hierarchy

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Company does not have any financial instruments which are required to be classified under aforesaid fair value hierarchies.

26.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide return for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital to ensure that it will be able to continue as a going concern. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

27. CORRESPONDING FIGURES

Following changes have been made in corresponding figures to conform to current year's presentation:

Account Balance	Note	Prior Year Classification	Current Year Classification	Rupees
Trade and Other Payables	14	Trade and Other Payables	Deferred Employee Benefits	1,214,341

28. NUMBER OF EMPLOYEES

	2019	2018
Total number of employees at end of the year	15	17
Average number of employees during the year	15	15

29. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorized for issue by the Board of Directors on 12 March 2020

30. GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.



CHIEF EXECUTIVE

DIRECTOR