KPMG

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INDEPENDENT AUDITORS' 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 30 June 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Taseer Hadi & Co.

Emphasis of Matters

- **Merger of Pakistan LNG Terminal Limited (PLTL) into the Company**

  We draw attention to note 1.3 to the financial statements, wherein it is stated that with effect from 01 January 2021 the Company merged with PLTL.

- **Restatement of comparative financial information**

  We draw attention to note 31 to the financial statements, which indicates that the comparative information presented as at and for the year ended 30 June 2020 has been restated.

Our opinion is not modified in respect of these matters.

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 the annual report but does not include the financial statements and our auditors' report thereon.

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

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

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.

Auditors' 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 auditors' 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 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 judgement and maintain professional scepticism 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 auditors' 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 auditors' 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, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

Other Matters

- The financial statements of the Company as at 30 June 2020 and 1 July 2019 and for the year ended 30 June 2020 excluding the adjustments described in Note 31 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 April 2021.

- As part of our audit of the financial statements as at and for the year ended 30 June 2021, we audited the adjustments described in Note 31 that were applied to restate the comparative information presented as at and for the year ended 30 June 2020 and the statement of financial position as at 1 July 2019. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 30 June 2020 or to the statement of financial position as at 1 July 2019, other than with respect to the adjustments described in Note 31 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 31 are appropriate and have been properly applied.

The engagement partner on the audit resulting in this independent auditors' report is Inam Ullah Kakra.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

24 August 2022

PAKISTAN LNG LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	30 June 2021	30 June 2020	01 July 2019
		---------------------------------	-Rupees-	---------------------------------
			Restated	Restated
ASSETS				
Non current assets				
Property and equipment	6	18,256,871	14,696,856	18,947,643
Right of use asset	8	123,066,457,935	133,767,889,061	-
Deferred taxation	27	3,522,732,950	5,262,711,192	2,115,404,126
Intangible assets	7	787,866	136,979	105,729
		126,608,235,622	139,045,434,088	2,134,457,498
Current assets				
Stock in trade	12	2,874,926,460	3,311,051,899	4,663,244,948
Advances and prepayments		73,762,248	2,871,498	2,586,901
Recoverable from tax authorities	9	4,089,416,880	2,436,576,699	1,115,641,693
Trade receivables	10	83,051,299,006	28,060,658,411	33,518,047,573
Other receivables	11	506,387,332	200,450,000	200,450,000
Short term investments	13	1,414,804,690	-	-
Cash and bank balances	14	1,585,962,181	3,363,466,134	6,533,778,186
		93,596,558,797	37,375,074,641	46,033,749,301
TOTAL ASSETS		220,204,794,419	176,420,508,729	48,168,206,799
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized share capital		1,000,000,000	1,000,000,000	1,000,000,000
(100,000,000 ordinary shares of Rs. 10 each)				
Issued, subscribed and paid-up capital	15	15,000,030	15,000,030	15,000,030
Fair value adjustment on loan from parent	15.2	(1,464,191,124)	(1,126,808,120)	(699,880,820)
Reserve on amalgamation	15.3	476,298,643	-	-
Accumulated profits		10,709,296,263	1,372,520,260	3,616,070,973
Total Equity		9,736,403,812	260,712,170	2,931,190,183
Non current liabilities				
Deferred employees' benefits	16	22,916,618	18,769,341	18,827,636
Loan from parent	17	5,084,820,968	-	2,782,346,884
Lease liability	8.1	114,849,832,761	131,867,184,140	-
		119,957,570,347	131,885,953,481	2,801,174,520
Current liabilities				
Current portion of loan from parent	17	1,250,000,000	5,984,282,830	3,927,180,077
Lease liability - current portion	8.1	8,509,955,347	8,722,947,680	-
Payable to Government	18	59,314,064,562	22,098,287,921	11,401,228,197
Income tax payable		-	70,618,650	-
Trade and other payables	19	21,436,800,351	7,397,705,997	27,107,433,822
		90,510,820,260	44,273,843,078	42,435,842,096
Total Liabilities		210,468,390,607	176,159,796,559	45,237,016,616
TOTAL EQUITY AND LIABILITIES		220,204,794,419	176,420,508,729	48,168,206,799
CONTINGENCIES AND COMMITMENTS	20			

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

PAKISTAN LNG LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	**30 June 2021**	30 June 2020
		-----Rupees-----	
			Restated
Revenue from contract with a customer	21	**216,913,318,412**	150,886,959,567
Cost of sales	22	**(207,142,834,160)**	(143,612,860,137)
Gross profit		9,770,484,252	7,274,099,430
Administrative expenses	23	**(372,165,893)**	(149,959,030)
Other income	24	**334,702,630**	592,971,578
Exchange gain / (loss)		**9,612,151,022**	(4,094,531,540)
Finance cost	25	**(5,983,439,717)**	(6,216,993,983)
Profit / (loss) before tax	8.2	13,361,732,294	(2,594,413,545)
Taxation	26	**(4,024,956,291)**	350,862,832
Profit / (loss) after tax		9,336,776,003	(2,243,550,713)
Other comprehensive income for the year		-	-
Total comprehensive profit / (loss) for the year		9,336,776,003	(2,243,550,713)

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

PAKISTAN LNG LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 2021	30 June 2020
		----------------Rupees----------------	
			Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		13,361,732,294	(2,594,413,545)
Adjustments for:			
Depreciation	8 & 23	10,709,837,672	10,705,749,452
Amortization	23	142,218	58,750
Provision for gratuity and leave encashment		30,816,237	14,442,524
Provision for contribution to provident fund		5,151,191	6,281,337
Interest expense	25	5,983,439,717	6,216,993,983
Unrealized exchange (gain) / loss		(8,913,748,788)	4,085,477,698
Loss / (gain) on disposal		179,629	(10,000)
Interest income	24	(334,540,630)	(592,808,578)
		20,843,009,540	17,841,771,621
Changes in:			
Advances, prepayments and other receivables		(53,038,111)	(284,597)
Trade receivables		(54,990,640,595)	5,457,389,162
Recoverable from tax authorities		(1,562,879,556)	(1,820,560,897)
Stock in trade		436,125,439	1,352,193,049
Trade and other payable		14,064,638,065	(19,770,099,936)
		(42,105,794,758)	(14,781,363,219)
Cash (used in) / generated from operations		(21,262,785,217)	3,060,408,402
Employee benefits paid		(44,442,791)	(16,581,164)
Income taxes paid		(2,930,003,320)	(2,226,199,693)
Interest paid on delayed payment		(77,560,677)	(8,363,048)
		(3,052,006,788)	(2,251,143,905)
Net cash (used in) / generated from operating activities		(24,314,792,005)	809,264,497
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(4,973,388)	(72,540)
Purchase of intangible assets	7	(604,884)	(90,000)
Proceeds from sale of property and equipment		191,904	15,000
Interest received		334,540,630	592,808,578
Net cash flows generated from investing activities		329,154,262	592,661,038
CASH FLOWS FROM FINANCING ACTIVITIES			
Government loan proceeds - net		37,215,776,641	10,697,059,724
Lease rentals paid	8	(13,788,295,761)	(13,651,846,769)
Repayment of loan from related party		(500,000,000)	(1,617,450,542)
Net cash flows generated from / (used in) financing activities		22,927,480,880	(4,572,237,587)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,058,156,863)	(3,170,312,052)
Cash and cash equivalents at the beginning of the year		3,363,466,134	6,533,778,186
Cash and cash equivalents transferred from PLTL on merger	5.14.1	695,457,600	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14.2	3,000,766,871	3,363,466,134

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

PAKISTAN LNG LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital: Issued, subscribed and paid up capital	Fair value adjustment on collateral arrangement with parent Company	Reserve on amalgamation	Accumulated profit	Total
	--Rupees--				
Balance as at 1 July 2019 as previously reported	15,000,030	-	-	800,786,027	815,786,057
Impact of restatements- note 31	-	(699,880,820)	-	2,815,284,946	2,115,404,126
Balance as at 01 July 2019 - restated	15,000,030	(699,880,820)	-	3,616,070,973	2,931,190,183
Total comprehensive loss for the year - restated					
Loss for the year - restated	-	-	-	(2,243,550,713)	(2,243,550,713)
Other Comprehensive income	-	-	-	-	-
Total comprehensive loss for the year - restated	-	-	-	**(2,243,550,713)**	**(2,243,550,713)**
Transactions with owners of the Company					
Distributions					
Fair value adjustment on loan from parent Company	-	(426,927,300)	-	-	(426,927,300)
Total distributions	-	**(426,927,300)**	-	-	**(426,927,300)**
Balance as at 30 June 2020 - restated	15,000,030	(1,126,808,120)	-	1,372,520,260	260,712,170
Balance as at 01 July 2020 - restated	15,000,030	(1,126,808,120)	-	1,372,520,260	260,712,170
Total comprehensive income for the year					
Profit for the year ended	-	-	-	9,336,776,003	9,336,776,003
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**9,336,776,003**	**9,336,776,003**
Reserve on amalgamation	-	-	476,298,643	-	476,298,643
Transactions with owners of the Company					
Distributions					
Fair value adjustment on collateral arrangement with parent Company	-	(337,383,004)	-	-	(337,383,004)
Total distributions	-	**(337,383,004)**	-	-	**(337,383,004)**
Balance as at 30 June 2021	15,000,030	(1,464,191,124)	476,298,643	10,709,296,263	9,736,403,812

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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, 1984 (now the Companies Act, 2017). The principle activity of the Company is to import, transport, market and distribute Liquefied Natural Gas (LNG). The Company's registered office was located at 9th floor, Petroleum House, Sector G-5, Islamabad, Pakistan. The Company achieved its commercial operation date on January 04, 2018. The Company is wholly owned by Government Holdings (Private) Limited (the Parent Company).

1.2 In previous years, the Company has awarded contracts to M/s. Gunvor and M/s. ENI SPI (the Sellers) for purchase and import of one (01) liquified natural gas 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 a total of two hundred and forty (240) cargos over the respective contract periods.

1.3 Ministry of Energy (Petroleum Division) vide its letter dated January 2, 2020 conveyed the formal decision of ECC and Cabinet for merger of Pakistan LNG Terminals Limited (PLTL), a wholly owned subsidiary of the Parent Company with the Company under section 284(2)(a) of Companies Act, 2017. The Board of Directors of PLTL, in the 87th meeting dated December 10, 2020; agreed the scheme of amalgamation/merger with effective date determined as January 01, 2021. In that resolution, the Board has also approved cancelation of PLTL shares without payment or any further consideration and an undertaking that all of PLTL's debts would be paid by the Company (the amalgamated entity). Further, the Company also notified the Securities and Exchange Commission of Pakistan (SECP) of the said amalgamation as approved by the Board. SECP acknowledgement regarding certification of the merger was received on June 29, 2021. The financial results of PLTL have been separately presented in its special purpose financial statements for the period from July 01, 2020 to December 31, 2020. The assets and liabilities of PLTL have been transferred at their carrying amounts and reflected in the financial statements of the Company, at the date of common control transaction i.e. January 01, 2021. For details of accounting policy of amalgamation refer note 5.14.

1.4 Imported liquified natural gas is re-gasified at LNG Terminal under Operation and Service Agreement (OSA) with Pakistan Gas Port Consortium Limited (PGPCL) as Terminal Operator. PLTL signed OSA with PGPCL, under the terms of the OSA, PGPCL as the Terminal Operator was responsible for the design, construction, installation, procurement and delivery of the LNG infrastructure during the pre-operational stage and for the operation and maintenance of the LNG Services Infrastructure after the commissioning of the infrastructure. Simultaneously, PLTL, entered into a Terminal Use and Regasification Agreement (TURA) with the Company, the terms of the TURA replicate those of the OSA, PLTL's roles and responsibilities as defined in the OSA are assumed by PLL in the TURA with the addition of service charges billed by PLTL from the Company on monthly basis, determined in US$/MMBTU.

After the amalgamation of PLTL with the Company that came into effect on 01 January 2021. The rights, powers, liabilities and duties of PLTL are transferred to PLL. Subsequent to the merger the OSA is now in effect between PGPCL as Terminal Operator and PLL as Customer while the TURA agreement is no longer in effect after the merger.

1.5 The Company has also principally agreed the major terms of Gas Sales and Purchase Agreement (GSPA) with 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.

1.6 As per the terms of above referred Operation and Service Agreement, PGPCL was required to achieve the commercial operation date (COD) on or before July 1, 2017; failing which, PLTL (now PLL) is entitled to receive liquidated damages from PGPCL @ US$ 200,000/- per day until new scheduled COD (i.e. November 28, 2017) and thereafter @ US$ 300,000/- per day until the COD is achieved. The COD was delayed and actually achieved on January 4, 2018. Accordingly, the Company is entitled to receive liquidated damages from PGPCL for the period of delay.

PLTL terminated the OSA with PGPCL on October 14, 2019 with immediate effect due to persistent breach by 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. Further, PGPCL took the matter of termination to the London Court of International Arbitration (LCIA) and the final decision related to the termination is currently pending before the LCIA.

1.7 the Company is pursuing the matter of "Reimbursement of Port Charges" with its liquified natural gas Suppliers for both term and spot cargos. From October 07, 2020 onwards, the Company is making payments as per its interpretation of Port Charges and adjusting liquified natural gas payments accordingly. For historical payments, the Company has issued Debit Notes to the respective term and spot suppliers for the recovery of all outstanding amounts on account of Port Charges. Some Spot suppliers have already agreed with the Company's stance and reimbursed the amounts sought by the Company in such debit notes, whereas the Company is pursuing reimbursement from remaining suppliers. M/s Ente Nazionale Idrocarburi (Eni) has reimbursed the amount of Port Charges under protest and has taken the matter to the LCIA. Final decision for port charges reimbursement is pending before the LCIA.

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 the Companies Act, 2017 differ from 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 on the historical cost convention except for certain items as disclosed in the relevant accounting policies below.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR / Rupees) 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.

Accounting estimates used by the management in preparation of these financial statements are disclosed and explained in notes 5.2, 5.5, 5.6, 5.8 and 5.13.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.1 New or amendments / interpretations to existing standards, interpretations and forthcoming requirements

The following are new and amended standards and interpretations which became applicable for accounting period beginning July 01, 2020 but are considered not to be relevant or do not have any significant effect on the Company's financial statements:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. PMMA

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the Board has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the Board to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

4.2 Standards, amendments and interpretations to accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards), interpretations and the amendments as notified under Companies Act, 2017 are effective for accounting periods beginning from the dates specified below:

- Amendment to IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 1 January 2022). Minor amendments were made to update references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRIC 21 'Levies'. The amendment also confirms that contingent assets should not be recognised at the acquisition date. This amendment is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 4 'Insurance Contracts'. The fix expiry date for the exemption in IFRS 4 from applying IFRS 9 for an entity choosing to apply the deferral approach is now 01 January 2023. This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current (effective for the annual periods beginning on or after 1 January 2023). These amendments in the standard have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 16 'Property, Plant and Equipment' Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022). It amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IFRS 9 'Financial Instruments, IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' Interest Rate Benchmark Reform – Phase 2 (applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted). The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms and shall be applied retrospectively. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IFRS 16 'Leases' COVID-19-Related Rent Concessions – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments were effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. In light of the effects of the COVID-19 pandemic, and the fact that many lessees were applying the standard for the first time in their financial statements, the Board provided an optional practical expedient for lessees. Under the practical expedient, lessees were not required to assess whether eligible rent concessions are lease modifications, and instead were permitted to account for them as if they were not lease modifications. This amendment is not likely to have an impact on Company's financial statements.

  The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

  - there is no substantive change to the other terms and conditions of the lease.

  This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2-Disclosure of Accounting Policies (effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted)–the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The Company is currently assessing the impact on its financial statements.

- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'-Definition of Accounting Estimates – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Company applies the amendments. This amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 12 'Income Taxes'-Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. This amendment is not likely to have an impact on Company's financial statements.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  IFRS 1 – 'The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

  IFRS 9 – 'The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  IFRS 16 – 'The amendment partially amends Illustrative Example 13 acCompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above mentioned amendments are not likely to have an impact on Company's financial statements.

4.3 SECP through S.R.O. 985 (I)/2019 dated 02 September 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of Expected Credit Loss (ECL) method shall not be applicable till 30 June 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period. Under the said S.R.O, the disclosure of the impacts of ECL was not required. Further, subsequent to year ended 30 June 2021, SECP through S.R.O 1177(I)/2021 dated 13 September 2021 extended the exemption period till 30 June 2022. Earlier to the aforesaid S.R.O. dated 02 September 2019, SECP in a press release dated 22 August 2019 communicated that IFRS 9 needs to be looked into from Pakistan perspective where phenomenon that circular debt need to be given due consideration. It was noted that concerns expressed by companies regarding practical limitations in determining ECL on debts due from government, due to uncertain cash recovery patterns of circular debt, carry weight. Public information regarding expected settlement of circular debt by GoP in coming years may result in subsequent reversals of impairment losses recognized in 2019. In accordance with the exemption granted by SECP, ECL has not been recognised in respect of financial assets due directly /ultimately from GoP which includes trade debts of Rs 83 billion (2020: Rs 28 billion) on account of inter-corporate circular debts.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at 30 June 2021:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
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 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes 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.

5.2 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.

5.3 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liability unless payment is not due within twelve (12) months after the reporting period. Liabilities for trade and other amounts payable 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.

5.4 PROVISIONS

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.

5.5 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.

5.6 LEASES

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

5.6.1 As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Right-of-use asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c) amounts expected to be payable under a residual value guarantee; and
d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

5.7 FINANCIAL INSTRUMENTS

The Company recognizes financial assets and financial liabilities on the date when they are originated. Trade and other receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets (unless it is a trade receivable without a significant financing component) 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. A trade receivable without a significant financing component is initially measured at the transaction price.

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.

5.7.1.1 Classification of financial assets:

On initial recognition, a financial asset is classified as measured at:
- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The Company determines the classification of financial assets at initial recognition. The classification of instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. The Company reclassifies its debt investment when and only when its business model for managing those instruments changes.

Financial assets that meet the following conditions are subsequently measured at amortised 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.

Financial assets that meet the following conditions are subsequently measured at 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 subsequently measured at FVTPL.

5.7.1.2 Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss (FVTPL); and
- financial liabilities at amortized cost

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent measurement

Financial assets (other than equity instruments) and liabilities

At amortised cost

Subsequent to the initial recognition, these are measured at effective interest rate method and subject to impairment. Gains and losses are recognized in profit or loss when the asset/ liability is derecognized/ or modified or the assets is impaired.

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.

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.

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.

At FVTPL

Subsequent to the initial recognition, these are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Financial assets (other than equity instruments) at FVTOCI

Subsequent changes in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in statement of profit or loss.

Financial assets- equity instruments

The Company subsequently measure all equity instruments at fair value. Where the Company's management has elected to present fair value gain and loss on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

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.

Financial assets at FVTPL

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

- 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 or losses recognized in profit or loss.

5.7.1.3 **Impairment of financial assets:**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost except for financial assets due directly/ ultimately from GoP in respect of which applicability of ECL model is deferred by the SECP as explained in note 4.3.

For trade debts other than trade debts on which ECL model is not applicable as per aforesaid notification of SECP, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Company uses General 3-stage approach for loans and advances, deposits, long term loans, long term investments other than TFCs on which ECL model is not applicable as per aforesaid notification of SECP, other receivables, other financial assets and cash and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition. 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.

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 information that relate to the Company's core operations.

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.

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.

5.7.1.4 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.

5.7.3 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.

5.8 TAXATION

5.8.1 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.

5.8.2 DEFERRED

Deferred tax is computed using the statement of financial position liability method for all temporary differences at the reporting date between tax bases 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, excess of minimum tax paid over corporate tax liability 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.

5.8.3 GROUP TAXATION

The Company is taxed as a one fiscal unit along with parent Company and its other wholly owned subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognised by each entity within the Group in their respective statement of comprehensive income, regardless of who has the legal rights or obligation for the recovery or payment of tax from or to the tax authorities. However, tax liability / receivable is shown by the parent based on annual tax computation, who has the legal obligation to pay or right of recovery of tax from the taxation authorities. Balances between the group entities on account of group tax is shown as other receivable / liability by the respective group entities.

5.9 REVENUE RECOGNITION

Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. Revenue associated with the sale of regasified liquified natural gas (RLNG) is recognized at transaction price that is allocated to that performance obligation. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of regasified liquified natural gas (RLNG) coincides with injection of RLNG into customer's pipeline infrastructure at the tie in point through Custody Transfer Station. The Company principally satisfies its performance obligations at a point in time and recognizes revenue relating to the performance.

Revenue is measured at the transaction price, net of government levies. Transaction prices of RLNG are notified by the government authorities on monthly based on agreements with customers, relevant applicable petroleum policy, decision of ECC of the Cabinet. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP.

Billings are generally raised by the end of each week which are payable within 5 days in accordance with the contractual arrangement with customers. The Company based on its assessment has not identified a significant financing component in its current contracts with customers because payment terms of 5 days are explicitly specified and delay in settlement of invoices does not result in a significant financing component.

5.10 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.

5.11 DIVIDENDS

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

5.12 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.

5.13 STAFF RETIREMENT BENEFITS

5.13.1 Defined benefit plan

The Company operates a funded gratuity plan (the Fund) for its eligible employees. The Fund has been transferred from PLTL on amalgamation. Employees completing the minimum qualifying period of six month as specified in the scheme. Cash compensation for the total number of years of service is payable at the time of retirement, resignation, death or expiry of employment contract at the rate of last drawn gross salary. The contract renewal period for each employee is 3 years. At the end of each year, the Company transfers its share of liability for the year towards the Fund.

5.13.2 Defined contribution plan

The Company operates registered contributory provident fund for its employees by the name of "Pakistan LNG Contributory Provident Fund" established on 17 January 2019. As per the scheme, 10% of the basic salary is contributed both by the employer and the employee.

5.13.3 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. Leave encashment is paid at the rate of latest gross salary to the regular and contract employees of the Company.

5.14 Amalgamation of PLTL with the Company

As explained in note 1.3, PLTL stands merged into the Company with effect from January 01, 2021 (the effective date), accordingly the properties, rights and powers, liabilities and duties of PLTL have been transferred to the Company. Further, all the proceedings now pending by or against PLTL are continued by or against the Company.

The shares of PLTL stand cancelled without payment or other consideration as agreed in the scheme of arrangement agreed between PLTL and the Company;

- As of the effective date of common control transaction, the Company has recognised in its financial statements the assets and liabilities received from PLTL at their carrying amounts using the audited financial statements of PLTL as at 31 December 2020 ;

- There are no fair-value adjustments to the assets and liabilities and recognition of new assets or liabilities as a result of the amalgamation accordingly the assets and liabilities of PLTL have been transferred at their carrying value at the effective date;

- The Company has not restated pre-combination information (i.e. financial information before the date of common control transaction);

-The Company has recognised the carrying amount of the net assets transferred from PLTL within its equity;

- The statement of profit or loss of the Company reflects the combined results of the Company and PLTL from the date of common control transaction;

- The pre-combination financial information, accordingly, is of the Company only; and

- There are no significant differences in the accounting policies of the Company and PLTL, accordingly no adjustments have made.

As a result of the common control transaction, the below assets and liabilities of PLTL have been transferred to the Company during the year:

	As at 31 December 2020
	------Rupees------
ASSETS	
Non current assets	
Property and equipment	7,364,706
Intangible assets	188,221
Deferred tax asset	1,806,667
	9,359,594
Current assets	
Advances and prepayments	15,217,041
Accrued interest	216,683
Receivable from an associated Company	1,471,326,506
Other receivables	2,635,600
Cash and bank balances	695,240,917
	2,184,636,747
TOTAL ASSETS	2,193,996,341
LIABILITIES	
Non current liabilities	
Loan from parent Company	-
Deferred employee benefits	6,035,004
	6,035,004
Current liabilities	
Loan from parent Company - current portion	81,151,437
Income tax payable	180,315,331
Payable to the operator of the LNG terminal	1,398,662,927
Other payables	51,532,999
	1,711,662,694
TOTAL LIABILITIES	1,717,697,698
Amount recognised in equity of the Company	
Reserve on amalgamation	476,298,643

5.14.1 **Cash and cash equivalents transferred from PLTL on amalgamation**

Accrued interest	216,683
Cash and bank balances	695,240,917
Cash and cash equivalents	695,457,600

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

6 PROPERTY AND EQUIPMENT

Particulars	Computer equipment	Furniture and fixture	Office equipment	Motor vehicle	Communication Equipment	Total
		-----------------------------	-Rupees-	-----------------------------		
Cost						
As at 01 July 2019	13,039,718	11,075,263	5,951,506	2,014,097	-	32,080,584
Additions during the year	72,540	-	-	-	-	72,540
Disposals during the year	(100,000)	-	-	-	-	(100,000)
As at 30 June 2020	13,012,258	11,075,263	5,951,506	2,014,097	-	32,053,124
As at 1 July 2020	**13,012,258**	**11,075,263**	**5,951,506**	**2,014,097**	-	**32,053,124**
Additions during the year	**4,009,896**	**418,492**	-	-	**545,000**	**4,973,388**
Transfers from PLTL during the year on amalgamation	**3,831,439**	**4,877,250**	**5,417,172**	**2,762,500**	**180,000**	**17,068,361**
Disposal during the year	**(2,745,040)**	-	-	-		**(2,745,040)**
As at 30 June 2021	**18,108,553**	**16,371,005**	**11,368,678**	**4,776,597**	**725,000**	**51,349,833**
Depreciation						
As at 01 July 2019	7,944,732	2,568,569	1,894,560	725,080	-	13,132,941
Charge for the year	1,358,011	1,661,289	892,726	406,301	-	4,318,327
Depreciation on disposals	(95,000)	-	-	-	-	(95,000)
As at 30 June 2020	9,207,743	4,229,858	2,787,286	1,131,381	-	17,356,268
As at 01 July 2020	**9,207,743**	**4,229,858**	**2,787,286**	**1,131,381**	-	**17,356,268**
Charge for the year	**4,365,219**	**2,095,332**	**1,178,381**	**679,072**	**88,542**	**8,406,546**
Transfers form PLTL during the year on amalgamation	**2,405,084**	**2,551,286**	**3,799,896**	**932,389**	**15,000**	**9,703,655**
Depreciation on disposals	**(2,373,507)**	-	-	-		**(2,373,507)**
As at 30 June 2021	**13,604,539**	**8,876,476**	**7,765,563**	**2,742,842**	**103,542**	**33,092,962**
Net book value						
As at 30 June 2021	**4,504,014**	**7,494,529**	**3,603,115**	**2,033,755**	**621,458**	**18,256,871**
As at 30 June 2020	3,804,515	6,845,405	3,164,220	882,716	-	14,696,856
Depreciation rate %	30%	15%	15%	20%	50%	

7 INTANGIBLE ASSETS

	30 June 2021	30 June 2020
	------Rupees------	
Software		
Cost		
As at 01 July	231,979	141,979
Additions during the year	604,884	90,000
Transfers from PLTL on amalgamation	860,054	-
As at 30 June	1,696,917	231,979
Amortization		
As at 01 July	95,000	36,250
Transfers from PLTL on amalgamation	671,833	-
Charge for the year	142,218	58,750
As at 30 June	909,051	95,000
Net book value		
As at 30 June	787,866	136,979
Amortization rate %	25%	25%

8 RIGHT OF USE ASSET

	30 June 2021	30 June 2020
	------Rupees------	Restated
Leases - Company as lessee		
Cost		
At 01 July	144,469,320,186	144,469,320,186
Addition / (Deletion) during the year	-	-
At 30 June	144,469,320,186	144,469,320,186
Accumulated depreciation		
At 01 July	10,701,431,125	-
Depreciation charge	10,701,431,126	10,701,431,125
At 30 June	21,402,862,251	10,701,431,125
Net carrying amount - 30 June	123,066,457,935	133,767,889,061

8.1 LEASE LIABILITY

	30 June 2021	30 June 2020
At July 01	140,590,131,820	-
Recognized during the year	-	144,469,320,186
Interest charge during the year	5,473,875,341	5,743,351,824
Lease payments during the year	(13,788,295,761)	(13,651,846,769)
Exchange (gain) during the year	(8,915,923,292)	4,029,306,579
At 30 June	123,359,788,108	140,590,131,820
Current portion	(8,509,955,347)	(8,722,947,680)
Non-current portion	114,849,832,761	131,867,184,140

	30 June 2021	30 June 2020
	----Rupees----	Restated
Lease liability		
Maturity analysis - contractual undiscounted cash flows		
Not later than one year	13,532,522,552	14,465,780,710
Later than one year and not later than five years	54,167,165,611	57,902,755,116
Later than five years	88,091,160,502	108,632,068,291
	155,790,848,665	181,000,604,117
Amounts recognized in profit and loss		
Depreciation charged on right of use asset	10,701,431,126	10,701,431,125
Exchange (gain) on lease liability	(8,915,923,292)	4,029,306,579
Interest expense on lease liability	5,473,875,341	5,743,351,824
Amounts recognised in statement of cash flows		
Total lease payments	13,788,295,761	13,651,846,769

8.1.1 **Lease arrangement**

The Company recognised the lease on Floating Storage and Regasification Unit (FSRU), Jetty and connecting pipelines assets located at LNG terminal. Initially lease arrangement was entered by PLTL through Operation Services Agreement (OSA) with PGP Consortium Limited (PGPCL) as main lease arrangement, additionally Terminal Use and Regasification Agreement (TURA) was entered into by Company with PLTL as sub lease arrangement. Subsequent to merger of PLTL with the Company held in this year, this lease arrangement effectively remained with PGPCL as lessor and the Company as lessee.

Under the lease contract the Company has to pay fixed lease rentals, Interest rate implicit in the lease was not available therefore lease liability initially measured at the present value of the lease payments using the Company's incremental borrowing rate. The Company used the discount rate of LIBOR+2% to reflect the rate at which external financiers would lend to the Company for the type of asset leased.

8.2 **Impact of IFRS 16 Leases on Profit and Loss account**

Profit / (loss) before tax for the year	13,361,732,294	(2,594,413,545)
Exchange (gain) / loss on re-translation of liability as at 30 June	(8,915,923,292)	4,029,306,579
Lease rentals paid during the year	(13,788,295,761)	(13,651,846,769)
Interest expense on lease liability	5,473,875,341	5,743,351,824
Depreciation of right of use asset	10,701,431,126	10,701,431,125
	(6,528,912,586)	6,822,242,759
Profit before tax for the year without IFRS 16 application	6,832,819,708	4,227,829,214
Current tax expense for the	(2,131,571,641)	(1,635,110,679)
Profit after tax for the year without IFRS 16 application	4,701,248,067	2,592,718,535

	30 June 2021	30 June 2020
	----------Rupees----------	
9 RECOVERABLE FROM TAX AUTHORITIES		
Advance tax	**89,960,625**	-
General sales tax recoverable	**3,999,456,255**	2,436,576,699
	4,089,416,880	2,436,576,699
10 TRADE RECEIVABLES		
Considered good - unsecured	**83,051,299,006**	28,060,658,411

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost except for financial assets due directly/ ultimately from GoP in respect of which applicability of ECL model is deferred by the SECP as explained in note 4.3.

Trade receivables represents balance receivable from Sui Northern Gas Pipeline Company Limited, a related party. It includes overdue balance receivable of Rs. 76,446 million (2020: Rs. 25,711 million). The maximum aggregate amount outstanding at any time during the year with reference to month-end balances is Rs. 56,830 million (2020: Rs. 32,300 million).

The management of Company considers this amount to be fully recoverable because Government of Pakistan has been assuming the responsibility to settle the Inter-Corporate circular debt in the energy sector. The Government of Pakistan (GoP) is committed, hence continuously pursuing for satisfactory settlement of Inter-corporate circular debt issue, however, the progress is slower than expected resulting in accumulation of Company's trade debts. The Company considers this amount to be fully recoverable because the Government of Pakistan has been assuming the responsibility to settle the Inter-corporate circular debt in the energy sector. The Company recognizes interest/ surcharge, if any, on delayed payments from customers only to the extent that it is highly probable that a significant reversal in the amount of income recognized will not occur when the uncertainty associated with the interest/ surcharge is subsequently resolved, which is when the interest/ surcharge on delayed payments is received by the Company. As disclosed in note 4.3 to these financial statements, SECP has deferred the applicability of ECL model till 30 June 2022 on financial assets due directly/ ultimately from GoP in consequence of the circular debt.

		Note	30 June 2021	30 June 2020
			----------------Rupees----------------	
11	OTHER RECEIVABLES			
	Accrued recoverable	11.1	200,450,000	200,450,000
	Tax receivable from the parent Company under group taxation	11.2	305,937,332	-
			506,387,332	200,450,000

11.1 This relates to cost incurred and paid by the Company on commissioning cargo due to associated costs such as extended lay time, 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 Oil and Gas Regulatory Authority (OGRA).

11.2 Amount recoverable from Federal Board of Revenue (FBR) through the parent Company on account of minimum tax paid over and above the corporate tax liability of the Company at 29%, as group taxation has been opted by the parent Company and its subsidiaries under section 59AA of the Income Tax Ordinance, 2001.

		Note	30 June 2021	30 June 2020
			----------------Rupees----------------	
12	STOCK IN TRADE			
	LNG held with third party	12.1	2,852,022,134	3,290,442,572
	RLNG held in pipeline	12.2	22,904,326	20,609,327
			2,874,926,460	3,311,051,899

12.1 Amount relates to closing stock of LNG 112,787.62 m^3 (2020: 132,446.92 m^3) inventory held with PGP Consortium Limited (PGPCL) at the Floating Storage and Regasification Unit (FSRU) as at June 30, 2021.

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

		Note	30 June 2021	30 June 2020
			----------------Rupees----------------	
13	SHORT TERM INVESTMENTS			
	Investment held at amortized cost			
	Investment in term deposit receipts		1,408,000,000	-
			1,408,000,000	-
	Investment in term deposit receipts		1,408,000,000	-
	Interest accrued		6,804,690	-
	Total investment	13.1	1,414,804,690	-

13.1 This represents local currency term deposit receipts placed with the Habib metropolitan bank. amounting to Rs. 1,408 million (2020: Nil), and accrued interest amounting to Rs. 6.80 million (2020: Rs. Nil), carrying interest rate 7.35% per annum (2020: Nil), having maturity up to 3 months.

		Note	30 June 2021	30 June 2020
			----------------Rupees----------------	
14	CASH AND BANK BALANCES			
	Cash in hand		210,923	35,794
	Cash at bank - saving accounts	14.1	1,585,751,258	3,363,430,340
			1,585,962,181	3,363,466,134

14.1 These carry mark-up at the rate ranging between 5.50% to 6.50% (2020: 6.75% to 13.35%) per annum.

		Note	30 June 2021	30 June 2020
14.2	**Cash and cash equivalents**		-----Rupees-----	
	Short term investments		1,414,804,690	-
	Cash and bank balances		1,585,962,181	3,363,466,134
			3,000,766,871	3,363,466,134

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Issued, subscribed and paid up capital:

	Note	30 June 2021	30 June 2020
1,500,003 ordinary shares of Rs.10 each fully paid in cash	15.1	15,000,030	15,000,030

15.1 Government Holdings (Private) Limited (parent Company) holds 100% of the issued, subscribed and paid-up capital.

15.2 This reserve represents the interest charged over and above of market rate by the parent Company, on account of lien created on the term deposit receipt of the parent Company for issuing guarantee on behalf of the Company.

15.3 This reserve represents the difference between the consideration transferred and net of carrying amount of assets and liabilities received from PLTL on amalgamation. Refer note 5.14.

		Note	30 June 2021	30 June 2020
			-----Rupees-----	
16	**DEFERRED EMPLOYEES' BENEFITS**			
	Provision for gratuity	16.1.1	6,922,170	11,941,437
	Provision for leave encashment	16.1.2	15,994,448	6,827,904
			22,916,618	18,769,341

16.1 Actuarial valuation of deferred employees' benefits has not been carried out as the impact is considered immaterial.

16.1.1 Provision for gratuity

	30 June 2021	30 June 2020
Balance at the beginning of the year	11,941,437	10,495,903
Provision made during the year	17,679,926	9,163,258
Payment made during the year	(22,699,193)	(7,717,724)
Balance at the end of the year	6,922,170	11,941,437

16.1.2 Provision for leave encashment

	30 June 2021	30 June 2020
Balance at the beginning of the year	6,827,904	8,331,733
Provision made during the year	13,136,311	5,279,266
Payment made during the year	(3,969,767)	(6,783,095)
Balance at the end of the year	15,994,448	6,827,904

17 LOAN FROM PARENT

	30 June 2021	30 June 2020
Loan from parent - Principal	3,946,928,604	-
Loan from parent - Accrued interest	1,137,892,364	-
	5,084,820,968	-

Loan from parent - Principal

Government Holdings (Private) Limited

	30 June 2021	30 June 2020
Current portion	1,000,000,000	5,316,346,884
Non - current portion	3,946,928,604	-
Total loan from parent- principal	4,946,928,604	5,316,346,884

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Movement in loan from parent	Note	30 June 2021	30 June 2020
		----------------Rupees----------------	
Balance at the beginning of the year		5,316,346,884	5,316,346,884
Transferred from PLTL on amalgamation		80,581,720	-
Received during the year		-	-
Repayment made during the year		(450,000,000)	-
Balance at the end of the year	17.1	4,946,928,604	5,316,346,884
Current portion		(1,000,000,000)	(5,316,346,884)
Non-current portion		3,946,928,604	-

17.1 The parent Company had provided advances to the Company solely to meet the operational activities related to LNG imports and to meet the guarantee requirements under the contract for LNG imports. On 22 November 2017, the Parent 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 by term sheet amendment dated 19 October 2018, with the loan now payable to the Parent Company over a course of three (03) years up till March 2021. Rate of interest on loan is six (06) months KIBOR plus 2 percent at the date of transaction.

During the year, the loan payment rescheduled. Accordingly, five installments of Rs. 200 million on account of principal amount and of Rs. 50 million on account of interest will be paid to Company after end of reporting period. Continuous review of repayment of loan will be carried out by board.

	Note	30 June 2021	30 June 2020
		----------------Rupees----------------	
17.2 CURRENT PORTION OF LOAN FROM PARENT			
Principal		1,000,000,000	5,316,346,884
Accrued interest		250,000,000	667,935,946
		1,250,000,000	5,984,282,830
18 PAYABLE TO GOVERNMENT			
Balance at the beginning of the year		22,098,287,921	11,401,228,198
Utilization during the year	18.1	37,215,776,641	33,754,065,114
Amount repaid by the Company		-	(23,057,005,391)
Balance at the end of the year		59,314,064,562	22,098,287,921

18.1 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, with the Company designated as an executing agency by the GoP. As per the agreement, payments to LNG suppliers are processed by ITFC, with the Company processing the payment to the State Bank of Pakistan (SBP) in the designated bank account in USD equivalent PKR. Accordingly, during the year the Company executed fourteen 14 transactions (2020: 10 transactions) with LNG suppliers under the agreement, amounting to Rs. 37,216 million (2020: Rs. 34,367 million).

	Note	30 June 2021	30 June 2020
		----------------Rupees----------------	
19 TRADE AND OTHER PAYABLES			
Trade Payables	19.1	16,170,068,080	7,340,344,120
Sales tax payable		157,439	-
Excise duty and cess payable at import stage		3,175,569,209	24,516,153
PQA Wharfage Payable		56,030,048	13,400,182
Accrued liabilities		73,460,890	10,699,821
Withholding income tax payable		2,290,941	1,930,402
Withholding sales tax payable		132	227,683
Port Charges recovered	22.1	1,959,223,612	-
Provident fund payable	19.2	-	6,587,636
		21,436,800,351	7,397,705,997

19.1 This amount includes payable to PGP Consortium Limited (PGPCL) of Rs. 1,346.50 million (2020: Rs. 1,458.08 million) on account of regasification charges and payable to LNG suppliers amounting to Rs. 14,823.58 million (2020: Rs. 3,905.39 million).

19.2 All contributions related to provident fund are deposited in the recognized fund of the Company on monthly basis at each month end.

20 CONTINGENCIES AND COMMITMENTS

20.1 Tax Contingencies

i) For tax year 2018, Additional Commissioner Inland Revenue (ACIR) amended the Company's assessment under section 122(5A) and created tax demand of Rs. 1,691 million by making disallowances of unrealized exchange loss, credit of tax paid under import stage, capacity, utilization and flexibility charges.

The Company filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] who has remanded back the issue of disallowances of tax credit on tax paid at import stage, disallowed the unrealized exchange loss and rendered its decision on the issue of disallowances of regasification charges pending till the decision of Economic Coordination Committee (ECC). in terms of separate appellate orders disposed off the appeal and upheld the disallowance made by the ACIR.

The Company and ACIR both filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) who has granted stay against the possible recovery of impugned demand till the disposal of main appeal or prior notice of 15 days whichever is earlier.

ii) For tax year 2019, Deputy Commissioner Inland Revenue (DCIR) amended the Company's assessment under section 122(5A) and created tax demand of Rs. 4,207 million by making disallowances of realized and unrealized exchange loss, provision for gratuity and leave encashment, import related cost, recoverable from SNGPL, credit of tax under section 148 read with section 169, capacity, utilization and flexibility charges.

The Company filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)]and obtained stay from Appellate Tribunal Inland Revenue (ATIR) against the recovery of impugned demand till the disposal of main appeal by the CIR(A).

iii) For tax year 2020, Additional Commissioner Inland Revenue (ACIR) amended the Company's assessment under section 122(5A) and created tax demand of Rs. 2,928 million by making disallowances of exchange loss, provision for gratuity and leave encashment, import related cost, capacity, utilization and flexibility charges.

The Company filed an appeal before the CIR(A) appeals who in terms of separate appellate orders disposed off the appeal and upheld the disallowance made by the ACIR. The demand amounting to Rs. 2,928 million raised by the department was coercively recovered by the department.

The Company has filed appeal before ATIR against the decision of CIR(A) appeals.Hearing before ATIR is pending.

The management, based on the opinion of its tax consultants, believes that the above mentioned matters are most likely to be decided in favour of the Company at superior appellate forum and no further provision has been booked relating to these matters in these financial statements.

20.2 Other contingencies

i) PLTL which has now been merged into the Company from 01 January 2021, had provided standby letter of credit (SBLC) to PGPCL (the Operator) equivalent to three (03) months capacity charge (i.e. Rs. 2,266,000,000) as per Operations and Services Agreement (OSA). However, PGPCL had disputed the amount and had referred the matter to dispute resolution mechanism in terms of OSA. The dispute resolution mechanism had been completed and no amicable resolution was achieved. In terms of the clause 37 and 37.1 of the OSA, the matter had been referred to international arbitration at London Court of International Arbitration (LCIA) on 5 March 2020 under the case number 204638. Accordingly, the Company has not renewed the SBLC.

ii) PLTL entered into an Operation and Service Agreement (OSA) with PGP Consortium Limited (PGPCL), under which the Operator was required to achieve the commercial start date on or before 1 July 2017; failing which, the Company was entitled to receive liquidated damages from, the Operator at USD 200,000 per day until new scheduled commercial start date (i.e. 28 November 2017) and thereafter at USD 300,000 per day until the commercial start date is achieved. The Commercial start date was delayed and actually achieved on 4 January 2018 with a delay of 187 days. Accordingly, the Company has lodged a claim of liquidity damages to the Operator amounting to USD 30,000,000 and USD 11,100,000 vide letter dated 25 September 2017 and 26 February 2018 for the period of delay till actual commercial start date and claim for other damages of USD 991,000. The Operator has disputed demand of the Company and has opted for dispute resolution mechanism stipulated in OSA. The dispute resolution mechanism has been completed and parties have not reached any amicable settlement. In terms of the clause 37 and 37.1 of the OSA, the matter has been referred to international arbitration at London Court of International Arbitration (LCIA) on 5 March 2020, under the case number 204638.

iii) PLTL sent a notice for termination of OSA to the Operator on 14 October 2019 with immediate effect due to persistent breach by the Operator of its obligations under the OSA to provide Adequate Assurance of Performance in terms of either:

(1) SBLC equivalent to USD 10,000,000;
(2) Security Interest in an Asset equivalent to USD 15,000,000; or
(3) A Corporate Guarantee from an entity having long term credit rating of at least A+ and Short term credit rating of A1.

PGPCL disputed the termination and invoked dispute resolution clause of OSA for amicable settlement of dispute. The dispute resolution mechanism could not achieve desired objective of amicable settlement, hence, matter was referred to international arbitration at London Court of International Arbitration (LCIA) on 28 February 2020, under case number 204593. The LCIA has appointed Arbitration Tribunal and has merged the two arbitrations into one under Arbitration Case Number 204593. The relief sought by PGPCL against termination of OSA is to declare termination null and void and to ask Company to reimburse the legal cost. As per the Arbitral Tribunal revised timetable, first tranche of the hearing of the arbitration was held from 1-5 May, 2022. Both sides made their opening statements. Thereafter, both parties cross-examined the witnesses. Both parties will be making closing arguments on 8-9 June, 2022. Thereafter, the Tribunal will award its decision.

In terms of the ancillary agreements of OSA, parties are required to continue to perform their respective obligations to the extent not affected by the relevant dispute. The management is confident of a favorable outcome in the arbitration award.

20.3 Commitments

20.3.1 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.

20.3.2 In accordance with the 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 Sellers) for a period of 5 years and 15 years respectively from the start of commercial operation date.

20.3.3 The Company uses premises for official purposes which is rented from the Ministry of Energy (Petroleum Division). In respect of the same, the Company is required to make rental payments to the Ministry of Energy (Petroleum Division) on applicable rates notified from time to time. The Company has not received demand for rent from the said Ministry, consequent to which, the Company has recognized accrual for the rental expense amounting to Rs. 8.8 million till date.

		Note	30 June 2021	30 June 2020
			------------------Rupees------------------	
21	**Revenue from contract with a customer**			
	Gross sales - Regasified liquified natural gas	21.1	242,942,916,621	168,993,394,715
	Sales tax		(26,029,598,209)	(18,106,435,148)
	Net sales		216,913,318,412	150,886,959,567

21.1 As per the decision of the Economic Coordination Committee (ECC) vide case no. ECC-62/12/2018 dated 30 May 2018, the LNG margin of the Company was increased from 2.5% to 3.75% with effect from 01 June 2018. However, implementation of the same is currently pending with OGRA. Once implemented, the margin will be recovered by the Company prospectively.

21.2 Regasified liquified natural gas sales include sales to SNGPL invoiced on provisional prices. There may be adjustment in revenue upon issuance of final regasified liquified natural gas 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 prospectively.

		Note	30 June 2021	30 June 2020
			------------------Rupees------------------	
				Restated
22	COST OF SALES			
	Opening stock of liquified natural gas / regasified liquified natural gas		3,311,051,899	4,663,244,948
	Gas purchases:			
	Purchase of liquified natural gas		180,914,279,077	120,687,463,435
	Depreciation on right of use asset	8	10,701,431,126	10,701,431,125
	Import related costs	22.1	14,451,996,100	10,100,050,533
	Capacity, utilization and flexibility charges		267,574,579	292,862,610
	LSA management fee - PLTL		371,427,839	478,859,385
			206,706,708,721	142,260,667,088
	Less: Closing Stock in trade	12	(2,874,926,460)	(3,311,051,899)
			207,142,834,160	143,612,860,137

22.1 Under the Master Sales and Purchase Agreement ("MSPA") and the respective Confirmation Notices ("CN") signed with liquified natural gas Suppliers "Seller" of the Company, it is agreed that the Company "Buyer" shall make payment of invoices raised by the Seller and the Parties shall adjust port charges retrospectively upon availability of final PQA invoices. The Company on the bases of legal opinion, is of the view that definition of "Port Charges", under the MSPA and CN, is restricted to Pilotage Fees (inclusive of towage charges) and any Monsoon Charges. The Company is of the view that any other charges which do not fall under this definition of "Port Charges" are the responsibility of the Seller.

During the period from November 2017 to October 2020, the liquified natural gas suppliers have claimed Port Charges which included certain components that do not fall under the definition of port charges as per interpretation of the management. The management, based on the above legal opinion, has disputed such charges and issued Debit Notes to respective term and spot suppliers for the recovery of such charges in the moth of December 2020.

Total disputed recoverable amount on account of Port Charges from inception to October 2020 was USD 27.61 million out of which 12.71 million has been recovered during the year ending 30 June 2021. Amount recovered in presented in note 19 of these financial statements as liability as one of the liquified natural gas suppliers M/s Eni S.p.A ("Eni") after paying the disputed amount initiated arbitration on 23 July 2021 (Suit No. LCIA 215242 of USD 11,042,924) before the London Court of International arbitration ("LCIA"). The arbitration is still at an early stage. After Eni filed its request for arbitration ("RFA") on 23 July 2021, the Company filed its response to the RFA on 01 October 2021. On 19 November 2021, the LCIA confirmed the appointment of the arbitral tribunal. Procedural order is yet to be issued by the arbitral tribunal after which exchange of correspondence between the arbitral tribunal and the parties will take place. the Company is also pursuing the matter of 'Port Charges' with its liquified natural gas suppliers of both term and spot cargoes who have not paid as per demand notices issued.

23 ADMINISTRATIVE EXPENSES

	Note	30 June 2021	30 June 2020
		------Rupees------	
Salaries and allowances	23.1	148,697,210	88,128,727
Fee and consultancy charges		62,467,441	6,171,698
Board meetings		26,407,000	10,417,290
Business promotion		7,602,962	3,496,791
Travelling		2,975,956	2,695,154
Training / Conferences / Seminars		2,917,831	-
Rent		4,691,714	4,407,768
Depreciation on property and equipment		8,406,546	4,318,327
Utilities		5,598,881	3,761,222
Insurance		3,312,638	1,969,938
Entertainment		714,368	359,236
Printing, stationary and other consumable		826,046	345,348
Custom clearing charges		11,703,584	5,584,296
Bank charges		9,568,732	6,674,963
Metering cost		-	7,489,470
Auditors' remuneration	23.2	1,058,000	1,116,500
Miscellaneous		835,658	341,782
IT expenditures		1,956,245	1,541,813
Repair and maintenance		1,000,326	384,984
Security expenses		-	694,973
Amortization		142,218	58,750
Charges and penalties		71,102,908	-
Loss on disposal		179,629	-
		372,165,893	149,959,030

23.1 It includes gratuity and leave encashment expenses amounting to Rs. 17.68 million (2020: Rs 9.16 million) and Rs. 13.14 million (2020: Rs 5.28 million) respectively, for eligible employees as per Company policy. Furthermore, it also includes contributions of by the employer to provident fund amounting to Rs. 5.15 million (2020: Rs. 3.14 million).

23.2 Auditors' remuneration

	30 June 2021	30 June 2020
	------Rupees------	
Statutory audit fee	880,000	880,000
Report on compliance of Public Sector Companies (Corporate Governance) Rules 2013	82,500	82,500
Out of Pocket	95,500	154,000
	1,058,000	1,116,500

24 OTHER INCOME

	30 June 2021	30 June 2020
- Profit on bank deposit	334,540,630	592,808,578
- Others	162,000	163,000
	334,702,630	592,971,578

25 FINANCE COST

	Note	30 June 2021	30 June 2020
		------Rupees------	Restated
Interest expense on lease liability	8	5,473,875,341	5,743,351,824
Interest on loan from related party		427,994,904	438,762,820
Interest on SBLC provided by a related party		4,008,795	26,516,291
Interest on delayed payment		77,560,677	8,363,048
		5,983,439,717	6,216,993,983

		Note	30 June 2021	30 June 2020
			------------------Rupees------------------	
				Restated
26	TAXATION			
	Current tax			
	- Current		2,283,171,382	2,263,304,394
	- Prior		-	533,139,840
			2,283,171,382	2,796,444,234
	Deferred			
	Charge/ (credit) for the year		1,741,784,909	(3,147,307,066)
		26.1	4,024,956,291	(350,862,832)
26.1	Reconciliation of tax charge for the year			
	Accounting profit/(loss)		13,361,732,294	(2,594,413,545)
	Tax rate		29%	29%
	Tax on accounting profit at applicable rate 29% (2020: 29%)		3,874,902,365	(752,379,928)
	Tax effect of:			
	Tax impact of applicability of minimum tax u/s 113		-	3,015,684,323
	Tax impact of elimination of Inter Company transaction		232,987,123	-
	Tax impact of minimum tax paid over corporate tax liability		-	(1,161,333,555)
	Tax impact of lease		-	(1,978,450,400)
	Claim of loss of amalgamating Company		(106,260,597)	-
	Tax relating to prior years		-	533,139,840
	Others		23,327,400	(7,523,111)
			150,053,926	401,517,097
			4,024,956,291	(350,862,832)
27	DEFERRED TAXATION			
	Deferred taxation		3,522,732,950	5,262,711,192
	Movement in the deferred tax asset:			
	Balance at beginning of the year		5,262,711,192	2,115,404,126
	(Debit)/credit to the statement of profit or loss	26	(1,741,784,909)	3,147,307,066
	Deferred tax asset transferred from PLTL on amalgamation		1,806,667	-
			3,522,732,950	5,262,711,192
27.1	Deferred tax in respect of taxable/(deductible) temporary differences:			
	Reduced depreciation on Property and equipment		1,070,159	317,659
	Unrealized exchange gain / (loss) on lease		85,065,750	1,978,450,400
	Minimum tax paid over and above corporate tax liability		3,429,951,222	3,276,737,681
	Pre commencement expenditure		-	1,762,343
	Deferred employee benefits		6,645,819	5,443,109
			3,522,732,950	5,262,711,192

27.2 Deferred tax has been calculated at the current effective tax rate of 29% (2020: 29%).

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

28 TRANSACTIONS WITH RELATED PARTIES

The Company is wholly owned subsidiary of Government Holdings (Private) Limited which is wholly owned by Government of Pakistan. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise subsidiaries, directors, major shareholders, companies with common directorship, key management personnel and gratuity fund. The Company in normal course of business pays for electricity, gas, airfare and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements. Transactions of the Company with related parties and balances outstanding at the period end are as follows:

	30 June 2021	30 June 2020
	------------------Rupees------------------	
		Restated
Parent Company		
GHPL as a parent Company holds 100% shares of the Company		
Long term loan from parent		
Non- Current Portion	**5,084,820,968**	-
Current Portion	**1,250,000,000**	5,984,282,830
Tax receivable from the parent Company under group taxation	**305,937,332**	-
Fair value adjustment on collateral arrangement with parent Company	**337,383,004**	426,927,300
Interest Expense on loan from parent	**436,988,017**	465,279,111
Related parties by virtue of GoP holdings and /or common directorship		
Sui Northern Gas Pipelines Limited		
Sale of regasified liquified natural gas - net	**216,913,318,412**	150,886,959,567
Trade debts as at 30 June	**83,051,299,006**	28,060,658,411
Ministry of Energy (Petroleum Division)		
Rent expense for the year	**4,407,768**	4,407,768
Other related parties		
Contribution to gratuity fund	**22,699,193**	7,717,724
Remuneration to key management personnel (refer note 27)	**91,103,821**	60,434,157
Contribution to provident fund	**11,738,827**	2,080,345

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

29 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:

	30 June 2021		30 June 2020	
	Chief Executive	Executives	Chief Executive	Executives
	------------Rupees----------		-----------Rupees----------	
Basic salary	-	46,448,417	2,614,597	24,319,402
Rent allowance	-	20,901,788	1,176,569	10,943,731
Medical allowance	-	4,644,842	261,460	2,431,940
Utility allowance	-	4,644,842	261,460	2,431,940
Conveyance allowance	-	7,862,961	333,333	3,647,910
Mobile allowance	-	665,805	13,333	309,000
Leave encashment	-	-	2,999,995	5,015,410
Provident fund contribution	-	4,644,842	-	3,185,079
Additional Charge allowance	1,290,324	-	-	488,998
	1,290,324	89,813,497	7,660,747	52,773,410
Number of persons	1	18	1	10

The Chief Executive Officer assumed charge on additional charge basis on September 17, 2020. In addition, 6 (2020: 7) directors were paid aggregate amount of Rs. 26.40 million (2020: Rs 10.42 million) on account of fee for attending various board meetings.

30 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board's risk management committee assists the Board in the identification and monitoring of the principal risks and opportunities of the Company ensuring that appropriate systems and internal control framework are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Company. The Committee is required to oversee, report and make recommendations to the board in respect of financial and non-financial risks faced by the Company.

30.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings:

30.1.1 Counterparties

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

Trade receivables and other receivables

Trade receivables are essentially due from gas distribution companies and the Company does not expect these companies to fail to meet their obligations.

Sale of Rregasified liquified natural gas is at prices specified in relevant agreements and/ or as notified by the Government authorities based on agreements with customers or relevant applicable petroleum policy. Prices of Rregasified liquified natural gas are determined by the Company subject to maximum price notified by OGRA.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts and other receivables that are due directly/ ultimately from GoP till 30 June 2021 as per policy disclosed in note 10 to the financial statements.

Bank balances and investments

The Company's credit risk is primarily attributable 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.

While bank balances and investments in term deposits are also subject to the requirements of IFRS 9 the identified impairment loss was immaterial as the counter parties have 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	Credit Rating Long Term
National Bank of Pakistan	PACRA	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
MCB Bank Limited	PACRA	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
Askari Bank Limited	PACRA	A-1+	AA+
Habib Metropolitan Bank	PACRA	A-1+	AA+
Bank Alfalah Limited	PACRA	A-1+	AA+
Habib Bank Limited	VIS	A-1+	AAA

30.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 June 2021	30 June 2020
	---Rupees---	
Trade receivables	83,051,299,006	28,060,658,411
Other receivables	506,387,332	200,450,000
Short term investments	1,414,804,690	-
Cash and bank balances	1,585,751,258	3,363,430,340
	86,558,242,286	31,624,538,751

The maximum exposure to credit risk for financial assets at the reporting date by type of counter party was:

Gas distribution companies	83,051,299,006	28,060,658,411
Banks and financial institutions	3,000,555,948	3,363,430,340
Others	506,387,332	200,450,000
	86,558,242,286	31,624,538,751

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

Re-gasified liquified natural gas	83,051,299,006	28,060,658,411
	83,051,299,006	28,060,658,411

EMA

30.3.1 Foreign currency risk management

PKR is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on carrying values:

	30 June 2021		30 June 2020	
	Rupees	US Dollar	Rupees	US Dollar
Foreign currency payables	14,823,577,113	94,122,671	7,333,573,264	43,560,589
Lease Liability undiscounted cash flows	155,790,848,665	989,197,862	181,000,604,118	1,075,122,950
Net exposure	170,614,425,778	1,083,320,533	188,334,177,382	1,118,683,539

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Rupees			
1 USD	160.47	158.15	157.49	168.35

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2021 would have increased profit and loss by Rs. 17,061.44 million (2020: Rs. 18,833.42 million). A 10% weakening of the functional currency against USD at June 30, 2021 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

30.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk is minimized by investing in fixed rate investments like TDR.

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

	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	%		Rupees	
Fixed rate instruments				
Financial assets				
Short term investments	7.35	-	1,414,804,690	-
Financial liabilities				
Lease liability	4.20	4.20	123,359,788,108	140,590,131,820
Loan from parent	8.20	8.20	6,334,820,968	5,984,282,830
Variable rate instruments-Financial assets				
Cash and Bank Balances	5.50 to 6.50	6.75 to 13.35	1,585,962,181	3,363,466,134

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

30.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	30 June 2021		30 June 2020	
	Gross debts	Impaired	Gross debts	Impaired
	----------Rupees----------			
Not past due	6,604,911,161	-	2,349,359,524	-
Past due 0-30 days	26,917,522,117	-	10,712,976,272	-
Past due 31-60 days	34,229,133,808	-	4,966,071,344	-
Past due 61-90 days	15,299,731,920	-	5,143,306,984	-
Over 90 days	-	-	4,888,944,287	-
	83,051,299,006	-	28,060,658,411	-

The aging of trade debts from related parties at the reporting date was:

	Sui Northern Gas Pipelines Limited	
	30 June 2021	30 June 2020
	----------Rupees----------	
Not past due	6,604,911,161	2,349,359,524
Past due 0-30 days	26,917,522,117	10,712,976,272
Past due 31-60 days	34,229,133,808	4,966,071,344
Past due 61-90 days	15,299,731,920	5,143,306,984
Over 90 days	-	4,888,944,287
	83,051,299,006	28,060,658,411

30.2 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:

30 June 2021	Carrying amount	Contractual cash flows
Trade and other payables	18,258,782,630	18,258,782,630
Loan from parent	6,334,820,968	6,334,820,968
Payable to Government	59,314,064,562	59,314,064,562
Lease liability	123,359,788,108	155,790,848,665
	207,267,456,269	239,698,516,825

30 June 2020	Carrying amount	Contractual cash flows
Trade and other payables	7,364,444,123	7,364,444,123
Loan from parent	5,984,282,830	5,984,282,830
Payable to Government	22,098,287,921	22,098,287,921
Lease liability	140,590,131,820	181,000,604,117
	176,037,146,694	216,447,618,991

30.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, liquified natural gas price will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

30.4 Fair values and risk management

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial assets measured at fair value is shown below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value as the current financial assets and liabilities are short term and some financial assets are also interest bearing. Further, the financial assets due directly/ ultimately from GoP carries contractual right and entitlement to receive interest on late payment and is exempt from ECL accounting/ disclosure as disclosed in note 10.

	Carrying amount		Fair Value		
	30 June 2021	30 June 2020	Level 1	Level 2	Level 3
	----Rupees----		----Rupees----		
FINANCIAL ASSETS					
Financial assets measured at fair value	-	-	-	-	-
Financial assets not measured at fair value:					
Amortized cost					
Short term investment	1,414,804,690	-	-	-	-
Trade receivables	83,051,299,006	28,060,658,411	-	-	-
Other receivables	506,387,332	200,450,000	-	-	-
Cash and bank balances	1,585,751,258	3,363,430,340	-	-	-
	86,558,242,286	31,624,538,751	-	-	-
FINANCIAL LIABILITIES					
Financial assets measured at fair value	-	-	-	-	-
Financial liabilities not measured at fair value:					
Amortized cost					
Loan from parent	6,334,820,968	5,984,282,830	-	-	-
Trade and other payables	18,258,782,630	7,364,444,123	-	-	-
Lease liability	123,359,788,108	140,590,131,820	-	-	-
Payable to Government	59,314,064,562	22,098,287,921	-	-	-
	207,267,456,269	176,037,146,694	-	-	-

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Non - derivative financial assets

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Capital 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 returns 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 structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

The senior management of the Company manages its capital to ensure that it will be able to continue as a going concern 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.

31 RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

Correction of prior period errors

During the year ended 30 June 2021 the Company identified matters as explained in note 31.1 to 31.4 which had been incorrectly accounted for in the prior year financial statements.

31.1 Lease liability and right-of-use asset

The lease arrangement

The Company has applied IFRS 16 for the period beginning on July 01, 2019 using the modified retrospective approach on the Operation and Services Agreement (OSA) with PGP Consortium Limited (PGPCL) and Terminal Use and Regasification Agreement (TURA) with PLTL. However, during the year it was noted that the terms of the OSA between PGPCL and PLTL and the sub-lease based on the terms of the TURA between the Company and PLTL are on substantially back to back terms and the rights and responsibilities in effect and practically are assumed by PGPCL as the Operator and the Company as the Customer. Consequently, it has been concluded that the PLTL was acting as an agent of the Company under the whole arrangement and that Company was the principal lessee under OSA and TURA. There is no financial impact on the financial statements of the Company because of the correction of this error in mis application of IFRS 16.

Lease liability and right-of-use asset

the lease liability was initially measured at the present value of the lease payments by using LIBOR as incremental borrowing rate. However, during the year it was note that LIBOR does not reflect the credit risk of the Company. Accordingly, the incremental borrowing rate has been changed from LIBOR to LIBOR+2% by the Company to reflect the rate at which external financiers would lend to the Company for the type of asset leased. This error has been corrected by restating comparative financial information.

As required under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the correction of this error and related deferred tax impact has been accounted for retrospectively and the comparative information of prior periods has been restated as disclosed in note 31.5 to these financial statements.

31.2 Interest accrued on amount placed by the Parent Company under lien as guarantee for standby letter of credit (SBLC) in favour of liquified natural gas suppliers

The parent Company has provided lien against its investments in term deposit receipts for the guarantee issued by the Company in favor of the liquified natural gas (LNG) suppliers of amounting to USD 18.2 million (2020: USD 43.7 million). The parent Company was charging interest to the Company KIBOR+2% for making available the above collaterals and guarantee for the Company and that rate charged by the parent Company was considered to be above above-market rate, considering the terms and conditions of the collaterals, local industry practice and local market circumstances. The interest charged in excess of reasonable market rate of 0.5% has now been corrected by recognizing the interest above market rate as fair value adjustment on collateral arrangements with the parent Company in equity with a corresponding increase in unappropriated profits of the Company as at 30 June 2020 and 01 July 2019.

As required under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the correction of this error and related deferred tax impact has been accounted for retrospectively and the comparative information of prior periods has been restated as disclosed in note 31.5 to these financial statements.

31.3 Recognition of deferred tax asset under IAS 12 on minimum tax paid under section 113 of Income Tax Ordinance, 2001

The clause (c) of sub-section (2) of section 113 of the Income Tax Ordinance states that the excess amount of minimum tax paid over corporate tax liability shall be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year for which the amount was paid. Additionally, The Institute of Chartered Accountants of Pakistan published Technical Release 27 which requires that current tax liability should be calculated under provisions of Section 113 and due to taxable loss, the effect of temporary differences should be calculated and deferred tax liability/ asset should be recognized. The Company paid excess minimum tax over corporate tax liability amounting to Rs. 379 million, Rs. 1,735 million and Rs. 1,161 million for the financial year ended 30 June 2018, 30 June 2019, and 30 June 2020 respectively. However, the Company did not recognize deferred tax on excess minimum tax paid over corporate tax liability in prior years. This error has now been corrected by recording deferred tax asset with a corresponding increase in unappropriated profits of the Company as at 30 June 2020 and 01 July 2019.

As required under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the correction of this error and related deferred tax impact has been accounted for retrospectively and the comparative information of prior periods has been restated as disclosed in note 31.5 to these financial statements.

31.4 Reclassifications - corresponding figures

The following reclassifications have been made in these financial statements as required under IFRS 9, Financial Instruments.
- interest accrued on long term loan from the Parent Company has been reclassified to long term loan and current portion of long term loan.

- interest accrued on bank deposits has been reclassified to cash and bank balances

These reclassifications have been applied retrospectively and the comparative information of prior periods has been reclassified as disclosed in note 31.5 to these financial statements.

31.5 The following tables present the impacts of restatements as explained in note 31.1 - 31.4 above:

		Adjustment for:				
30 June 2020	**As previously reported**	**Leases (Note 31.1)**	**Interest on collateral arrangement with parent (Note 31.2)**	**Deferred tax asset (Note 31.3)**	**Reclassification (Note 31.4)**	**As restated / Reclassified**
Statement of financial position						
NON CURRENT ASSETS						
Right of use asset	151,665,993,228	(17,898,104,167)	-	-		133,767,889,061
Deferred taxation	1,855,942,352	130,031,159	-	3,276,737,681		5,262,711,192
CURRENT ASSETS						
Cash and bank balances	3,331,225,328	-	-	-	32,205,012	3,363,430,340
Accrued Interest	32,205,012	-	-	-	(32,205,012)	-
NON CURRENT LIABILITIES						
Lease liability	146,949,150,079	(15,081,965,939)	-	-		131,867,184,140
CURRENT LIABILITIES						
Lease liability - current portion	11,090,702,603	(2,367,754,923)	-	-	-	8,722,947,680
Accrued Interest	667,935,946	-	-	-	(667,935,946)	-
Current portion of loan	5,316,346,884	-	-	-	667,935,946	5,984,282,830
SHARE CAPITAL AND RESERVES						
Accumulated (losses) / profits	(2,712,673,395)	(318,352,146)	1,126,808,120	3,276,737,681		1,372,520,260
Fair value adjustment on collateral arrangement with parent Company	-	-	(1,126,808,120)	-		(1,126,808,120)

		Adjustment for:				
01 July 2019	**As previously reported**	**Leases (Note 31.1)**	**Interest on collateral arrangement with parent (Note 31.2)**	**Deferred tax asset (Note 31.3)**	**Reclassification (Note 31.4)**	**As restated / Reclassified**
Statement of financial position						
NON CURRENT ASSETS						
Deferred taxation	-	-	-	2,115,404,126	-	2,115,404,126
CURRENT ASSETS						
Cash and bank balances	6,454,307,739	-	-	-	79,470,447	6,533,778,186
Accrued Interest	79,470,447	-	-	-	(79,470,447)	-
SHARE CAPITAL AND RESERVES						
Accumulated profits	800,786,027	-	699,880,820	2,115,404,126	-	3,616,070,973
Fair value adjustment on collateral arrangement with parent Company	-	-	(699,880,820)	-	-	(699,880,820)
CURRENT LIABILITIES						
Accrued Interest	1,393,180,077	-	-	-	(1,393,180,077)	-
Current portion of loan	2,534,000,000	-	-	-	1,393,180,077	3,927,180,077

For the year ended 30 June 2020	As previously reported	Adjustment for: Leases (Note 31.1)	Adjustment for: Interest on collateral arrangement with parent (Note 31.2)	Adjustment for: Deferred tax asset (Note 31.3)	Adjustment for: Reclassification (Note 31.4)	As restated / Reclassified
Statement of profit and loss						
Finance cost	(4,309,333,455)	(2,334,587,828)	426,927,300	-	-	(6,216,993,983)
Cost of sales	(145,026,001,349)	1,413,141,212	-	-	-	(143,612,860,137)
Exchange loss	(4,567,594,851)	473,063,311	-	-	-	(4,094,531,540)
Taxation	(940,501,882)	130,031,159	-	1,161,333,555	-	350,862,832

For the year ended 30 June 2020	As previously reported	Adjustment for: Leases (Note 31.1)	Adjustment for: Interest on collateral arrangement with parent (Note 31.2)	Adjustment for: Deferred tax asset (Note 31.3)	Adjustment for: Reclassification (Note 31.4)	As restated / Reclassified
Statement of cash flows						
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss) before tax	(2,572,957,540)	(448,383,305)	426,927,300	-	-	(2,594,413,545)
Adjustments for:						
Depreciation	12,137,597,785	(1,431,848,333)	-	-	-	10,705,749,452
Interest expense	4,309,333,456	2,334,587,828	(426,927,300)	-	-	6,216,993,984
Unrealized exchange (gain) / loss	4,558,541,009	(473,063,311)	-	-	-	4,085,477,698
CASH FLOWS FROM FINANCING ACTIVITIES						
Lease rentals paid	(13,670,553,890)	18,707,121	-	-	-	(13,651,846,769)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	640,074,013	-	-	-	(47,265,435)	592,808,578
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,123,046,617)	-	-	-	(47,265,435)	(3,170,312,052)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,454,307,739	-	-	-	79,470,447	6,533,778,186
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3,331,261,122	-	-	-	32,205,012	3,363,466,134

32 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year ended 30 June 2021, second and third wave/ resurgence of Coronavirus (Covid-19) was encountered across the Country. Management's focus and efforts continued for coping up with the changing scenario at all levels. The Company's operations financial position and results have not been affected by Covid-19 during the year.

Based on management's assessment there is no material impact on the carrying values of assets and liabilities as of 30 June 2021. From the very outset of Covid-19, the management has adopted various policies and practices to minimize adverse impact of Covid-19 on the business and is continuously monitoring the situation in order to proactively address any challenges which may arise from Covid-19.

33 NUMBER OF EMPLOYEES

	30 June 2021	30 June 2020
Total number of employees at end of the year	27	11
Average number of employees during the year	19	13

34 NON ADJUSTING EVENT AFTER REPORTING DATE

Gas Sale Agreement with the K-Electric Limited

Subsequent to the year end, the Company entered into gas sale agreement (the "Agreement") with the K-Electric Limited (the "Buyer"). Under the terms of the agreement the Company will supply up to 150 mmcfd of regasified liquefied natural gas per day to the K-Electric's bin qasim power station - III, RLNG based power plant located at Port Qasim, Karachi. The agreement will remain effective till 31 December 2025. The agreement was signed on 10 August 2021.

Gunvor International B.V. vs. Pakistan LNG Limited

The Company executed Master Sale and Purchase Agreement (MSPA) and Confirmation Notice (CN) with the Gunvor International B.V. ("Gunvor") on 25 February 2017 and 06 March 2017 respectively, to import one liquified natural gas cargo per month for a period of five years. As per clause 14(b)(i) of the CN, the Gunvor was required to furnish a renewed performance guarantee amounting to USD 53.82 million thirty days prior to the expiry i.e. 30 January 2022 but Gunvor failed to furnish renewed performance guarantee and On 11 March 2022, Gunvor issued notice of termination of CN. Under the terms of MSPA and CN, non renewal of performance guarantee is an event of default. The Company issued instructions to the bank for encashment of the performance guarantee due to occurrence of event of default.

On 23 March 2022, Gunvor filed Request for Arbitration ("RFA") in London Court of International Arbitration (LCIA) against the Company. The arbitration is in early stages as the Company's response to RFA is yet to be submitted in LCIA. Management is expecting favorable decision in this case.

35 GENERAL

35.1 Capacity and Production

Product	Unit	Capacity of Regas system 2021	Capacity of Regas system 2020	Production for the year 2021	Production for the year 2020
Regasified liquefied natural gas	MMSCFD	750	750	466	302

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

36 DATE OF AUTHORISATION OF ISSUE

These financial statements were authorized for issue by the Board of Directors on ______________.

Chief Executive Officer

Director