

PAKISTAN LNG LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the annexed financial statements of Pakistan LNG Limited (the Company), which comprise the statement of financial position as at June 30, 2022, 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, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2022 but does not include the financial statements and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Signature

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Other Matters

The financial statements of the Company for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on August 24, 2022 before amendment.

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



Chartered Accountants
Islamabad

Date: June 20, 2023

UDIN: AR202210083hP6kCGrVK

PAKISTAN LNG LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Note	June 30 2022	June 30 2021 Rs '000 (Restated)	June 30 2020 (Restated)
ASSETS				
Non current assets				
Property and equipment	6	13,163	18,258	14,697
Right of use asset	8	112,365,027	123,066,458	133,767,889
Deferred taxation	28	12,154,047	3,522,733	5,262,711
Intangible assets	7	485	788	137
		<u>124,532,722</u>	<u>126,608,237</u>	<u>139,045,434</u>
Current assets				
Stock in trade	12	15,720,587	2,986,558	2,072,668
Advances and prepayments		124,158	73,762	2,871
Recoverable from tax authorities	9	13,938,094	4,089,417	2,365,958
Trade receivables	10	130,717,536	83,051,299	28,060,658
Other receivables	11	1,564,078	506,387	200,450
Short term investments	13	1,388,940	1,414,805	-
Cash and bank balances	14	10,183,726	1,585,962	3,363,466
		<u>173,637,119</u>	<u>93,708,190</u>	<u>36,066,071</u>
TOTAL ASSETS		<u>298,169,841</u>	<u>220,316,427</u>	<u>175,111,505</u>
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized share capital (100,000,000 ordinary shares of Rs. 10 each)		<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital	15	15,000	15,000	15,000
Fair value adjustment on loan from parent		-	(1,464,191)	(1,126,808)
Reserve on amalgamation		476,299	476,299	-
Accumulated profits		(12,379,911)	10,820,927	134,137
Total Equity		<u>(11,888,612)</u>	<u>9,848,035</u>	<u>(977,671)</u>
Non current liabilities				
Deferred employees' benefits	17	23,074	22,916	18,769
Loan from parent	18	3,703,870	5,084,821	-
Lease liability	8.1	137,666,792	114,849,833	131,867,184
		<u>141,393,736</u>	<u>119,957,570</u>	<u>131,885,953</u>
Current liabilities				
Current portion of loan from parent	18	1,544,753	1,250,000	5,984,283
Current portion of lease liability	8.1	11,528,681	8,509,955	8,722,948
Payable to Government	19	120,565,163	59,314,065	22,098,288
Trade and other payables	20	35,026,120	21,436,802	7,397,704
		<u>168,664,717</u>	<u>90,510,822</u>	<u>44,203,223</u>
Total Liabilities		<u>310,058,453</u>	<u>210,468,392</u>	<u>176,089,176</u>
TOTAL EQUITY AND LIABILITIES		<u>298,169,841</u>	<u>220,316,427</u>	<u>175,111,505</u>
CONTINGENCIES AND COMMITMENTS	21			

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

Mansoor Ali

Mansoor Ali

Chief Executive Officer

Shiraz

Director

PAKISTAN LNG LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rs '000	2021 Rs '000 (Restated)
Revenue from contracts with a customers	22	398,579,164	216,913,318
Cost of sales	23	<u>(375,316,679)</u>	<u>(205,792,819)</u>
Gross profit		23,262,485	11,120,499
Administrative expenses	24	(510,868)	(372,167)
Other income	25	429,557	334,703
Exchange (loss) / gain		(44,760,927)	9,612,151
Finance cost	26	<u>(6,320,355)</u>	<u>(5,983,440)</u>
(Loss) / profit before tax	8.2	(27,900,108)	14,711,746
Taxation	27	6,163,461	(4,024,956)
Total comprehensive (loss) / profit after tax		<u>(21,736,647)</u>	<u>10,686,790</u>
Other comprehensive income for the year		-	-
Total comprehensive (loss) / profit for the year		<u><u>(21,736,647)</u></u>	<u><u>10,686,790</u></u>

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

Handwritten signature

Handwritten signature
 Chief Executive Officer

Handwritten signature
 Director

PAKISTAN LNG LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rs '000	2021 Rs '000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before tax		(27,900,108)	14,711,746
Adjustments for:			
Depreciation	8 & 24	10,708,782	10,709,838
Amortization	24	303	142
Provision for gratuity and leave encashment		29,658	30,816
Provision for contribution to provident fund		8,949	5,151
Interest expense	26	6,320,355	5,983,440
Unrealized exchange loss / (gain)		35,284,281	(8,913,749)
Loss on disposal		8	180
Interest income	25	(429,546)	(334,541)
		24,022,682	22,193,023
Changes in:			
Advances, prepayments and other receivables		(50,396)	(53,038)
Trade receivables		(47,666,237)	(54,990,641)
Recoverable from tax authorities		(8,617,438)	(1,562,879)
Accrued interest		(56,554)	-
Stock in trade		(12,734,029)	(913,890)
Trade and other payable		13,589,317	14,064,642
		(55,535,337)	(43,455,806)
Cash (used in) / generated from operations		(31,512,655)	(21,262,783)
Employee benefits paid		(29,500)	(44,443)
Income taxes paid		(4,461,373)	(2,930,003)
Interest paid on delayed payment		(179,767)	(77,564)
		(4,670,640)	(3,052,010)
Net cash (used in) / generated from operating activities		(36,183,295)	(24,314,793)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(2,953)	(4,973)
Purchase of intangible assets	7	-	(605)
Proceeds from sale of property and equipment		456	192
Interest received		362,721	334,541
Net cash flows generated from investing activities		360,224	329,155
CASH FLOWS FROM FINANCING ACTIVITIES			
Government loan proceeds - net		61,251,098	37,215,777
Lease rentals paid	8	(15,312,568)	(13,788,296)
Repayment of loan from related party		(1,543,560)	(500,000)
Net cash flows generated from / (used in) financing activities		44,394,970	22,927,481
NET DECREASE IN CASH AND CASH EQUIVALENTS		8,571,899	(1,058,157)
Cash and cash equivalents at the beginning of the year		3,000,767	3,363,466
Cash and cash equivalents transferred from PLTL on merger		-	695,458
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14.2	11,572,666	3,000,767

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

Signature

Signature

Chief Executive Officer

Signature

Director

PAKISTAN LNG LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Share capital Issued, subscribed and paid up capital	Fair value adjustment on collateral arrangement with parent Company	Reserve on amalgamation	Accumulated profit	Total
Balance as at July 1, 2020 - as previously reported	15,000	(1,126,808)	-	1,372,520	260,712
Effect of retrospective restatement	-	-	-	(1,238,383)	(1,238,383)
Balance as at July 1, 2020 - restated	15,000	(1,126,808)	-	134,137	(977,671)
Total comprehensive income for the year	-	-	-	10,686,790	10,686,790
Profit for the year ended	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	10,686,790	10,686,790
Reserve on amalgamation	-	-	476,299	-	476,299
Transactions with owners of the Company	-	-	-	-	-
Distributions	-	-	-	-	-
Fair value adjustment on collateral arrangement with parent Company	-	(337,383)	-	-	(337,383)
Total distributions	-	(337,383)	-	-	(337,383)
Balance as at June 30, 2021	15,000	(1,464,191)	476,299	10,820,927	9,848,035
Total comprehensive income for the year	-	-	-	-	-
Profit/ (Loss) for the year ended	-	-	-	-	-
Other comprehensive income	-	-	-	(21,736,647)	(21,736,647)
Total comprehensive income for the year	-	-	-	(21,736,647)	(21,736,647)
Transferred of Fair value adjustment on collateral arrangement with parent Company to accumulated profits	-	1,464,191	-	(1,464,191)	-
	-	1,464,191	-	(1,464,191)	-
Balance as at June 30, 2022	15,000	-	476,299	(12,379,911)	(11,888,612)

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

Mansoor

Mansoor
Chief Executive Officer

Mansoor
Director

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. LEGAL STATUS AND 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 (repealed by the Companies Act, 2017). The Company's registered office is located at 9th floor, Petroleum House, Sector G-5, Islamabad, Pakistan. The Company commenced its LNG regassification operations on January 4, 2018. The Company is wholly owned by Government Holdings (Private) Limited (the Parent Company). The principle activity of the Company is to import, transport, market and distribute Liquefied Natural Gas (LNG). The Company has principally agreed the major terms of Gas Sales and Purchase Agreement (GSPA) with Sui Northern Gas Pipelines Limited (SNGPL) (the Buyer) and during the year signed Gas Sales Agreement with K-Electric (the buyer) for sale of re-gasified LNG (RLNG).
- 1.2 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.

2 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.

3 NEW AND REVISED STANDARDS AND INTERPETATIONS

- 3.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IFRS 4	Insurance Contracts (Amendments)	January 1, 2023

SAJAL

	Effective date (annual reporting periods beginning on or after)
IAS 16 Property, Plant and Equipment (Amendments)	
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 41 Agriculture (Amendments)	January 1, 2022
IFRS 3 Business Combinations (Amendments)	January 1, 2022
IFRS 9 Financial Instruments (Amendments)	January 1, 2022
IFRS 16 Leases (Amendments)	January 1, 2022

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation / disclosures.

Further, the following standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

The following interpretation issued by the IASB has been waived off by SECP:

IFRIC 12	Service concession arrangements
----------	---------------------------------

3.2 Standards and amendments to approved accounting standards that are effective

There are certain arrangements and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2021. However, these do not have significant impact on the Company's financial reporting.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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.

The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of expected credit losses (ECL) model in respect of financial assets due directly/ ultimately from Government of Pakistan (GoP) till December 31, 2024. Accordingly, the Company reviews the recoverability of its trade debts that are due directly/ultimately from the GoP to assess whether there is any objective evidence of impairment as per requirements of IAS 39 'Financial Instruments: Recognition and Measurement' at each reporting date.

Signature

The Company has overdue receivables on account of inter-corporate circular debt. These overdue balances are receivable from oil refineries, gas supply and power companies. 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 debts. Inter-corporate circular debt in Pakistan arises due to delayed payments in the energy sector supply chain; the GoP either directly or through its direct/indirect ownership of entities within energy sector supply chain is at the core of circular debt issue. The Central Power Purchase Agency (CPPA), a government owned entity, is sole power purchaser for the Country and the circular debt is a shortfall of payments primarily at the CPPA, however, in case of gas distribution and transmission companies the shortfall also occurs because of a delay in receipts of subsidies from the GoP for supply of gas to certain domestic/industrial consumers.

Settlement of the Company's receivables is slower than the contractual terms primarily because circular debt is a macro economic level issue in Pakistan and its level at any given time is dependent on policies and/or priorities of the GoP, the level of subsidies offered by the GoP to certain domestic and industrial consumers, exchange rate fluctuations, global crude oil prices and certain other systemic issues within energy sector (tariffs, losses, non/ delayed recoveries).

The Company's assessment of objective evidence of impairment with respect to over due amounts on account of intercorporate circular debt takes into account commitment made by the GoP, enforceable contractual rights to receive compensation for delayed payments and plans of the GoP to settle the issue of inter-corporate circular debt.

The Company has enforceable contractual right and is entitled to charge interest if payments from customers are delayed beyond credit terms, however considering the uncertainties relating to recoverability of interest, the Company recognizes interest, if any, on delayed payments from customers, on investments and lease arrangements when the interest on delayed payments is received by the Company.

4.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional currency.

4.3 Foreign currency transactions and balances

Transactions in foreign currencies are converted into Pakistani Rupees at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the statement of financial position date. Exchange differences are dealt with through the statement of profit or loss.

4.2 Property and equipment

These are initially recognized at 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 over the useful life of the asset at the rates specified in note 6 when assets are available for use. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

M. J. J. J.

4.3 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels, for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each statement of financial position date. Reversals of the impairment losses are restricted to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

4.4 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on 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 incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

SJZ

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts and after consideration of business plan of the Company which incorporates economic, potential demand of customers and economic changes.

4.5

Taxation

Current

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

Deferred

Deferred tax is computed using the statement of financial position liability method for all temporary differences at the reporting date between tax 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.

Group taxation

The Company is taxed as a one fiscal unit along with parent Company and its other wholly owned subsidiaries under 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 Company.

Income tax expenses are recognised by each entity allocating the group tax expense assessed on consolidated taxable income using the basis agreed between all group entities. Balances between the group entities on account of group tax is shown as receivable / liability by the respective group entities considering the allocated tax expenses and payment made by each entity.

SWZL

4.6 Intangible assets

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

4.7 Stock in trade

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on FIFO basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Previously, the value of inventory was determined on weighted average basis. Net realizable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving and obsolete stocks, where considered necessary. The change in accounting policy has been applied consistently to all periods presented in these financial statements.

4.8 Recoverable from tax authorities

This represents the amounts receivable from the tax authorities against the amount overpaid or unadjusted against the income tax and sales tax liabilities respectively.

Advance tax is paid by the Company at imports and withheld by the prescribed persons under the Income Tax Ordinance, 2001 from the payments made to the Company. At the period end, when the income tax liability is computed, the over and above portion of the advance tax paid over the assessed tax liability gives rise to the adjustable or refundable tax.

In sales tax returns, limitation of claiming input tax as lower of ninety percent of output tax or actual input tax gives rise to adjustable or refundable sales tax.

4.9 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.

4.9.1 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.

SAJAL

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

Classification of financial assets:

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.

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.

SATZL

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.

S. J. J.

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. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss.

SAJZL

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 4.1.

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. 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 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.

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;

AAJSL

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.

SAJEL

(iv) Measurement and recognition of expected credit losses:

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

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

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

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

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

Derecognition of financial assets:

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

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

2022

4.9.2 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.

4.9.3 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.

SAJBL.

4.10 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flow 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.

4.11 Staff retirement benefits

Defined benefit plan

The Company operates a funded gratuity plan (the Fund) for its eligible employees. 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.

Defined contribution plan

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

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.

4.12 Trade and other payables

Liabilities for trade and other payables, including payable to related parties, are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.13 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.

207720.

4.14 Revenue recognition

Revenue from contracts with customers is recognized as or when 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 contracts with customers.

4.15 Dividends

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- ii) Contingencies - note 21
- ii) Estimated useful life, residual value and depreciation method of operating assets - note 6
- iii) Taxation - note 27
- iv) Right of use asset and lease liability - note 8
- v) Valuation of stock in trade - 12

ASFL

6 PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixture	Office Equipment	Motor vehicle	Communication Equipment	Total
-----Rupees ('000)-----						
As at July 01, 2020						
Cost	13,012	11,075	5,952	2,014	-	32,053
Accumulated depreciation	(9,208)	(4,230)	(2,787)	(1,131)	-	(17,356)
Net book value	3,804	6,845	3,165	883	-	14,697
Year ended June 30, 2021						
Opening net book value	3,804	6,845	3,165	883	-	14,697
Additions	4,010	418	-	-	545	4,973
Transfers from PLTL	3,831	4,877	5,417	2,763	180	17,068
Disposals						
Cost	(2,745)	-	-	-	-	(2,745)
Accumulated depreciation	2,374	-	-	-	-	2,374
	(371)	-	-	-	-	(371)
Transfer from PLTL -						
Accumulated Depreciation	(2,405)	(2,551)	(3,800)	(932)	(15)	(9,703)
Depreciation charge	(4,365)	(2,095)	(1,178)	(679)	(89)	(8,406)
Closing net book value	4,504	7,494	3,604	2,035	621	18,258
As at June 30, 2021						
Cost	18,108	16,370	11,369	4,777	725	51,349
Accumulated depreciation	(13,604)	(8,876)	(7,765)	(2,742)	(104)	(33,091)
Net book value	4,504	7,494	3,604	2,035	621	18,258
Year ended June 30, 2022						
Opening net book value	4,504	7,494	3,604	2,035	621	18,258
Additions	1,414	195	182	-	1,162	2,953
Disposals						
Cost	(676)	-	(103)	-	(255)	(1,034)
Accumulated depreciation	212	-	12	-	113	337
	(464)	-	(91)	-	(142)	(697)
Depreciation charge	(1,715)	(2,453)	(1,710)	(955)	(518)	(7,351)
Closing net book value	3,739	5,236	1,985	1,080	1,123	13,163
As at June 30, 2022						
Cost	18,846	16,565	11,448	4,777	1,632	53,268
Accumulated depreciation	(15,107)	(11,329)	(9,463)	(3,697)	(509)	(40,105)
Net book value	3,739	5,236	1,985	1,080	1,123	13,163
Annual rate of depreciation (%)	30	15	15	20	50	50

SWALE

	2022 Rs '000	2021 Rs '000
7 INTANGIBLE ASSETS - SOFTWARE		
Cost		
As at beginning of the year		
Additions during the year	1,697	232
Transfers from PLTL on amalgamation	-	605
As at end of the year	<u>1,697</u>	<u>860</u>
Amortization		
As at beginning of the year		
Transfers from PLTL on amalgamation	909	95
Charge for the year	-	672
As at end of the year	<u>303</u>	<u>142</u>
	1,212	909
Net book value		
As at June 30, 2022	<u>485</u>	<u>788</u>
Amortization rate %	25%	25%
8 RIGHT OF USE ASSET		
Cost		
As at end of the year	<u>144,469,320</u>	<u>144,469,320</u>
Accumulated depreciation		
As at beginning of the year		
Depreciation charge	21,402,862	10,701,431
As at end of the year	<u>10,701,431</u>	<u>10,701,431</u>
	32,104,293	21,402,862
Net book value		
Net carrying amount at end of the year	<u>112,365,027</u>	<u>123,066,458</u>
8.1 LEASE LIABILITY		
As at beginning of the year	123,359,788	140,590,132
Interest charge during the year	5,683,227	5,473,875
Lease payments during the year	(15,312,568)	(13,788,296)
Exchange loss / (gain) during the year	35,465,026	(8,915,923)
As at end of the year	<u>149,195,473</u>	<u>123,359,788</u>
Current portion	(11,528,681)	(8,509,955)
Non-current portion	<u>137,666,792</u>	<u>114,849,833</u>
Lease liability		
Maturity analysis - contractual undiscounted cash flows		
Not later than one year	17,579,399	13,532,523
Later than one year and not later than five years	87,993,321	54,167,166
Later than five years	79,227,703	88,091,161
	<u>184,800,423</u>	<u>155,790,850</u>

SMTL

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, 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 was 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.

	2022 Rs '000	2021 Rs '000
8.2 Impact of IFRS 16 Leases on Profit and Loss account		
(Loss) / profit before tax for the year	(27,900,108)	14,711,746
Exchange loss/(gain) on re-translation of liability at end of the year	35,465,026	(8,915,923)
Lease rentals paid during the year	(15,312,568)	(13,788,296)
Interest expense on lease liability	5,683,227	5,473,875
Depreciation of right of use asset	10,701,431	10,701,431
	<u>36,537,116</u>	<u>(6,528,913)</u>
Profit before tax for the year without IFRS 16 application	8,637,008	8,182,833
Current tax expense for the year	(2,467,853)	(2,131,572)
Profit after tax for the year without IFRS 16 application	<u>6,169,155</u>	<u>6,051,261</u>
9 RECOVERABLE FROM TAX AUTHORITIES		
Advance tax	4,600,357	89,961
General sales tax recoverable	9,337,737	3,999,456
	<u>13,938,094</u>	<u>4,089,417</u>
10 TRADE RECEIVABLES		
Considered good - unsecured	<u>130,717,536</u>	<u>83,051,299</u>

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 4.1.

Trade receivables represents balance receivable from Sui Northern Gas Pipeline Company Limited, a related party and KE Limited. It includes overdue balance receivable from SNGPL of Rs. 119,697 million (2021: Rs. 76,446 million).

Signature

11	OTHER RECEIVABLES	2022 Rs '000	2021 Rs '000
	Accrued recoverable - note 11.1	200,450	200,450
	Tax receivable from the parent Company under group taxation note - 11.2	1,307,074	305,937
	Accrued interest on bank deposits	56,554	-
		<u>1,564,078</u>	<u>506,387</u>
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 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.		
12	STOCK IN TRADE	2022 Rs '000	2021 Rs '000
	LNG held with third party - note 12.1	15,619,240	2,961,281
	RLNG held in pipeline - note 12.2	101,347	25,277
		<u>15,720,587</u>	<u>2,986,558</u>
12.1	This represents closing stock of LNG 135,823.76 m ³ (2021: 112,787.62 m ³) inventory held with PGP Consortium Limited (PGPCL) at the Floating Storage and Regasification Unit (FSRU) as at June 30, 2022.		
12.2	This represents RLNG held in 14 km pipeline between Floating Storage and Regasification Unit (FSRU) and Custody Transfer System (CTS).		
13	SHORT TERM INVESTMENTS	2022 Rs '000	2021 Rs '000
	Investment in term deposit receipts	1,371,864	1,408,000
	Accrued interest	17,076	6,805
	Total investment - note 13.1	<u>1,388,940</u>	<u>1,414,805</u>
13.1	This represents local currency term deposit receipts placed with the Habib metropolitan bank for an amount of Rs. 1,372 million (2021: Rs. 1,408 million), and accrued interest amounting to Rs. 17.08 million (2021: Rs. 6.80 million), carrying interest rate 11% per annum (2021: 7.35%), having maturity up to 3 months.		
14	CASH AND BANK BALANCES	2022 Rs '000	2021 Rs '000
	Cash in hand	1,937	211
	Cash at bank - saving accounts - note 14.1	10,181,789	1,585,751
		<u>10,183,726</u>	<u>1,585,962</u>
14.1	These carry mark-up at the rate ranging between 6.5% to 14.25% (2021: 6.75% to 13.35%) per annum.		

Handwritten signature/initials

14.2	Cash and cash equivalents		2022	2021
			Rs '000	Rs '000
	Short term investments		1,388,940	1,414,805
	Cash and bank balances		10,183,726	1,585,962
			<u>11,572,666</u>	<u>3,000,767</u>
15	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
15.1	Authorised share capital			
		2022	2022	2021
		Number of shares	Rs '000	Rs '000
		<u>1,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
		<u>1,000,000,000</u>		
15.2	Issued, subscribed and paid up capital:			
	1,500,003 ordinary shares of Rs.10 each fully paid in cash - note 15.2.1		<u>15,000</u>	<u>15,000</u>
15.2.1	Government Holdings (Private) Limited (the Parent Company) holds 100% of the issued, subscribed and paid-up capital.			
16	RESERVES		2022	2021
			Rs '000	Rs '000
	Fair value adjustment on loan from parent - note 16.1		-	(1,464,191)
	Reserve on amalgamation - note 16.2		476,299	476,299
	Accumulated profits		(12,379,911)	10,820,927
			<u>(11,903,612)</u>	<u>9,833,035</u>
16.1	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. Consequently, this has been routed through unappropriated profits upon the release of the lien during the year.			
16.2	This reserve represents the difference between the consideration transferred and net of carrying amount of assets and liabilities received from PLTL on amalgamation.			
17	DEFERRED EMPLOYEES' BENEFITS		2022	2021
			Rs '000	Rs '000
	Provision for gratuity - note 17.1.1		3,862	6,922
	Provision for leave encashment - note 17.1.2		19,212	15,994
			<u>23,074</u>	<u>22,916</u>
17.1	Actuarial valuation of deferred employees' benefits has not been carried out as the impact is considered immaterial.			
17.1.1	Provision for gratuity		2022	2021
			Rs '000	Rs '000
	Balance at the beginning of the year		6,922	11,941
	Provision made during the year		18,482	17,680
	Payment made during the year		(21,542)	(22,699)
	Balance at the end of the year		<u>3,862</u>	<u>6,922</u>

Handwritten signature

	2022 Rs '000	2021 Rs '000
17.1.2 Provision for leave encashment		
Balance at the beginning of the year	15,994	6,828
Provision made during the year	11,176	13,136
Payment made during the year	(7,958)	(3,970)
Balance at the end of the year	<u>19,212</u>	<u>15,994</u>

18 LOAN FROM PARENT

Principal	3,706,638	4,946,929
Accrued interest	1,541,985	1,137,892
	<u>5,248,623</u>	<u>6,084,821</u>

Loan from parent - Principal

Government Holdings (Private) Limited

Current portion	1,240,291	1,000,000
Non - current portion	2,426,056	3,946,929
Total loan from parent- principal	<u>3,706,638</u>	<u>4,946,929</u>

Movement in loan from parent

Balance at beginning of the year	4,946,929	5,316,347
Transferred from PLTL on amalgamation	-	80,582
Repayment made during the year	(1,240,291)	(450,000)
Balance at the end of the year - note 18.1	<u>3,706,638</u>	<u>4,946,929</u>
Current portion	(1,240,291)	(1,000,000)
Non-current portion	<u>2,466,347</u>	<u>3,946,929</u>

18.1 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 November 22, 2017, the Parent Company agreed to convert entire amount of advances into interest bearing loan agreed under term sheet signed by both parties. Rate of interest on loan is six (06) months KIBOR plus 2 percent at the date of transaction.

As per rescheduling of the loan, six installments of Rs. 200 million on account of principal amount and of Rs. 50 million on account of interest will be paid to the Parent Company after end of reporting period. Continuous review of repayment of loan will be carried out by board.

	2022 Rs '000	2021 Rs '000
18.2 CURRENT PORTION OF LOAN FROM PARENT		
Principal	1,240,291	1,000,000
Accrued interest	304,462	250,000
	<u>1,544,753</u>	<u>1,250,000</u>

SAJEE

19	PAYABLE TO GOVERNMENT	2022 Rs '000	2021 Rs '000
	Balance at the beginning of the year	59,314,065	22,098,288
	Utilization during the year - note 19.1	75,464,202	37,215,777
	Amount repaid by the Company	(14,213,104)	-
	Balance at the end of the year	<u>120,565,163</u>	<u>59,314,065</u>

19.1 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. The amount paid by ITFC to the vendor is recognised as payable using the exchange rate of the date of payment by ITFC. Accordingly, during the year the Company executed 13 transactions (2021: 14 transactions) with LNG suppliers under the agreement, amounting to Rs. 75,464 million (2021: Rs. 37,216 million).

20	TRADE AND OTHER PAYABLES	2022 Rs '000	2021 Rs '000
	Trade Payables - note 20.1	25,494,187	16,170,068
	Cess payable at import stage	5,569,753	3,175,569
	PQA Wharfage Payable	13,425	56,030
	Accrued liabilities	74,704	73,620
	Withholding income tax payable	2,789	2,291
	Port charges recovered - note 23.1	3,871,262	1,959,224
		<u>35,026,120</u>	<u>21,436,802</u>

20.1 This amount includes payable to PGP Consortium Limited (PGPCL) of Rs. 1,732.64 million (2021: Rs. 1,346.49 million) on account of regasification charges and payable to LNG suppliers amounting to Rs. 23,761.54 million (2021: Rs. 14,823.58 million).

Moreover, the Company has issued demand letters to its LNG suppliers namely ENI, Gunvor International (GI) and Gunvor Singapore (GS) to claim the amount due to the Company in relation to amounts overbilled to the Company in lieu of port charges. In this respect, ENI made the payment for an amount of USD 9.19 million under protest and has started arbitration proceedings against the Company at London Court of International Arbitration (LCIA). After the Initial proceedings, the parties based on mutual agreement, applied for partial award.

In relation to supplies made by Gunvor International (GI) the Company has raised debit notes for an amount of USD 10.7 million for the recovery of Port Charges. The Company adjusted the aforesaid amount from GI's invoice of February 2022.

Furthermore, GI had provided a Standby Letter of Credit (SBLC) amounting to USD 53 million to the Company on February 26th, 2021. Pursuant to the GI's refusal to renew their performance guarantee, the Company encashed the SBLC on date of expiry i.e. March 1st, 2022. GI has initiated arbitration proceedings with LCIA against the aforementioned adjustment and encashment. Subsequent to the year end, the Tribunal issued a procedural order according to which, the Company as the claimant has filed its statement of case on January 6, 2023.

Furthermore, the Company has also raised debit notes to Gunvor Singapore (GS) for an amount of USD 2.4 million for recovery of overbilled port charges. Subsequent to the year-end, the Company has filed a Request for Arbitration against the aforementioned charges with LCIA. Gunvor's claim is that (a) it has discharged its obligations under the Contract; and (b) it has not failed to satisfy or otherwise contravened or failed to perform any of the conditions of the Contract. The Company submitted its statement of case to the Tribunal on November 18, 2022.

Signature

21 CONTINGENCIES AND COMMITMENTS

21.1 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).

The ACIR filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) regarding the allowance of tax credit at the import stage, with disposal of the appeal pending before the ATIR.

- 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 a stay from Appellate Tribunal Inland Revenue (ATIR) and the Honourable Islamabad High Court (IHC) against the recovery of impugned demand till the disposal of main appeal by the ATIR.

- 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

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 preferred separate appeals before ATIR who has granted stay against the recovery of impugned demand till the disposal of main appeal. Further, the Company filed a writ petition before the Islamabad High Court

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.

21.2 Other contingencies

- i) PLTL entered into an Operation and Service Agreement (OSA) with PGP Consortium Limited (Operator), under which the Operator was required to achieve the commercial start date on or before July 1, 2017; failing which, the Company was entitled to receive liquidated damages. The Commercial start date was delayed by 187 days and achieved on January 4, 2018. Accordingly in pursuance of OSA, PLTL imposed liquidated damages of USD 41.1 million and claim for other damages of USD 991,000. The Operator disputed the demand made by the Company and referred the matter for international arbitration at London Court of International Arbitration (LCIA) whereby it was original case number 204638.



PLTL sent a notice for termination of OSA to the Operator on October 14, 2019 with immediate effect citing persistent breach by the Operator of its obligations under the OSA to provide adequate assurance of performance. PGPCL disputed the termination and referred the matter to LCIA on February 28, 2020, whereby it was original case number 204593. The LCIA has merged both the aforesaid arbitration matters into one under the case number 204593 and same is pending for decision.

As per its commitment, Company had provided Standby Letter of Credit (SBLC) equivalent to three (03) months capacity charge (USD 21,481,272). However, PGPCL had disputed the amount and had referred the matter to International Arbitration. Further, the operator has also demanded from Company reimbursement of Port Qasim Royalty. Company has disputed the claim of royalty and accordingly matter is pending at International Arbitration.

During Arbitration proceedings Operator has raised further counter claim related to:

- 1) Loss of revenue due to delay in Commercial Start amounting US\$ 58,126,906 and Rs. 414,314,807.
- 2) Services charges for period prior to commercial start amounting US\$ 2,224,738.
- 3) Additional costs amounting to Rs 376,046,756 with interest at the Default Interest Rate from December 28, 2016 to the date the SBLC is provided.
- 4) Direct respondent to issue the SBLC for an amount of US\$ 22,069,800.

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 February 28, 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. The first hearing of the arbitration was held from May 1-5, 2022, followed by closing arguments on June 8-9, 2022. The Tribunal's decision is expected during 2023.

21.3 Commitments

- 21.3.1 In accordance with the provisions of the Operations and Services Agreement (OSA), the Company shall pay to Terminal Operator 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.
- 21.3.2 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. ENI SPA (the Sellers) for a period of 15 years respectively from the start of commercial operation date.
- 21.3.3 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. Subsequent to year end Company has paid rent to the Ministry, due till June 30, 2021, consequent to which, the Company has recognized accrual for the rental expense amounting to Rs. 6.17 million.

Sattar

22 REVENUE FROM CONTRACT WITH CUSTOMERS	2022 Rs '000	2021 Rs '000
Gross sales - Regasified liquified natural gas	460,982,957	242,942,916
Sales tax on sales of Regasified liquified natural gas	(66,980,429)	(26,029,598)
Gross sales - Regasification services	5,308,898	-
Sales Tax on Regasification services	(732,262)	-
	<u>398,579,164</u>	<u>216,913,318</u>

22.1 As per the decision of the Economic Coordination Committee (ECC) vide case no. ECC-62/12/2018 dated May 30, 2018, the LNG margin of the Company was increased from 2.5% to 3.75% with effect from June 1, 2018. However, implementation of the same is currently pending with OGRA. Once implemented, the margin will be recovered by the Company prospectively.

22.2 Regasified liquified natural gas sales include sales to customers 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.

23 COST OF SALES	2022 Rs '000	2021 Rs '000 (Restated)
Opening stock of liquified natural gas / regasified liquified natural gas	2,986,558	2,072,668
Gas purchases:		
Purchase of liquified natural gas	352,584,999	180,914,279
Depreciation on right of use asset - note 8	10,701,431	10,701,431
Import related costs - note 23.1	24,472,638	14,451,996
Capacity, utilization and flexibility charges	291,640	267,575
LSA management fee - PLTL	-	371,428
	388,050,708	206,706,709
Less: Closing Stock in trade - note 12	(15,720,587)	(2,986,558)
	<u>375,316,679</u>	<u>205,792,819</u>

23.1 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 Port Qasim Authority (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. 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.

Signature

Total disputed recoverable amount on account of Port Charges from inception to October 2020 was USD 27.61 million out of which USD 12.71 million has been withheld during the year ending June 30, 2021. Amount recovered is presented in note 20 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 July 23, 2021 (Suit No. LCIA 215242 for 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 October 01, 2021. On November 19, 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.

24	ADMINISTRATIVE EXPENSES	2022 Rs '000	2021 Rs '000
	Salaries and allowances - note 24.1	224,964	148,697
	Fee and consultancy charges	113,093	62,467
	Board meetings	34,273	26,407
	Business promotion	4,899	7,603
	Travelling	12,999	2,976
	Training / Conferences / Seminars	4,697	2,918
	Rent	7,307	4,692
	Depreciation on property and equipment	7,351	8,407
	Utilities	6,378	5,599
	Insurance	4,409	3,313
	Entertainment	931	714
	Printing, stationary and other consumable	1,944	826
	Custom clearing charges	-	11,704
	Bank charges	19,737	9,569
	Auditors' remuneration	9,777	1,058
	IT expenditures	5,665	1,956
	Repair and maintenance	3,753	1,000
	Arbitration Cost	44,848	-
	Amortization	303	142
	Charges and penalties	2,443	71,103
	Loss on disposal	8	180
	Miscellaneous	1,089	836
		<u>510,868</u>	<u>372,167</u>
24.1	It includes gratuity and leave encashment expenses amounting to Rs. 18.48 million (2021: Rs 17.68 million) and Rs. 13.24 million (2021: Rs 13.14 million) respectively, for eligible employees as per Company policy. Furthermore, it also includes contributions by the employer to provident fund, for an amount of Rs. 8.95 million (2021: Rs. 5.15 million).		

24.2	Auditors' remuneration	2022 Rs '000	2021 Rs '000
	Statutory audit fee	1,450	880
	Report on compliance of Public Sector Companies (Corporate Governance) Rules 2013	100	83
	Out of Pocket	86	96
	Tax services	8,141	-
		<u>9,777</u>	<u>1,058</u>

Signature

	2022 Rs '000	2021 Rs '000
25 OTHER INCOME		
- Profit on bank deposit & TDRs	429,546	334,541
- Others	11	162
	<u>429,557</u>	<u>334,703</u>
26 FINANCE COST		
Interest expense on lease liability - note 8.1	5,683,227	5,473,875
Interest on loan from related party	363,266	427,995
Interest on SBLC provided by a related party	94,095	4,009
Interest on delayed payment	179,767	77,561
	<u>6,320,355</u>	<u>5,983,440</u>
27 TAXATION		
Current tax		
- Current	4,452,572	2,283,171
- Adj. on account of group taxation	(1,984,719)	-
	<u>2,467,853</u>	<u>2,283,171</u>
Deferred		
Charge/ (credit) for the year	(8,631,314)	1,741,785
	<u>(6,163,461)</u>	<u>4,024,956</u>
27.1 Reconciliation of tax charge for the year		
Accounting (loss)/profit	(27,900,108)	14,711,746
Tax rate	29%	29%
Tax on accounting profit at applicable rate 29% (2021: 29%)	(8,091,031)	4,266,406
Tax effect of:		
Tax impact of elimination of Inter Company transaction	-	232,987
Deferred tax derecognised	3,522,733	-
Minimum tax for the period	2,528,633	1,067,651
Impact of different rate of tax	(1,473,218)	-
Group tax adjustment	(1,984,719)	(1,026,185)
Tax expense not recognised on other income	(529,668)	(334,436)
Claim of loss of amalgamating Company	-	(106,261)
Others	(136,191)	(75,206)
	<u>1,927,570</u>	<u>(241,450)</u>
	<u>(6,163,461)</u>	<u>4,024,956</u>
28 DEFERRED TAXATION		
Deferred taxation	<u>12,154,047</u>	<u>3,522,733</u>
Movement in the deferred tax asset:		
Balance at beginning of the year	3,522,733	5,262,711
(Debit)/credit to the statement of profit or loss - note 27	8,631,314	(1,741,785)
Deferred tax asset transferred from PLTL on amalgamation	-	1,807
	<u>12,154,047</u>	<u>3,522,733</u>

Handwritten signature

- 28.1 Deferred tax has been calculated at the current effective tax rate of 33% (2021: 29%).
- 28.2 Deferred tax is computed only on lease liability and right of use asset.

29 **RELATED PARTY TRANSACTIONS AND BALANCES**

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:

	2022 Rs '000	2021 Rs '000
Parent Company		
GHPL as a parent Company holds 100% shares of the Company		
Long term loan from parent		
Non- Current Portion		
Current Portion	3,703,870	5,084,821
Tax receivable from the parent Company under group taxation	1,544,753	1,250,000
Fair value adjustment on collateral arrangement with parent Company	1,307,074	305,937
Interest Expense on loan from parent	-	337,383
	436,531	5,416
Related parties by virtue of GoP holdings and /or common directorship		
Sui Northern Gas Pipelines Limited		
Sale of regasified liquified natural gas - net	383,198,290	216,913,318
Trade debts at end of the year	130,717,536	83,051,299
Ministry of Energy (Petroleum Division)		
Rent expense for the year	7,307	(279,254)
Other related parties		
Contribution to gratuity fund	21,542	22,699
Remuneration to key management personnel (refer note 30)	142,307	91,104
Contribution to provident fund	8,949	11,739

Suzge.

30 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:

	June 30, 2022		June 30, 2021	
	Chief Executive Rupees	Executives	Chief Executive Rupees	Executives
Basic salary	-	72,388,358	-	46,448,417
Rent allowance	-	32,574,761	-	20,901,788
Medical allowance	-	7,238,836	-	4,644,842
Utility allowance	-	7,238,836	-	4,644,842
Conveyance allowance	-	10,858,254	-	7,862,961
Mobile allowance	-	665,805	-	665,805
Provident fund contribution	-	7,238,836	-	4,644,842
Additional Charge allowance	4,103,228	-	1,290,324	-
	<u>4,103,228</u>	<u>138,203,687</u>	<u>1,290,324</u>	<u>89,813,495</u>
Number of persons	<u>1</u>	<u>20</u>	<u>1</u>	<u>18</u>

The Chief Executive Officer assumed charge on additional charge basis on September 17, 2020. In addition, 6 (2021: 6) directors were paid aggregate amount of Rs. 33.8 million (2021: Rs 26.40 million) on account of fee for attending various board meetings.

31 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.



31.1 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:

31.1.1 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 regasified 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 regasified 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 June 30, 2022 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	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	PACRA	A-1+	AA+
<i>WAFB</i>	VIS	A-1+	AAA

31.1.2 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:

	2022 Rs. '000	2021 Rs. '000
Trade receivables	130,717,536	83,051,299
Other receivables	1,564,078	506,387
Short term investments	1,388,940	1,414,805
Cash and bank balances	10,181,789	1,585,751
	<u>143,852,343</u>	<u>86,558,242</u>

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

	2022 Rs. '000	2021 Rs. '000
Gas distribution companies	130,717,536	83,051,299
Banks and financial institutions	11,570,729	3,000,556
Others	1,564,078	506,387
	<u>143,852,343</u>	<u>86,558,242</u>

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

	2022 Rs. '000	2021 Rs. '000
Re-gasified liquified natural gas	130,717,536	83,051,299
	<u>130,717,536</u>	<u>83,051,299</u>

31.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	June 30, 2022		June 30, 2021	
	Gross debts	Impaired	Gross debts	Impaired
	----- Rupees '000 -----			
Not past due	11,020,824	-	6,604,911	-
Past due 0-30 days	87,923,387	-	26,917,522	-
Past due 31-60 days	31,773,325	-	34,229,134	-
Past due 61-90 days	-	-	15,299,732	-
Over 90 days	-	-	-	-
	<u>130,717,536</u>	<u>-</u>	<u>83,051,299</u>	<u>-</u>

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

	Sui Northern Gas Pipelines Limited	
	2022 Rs. '000	2021 Rs. '000
Not past due		
Past due 0-30 days	11,020,824	6,604,911
Past due 31-60 days	87,923,387	26,917,522
Past due 61-90 days	31,773,325	34,229,134
Over 90 days	-	15,299,732
	<u>130,717,536</u>	<u>83,051,299</u>

SAGEL

31.2 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:

June 30, 2022

	Carrying amount	Contractual cash flows
	Rs. '000	Rs. '000
Trade and other payables	29,453,578	29,453,578
Loan from parent	5,248,623	5,248,623
Payable to Government	120,565,163	120,565,163
Lease liability	149,195,473	149,195,473
	<u>304,462,837</u>	<u>304,462,837</u>
June 30, 2021		
Trade and other payables	18,258,942	18,258,942
Loan from parent	1,250,000	1,250,000
Payable to Government	59,314,065	59,314,065
Lease liability	123,359,788	123,359,788
	<u>202,182,795</u>	<u>202,182,795</u>

31.3 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.

31.3.1 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.

S. S. S.

Exposure to foreign currency risk

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

	June 30, 2022		June 30, 2021	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Foreign currency payables	19,256,538	94,123	14,823,577	94,123
Lease Liability undiscounted cash flows	202,379,793	989,198	155,790,849	989,198
Net exposure	221,636,331	1,083,321	170,614,426	1,083,321

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
	----- Rupees -----			
1 USD	160.47	178.21	204.59	157.49

Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2022 would have increased profit and loss by Rs. 22,163.63 million (2021: Rs. 17,061.44 million). A 10% weakening of the functional currency against USD at June 30, 2022 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

31.3.2 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:

	2022	2021	2022	2021
	----- % -----		----- Rupees '000 -----	
Fixed rate instruments				
Financial assets				
Short term investments	7.35	-	1,388,940	1,414,805
Financial liabilities				
Lease liability	4.20	4.20	149,195,473	123,359,768
Loan from parent	8.20	8.20	5,248,623	6,334,821
Variable rate instruments -				
Financial assets				
Cash and Bank Balances	5.50 to 6.50	6.75 to 13.35	10,183,726	1,585,962

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

S. S. S.

31.4 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	
	2022 Rs '000	2021 Rs '000
FINANCIAL ASSETS		
Financial assets measured at fair value		
Financial assets not measured at fair value:		
Amortized cost		
Short term investment	1,388,940	1,414,805
Trade receivables	130,717,536	83,051,299
Other receivables	1,564,078	506,387
Cash and bank balances	10,181,789	1,585,751
	<u>143,852,343</u>	<u>86,558,242</u>
FINANCIAL LIABILITIES		
Financial assets measured at fair value		
Financial liabilities not measured at fair value:		
Amortized cost		
Loan from parent	5,248,623	6,334,821
Trade and other payables	29,453,578	18,258,942
Lease liability	149,195,473	123,359,788
Payable to Government	120,565,163	59,314,065
	<u>304,462,837</u>	<u>207,267,616</u>

Fair values of financial assets and financial liabilities are same as their carrying amounts.

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.

Signature

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.

32. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

There was a change in accounting policy for valuation of stock during the year. The policy was changed from weighted average method to FIFO method of inventory valuation during the year. Due to this change in policy, the comparative figures have been accordingly restated to reflect appropriate adjustments. The effect of restatement is summarised below:

	2021 Rs '000	2020 Rs '000
<u>Statement of financial position</u>		
Assets and liabilities		
Increase / (decrease) in:		
Stock in trade	1,350,014	(1,238,384)
Accumulated profits		
Change in financial position	<u>1,350,014</u>	<u>(1,238,384)</u>
<u>Statement of income and expenditure</u>		
Increase / (decrease) in cost of sales	1,350,014	(1,238,384)
Increase / (decrease) in retained earnings	<u>1,350,014</u>	<u>(1,238,384)</u>
<u>Statement of cash flows</u>		
Cash flows from operating activities		
(Increase) / decrease in stock in trade	<u>(1,350,014)</u>	<u>1,238,384</u>

S. S. S.

33 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The spread of Covid - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. However, as a result of steps taken by the Authorities including efforts to get vaccination of larger segment of population, the businesses are resuming and demand of petroleum products is improving. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

34 NUMBER OF EMPLOYEES	2022	2021
Total number of employees at end of the year	27	27
Average number of employees during the year	27	19

35 GENERAL

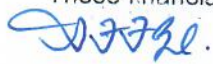
35.1 Capacity and Regassification


Product	Unit	Capacity of Regassification system		Regassification during the year	
		2022	2021	2022	2021
Regasified liquified natural gas	MMSCFD	600	600	414	472

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 20 June 2023





Chief Executive Officer



Director