

**PAKISTAN LNG LIMITED**

**ANNUAL REPORT**

**For the financial year ended June 30,  
2023**



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## COMPANY INFORMATION FOR FY 2022-23

<p><b>Board of Directors</b></p> <p>Mr. Zafar Abbas (Non-Executive Director / Chairman)</p> <p>Mr. Hassan Iqbal (Non-Executive Director)</p> <p>Mr. Sohail Matin (Independent Director)</p> <p>Mr. Masood Nabi (Acting MD/CEO and Director)</p> <p>Mr. Maqsood Sher (Independent Director)</p> <p>Mr. Aamir Nazir Gondal (Non-Executive Director)</p> <p><b>CFO</b> Mr. Asim Rafat Khan</p> <p><b>Company Secretary</b> Ms. Saman Gul</p> <p><b>Auditors</b> A.F. Ferguson (PwC)</p>	<p><b>Registered Office</b> 9th floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad, Pakistan</p> <p><b>Registration Number</b> 0096680</p> <p><b>Contact Details</b> PABX: +92 (51) 9216903, Fax: +92 (51) 9216904 Web Site: <a href="http://www.paklng.com">www.paklng.com</a></p> <p><b>Bankers</b> National Bank of Pakistan United Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Habib Bank Limited Bank Alfalah Limited Askari Bank Limited Bank of Punjab Faysal Bank Limited Meezan Bank Limited</p> <p><b>Tax Advisors</b> A.F. Ferguson (PwC)</p> <p><b>Legal Advisors</b> Arif and Associates</p>
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## BOARD AND COMMITTEE MEETINGS

The following Board and Committee meetings were held during the FY 2022-23:

- |  |    |
|--|----|
| 1. <b>Board Meetings:</b>                | 21 |
| 2. <b>HR &amp; Nomination Committee:</b> | 05 |
| 3. <b>Audit Committee:</b>               | 08 |
| 4. <b>Risk Management Committee:</b>     | 03 |
| 5. <b>Procurement Committee:</b>         | 02 |

Meetings attended							
No.	Name of Directors	Total Remuneration (PKR) *	Board Meetings	HR & Nomination Committee	Audit Committee	Risk Committee	Procurement Committee
1	Mr. Hassan M. Yousafzai	1,300,000	8	2		3	
2	Mr. Hassan Iqbal	1,600,000	13	3			
3	Mr. Sohail Ahmed	3,600,000	21	5	8		2
4	Mr. Syed Maqsood Sher	3,900,000	21	5	8	3	2
5	Mr. Waseem Mukhtar	400,000	4				
6	Mr. Zafar Abbas	2,300,000	15	3		3	2
7	Mr. Amir Nazir Gondal	3,100,000	19		7	3	2
8	Mr. Masood Nabi	2,600,000	21			3	2
<b>Total</b>		<b>18,800,000</b>	<b>21</b>	<b>05</b>	<b>08</b>	<b>03</b>	<b>02</b>

\* The remuneration policy guideline applicable for the Board of Directors and Executive Management was suggested by the Ministry of Energy (Petroleum Division) and established and approved by the Initial Subscribers. In the 5th Annual General Meeting of Pakistan LNG Limited held on June 09, 2021, the meeting fee of PKR 100,000 was fixed for each Board of Committee meeting.



## **DIRECTORS' REPORT**

### **DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2023**

The Board of Directors are pleased to present the Directors' Report and the audited Financial Statements of Pakistan LNG Limited (the Company, PLL) together with Auditors' report for the financial year ended June 30, 2023.

#### **INCORPORATION AND OPERATIONS**

The Company was incorporated in Pakistan as a public company on December 11, 2015 under the Companies Ordinance, 1984, now the Companies Act 2017. The principal activity of the Company is to import, re-gasify Liquefied Natural Gas (LNG) and market, and distribute Regasified Liquid Natural Gas (RLNG). The Company's head office is located at 9<sup>th</sup> floor, Petroleum House, Ataturk Avenue, G-5/2, Islamabad, Pakistan.

Considering consumer demand requirements, the Company currently has a 15-year Term contract with ENI for one cargo a month. The contract ensures a stable supply of LNG to meet consumer demands, specifically of K-Electric & SNGPL. Any further demand raised by downstream consumers is met through the spot LNG purchases from the international market.

After formal approval of the merger by the Government Holdings (Private) Limited (GHPL) Board of Directors, the PLL Board of Directors in its 84<sup>th</sup> meeting dated December 08, 2020 formally passed the resolution for the amalgamation of PLL and PLTL, with PLL being the surviving entity. The merger was effectuated on January 01, 2021. Further, acknowledgement from the SECP for the merger was received on June 29, 2021.

The Company has agreed the terms of the Gas Sales and Purchase Agreement (GSPA) with Sui Northern Gas Pipelines Limited (SNGPL) for the sale of Re-gasified LNG (RLNG). However, formal execution of the GSPA with SNGPL is pending.

The Company has also signed and executed the Gas Sales Agreement (GSA) with K-Electric in August 2021. RLNG supplies to K-Electric commenced from March 2022.

The Company and GHPL signed a term sheet for loan facilities on November 22, 2017. The loan (principal + interest) was completely settled with GHPL subsequent to the FY 22-23.

## FINANCIAL RESULTS

### Overview

The Company witnessed a decrease in revenue during the fiscal year 2022-23, mainly driven by lower cargo imports and decrease in term cargo prices on account of reduction in international Brent prices.

	2022-23	2021-22	2020-21	2019-20	2018-19
Description	-----Amount ('000 PKR) -----				
Total Revenue	111,508,083	398,579,164	216,913,318	150,886,959	179,477,667
Gross Profit	12,691,048	23,262,485	11,120,499	5,860,958	6,058,275
Operating Income / (Loss)	(49,615,120)	(27,900,108)	14,711,746	(2,572,957)	1,751,556
Taxes	11,670,529	6,163,461	(4,024,956)	(940,501)	(1,891,865)
Net Income/(Loss)	(37,944,591)	(21,736,647)	10,686,790	(3,513,459)	(140,308)
<b>Total Assets</b>	<b>272,519,316</b>	<b>298,169,841</b>	<b>220,316,427</b>	<b>190,911,844</b>	<b>46,052,802</b>
Share Capital	15,000	15,000	15,000	15,000	15,000
Accumulated Profits / (Loss)	(50,324,502)	(12,379,911)	10,820,927	(2,712,673)	800,786
Total Liabilities	322,352,519	310,058,451	210,468,392	193,609,517	45,237,016
<b>Total Equity &amp; Liabilities</b>	<b>272,519,316</b>	<b>298,169,841</b>	<b>220,316,427</b>	<b>190,911,844</b>	<b>46,052,802</b>

During the financial year 2022-23, the Company witnessed a sharp decrease in revenue of 72% due to the following key variables:

- A decrease of 78% in cargo imports from 41 in FY 21-22 to 09 in FY 22-23, resulting in lower RLNG MMBTU sales.
- A decrease of 22% in average RLNG prices during the year.
- The above decrease was slightly offset by an increase of 39% in average exchange rate during the year.

The Company posted a net loss of PKR 37.9 billion during FY 2022-23 as compared to the net loss of PKR 21.7 billion during FY 2021-22. The loss during the current year was a result of the following:

- As a result of IFRS 16 implementation, the company recognised a negative impact of PKR 46.9 billion within its profit & loss statement, largely due to the exchange loss of PKR 50.2 billion on re-translation of the lease liability at the year end.
- Exchange loss of PKR 5.3 billion on account of trading activity during the year. However, this amount is recoverable through RLNG price actualisation, which will be carried out by OGRA in subsequent periods.

The overall negative impact was partially offset by charge on account of deferred tax asset of PKR 11.7 billion, which the Company is projecting to adjust in subsequent years.

#### IFRS-16 impact on P&L

Stated below is a summary impact of IFRS-16 on the P&L for the year:

Details	FY 2023	FY 2022
<b>Amount in PKR '000</b>		
Profit / (loss) before tax	(49,615,120)	(27,900,107)
<b>Impact of application of IFRS 16:</b>		
Exchange loss on re-translation of liability on June 30	50,203,614	35,465,025
De-recognition of terminal charges	(21,319,049)	(15,312,568)
Interest expense on lease liability	7,337,880	5,683,227
Depreciation of right of use asset	10,701,431	10,701,431
<b>Total impact on P&amp;L</b>	<b>46,923,876</b>	<b>36,537,116</b>
<b>(Loss) / Profit before tax without IFRS 16 implication</b>	<b>(2,691,244)</b>	<b>8,637,008</b>
Current tax expense for the year	(464,177)	(2,467,853)
<b>(Loss) / Profit after tax without IFRS 16 implication</b>	<b>(3,155,421)</b>	<b>6,169,155</b>

#### Financing costs

The Company incurred financing costs amounting to PKR 7.6 billion (2021-22: PKR 6.3 billion), with a significant portion of PKR 7.3 billion attributable to the recognition of interest expense on the lease liability (IFRS-16). The remaining financing costs of PKR 310 million were on account of GHPL working capital and cash lien facilities and forced loan / FATR interest payments incurred on LC payments.

#### Interest Income

Interest income increased significantly by 269% from PKR 430 million in FY 2021-22 to PKR 1.6 billion during FY 2022-23. This increase stemmed from higher average daily deposits maintained with commercial banks along with significant increase in KIBOR rates during the year, which continued to increase the deposit rates offered to PLL.

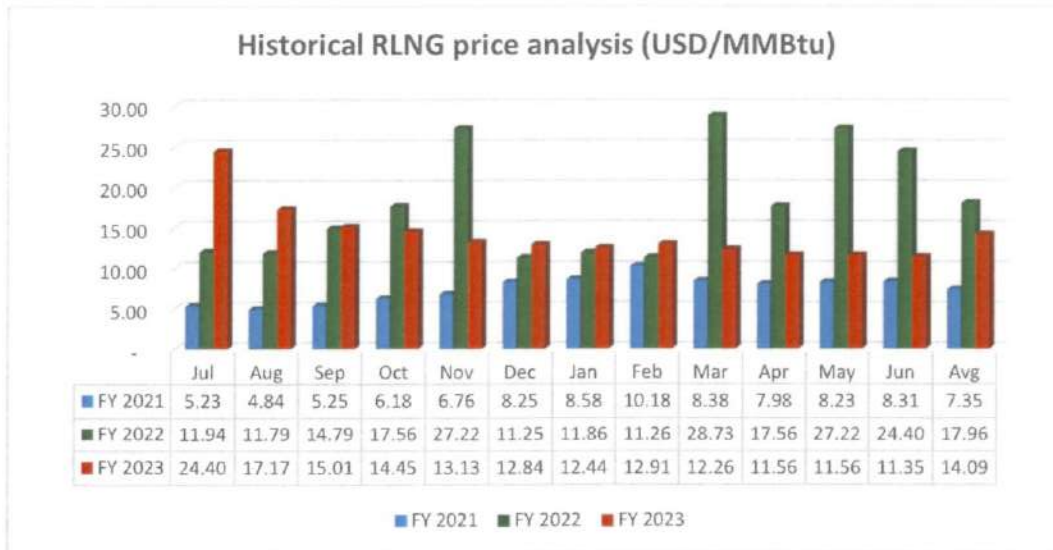
#### Exchange loss

The Company posted an exchange loss of PKR 5.3 billion during the year from direct operations, owing to consistent depreciation of the Pak rupee during the year. This loss is recoverable through the actualisation of RLNG prices, exercise of which will be carried out by OGRA in subsequent periods. Remaining exchange loss of PKR 50.2 billion is notional in nature and arose from re-translation of lease liability at the year-end (IFRS-16).

#### OPERATIONAL HIGHLIGHTS

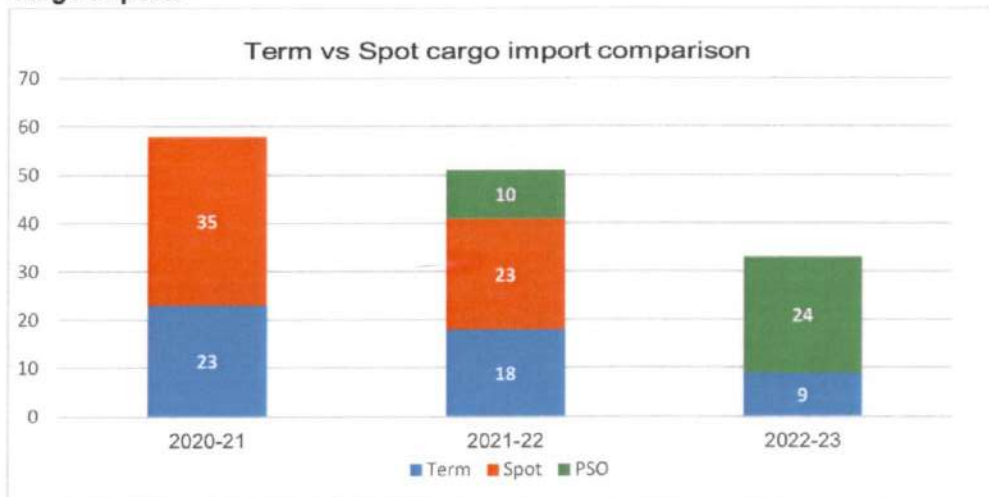
During the financial year 2022-23 the sales prices ranged between USD 11.35/MMBtu to USD 24.4/MMBtu.

Presented below is the RLNG price analysis for the past three fiscal years.



The average OGRA notified RLNG price across the year witnessed an overall decreasing trend, with average RLNG price decreasing by 21.5%, standing at USD 14.09 / MMBtu during FY 2022-23 (FY 2021-22: USD 17.96 / MMBtu). The primary reason for the lower average RLNG price is a consistent decrease in Brent prices during the period, resulting in lower term cargo prices.

#### Cargo Imports



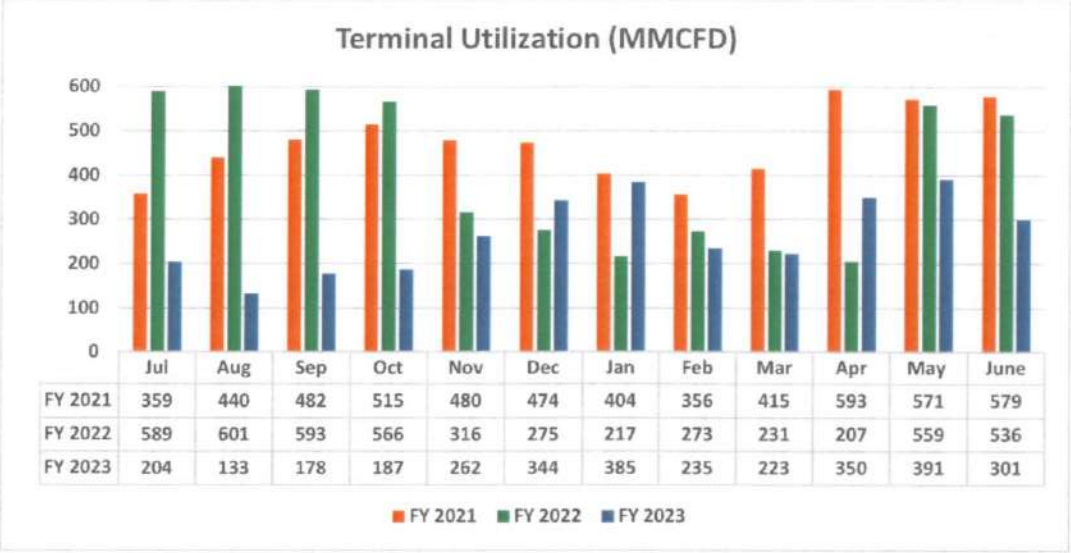
The Company imported 09 cargoes during FY 2022-23 as compared to 41 during FY 2021-22, with the decrease in RLNG sales resulting from no spot imports due to worsening macro-economic conditions of the country. Further, term contract with Gunvor International ceased operationality during the current year, which combined with numerous Eni cargo non-deliveries resulted in significantly lower imports. Further, 24 PSO cargoes were also discharged at the PLL Terminal, for which PLL does not generate any LNG import margin.





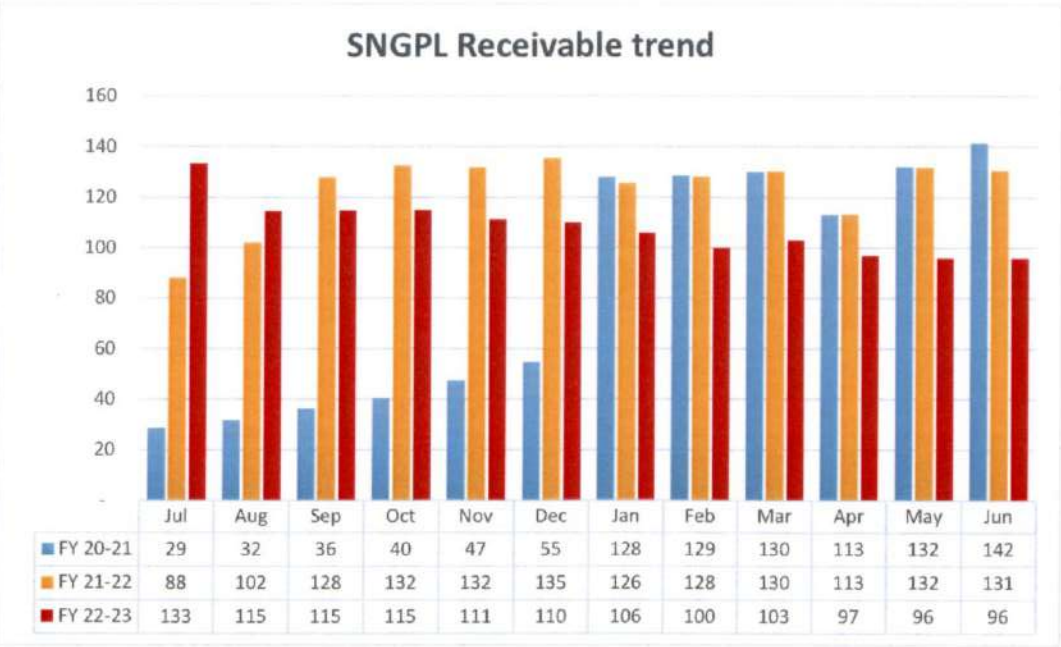
The PSO cargo imports also detrimentally impact PLL's ability to import the requisite cargoes on spot basis.


**Terminal Utilisation**



Terminal utilisation decreased by 35.7% during the FY 2022-23, wherein average utilisation for financial year stood at 44%, as compared to 72% during the FY 2021-22. As illustrated earlier, this was on account of significantly lower term cargo imports by PLL, coupled with no spot procurements during the period.

**LIQUIDITY MANAGEMENT AND CASHFLOWS:**





The average receivables balances from SNGPL witnessed significant decrease during FY 2022-23, primarily due to no RLNG sales to SNGPL since September 2022. Further, amounts received from SNGPL also related to prior receivable balances (in addition to receivable on account of regasification services), resulting in decrease in closing receivable. The Company's working capital requirements during the fiscal year were met through the financing facilities provided by GHPL (PKR 2.5 billion at year end) and ITFC, which has decreased slightly from PKR 120.6 billion at 30 June 2022 to PKR 113.9 billion as at the current year end. Further, due to sufficient liquidity available with the Company at the year end, PLL has completely settled the GHPL principal and interest balances subsequent to the year end.

RLNG sales to K-Electric have not witnessed any deteriorating trend in receivables, as KE has proceeded to make all payments in a timely manner as per contract. The Company has been working closely with all stakeholders for resolution of all payment related issues with SNGPL.

### **CORPORATE GOVERNANCE**

The Board of Directors has complied with the relevant principles of corporate governance, whereas non-compliances, if any, along with the reasons, are mentioned separately in the Statement of Compliance of this report.

### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Board of Directors hereby declares that for the year ended June 30, 2023:

- The financial statements, together with the notes thereon, present fairly the Company's state of affairs, results of its operations, cash flows and changes in equity.
- Proper Books of Accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom has been adequately disclosed and explained.
- The Company has formally adopted internal control systems as per the Accounting & Finance manual of the Company.
- The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interest of the Company as well as in line with the best practices.
- Disclosures on remuneration of Chief Executive and Executives as per regulatory guidelines have been stated in the Company's financial statements.
- There are no significant doubts upon the Company's ability to continue as a going concern. The Board of Directors has satisfied itself that the Company has adequate resources to continue its operations in the foreseeable future. The Company's Financial Statements have accordingly been prepared on a 'going concern' basis.
- All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as on June 30, 2023, have been cleared subsequent to the year-end.

- The number of Board of Directors and Committees meetings held during the year and attendance by each has been disclosed in the relevant section of this report.
- The pattern of shareholding as at June 30, 2023 remains the same as the previous year and has been given in the relevant section of this Annual Report; and,
- There was no default or likelihood of default in respect of any loan / debt instruments.

#### **ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

The Company gives prime importance to conducting its business in accordance with best practices. In that regard, the Company has implemented a system of internal control on all major operational functions of the Company. Further, the Company has an established Internal Audit system, which has been further strengthened by the hiring of a Chief Internal Auditor (CIA). The Company is constantly reviewing internal control systems development process for further improvements and any desired changes to improve the reporting process are implemented as deemed necessary.

#### **COMPOSITION OF THE COMMITTEES OF THE BOARD AND THEIR RESPECTIVE TERMS OF REFERENCE (TOR)**

<u>Human Resource &amp; Nomination Committee</u>	<u>Terms of Reference (TOR)</u>
<b>Members</b>	
<ol style="list-style-type: none"> <li>1. Mr. Sohail Matin (Chairman)</li> <li>2. Mr. Maqsood Sher</li> <li>3. Mr. Hassan Iqbal</li> <li>4. Mr. Zafar Abbas</li> <li>5. Mr. Masood Nabi</li> </ol>	<ol style="list-style-type: none"> <li>a) Human Resource Management policies applicable to the entire workforce including recruitment, training, performance management, succession planning and compensation philosophy.</li> <li>b) Selection, evaluation, compensation and succession planning of the CEO.</li> <li>c) Selection, evaluation, compensation of COO (if available), CFO, Company Secretary and the Head of Internal Audit;</li> <li>d) Study and evaluate all HR related issues presented by the Management and formulate concise recommendations for the Board.</li> <li>e) Chairman/MD will present the finalized recommendations to the Board for approval.</li> <li>f) Review MD's performance on annual basis and recommend increment as may deem appropriate.</li> <li>g) Pre-review and endorse performance/potential assessment of GMs directly reporting to the MD; including promotions, demotions, terminations and any other significant actions pertaining to their assignments.</li> <li>h) Review recruitment policy and procedure, review and recommend hiring of executives in GM Grade.</li> <li>i) Review and endorse HR Plan including but not limited to executive training, development, career planning, potential assessment and succession planning.</li> <li>j) The committee will focus on the following tasks to identify and recommend candidates for the Board's approval to fill vacancies as and when they arise:               <ol style="list-style-type: none"> <li>a. Evaluate balance of executive and non-executive directors including independent directors with requisite range of skills, competencies, knowledge and experience.</li> <li>b. Consider candidates on merit with due regard for benefits of diversity on the Board taking care that appointees have enough time available to devote to their positions.</li> <li>c. Oversee the development and implementation of a Board induction process for new directors and a program of continuing director development as needed.</li> </ol> </li> </ol>

<p><b><u>Audit Committee</u></b></p> <p><b>Members</b></p> <ol style="list-style-type: none"> <li>1. Mr. Maqsood Sher (Chairman)</li> <li>2. Mr. Aamir Nazir Gondal</li> <li>3. Mr. Sohail Matin</li> </ol>	<p style="text-align: center;"><b><u>Terms of Reference (TOR)</u></b></p> <p>The responsibilities of the Committee shall include review and oversight of the following:</p> <ol style="list-style-type: none"> <li>a) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors, focusing on: <ol style="list-style-type: none"> <li>a. major judgment areas,</li> <li>b. significant adjustments resulting from the audit,</li> <li>c. the going-concern assumption, and</li> <li>d. significant related party transactions,</li> </ol> </li> <li>b) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto; and adjustments resulting from the audit.</li> <li>c) Director's reports and any other published information to ensure that it is consistent with the financial statements.</li> <li>d) Recommending to the Board of Directors the appointment or external auditors by the Company's and any question of resignation or removal or external auditors, audit fees and provision by external auditor of any service to the Company in addition to the audit of its financial statements.</li> <li>e) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.</li> <li>f) Monitoring compliance of relevant statutory requirements and with the best practices of corporate governance.</li> <li>g) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.</li> <li>h) Any changes in accounting policies and practices.</li> <li>i) Compliance with applicable accounting standards and other statutory and regulatory requirements.</li> <li>j) Compliance with management control standards and Company policies including audit ethics.</li> <li>k) The continuing suitability of the organization structure at all levels to the exercise of sound internal control and related training needs.</li> <li>l) Review of scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.</li> <li>m) Determination of appropriate measures to safeguard Company's assets and their performance including post facto review of major investment projects and programs.</li> <li>n) Instituting special projects, value for money studies or other investigations on any matter specified by the BOD, in consultation with the Chief Executive and to consider remittance of any matter to the External Auditors or to any other external body.</li> <li>o) Review the exposure of the Company to risks and any matters that might have a material effect on the Company's financial position.</li> <li>p) Review internal auditor's finding and recommendations including major findings of internal investigations under whistle-blowing policy and protection mechanism.</li> </ol>
<p><b><u>Risk Management Committee</u></b></p> <p><b>Members</b></p>	<p style="text-align: center;"><b><u>Terms of Reference (TOR)</u></b></p> <p>The committee assists the Board on the Company's overall risk appetite, tolerance, and strategy through the following responsibilities:</p> <ol style="list-style-type: none"> <li>a) Oversee and advise the Board on the current risk exposures of PLL, appropriate determination of risk appetite and future risk strategy, as</li> </ol>

<ol style="list-style-type: none"> <li>1. Mr. Aamir Nazir Gondal (Chairman)</li> <li>2. Mr. Maqsood Sher</li> <li>3. Mr. Hassan Iqbal</li> <li>4. Mr. Zafar Abbas</li> <li>5. Mr. Masood Nabi</li> </ol>	<p>regards to strategic, operational, financial and compliance, conduct and reputation risks.</p> <ol style="list-style-type: none"> <li>b) Review and approve the risk management policies and plans.</li> <li>c) Timely monitoring of large exposures and risk types of critical importance, and</li> <li>d) Overseeing that the Management has identified and assessed all the risks and established risk management and mitigation policies.</li> <li>e) Review and monitor management's responsiveness to the findings and recommendations of the Chief Financial Officer (CFO) in relation to risk register maintained by the Company.</li> <li>f) Review reports on any material breaches of risk limits and the adequacy of proposed action.</li> <li>g) Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals ensuring that a due diligence appraisal of the proposition is undertaken, and taking independent external advice where appropriate and available.</li> <li>h) Review and approve the statements to be included in the annual report concerning risk management.</li> </ol>
<p><b>Procurement Committee</b></p> <p><b>Members</b></p> <ol style="list-style-type: none"> <li>1. Mr. Aamir Nazir Gondal (Chairman)</li> <li>2. Mr. Masood Nabi</li> <li>3. Mr. Zafar Abbas</li> <li>4. Mr. Sohail Matin</li> <li>5. Mr. Maqsood Sher</li> </ol>	<p style="text-align: center;"><b><u>Terms of Reference (TOR)</u></b></p> <p>The committee ensures transparency in procurement and dealing with suppliers/ service providers through the following responsibilities:</p> <ol style="list-style-type: none"> <li>a) Serves as an advisory forum to suggest measures to streamline and expedite procurement of goods and services.</li> <li>b) Monitor procurement process and ensure that procurement process is in compliance with public procurement rules and meeting with strategic business needs.</li> <li>c) Review and recommend to the Board award or high value contracts. The Committee will determine the financial threshold of the "high value contracts".</li> <li>d) Provide guidance to the management when asked for procurement strategy in special cases.</li> <li>e) Procurement policies/procedures for procurement of goods/ services/ works and recommend changes for improvement.</li> <li>f) The Committee ensures transparency in procurement and dealing with suppliers/ service providers.</li> <li>g) Review and decide special cases of procurement referred by the Management.</li> <li>h) Review and approve awards of Contracts.</li> <li>i) Review: (a) the Annual Procurement Plan; (b) any changes to financial authorities relating to procurement; and (c) any Updates/ changes made in the procurement plan, procurement process, etc.</li> <li>j) Ensuring compliance with applicable laws while procuring goods and services;</li> <li>k) Any other assignment given by the BOD.</li> </ol>

#### **PATTERN OF SHAREHOLDING**

The Company is the fully owned subsidiary of GHPL which is 100% owned by Government of Pakistan. All the members on the Board of Directors are nominated by the Government of Pakistan.

#### **DIVIDEND**

Dividend was neither paid out during the year nor it has been proposed.



## **EARNING PER SHARE**

EPS of the company for financial year ended June 30, 2023 (without impact of IFRS-16) is PKR -2,104 (FY 21-22: PKR 4,112).

## **AUDITORS' OBSERVATION**

The Auditors have issued un-qualified report for the year ended June 2023.

## **AUDITORS**

The present auditors, M/s A.F. Ferguson (PwC), have provided their consent to act as group auditors for FY 2023-24. Accordingly, the matter of external auditors' appointment will be brought before the Board of Directors after approval at the group level.

## **EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There are no significant events subsequent to the Balance Sheet date which require further disclosures.

## **KEY RISKS / ISSUES**

### **Delay in payments by SNGPL**

As per agreed terms, PLL's invoices are payable by SNGPL within five (05) days of receipt of invoice. However, as per trends observed, current SNGPL receivable stands at more than 380 days in relation to RLNG sales invoices, which has resulted in severe working capital issues for the Company to meet its international and domestic supply chain commitments. Such chronic delays in payment are evident from the outstanding receivables during the fiscal years. Although, PLL maintains constant communication with SNGPL and other stakeholders to apprise them of the payment issues in a timely manner, a long-term solution in the form of a signed GSPA is still pending to alleviate these concerns.

### **PSO cargo imports on Terminal-2**

Under the current Tripartite Agreement with PSO & SNGPL, PSO is continuing to discharge LNG cargoes at PGPCL Terminal, with imports standing at 24 cargoes for the current year. Such imports result in PLL not generating any LNG Import Margin on PSO cargoes, which significantly reduces the Company's overall business portfolio and results in PLL not being able to import spot cargoes to fulfil downstream RLNG demand. This is also evident from the significant decrease in PLL's revenues during the current year.

### **Adjustment of 100% input sales tax**

Since inception of operations, PLL has adjusted 100% of its output liability against its sales tax refund. However, FBR vide SRO 1190(I)/2019 dated October 2, 2019 made certain changes regarding adjustment of sales tax refund against output liability, wherein allowance of 100% adjustment has only been accorded to certain types of entities. Since the implementation of the above SRO, PLL has been unable to adjust 100% of its sales tax liability against the refund available, which has resulted in a consistent increase in the sales tax refund from PKR 0.39 billion in December 2019 to over PKR 10.1 billion in June 2023.

In order to resolve the issue, PLL filed a writ petition with the Honourable Islamabad High Court (IHC) to alleviate PLL's concerns. The IHC has, vide its order dated September 26, 2023 directed FBR to accord PLL an opportunity to assess PLL's case and provide its resolution / view on the matter within 2 months. Initial meeting with FBR in light of the order was held on November 07, 2023.

#### **Excess income tax burden borne by PLL**

PLL currently files its income tax liability under the Minimum Tax Regime (MTR) by paying 1.25% of gross revenue through quarterly advance tax payments. Further, PLL incurs 1% advance tax on LNG imports at the import stage, which is adjusted against the minimum tax due for the year. However, the corporate tax rate applicable on the Company is 29% on taxable profits, with such disparity resulting in the company bearing excess tax burden as follows:

Financial Year	Minimum Tax paid	Tax under s.148	Corporate tax	Difference	Amount adjusted by GHPL	Balance (carried forward)	Expiry date for carry forward
2017-18	920,476,365		540,512,664	379,963,701	-	379,963,701	2022-23
2018-19	2,243,470,841		508,030,416	1,735,440,425	-	1,735,440,425	2023-24
2019-20	2,263,304,394	1,498,738,496	1,101,970,839	1,161,333,555	-	1,161,333,555	2024-25
2020-21	3,253,699,776	2,186,048,495	2,020,363,315	1,233,336,461	977,591,479	255,744,982	2023-24
2021-22	4,982,239,555	4,452,571,631	2,541,153,787	2,441,085,768	-	2,441,085,768	2026-27
2022-23	1,393,851,037	952,556,899	-	1,393,851,037	-	1,393,851,037	
				<b>8,345,010,947</b>	<b>977,591,479</b>	<b>7,367,419,468</b>	

Accordingly, PLL has settled PKR 977 million with GHPL on account of group benefit for FY 20-21. PLL has also recognised a firm receivable from GHPL amounting to PKR 2.5 billion on account of tax benefit receivables for FY 21-22 and 22-23. Accordingly, the Company will proceed to recover such amounts through group taxation to reduce the excess income tax burden borne by the Company.



## FUTURE OUTLOOK

The Company is committed to fulfilling the energy and gas crisis currently hampering the country's economic growth, whilst ensuring the financial and commercial viability of the Company. The presence of an already established strong gas industry provides a significant base for future growth in LNG sales. This fact is reflected in the Company estimates that LNG demand within the country can be reasonably estimated to increase significantly over the next few years based on the following:

- a) Depletion of indigenous gas resources which will subsequently lead to higher demand of LNG;
- b) Lifting of moratorium on new gas connections in the industry, commercial section, private housing societies etc.;

Despite challenging market procurement conditions and overall macro-economic environment in Pakistan, LNG demand remains high in the country. It is a fact that there will be seasonal variations in the RLNG requirement, which will result in variations in PLL's RLNG supplies, however, the overall trend depicts a sustainable growth pattern.

## ACKNOWLEDGEMENT

The Board would like to express their gratitude to the Ministry of Energy (Petroleum Division) for continuous assistance and cooperation extended to the Company in the respective matters. The Board acknowledges and deeply appreciates employees' contribution towards achievement of the Company's goals.



MD / CEO



Chairman





## 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, 2023, 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, 2023 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, 2023 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.

*S. A. F. FERGUSON & CO.*  
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
74-East, 2nd Floor, Blue Area, Jinnah Avenue, P.O.Box 3021, Islamabad-44000, Pakistan  
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk >

### **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

*2022*

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).

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



Chartered Accountants  
Islamabad

Date: December 26, 2023

UDIN: AR202310083gTLR27tCE

**PAKISTAN LNG LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b>ASSETS</b>	Note	2023 ----- Rs '000	2022 -----
<b>Non current assets</b>			
Property and equipment	6	18,451	13,163
Right of use asset	7	101,663,596	112,365,027
Intangible assets	8	251	485
Deferred tax asset	9	24,288,753	12,154,047
		<u>125,971,051</u>	<u>124,532,722</u>
<b>Current assets</b>			
Stock in trade	10	8,483,425	15,720,587
Advances and prepayments		871,572	124,158
Receivable from tax authorities	11	13,815,369	13,938,094
Trade receivables	12	101,288,269	130,717,536
Other receivables	13	2,895,544	1,564,078
Short term investments	14	3,169,542	1,388,940
Cash and bank balances	15	16,024,544	10,183,726
		<u>146,548,265</u>	<u>173,637,119</u>
		<u>272,519,316</u>	<u>298,169,841</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital (100,000,000 ordinary shares of Rs. 10 each)		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital	16	15,000	15,000
<b>Capital reserve</b>			
Reserve on amalgamation	17	476,299	476,299
<b>Revenue reserve</b>			
Accumulated losses		(50,324,502)	(12,379,911)
<b>Total Equity</b>		<u>(49,833,203)</u>	<u>(11,888,612)</u>
<b>Non current liabilities</b>			
Deferred employees' benefits	18	20,593	23,074
Loan from Parent Company	19	2,530,156	3,703,870
Lease liability	20	169,165,917	137,666,792
		<u>171,716,666</u>	<u>141,393,736</u>
<b>Current liabilities</b>			
Current portion of loan from parent	19	1,504,462	1,544,753
Current portion of lease liability	20	16,252,001	11,528,681
Payable to Government	21	113,898,102	120,565,163
Trade and other payables	22	18,981,288	35,026,120
		<u>150,635,853</u>	<u>168,664,717</u>
<b>Total Liabilities</b>		<u>322,352,519</u>	<u>310,058,453</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>272,519,316</u>	<u>298,169,841</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rs '000	2022 Rs '000
Revenue from contracts with customers - net	24	111,508,083	398,579,164
Cost of sales	25	<u>(98,817,035)</u>	<u>(375,316,679)</u>
Gross profit		12,691,048	23,262,485
Administrative expenses	26	(767,822)	(510,868)
Other income	27	1,585,583	429,557
Exchange loss		(55,475,515)	(44,760,927)
Finance cost	28	<u>(7,648,414)</u>	<u>(6,320,355)</u>
Loss before tax	20.2	(49,615,120)	(27,900,108)
Taxation	29	11,670,529	6,163,461
Loss after tax		<u>(37,944,591)</u>	<u>(21,736,647)</u>
Other comprehensive income - net of tax		-	-
Total comprehensive loss		<u><u>(37,944,591)</u></u>	<u><u>(21,736,647)</u></u>

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

*S. J. J. J.*

*U. J. J.*

Chief Executive Officer

*J. J. J.*

Director

PAKISTAN LNG LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2023

Share capital Issued, subscribed and paid up capital	Capital reserve	Revenue reserves		Total	
	Reserve on amalgamation	Fair value adjustment on collateral arrangement with parent Company	Accumulated losses		
-----Rs '000-----					
Balance as at July 1, 2021	15,000	476,299	(1,464,191)	10,820,927	9,848,035
<b>Total comprehensive income for the year</b>					
Loss for the year	-	-	-	(21,736,647)	(21,736,647)
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	(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)	-
<b>Balance as at June 30, 2022</b>	<u>15,000</u>	<u>476,299</u>	<u>-</u>	<u>(12,379,911)</u>	<u>(11,888,612)</u>
Balance as at July 1, 2022	15,000	476,299	-	(12,379,911)	(11,888,612)
<b>Total comprehensive income for the year</b>					
Loss for the year	-	-	-	(37,944,591)	(37,944,591)
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	(37,944,591)	(37,944,591)
<b>Balance as at June 30, 2023</b>	<u>15,000</u>	<u>476,299</u>	<u>-</u>	<u>(50,324,502)</u>	<u>(49,833,203)</u>

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

*S.A. Jale.*

*M. Jale.*  
Chief Executive Officer

*[Signature]*  
Director

**PAKISTAN LNG LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 Rs '000	2022 Rs '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(49,615,120)	(27,900,108)
Adjustments for:			
Depreciation	7 & 26	10,711,020	10,708,782
Amortization	26	234	303
Provision for gratuity and leave encashment		43,606	29,658
Provision for contribution to provident fund		10,674	8,949
Interest expense	28	7,648,414	6,320,355
Unrealized exchange loss		50,218,029	35,284,281
Loss on disposal		-	8
Interest income	27	(1,585,583)	(429,546)
		17,431,274	24,022,682
<b>Changes in:</b>			
Advances, prepayments and other receivables		(747,414)	(50,396)
Trade and other receivables		28,484,640	(47,666,237)
Recoverable from tax authorities		367,995	(8,617,438)
Accrued interest		158,097	(56,554)
Stock in trade		7,237,162	(12,734,029)
Trade and other payable		(16,044,832)	13,589,317
		19,455,648	(55,535,337)
Cash generated / (used in) from operations		36,886,922	(31,512,655)
Employee benefits paid		(46,087)	(29,500)
Income taxes paid		(1,197,827)	(4,461,373)
Interest paid on delayed payment		(47,510)	(179,767)
		(1,291,424)	(4,670,640)
Net cash generated / (used in) from operating activities		35,595,498	(36,183,295)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(14,990)	(2,953)
Proceeds from sale of property and equipment		59	456
Interest received		1,501,116	362,721
Net cash flows generated from investing activities		1,486,185	360,224
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Government loan receipts		5,743,542	75,464,202
Repayment against Government loan		(12,410,603)	(14,213,104)
Lease rentals paid	20	(21,319,049)	(15,312,568)
Repayment of loan from Parent Company		(1,474,153)	(1,543,560)
Net cash flows (used in) / generated from financing activities		(29,460,263)	44,394,970
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		7,621,420	8,571,899
Cash and cash equivalents at the beginning of the year		11,572,666	3,000,767
Short-term investments marked with lien for bank guarantee		(3,169,542)	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	15.2	16,024,544	11,572,666

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

*Sattar*

*[Signature]*  
**Chief Executive Officer**

*[Signature]*  
**Director**

PAKISTAN LNG LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023

**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 operates under the governance of the Ministry of Energy (Petroleum Division), Government of Pakistan ("GoP"). The company is a wholly owned subsidiary of Government Holdings Private Limited ("GHPL" / 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) and K-Electric (the Buyers) for sale of re-gasified LNG (RLNG). The agreement with K-Electric is set to expire on December 31, 2025 with an option to extend it further.
- 1.2 Ministry of Energy (Petroleum Division) vide its letter dated January 2, 2020 conveyed the formal decision of ECC and Cabinet for the merger of then operational, 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 assets and liabilities of PLTL were transferred at their carrying amounts and reflected in 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 INTERPRETATIONS**

- 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





	Effective date (annual reporting periods beginning on or after)
IFRS 4 Insurance Contracts (Amendments)	January 1, 2023
IAS 7 Statement of Cash Flows (Amendments)	January 1, 2023
IFRS 7 Financial Instruments	January 1, 2023
IFRS 16 Leases (Amendments)	January 1, 2024

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

#### 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 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.



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.

#### **4.4 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 profit or loss for the year as and when incurred, while major renewals and improvements fulfilling the capitalization criteria are capitalized.

*Saifullah*

#### 4.5 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.

#### 4.6 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.

*S. J. J.*

IFRS 16 requires the Company to assess the lease term as the non-cancellable 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.

#### 4.7 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.

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#### 4.8 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.

#### 4.9 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. 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.

#### 4.10 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.

#### 4.11 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.

##### 4.11.1 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.

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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 (FVTOCI); 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.

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## **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 statement.

#### **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.

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### **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 to be 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.

### **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.

### **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.

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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;



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.

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(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.

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#### 4.11.2 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 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 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 in statement of 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.

#### 4.11.3 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.



#### **4.12 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.

#### **4.13 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.

#### **4.14 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.

#### **4.15 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.

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#### 4.16 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.

#### 4.17 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:

- i) Estimated useful life, residual value and depreciation method of operating assets - note 6
- ii) Right of use asset and lease liability - note 7 and note 20
- iii) Valuation of stock in trade - 10
- iv) Contingencies - note 23
- v) Taxation - note 29



## 6 PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixture	Office Equipment	Motor vehicle	Communication Equipment	Total
-----Rupees ('000)-----						
<b>As at July 01, 2021</b>						
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)
<b>Net book value</b>	<u>4,504</u>	<u>7,494</u>	<u>3,604</u>	<u>2,035</u>	<u>621</u>	<u>18,258</u>
<b>Year ended June 30, 2021</b>						
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)
<b>Closing net book value</b>	<u>3,739</u>	<u>5,236</u>	<u>1,985</u>	<u>1,080</u>	<u>1,123</u>	<u>13,163</u>
<b>As at June 30, 2022</b>						
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)
<b>Net book value</b>	<u>3,739</u>	<u>5,236</u>	<u>1,985</u>	<u>1,080</u>	<u>1,123</u>	<u>13,163</u>
<b>Year ended June 30, 2022</b>						
Opening net book value	3,739	5,236	1,985	1,080	1,123	13,163
Additions	8,133	-	-	5,925	932	14,990
Disposals						
Cost	(1,676)	-	(255)	-	(470)	(2,401)
Accumulated depreciation	1,566	-	255	-	466	2,287
	(110)	-	-	-	(4)	(114)
Depreciation charge	(3,414)	(2,482)	(1,268)	(1,517)	(907)	(9,588)
<b>Closing net book value</b>	<u>8,348</u>	<u>2,754</u>	<u>717</u>	<u>5,488</u>	<u>1,144</u>	<u>18,451</u>
<b>As at June 30, 2023</b>						
Cost	25,303	16,565	11,193	10,702	2,094	65,857
Accumulated depreciation	(16,955)	(13,811)	(10,476)	(5,214)	(950)	(47,406)
<b>Net book value</b>	<u>8,348</u>	<u>2,754</u>	<u>717</u>	<u>5,488</u>	<u>1,144</u>	<u>18,451</u>
<b>Annual rate of depreciation (%)</b>	30	15	15	20	50	

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	2023 Rs '000	2022 Rs '000
<b>7 RIGHT OF USE ASSET</b>		
<b>Floating Storage and Regassification unit</b>		
<b>Cost</b>		
As at end of the year	144,469,320	144,469,320
<b>Accumulated depreciation</b>		
As at beginning of the year	32,104,293	21,402,862
Depreciation charge	10,701,431	10,701,431
As at end of the year	42,805,724	32,104,293
<b>Net book value</b>		
Net carrying amount at end of the year	<u>101,663,596</u>	<u>112,365,027</u>
Useful life	15 years	15 years
<b>8 INTANGIBLE ASSETS - SOFTWARE</b>		
<b>Cost</b>		
As at beginning of the year	1,697	1,697
Write Off during the year	(342)	-
As at end of the year	<u>1,355</u>	<u>1,697</u>
<b>Amortization</b>		
As at beginning of the year	1,212	909
Write off during the year	(342)	-
Charge for the year	234	303
As at end of the year	<u>1,104</u>	<u>1,212</u>
<b>Net book value</b>		
As at June 30, 2023	<u>251</u>	<u>485</u>
Amortization rate %	25%	25%
<b>9 DEFERRED TAX ASSET</b>		
<b>Deferred taxation</b>	<u>24,288,753</u>	<u>12,154,047</u>
<b>Movement in the deferred tax asset:</b>		
Balance at beginning of the year	12,154,047	3,522,733
Credit to the statement of profit or loss - note 29	12,134,706	8,631,314
Balance at end of the year	<u>24,288,753</u>	<u>12,154,047</u>

- 9.1 Deferred tax has been calculated at the current effective tax rate of 29% (2022: 33%). The asset is recognised on account of temporary differences arising in closing values of RoU Asset and related liability recognised under IFRS-16 on account of capacity payments to Terminal Operator.

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9.2 The movement in deferred tax is as follows:

	Opening balance as at July 1	Recognised in profit or loss  ----- Rs '000 -----	Closing balance as at June 30
<b>2023</b>			
<b>Deductible temporary difference</b>			
Lease liability	49,234,506	4,536,690	53,771,196
<b>Taxable temporary difference</b>			
Right of use asset	(37,080,459)	7,598,016	(29,482,443)
	<u>12,154,047</u>	<u>12,134,706</u>	<u>24,288,753</u>
<b>2022</b>			
<b>Deductible temporary difference</b>			
Lease liability	35,774,339	13,460,167	49,234,506
Property and equipment	1,070	(1,070)	-
Minimum tax paid over and above corporate tax	3,429,951	(3,429,951)	-
Deferred employee benefits	6,646	(6,646)	-
<b>Taxable temporary difference</b>			
Right of use asset	(35,689,273)	(1,391,186)	(37,080,459)
	<u>3,522,733</u>	<u>8,631,314</u>	<u>12,154,047</u>

10	<b>STOCK IN TRADE</b>	<b>2023</b> <b>Rs '000</b>	<b>2022</b> <b>Rs '000</b>
	LNG held with third party - note 10.1	8,382,078	15,619,240
	RLNG held in pipeline - note 10.2	101,347	101,347
		<u>8,483,425</u>	<u>15,720,587</u>

10.1 This represents closing stock of LNG 86,091.66 m<sup>3</sup> (2022: 135,823.76 m<sup>3</sup>) inventory held with PGP Consortium Limited (PGPCL) at the Floating Storage and Regasification Unit (FSRU) as at June 30, 2023. The inventory includes a stock of 38,310.03 m<sup>3</sup> on account of borrowing and lending mechanism with SNGPL, in relation to LNG cargoes received by PLL at FSRU. As per the mechanism, the LNG inventory in MMBTU terms is recouped by the Company from subsequent month cargo received by SNGPL. The borrowing and lending mechanism is a molecule to molecule adjustment, with no financial transaction taking place between the companies.

10.2 This represents RLNG held in 14 km pipeline between Floating Storage and Regasification Unit (FSRU) and Custody Transfer System (CTS).

11	<b>RECEIVABLE FROM TAX AUTHORITIES</b>	<b>2023</b> <b>Rs '000</b>	<b>2022</b> <b>Rs '000</b>
	Advance income tax - note 11.1	4,227,540	4,600,357
	General sales tax recoverable - note 11.2	9,587,829	9,337,737
		<u>13,815,369</u>	<u>13,938,094</u>

11.1 This includes an amount of Rs. 3,221 million recovered from the Company under coercive measures adopted by tax authorities. As outlined in para iii of note 23.1, the matter is pending for adjudication.

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- 11.2 This mainly pertains to import of LNG cargos and management is confident that it is adjustable against future sales of the Company. General sales tax recoverable has been recognised taking into account the availability of future sales as per business plan of the Company. The existence of future sales is based on business plan which involves making judgements regarding key assumptions underlying the estimation of the future sales of the Company. These assumptions, if not met have significant risk of causing a material adjustment to the carrying amount of general sales tax recoverable. The management believes that it is probable that the Company will be able to achieve the sales projected in the business plan.

	2023 Rs '000	2022 Rs '000
<b>12 TRADE RECEIVABLES</b>		
Considered good - unsecured	<u>101,288,269</u>	<u>130,717,536</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 represent balance receivable from Sui Northern Gas Pipeline Company Limited, a related party and KE Limited. It includes overdue balance receivable from SNGPL of Rs. 96,217 million (2022: Rs. 119,697 million).

	2023 Rs '000	2022 Rs '000
<b>13 OTHER RECEIVABLES</b>		
Accrued recoverable - note 13.1	200,450	200,450
Tax receivable from the parent Company under group taxation note - 13.2	2,536,997	1,307,074
Accrued interest on bank deposits	158,097	56,554
	<u>2,895,544</u>	<u>1,564,078</u>

- 13.1 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).
- 13.2 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.

	2023 Rs '000	2022 Rs '000
<b>14 SHORT TERM INVESTMENTS</b>		
Investment in term deposit receipts	3,065,431	1,371,864
Accrued interest	104,111	17,076
Total investment - note 14.1	<u>3,169,542</u>	<u>1,388,940</u>

- 14.1 This represents local currency term deposit receipts (TDR) placed with the Meezan Bank Limited (2022: Habib Metropolitan Bank) for an amount of Rs. 3,065 million (2022: Rs. 1,372 million), and accrued interest for an amount of Rs. 104.11 million (2022: Rs. 17.08 million), carrying interest rate 14.8% per annum (2022: 11%), having maturity up to 3 months. The TDRs have been placed as a guarantee on account of Sindh Infrastructure Cess, as referred to in para iii of note 23.2. After conclusion of Court proceedings and the related judgement by the Court, the amount will be released accordingly.



		2023 Rs '000	2022 Rs '000											
<b>15 CASH AND BANK BALANCES</b>														
Cash in hand		1,823	1,937											
Cash at bank - saving accounts - note 15.1		16,022,721	10,181,789											
		<u>16,024,544</u>	<u>10,183,726</u>											
<b>15.1</b>	These carry mark-up at the rate ranging between 14.05% to 19.65% (2022: 6.5% to 14.25%) per annum.													
<b>15.2 Cash and cash equivalents</b>		<b>2023 Rs '000</b>	<b>2022 Rs '000</b>											
Short term investments		3,169,542	1,388,940											
Cash and bank balances		16,024,544	10,183,726											
		<u>19,194,086</u>	<u>11,572,666</u>											
<b>16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>														
<b>16.1 Authorised share capital</b>														
	<table border="0"> <tr> <td style="text-align: center;">2023</td> <td style="text-align: center;">2022</td> </tr> <tr> <td colspan="2" style="text-align: center;">Number of shares</td> </tr> <tr> <td style="text-align: center;"><u>1,000,000,000</u></td> <td style="text-align: center;"><u>1,000,000,000</u></td> </tr> </table>	2023	2022	Number of shares		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<table border="0"> <tr> <td style="text-align: center;">2023</td> <td style="text-align: center;">2022</td> </tr> <tr> <td colspan="2" style="text-align: center;">Rs '000</td> </tr> <tr> <td style="text-align: center;"><u>10,000,000</u></td> <td style="text-align: center;"><u>10,000,000</u></td> </tr> </table>	2023	2022	Rs '000		<u>10,000,000</u>	<u>10,000,000</u>
2023	2022													
Number of shares														
<u>1,000,000,000</u>	<u>1,000,000,000</u>													
2023	2022													
Rs '000														
<u>10,000,000</u>	<u>10,000,000</u>													
<b>16.2 Issued, subscribed and paid up capital:</b>														
1,500,003 ordinary shares of Rs.10 each fully paid in cash - note 16.2.1		<u>15,000</u>	<u>15,000</u>											
<b>16.2.1</b>	Government Holdings (Private) Limited (Parent Company) holds 100% of the issued, subscribed and paid-up capital. No new shares were issued during the year.													
<b>17 RESERVES</b>		<b>2023 Rs '000</b>	<b>2022 Rs '000</b>											
<b>Capital reserve</b>														
Reserve on amalgamation - note 17.1		476,299	476,299											
<b>Revenue reserve</b>														
Accumulated losses		(50,324,502)	(12,379,911)											
		<u>(49,848,203)</u>	<u>(11,903,612)</u>											
<b>17.1</b>	This reserve represents the difference between the consideration transferred and net of carrying amount of assets and liabilities received from PLTL on amalgamation as outlined in note 1.2. The reserve will be utilized as per instructions of the Board of Directors of the Company.													
<b>18 DEFERRED EMPLOYEES' BENEFITS</b>		<b>2023 Rs '000</b>	<b>2022 Rs '000</b>											
Provision for gratuity - note 18.1.1		-	3,862											
Provision for leave encashment - note 18.1.2		20,593	19,212											
		<u>20,593</u>	<u>23,074</u>											
<b>18.1</b>	Actuarial valuation of deferred employees' benefits has not been carried out as the management considers the impact to be immaterial.													

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	2023 Rs '000	2022 Rs '000
<b>18.1.1 Provision for gratuity</b>		
Balance at the beginning of the year	3,862	6,922
Provision made during the year	28,240	18,482
Payment made during the year	(32,102)	(21,542)
Balance at the end of the year	<u>-</u>	<u>3,862</u>
<b>18.1.2 Provision for leave encashment</b>		
Balance at the beginning of the year	19,212	15,994
Provision made during the year	15,366	11,176
Payment made during the year	(13,985)	(7,958)
Balance at the end of the year	<u>20,593</u>	<u>19,212</u>
<b>19 LOAN FROM PARENT COMPANY</b>		
Principal	2,536,947	3,706,638
Accrued interest	1,497,671	1,541,985
	<u>4,034,618</u>	<u>5,248,623</u>
<b>Loan from parent - Principal</b>		
<b>Government Holdings (Private) Limited</b>		
Current portion	1,200,000	1,240,291
Non - current portion	1,336,947	2,426,056
Total loan from parent- principal	<u>2,536,947</u>	<u>3,706,638</u>
<b>Movement in loan from parent</b>		
Balance at beginning of the year	3,706,638	4,946,929
Repayment made during the year	(1,169,691)	(1,240,291)
Balance at the end of the year - note 19.1	2,536,947	3,706,638
Current portion	(1,200,000)	(1,240,291)
Non-current portion	<u>1,336,947</u>	<u>2,466,347</u>

**19.1** The loan repayment schedule was re-negotiated by both parties by term sheet amendment dated October 19, 2018, with the loan now payable to the Parent Company over a course of three (03) years up till March 2021. Rate of interest on loan is six (06) months KIBOR plus 2 percent at the date of transaction. Accordingly, during the year, the Company repaid five installments of Rs. 200 million on account of principal amount and of Rs. 50 million on account of interest.

Subsequent to the year end and as per approval of the PLL Board of Directors, the Company has repaid the entire principal amount of the loan amounting to Rs. 2,536.95 thousand, with the interest amount locked at August 31, 2023. The interest amount will be repaid by the Company in January 2024.

	2023 Rs '000	2022 Rs '000
<b>19.2 CURRENT PORTION OF LOAN FROM PARENT</b>		
Principal	1,200,000	1,240,291
Accrued interest	304,462	304,462
	<u>1,504,462</u>	<u>1,544,753</u>

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	2023 Rs '000	2022 Rs '000
<b>20 LEASE LIABILITY</b>		
As at beginning of the year	149,195,473	123,359,788
Interest charge during the year	7,337,880	5,683,227
Lease payments during the year	(21,319,049)	(15,312,568)
Exchange loss / (gain) during the year	50,203,614	35,465,026
As at end of the year	185,417,918	149,195,473
Current portion	(16,252,001)	(11,528,681)
Non-current portion	169,165,917	137,666,792

**Lease liability**

**Maturity analysis - contractual undiscounted cash flows**

Not later than one year	23,741,862	17,579,399
Later than one year and not later than five years	120,460,757	87,993,321
Later than five years	81,020,724	79,227,703
	225,223,343	184,800,423

**20.1 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 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% i.e.: 4.2% on the date of commencement of lease, to reflect the rate at which external financiers would lend to the Company for the type of asset leased.

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

The Company prepares its financial statements on the basis of International Financial Reporting Standards (IFRS) as applicable in Pakistan. However, due to significance of impact of revaluation of lease liability at the closing exchange rate during the period in line with requirements of IAS 21, the Board of Directors of the Company has decided to disclose, as additional information, profit and loss account of the Company had the Company not implemented IFRS 16 in its financial statements. The effects are outlined as below:

	2023 Rs '000	2022 Rs '000
Loss before tax for the year	(49,615,120)	(27,900,108)
Exchange loss on re-translation of liability at end of the year	50,203,614	35,465,026
Lease rentals paid during the year	(21,319,049)	(15,312,568)
Interest expense on lease liability	7,337,880	5,683,227
Depreciation of right of use asset	10,701,431	10,701,431
	46,923,876	36,537,116
Profit before tax for the year without IFRS 16 application	(2,691,244)	8,637,008
Current tax expense for the year	(464,177)	(2,467,853)
Profit after tax for the year without IFRS 16 application	(3,155,421)	6,169,155

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21 PAYABLE TO GOVERNMENT	2023 Rs '000	2022 Rs '000
Balance at the beginning of the year	120,565,163	59,314,065
Utilization during the year - note 21.1	5,743,542	75,464,202
Amount repaid by the Company	(12,410,603)	(14,213,104)
Balance at the end of the year	<u>113,898,102</u>	<u>120,565,163</u>

21.1 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 date of payment by ITFC. Accordingly, during the year the Company executed 2 transactions (2022: 13 transactions) with LNG suppliers under the agreement, amounting to Rs. 5,744 million (2022: Rs. 75,464 million).

22 TRADE AND OTHER PAYABLES	2023 Rs '000	2022 Rs '000
Trade payables - note 22.1	10,808,080	25,494,187
Port Charges Recovered - note 22.2	4,539,305	3,871,262
Taxes payable at import stage	3,065,431	5,569,753
PQA wharfage payable	-	13,425
Accrued liabilities	231,693	74,704
Withholding income tax payable	204,879	2,789
Provision for legal disputes - note 23.2	131,900	-
	<u>18,981,288</u>	<u>35,026,120</u>

22.1 This amount includes payable to PGP Consortium Limited (PGPCL) of Rs. 2,318.01 million (2022: Rs. 1,732.64 million) on account of regasification charges and payable to LNG suppliers amounting to Rs. 8,490.07 million (2022: Rs. 23,761.54 million).

22.2 The Company had 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). Hearing of the case is scheduled on September 28, 2023 at LCIA.

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 provided an Standby Letter of Credit (SBLC) amounting to USD 53 million to the Company. 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. 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. Subsequent to the year end, the Tribunal issued a procedural order according to which, the Hearing of the case is scheduled in March 2024.

Besides the foregoing, the Company has signed Settlement Agreement with Gunvor Singapore (GS) for an amount of USD 2.4 million for recovery of entire overbilled port charges and reimbursement of Legal Cost amounting USD 280,000. Subsequent to year end the amount has been received in Company's lawyer account.

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



## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Tax Contingencies

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

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

The 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 charges.

The Company filed an appeal before the CIR(A) appeals who in terms of separate appellate orders disposed off the appeal and upheld the disallowance made by the ACIR. The alleged demand of tax and additional tax thereon was coercively recovered by the tax department by attaching Company's bank account.

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.

### 23.2 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 1 July 2017; failing which, the Company was entitled to receive liquidated damages. The Commercial start date was delayed by 187 days and eventually 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) under case number 204638.



- ii) PLTL sent a notice for termination of OSA to the Operator on 14 October 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, under case number 204593. The LCIA has merged both the aforesaid arbitration matters into one under the case number 204593.

As per its commitment, Company had provided Standby Letter of Credit (SBLC) equivalent to three (03) months capacity charge (USD 21,482,272). However, PGPCL had disputed the amount and had referred the matter to International Arbitration. Further, the terminal operator had also demanded from Company reimbursement of Port Qasim Royalty. Company had disputed the reimbursement nature of claim of royalty.

London Court of International Arbitration (LCIA) announced its final Award on April 26, 2023 and rejected all claims of parties except following:

- 1) LCIA finds that it does not have jurisdiction over PGPCL's claim of Pre-CSD and PQA Royalty
- 2) Agrees with PLL's calculation of SBLC amounting USD 21,482,272.
- 3) Award PGPCL to pay USD 7.2 million along with Default Interest @ 3 months KIBOR+1% starting from March 13, 2018 to PLL on account of liquidated damages, till full and final amount is paid.
- 4) PLL was not entitled to terminate the OSA.
- 5) Order parties to share arbitration costs in equal shares.
- 6) Order PLL to pay PGPCL PKR 109.46 million, GBP 8,534.91 and GBP 5,825.36 along with Default Interest @ 3 months KIBOR+1% starting from April 27, 2023 till final payment.

In pursuance of LCIA Award, PLL has settled entire amount in equivalent USD as referred in 6 above amounting USD 4,141,470 on May 22, 2023, has provided SBLC amounting USD 21,482,272. on July 5, 2023, and has agreed to recover LDs amount as referred in para 4 above in equal installment of USD 800,000/- over 16 months till the amount is fully recovered. The estimated amount of LDs along with Interest is USD 12.43 million. During the year PLL has recovered USD 1.6 million from PGPCL.

PGPCL has filed enforcement petition wherein they have sought relief to pay LDs amount along with Default Interest at an exchange rate prevailing as on March 13, 2018. Company has disputed the relief as the judgement currency is in USD and the LDs amount payable by PGPCL has to be in USD or equivalent PKR prevailing as of the payment date. The matter is pending with Islamabad High Court.

- iii) The Company filed a petition with the Honorable High Court of Sindh challenging the levy of infrastructure cess on its imports, in terms of the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 with reference to an earlier Judgement of the High Court dated June 4, 2021. The Honorable High Court issued an ad-interim injunction restraining the Excise and Taxation Department of the Government of Sindh from taking any adverse / coercive action and allowing the Company clear its consignments without further demanding infrastructure cess, subject to furnishing relevant bank guarantees.

### 23.3 Commitments

- 23.3.1 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.
- 23.3.2 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 ENI SPA (the Sellers) for a period of 15 years respectively from the start of commercial operation date. Under the agreement, the Company has issued a Standby Letter of Credit (SBLC) to Eni for USD 42,433,104.
- 23.3.3 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.

- 23.3.4 As at 30 June 2023, the Company has FATR/LC facilities with commercial banks of USD 380.79 million, which are duly secured against a Pari Passu charge on Current Assets registered with the SECP.

	2023 Rs '000	2022 Rs '000
<b>24 REVENUE FROM CONTRACT WITH CUSTOMERS</b>		
Gross sales - Regassified liquified natural gas	114,431,048	460,982,957
Sales tax on sales of Regassified liquified natural gas	(17,086,003)	(66,980,429)
Gross sales - Regasification services	16,429,124	5,308,898
Sales Tax on Regasification services	(2,266,086)	(732,262)
	111,508,083	398,579,164

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

- 24.2 Regassified liquified natural gas sales include sales to SNGPL invoiced on provisional prices. There may be adjustment in revenue upon issuance of final regassified 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.

	2023 Rs '000	2022 Rs '000
<b>25 COST OF SALES</b>		
Opening stock of liquified natural gas / regassified liquified natural gas	15,720,587	2,986,558
Gas purchases:		
Purchase of liquified natural gas	75,699,714	352,584,999
Depreciation on right of use asset - note 7	10,701,431	10,701,431
Import related costs	5,183,589	24,472,638
Capacity, utilization and flexibility charges	(11,015)	291,640
Operations & Maintenance	6,154	-
	91,579,873	388,050,708
Less: Closing Stock in trade - note 10	(8,483,425)	(15,720,587)
	98,817,035	375,316,679

- 25.1 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 month of December 2020.



Total disputed recoverable amount on account of Port Charges from inception to October 2020 was USD 27.61 million out of which USD 12.71 million has been withheld during the year ended June 30, 2021. Amount recovered is presented in note 22 of these financial statements as liability as one of the liquified natural gas suppliers 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.

	2023 Rs '000	2022 Rs '000
<b>26 ADMINISTRATIVE EXPENSES</b>		
Salaries and allowances - note 26.1	306,686	224,964
Fee and consultancy charges	57,578	113,093
Board meetings	19,206	34,273
Business promotion	3,911	4,899
Travelling	24,984	12,999
Training / Conferences / Seminars	5,242	4,697
Rent	8,103	7,307
Depreciation on property and equipment	9,589	7,351
Utilities	10,426	6,378
Insurance	4,978	4,409
Entertainment	580	931
Printing, stationary and other consumable	2,500	1,944
Corporate Social Responsibility	4,000	-
Bank charges	12,328	19,737
Auditors' remuneration - note 26.2	7,134	9,777
Miscellaneous	2,274	1,089
IT expenditures	5,268	5,665
Repair and maintenance	4,146	3,753
Arbitration Cost	278,655	44,848
Amortization	234	303
Charges and penalties	-	2,443
Loss on disposal	-	8
	767,822	510,868

26.1 It includes gratuity and leave encashment expenses amounting to Rs. 28.24 million (2022: Rs 18.48 million) and Rs. 15.37 million (2022: Rs 11.18 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. 10.67 million (2022: Rs. 8.95 million).

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	2023 Rs '000	2022 Rs '000
<b>26.2 Auditors' remuneration</b>		
Statutory audit fee	1,740	1,450
Report on compliance of Public Sector Companies (Corporate Governance) Rules 2013	120	100
Out of pocket	100	86
Tax services	5,174	8,141
	<u>7,134</u>	<u>9,777</u>
<b>27 OTHER INCOME</b>		
Profit on bank deposit & TDRs	1,418,519	429,546
Others	167,064	11
	<u>1,585,583</u>	<u>429,557</u>
<b>28 FINANCE COST</b>		
Interest expense on lease liability - note 20	7,337,880	5,683,227
Interest on loan from related party	263,024	363,266
Interest on SBLC provided by a related party	-	94,095
Interest on delayed payment	47,510	179,767
	<u>7,648,414</u>	<u>6,320,355</u>
<b>29 TAXATION</b>		
Current tax		
Current year	1,858,028	4,452,572
Adjustment on account of group taxation	(1,393,851)	(1,984,719)
	<u>464,177</u>	<u>2,467,853</u>
Deferred		
Credit for the year	(12,134,706)	(8,631,314)
	<u>(11,670,529)</u>	<u>(6,163,461)</u>
<b>29.1 Reconciliation of tax charge for the year</b>		
Accounting (loss)/profit	<u>(49,615,120)</u>	<u>(27,900,108)</u>
Tax rate	29%	29%
Tax on accounting profit at applicable rate 29% (2022: 29%)	(14,388,385)	(8,091,031)
<b>Tax effect of:</b>		
Unrecognised tax benefits	2,168,992	-
Deferred tax impacts	-	3,522,733
Minimum tax for the period	1,393,851	2,528,633
Impact of different rate of tax	-	(1,473,218)
Group tax adjustment	(1,393,851)	(1,984,719)
Tax expense recognised on other income	-	(529,668)
Tax asset for prior period written off	496,273	-
Others	52,591	(136,191)
	<u>2,717,856</u>	<u>1,927,570</u>
	<u>(11,670,529)</u>	<u>(6,163,461)</u>

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30 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:

	Basis of association	2023 Rs '000	2022 Rs '000
<b>GHPL</b>	Parent		
<b>Long term loan from parent</b>			
Opening balance		5,248,623	6,334,821
Interest expense on loan from parent		263,024	436,531
Repayments made		(1,474,153)	(1,543,560)
Other adjustments		(2,876)	20,831
Closing balance		<u>4,037,494</u>	<u>5,227,792</u>
Tax receivable from the parent Company under group taxation		2,536,997	1,307,074
<b>Related parties by virtue of GoP holdings and /or common directorship</b>			
<b>Sui Northern Gas Pipelines Limited</b>	Common ownership		
Trade debts at beginning of the year		129,327,679	83,051,299
Sale of regassified liquified natural gas - net		453,650,898	453,650,898
Payments received during the year		(407,374,518)	(407,374,518)
Trade debts at end of the year		<u>175,604,059</u>	<u>129,327,679</u>
<b>Ministry of Energy (Petroleum Division)</b>	Ultimate Parent		
Rent expense for the year		8,103	7,307
<b>Other related parties</b>			
Contribution to gratuity fund		32,102	21,542
Remuneration to key management personnel (refer note 31)		283,032	142,307
Contribution to provident fund		10,674	8,949

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### 31 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:

	2023		2022	
	Chief Executive Rupees	Executives	Chief Executive Rupees	Executives
Basic salary	-	94,002,619	-	72,388,358
Rent allowance	-	42,301,171	-	32,574,761
Medical allowance	-	9,331,571	-	7,238,836
Utility allowance	-	9,400,252	-	7,238,836
Conveyance allowance	-	28,350,174	-	10,858,254
Mobile allowance	-	1,114,184	-	665,805
Provident fund contribution	-	9,414,706	-	7,238,836
Leave encashment	-	18,722,485	-	-
Gratuity	-	62,585,661	-	-
Additional Charge allowance	6,191,148	1,617,587	4,103,228	-
	<u>6,191,148</u>	<u>276,840,410</u>	<u>4,103,228</u>	<u>138,203,686</u>
Number of persons	1	20	1	20

The Chief Executive Officer assumed charge on additional charge basis on September 17, 2020. In addition, 6 (2022: 6) directors were paid aggregate amount of Rs. 18.80 million (2022: Rs. 33.80 million) on account of fee for attending various board meetings.

### 32 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.



### 32.1 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:

#### 32.1.1 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 Regassified 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 Regassified 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 not due directly/ ultimately from GoP till June 30, 2023 as per policy disclosed in note 12 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	VIS	A-1+	AAA

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### 32.1.2 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:

	2023 Rs. '000	2022 Rs. '000
Trade receivables	101,288,269	130,717,536
Other receivables	2,895,544	1,564,078
Short term investments	3,169,542	1,388,940
Cash and bank balances	16,022,721	10,181,789
	<u>123,376,076</u>	<u>143,852,343</u>

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

	2023 Rs. '000	2022 Rs. '000
Gas and electricity distribution companies	101,288,269	130,717,536
Banks and financial institutions	19,192,263	11,570,729
Others	2,895,544	1,564,078
	<u>123,376,076</u>	<u>143,852,343</u>

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

Regassified liquified natural gas	<u>101,288,269</u>	<u>130,717,536</u>
	<u>101,288,269</u>	<u>130,717,536</u>

### 32.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2023		2022	
	Gross debts	Impaired	Gross debts	Impaired
	-----Rs '000-----			
Not past due	5,070,849	-	11,020,824	-
Past due 0-30 days	-	-	87,923,387	-
Past due 31-60 days	-	-	31,773,325	-
Past due 61-90 days	96,217,419	-	-	-
Over 90 days	-	-	-	-
	<u>101,288,268</u>	<u>-</u>	<u>130,717,536</u>	<u>-</u>

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

	Sui Northern Gas Pipelines Limited	
	2023 Rs. '000	2022 Rs. '000
Not past due	5,070,849	11,020,824
Past due 0-30 days	-	87,923,387
Past due 31-60 days	-	31,773,325
Past due 61-90 days	96,217,419	-
Over 90 days	-	-
	<u>101,288,268</u>	<u>130,717,536</u>

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### 32.2 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:

	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity from one to five	Maturity more than five years
- Rs '000 -					
<b>June 30, 2023</b>					
Trade and other payables	15,579,078	15,579,078	15,579,078	-	-
Loan from Parent Company	4,034,618	5,248,623	1,504,462	2,530,156	-
Payable to Government	113,898,102	120,565,163	113,898,102	-	-
Lease liability	185,417,918	149,195,473	23,741,862	120,460,757	81,020,724
	<u>318,929,716</u>	<u>290,588,337</u>	<u>154,723,504</u>	<u>122,990,913</u>	<u>81,020,724</u>
<b>June 30, 2022</b>					
Trade and other payables	29,453,578	29,453,578	29,453,578	-	-
Loan from parent	5,248,623	5,248,623	1,544,753	3,703,870	-
Payable to Government	120,565,163	120,565,163	120,565,163	-	-
Lease liability	149,195,473	149,195,473	17,579,399	87,993,321	79,227,703
	<u>304,462,837</u>	<u>304,462,837</u>	<u>169,142,893</u>	<u>91,697,191</u>	<u>79,227,703</u>

### 32.3 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.

#### 32.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

#### Transactional exposure in respect of non functional currency monetary items

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

#### Transactional exposure in respect of non functional currency expenditure and revenues

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





### Exposure to foreign currency risk

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

	2023		2022	
	Rs '000	US Dollar	Rs '000	US Dollar
Foreign currency payables	134,016,891	486,354,543	19,256,538	94,122,671
Lease Liability undiscounted cash flows	248,900,124	903,272,007	202,379,793	989,197,862
Net exposure	<u>382,917,015</u>	<u>1,389,626,550</u>	<u>221,636,331</u>	<u>1,083,320,533</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
	----- Rupees -----			
1 USD	248.11	160.47	275.55	204.59

### Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2023 would have increased profit and loss by Rs. 19,595.93 million (2022: Rs. 22,163.63 million). A 10% weakening of the functional currency against USD at June 30, 2023 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

### 32.3.2 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:

	2023	2022	2023	2022
	-----%-----		-----Rupees-----	
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Short term investments	14.80	7.35	3,169,542	1,388,940
<b>Financial liabilities</b>				
Lease liability	4.20	4.20	185,417,918	149,195,473
Loan from Parent Company	8.20	8.20	4,034,618	5,248,623
<b>Variable rate instruments -</b>				
<b>Financial assets</b>				
Cash and Bank Balances	14.05% to 19.65%	5.50 to 6.50	16,024,544	10,183,726

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

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### Exposure to foreign currency risk

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

	2023		2022	
	Rs '000	US Dollar	Rs '000	US Dollar
Foreign currency payables	134,016,891	486,354,543	19,256,538	94,122,671
Lease Liability undiscounted cash flows	248,900,124	903,272,007	202,379,793	989,197,862
Net exposure	<u>382,917,015</u>	<u>1,389,626,550</u>	<u>221,636,331</u>	<u>1,083,320,533</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
	----- Rupees -----			
1 USD	248.11	160.47	275.55	204.59

### Foreign currency sensitivity

A 10% strengthening of the functional currency against USD at June 30, 2023 would have increased profit and loss by Rs. 19,595.93 million (2022: Rs. 22,163.63 million). A 10% weakening of the functional currency against USD at June 30, 2023 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

### 32.3.2 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:

	2023		2022	
	-----%-----		-----Rupees-----	
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Short term investments	14.80	7.35	3,169,542	1,388,940
<b>Financial liabilities</b>				
Lease liability	4.20	4.20	185,417,918	149,195,473
Loan from Parent Company	8.20	8.20	4,034,618	5,248,623
<b>Variable rate instruments -</b>				
<b>Financial assets</b>				
Cash and Bank Balances	14.05% to 19.65%	5.50 to 6.50	16,024,544	10,183,726

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

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### 32.4 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 12.

	Carrying amount	
	2023 Rs '000	2022 Rs '000
<b>FINANCIAL ASSETS</b>		
Financial assets not measured at fair value:		
Amortized cost		
Short term investment	3,169,542	1,388,940
Trade receivables	101,288,269	130,717,536
Other receivables	2,895,544	1,564,078
Cash and bank balances	16,022,721	10,181,789
	<u>123,376,076</u>	<u>143,852,343</u>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities not measured at fair value:</b>		
<b>Amortized cost</b>		
Loan from Parent Company	4,034,618	5,248,623
Trade and other payables	29,453,578	29,453,578
Lease liability	185,417,918	149,195,473
Payable to Government	113,898,102	120,565,163
	<u>332,804,216</u>	<u>304,462,837</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.

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### Non - derivative financial liabilities

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

### Capital management

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

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

	2023 Rs '000	2022 Rs '000
Lease liability	185,417,918	149,195,473
Loan from Parent Company	4,034,618	5,248,623
Payable to Government	113,898,102	120,565,163
Deferred employee benefits	20,593	23,074
	<u>303,371,231</u>	<u>275,032,333</u>
Issued, subscribed and paid-up share capital	15,000	15,000
	<u>15,000</u>	<u>15,000</u>
Equity and net debt	<u>303,356,231</u>	<u>275,017,333</u>
Gearing ratio	99.99%	99.99%

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.

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33 Reconciliation of movement of liabilities to cashflow arising from financing activities

	Liabilities			Equity				Total
	Loan from parent	Payable to Government	Lease liabilities	Share capital	Fair value adjustment on collateral arrangement with parent Company	Reserve on amalgamation	Accumulated profits	
- Rs '000 -								
Balance at July 1, 2022	5,248,623	120,565,163	149,195,473	15,000	-	476,299	(12,379,911)	263,120,647
<b>Changes from financing activities</b>								
Government loan proceeds - net	-	(6,667,061)	-	-	-	-	-	(6,667,061)
Lease rentals paid	-	-	(21,319,049)	-	-	-	-	(21,319,049)
Repayment of loan from related party	(1,474,153)	-	-	-	-	-	-	(1,474,153)
Total changes from financing activities	(1,474,153)	(6,667,061)	(21,319,049)	-	-	-	-	(29,460,263)
<b>Other changes</b>								
<b>Liability related</b>								
Interest expense for the period	263,024	-	7,337,880	-	-	-	-	7,600,904
Other	(2,876)	-	50,203,614	-	-	-	-	50,200,738
Total liability related other changes	260,148	-	57,541,494	-	-	-	-	57,801,642
<b>Equity Related</b>								
Total comprehensive loss for the period	-	-	-	-	-	-	(37,944,591)	(37,944,591)
Total equity related other changes								
Balance at June 30, 2023	4,034,618	113,898,102	185,417,918	15,000	-	476,299	(50,324,502)	253,517,435

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Reconciliation of movement of liabilities to cashflow arising from financing activities

	Liabilities			Equity				Total
	Loan from parent	Payable to Government	Lease liabilities	Share capital	Fair value adjustment on collateral arrangement with parent Company	Reserve on amalgamation	Accumulated profits	
	Rs '000							
Balance at July 1, 2021	6,334,821	59,314,065	123,359,788	15,000	(1,464,191)	476,299	10,820,927	198,856,709
<b>Changes from financing activities</b>								
Government loan proceeds - net	-	75,464,202	-	-	-	-	-	75,464,202
Lease rentals paid	-	-	(15,312,568)	-	-	-	-	(15,312,568)
Repayment of loan from Parent Company	(1,543,560)	-	-	-	-	-	-	(1,543,560)
Total changes from financing activities	(1,543,560)	75,464,202	(15,312,568)	-	-	-	-	58,608,074
<b>Other changes</b>								
<b>Liability related</b>								
Interest expense for the period	457,362	-	5,683,227	-	-	-	-	6,140,589
Other changes	-	-	35,465,026	-	-	-	-	35,465,026
Total liability related other changes	457,362	-	41,148,253	-	-	-	-	41,605,615
<b>Equity Related</b>								
Total comprehensive loss for the period	-	-	-	-	1,464,191	-	(23,200,838)	(21,736,647)
Total equity related other changes	-	-	-	-	1,464,191	-	(23,200,838)	(21,736,647)
Balance at June 30, 2022	5,248,623	134,778,267	149,195,473	15,000	-	476,299	(12,379,911)	277,333,751

*Signature*

	2023	2022
<b>34 NUMBER OF EMPLOYEES</b>		
Total number of employees at end of the year	32	27
Average number of employees during the year	30	27

**35 GENERAL**

**35.1 Capacity and Regassification**

Product	Unit	Capacity of Regassification system		Regassification during the year	
		2023	2022	2023	2022
Regasified liquified natural gas	MMSCFD	600	600	266	414


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 \_\_\_\_\_.

*2023*

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director



**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Pakistan LNG Limited (the Company) for the year ended June 30, 2023.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2023.

  
Chartered Accountants  
Islamabad

Date: December 26, 2023

UDIN: CR202310083ETMWpBOuA



**Statement of Compliance with the  
Public Sector Companies (Corporate Governance) Rules, 2013**

Name of company: Pakistan LNG Limited (The Company)  
 Name of the line ministry: Ministry of Energy (Petroleum Division)  
 For the year ended: June 30, 2023

- I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:

Sr. No	Provision of the Rules	Rule no.	Yes	No	Remarks																											
			Tick in the Relevant box																													
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																													
2.	<p>The Board has at least one-third of its total members as independent directors. At present the board (as of June 30, 2022) includes:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Director</td> <td>• Mr. Sohail Ahmed</td> <td>03-Dec-2019</td> </tr> <tr> <td>• Mr. Maqsood Sher</td> <td>18-Nov-2019</td> </tr> <tr> <td>Executive Directors</td> <td>• Mr. Masood Nabi</td> <td>24-June-2020</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>• Mr. Aamir Nazir Gondal</td> <td>17-Dec-2020</td> </tr> <tr> <td>• Mr. Zafar Abbas</td> <td>11-Aug-2022</td> </tr> <tr> <td>• Mr. Hassan Iqbal</td> <td>06-Feb 2023</td> </tr> </tbody> </table> <table border="1" style="width: 100%;"> <thead> <tr> <th>Sr. no</th> <th>Director</th> <th>Number of directors</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Male</td> <td>6</td> </tr> <tr> <td>2.</td> <td>Female*</td> <td>NIL</td> </tr> </tbody> </table> <p>*According to Companies Act 2017 section 154 subsection (1) proviso, public interest companies shall be required to have female representative on the board as may be specified by the Commission.</p>	Category	Names	Date of appointment	Independent Director	• Mr. Sohail Ahmed	03-Dec-2019	• Mr. Maqsood Sher	18-Nov-2019	Executive Directors	• Mr. Masood Nabi	24-June-2020	Non-Executive Directors	• Mr. Aamir Nazir Gondal	17-Dec-2020	• Mr. Zafar Abbas	11-Aug-2022	• Mr. Hassan Iqbal	06-Feb 2023	Sr. no	Director	Number of directors	1.	Male	6	2.	Female*	NIL	3(2)	✓		<p>Female Director is nominated and appointed by the Federal Government. Female Director resigned on July 10, 2020. No replacement has been nominated since then.</p>
Category	Names	Date of appointment																														
Independent Director	• Mr. Sohail Ahmed	03-Dec-2019																														
	• Mr. Maqsood Sher	18-Nov-2019																														
Executive Directors	• Mr. Masood Nabi	24-June-2020																														
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	• Mr. Hassan Iqbal	06-Feb 2023																														
Sr. no	Director	Number of directors																														
1.	Male	6																														
2.	Female*	NIL																														

*Signature*

Sr. No	Provision of the Rules	Rule no.	Tick in the Relevant box		Remarks
			Yes	No	
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓		
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as board members under the provisions of the Act.	3(7)	✓		
5.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓		
6.	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓		
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Non-applicable where the chief executive has been nominated by the Government)	5(2)	N/A		Chief Executive is yet to be appointed by the Government.
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.  (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.paklng.com)  (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓  ✓  ✓		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓		

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Sr. No	Provision of the Rules	Rule no.	Yes	No	Remarks
			Tick in the Relevant box		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	✓		
14.	The board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓		
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓		
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A		The Company's operation is to import liquified natural gas for which the support / facilitation is also extended by the Federal Government.
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓		
18.	a) The board has met at least four times during the year. b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓	✓	Of 19 meetings held during the year, minutes of 9 board meetings were not circulated within the stipulated time while minutes of 7 meetings were not signed by the Chairman.
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓		Performance evaluation of the official of the Holding Company, vested with the additional charge of Chief Executive Officer of the Company is not being performed by the Board of the Company.
20.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓		

*Handwritten signature*

Sr. No	Provision of the Rules	Rule no.	Yes	No	Remarks															
			Tick in the Relevant box																	
21.	<p>(a) The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.</p> <p>(b) In cases of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.</p> <p>(c) The Board has placed the annual financial statements on company's website.</p>	10	✓		Annual report by the directors in not being uploaded on company's website.															
			N/A	✓																
22.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules. In order to acquaint the Board members with the wider scope of responsibilities concerning the use of public resources, to act in good faith and in the best at least one orientation course shall be arranged annually for the directors.	11(3)		✓	Orientation course was conducted only for new director. Orientation courses for continuing directors were not conducted.															
23.	<p>(a) The board has formed the requisite committees, as specified in the Rules.</p> <p>b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" data-bbox="263 1366 949 1668"> <thead> <tr> <th>Committee</th> <th>No. of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Human Resource &amp; Nomination Committee</td> <td>5</td> <td>Mr. Sohail Ahmed</td> </tr> <tr> <td>Procurement Committee</td> <td>5</td> <td>Mr. Aamir Nazir Gondal</td> </tr> <tr> <td>Audit Committee</td> <td>3</td> <td>Mr. Maqsood Sher</td> </tr> <tr> <td>Risk Management Committee</td> <td>5</td> <td>Mr. Aamir Nazir Gondal</td> </tr> </tbody> </table>	Committee	No. of Members	Name of Chair	Human Resource & Nomination Committee	5	Mr. Sohail Ahmed	Procurement Committee	5	Mr. Aamir Nazir Gondal	Audit Committee	3	Mr. Maqsood Sher	Risk Management Committee	5	Mr. Aamir Nazir Gondal	12	✓	✓	The composition of Risk management committee is not per rules specified in the Code.
Committee	No. of Members	Name of Chair																		
Human Resource & Nomination Committee	5	Mr. Sohail Ahmed																		
Procurement Committee	5	Mr. Aamir Nazir Gondal																		
Audit Committee	3	Mr. Maqsood Sher																		
Risk Management Committee	5	Mr. Aamir Nazir Gondal																		
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																	
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																	
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																	

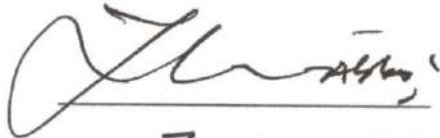
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Sr. No	Provision of the Rules	Rule no.	Yes	No	Remarks												
			Tick in the Relevant box														
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓														
28.	The Directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the company.	18	✓		No separate register of interest is maintained by the company												
29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.  (b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓  ✓														
30.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the board.	20	✓														
31.	The board has formed an audit committee, with defined and written terms of reference, and having the following members as at June 30, 2023:  <table border="1" data-bbox="252 1131 957 1366"> <thead> <tr> <th>Name of Members</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Maqsood Sher</td> <td>Independent Director</td> <td>Consultant/Advisor</td> </tr> <tr> <td>Mr. Sohail Ahmed</td> <td>Independent Director</td> <td>CEO, GSK Pakistan</td> </tr> <tr> <td>Mr. Aamir Nazir Gondal</td> <td>Non-Executive Director</td> <td>Joint Secretary, Finance Division</td> </tr> </tbody> </table> The Chief Executive and Chairman of the Board are not members of the audit committee.	Name of Members	Category	Professional background	Mr. Maqsood Sher	Independent Director	Consultant/Advisor	Mr. Sohail Ahmed	Independent Director	CEO, GSK Pakistan	Mr. Aamir Nazir Gondal	Non-Executive Director	Joint Secretary, Finance Division	21(1) and 21(2)	✓		
Name of Members	Category	Professional background															
Mr. Maqsood Sher	Independent Director	Consultant/Advisor															
Mr. Sohail Ahmed	Independent Director	CEO, GSK Pakistan															
Mr. Aamir Nazir Gondal	Non-Executive Director	Joint Secretary, Finance Division															
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meeting of the audit committee at which issues relating to accounts and audit were discussed.  (b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.  (c) The audit committee met the chief internal auditor and other members of the internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓  ✓  ✓														

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Sr. No	Provision of the Rules	Rule no.	Yes	No	Remarks
			Tick in the Relevant box		
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.  (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.  (c) The internal auditor reports have been provided to the external auditors for their review.	22	✓		
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓		
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓		

2022/1.



Name: ZAFAR ABBAS

Chairman

Dated:  
Islamabad



Name: MASOOD NARSI

Managing Director/CEO


Dated:  
Islamabad

**Explanation for Non-Compliance with the  
Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.


Sr. No	Rule/sub-rule No.	Reason for Non-Compliance	Future course of Action
1.	3	Female Director is nominated and appointed by the Federal Government. Female Director resigned on July 10, 2020. No replacement has been nominated since then.	Company will continue to pursue Federal Government for appointment of Female Director.
2.	6(3)	Of 19 meetings held during the year, minutes of 9 board meetings were not circulated within the stipulated time. Minutes of 7 meetings were not signed by the Chairman.	Noted for compliance.
3.	8(2)	Performance evaluation of the official of Holding company, vested with additional charge of Chief Executive Officer (CEO) of the Company is not being performed by the Board of the Company.	CEO has been appointed on additional charge basis since September 2020. Regular evaluations will be initiated upon appointment of permanent CEO.
4.	11(3)	Orientation course was conducted only for new director. Orientation courses for continuing directors were not conducted.	Noted for compliance
5.	12(2)	The composition of Risk management committee is not per rules specified in the Code.	Noted for compliance

*20/7/21*

  
Name: ZAFAR ABBAS

Chairman

Dated:  
Islamabad

  
Name: MASOOD NABI

Managing Director/CEO

Dated:  
Islamabad