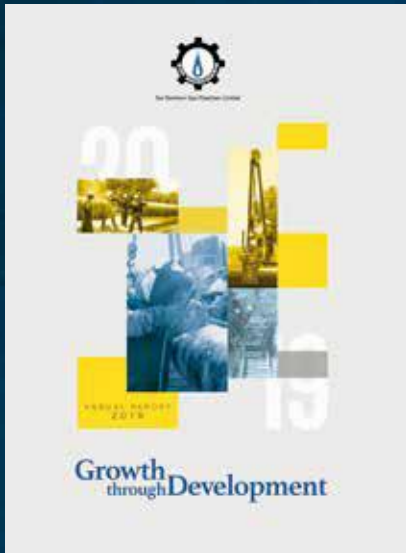




Sui Northern Gas Pipelines Limited



**Growth**  
through **Development**



## COVER STORY

SNGPL's glorious history spans more than five decades. Over the time continuous endeavors have been made to maintain a high standard to safeguard and benefit all stakeholders including our valuable customers. We remain committed to this corporate philosophy even in the current times when economic downturn is a worldwide phenomena due to the impact of COVID-19 pandemic. SNGPL aims to move ahead and remain resilient to continuously plan, strategize in every way possible to mitigate to the possible extent any adverse effect of the external pressures on the performance of the Company. SNGPL continues to pursue the development work, implement better systems and introduce new and efficient ways of doing business, to ensure growth of the Company, and meet the expectations of all its stakeholders.



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# VISION AND MISSION

## VISION

To be the leading integrated natural gas provider in the region seeking to improve the quality of life of our customers and achieve maximum benefit for our stakeholders by providing an uninterrupted and environment friendly energy resource.

## MISSION

A commitment to deliver natural gas to all doorsteps in our chosen areas through continuous expansion of our network, by optimally employing technological, human and organizational resources, best practices and high ethical standards.



# CORE VALUES

## **Commitment**

We are committed to our vision, mission and to creating and delivering stakeholder value.

## **Courtesy**

We are courteous - with our customers, stakeholders, and towards each other and encourage open communication.

## **Competence**

We are competent and strive to continuously develop and improve our skills and business practices.

## **Responsibility**

We are responsible - as individuals and as teams - for our work and our actions. We welcome scrutiny, and we hold ourselves accountable.

## **Integrity**

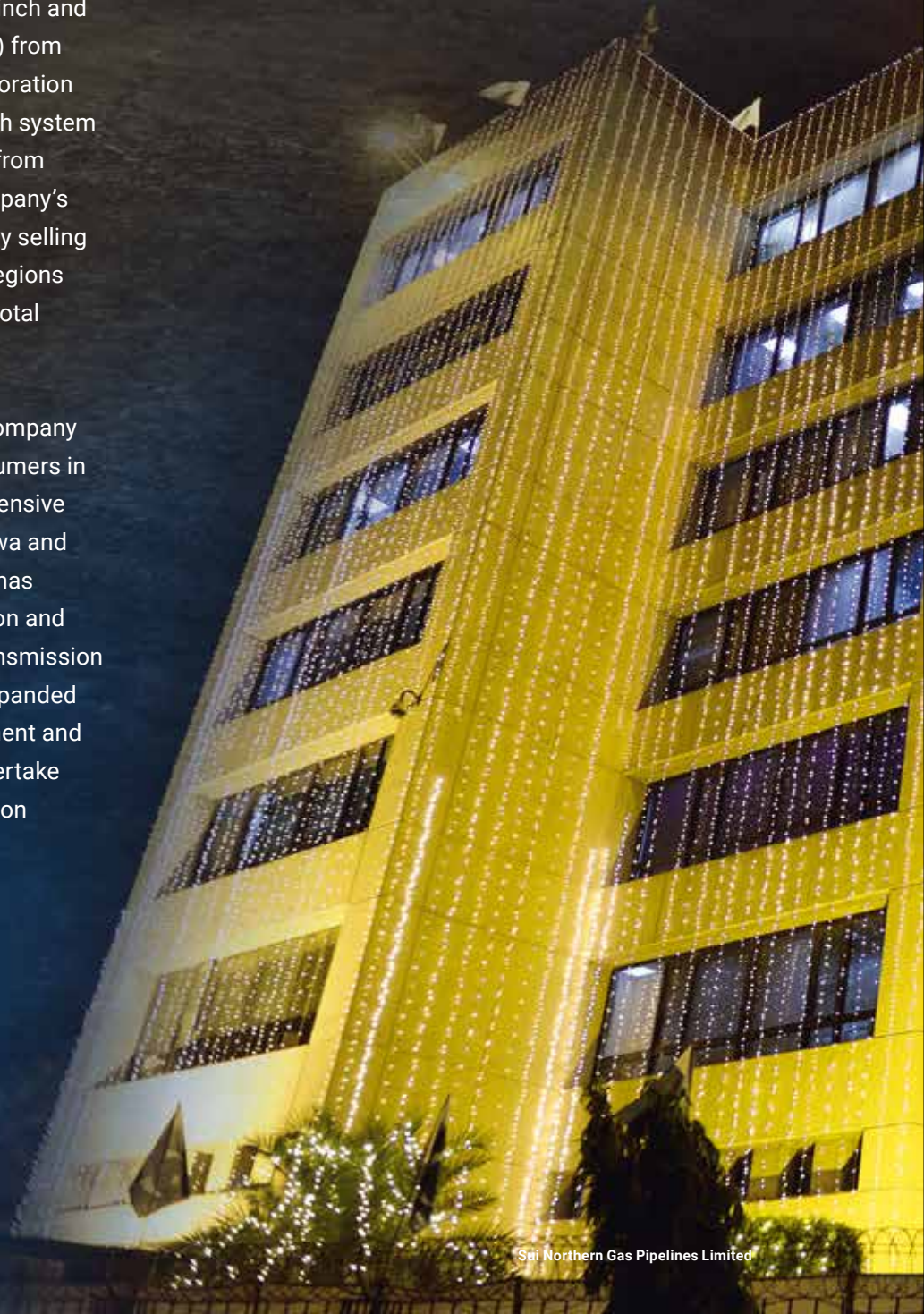
We have integrity - as individuals and as teams - our decisions are characterized by honesty and fairness.

# CORPORATE PROFILE

Sui Northern Gas Pipelines Limited (SNGPL) was incorporated as a private limited company in 1963 and converted into a public limited company in January 1964 under the Companies Act 1913, now the Companies Act, 2017 and is listed on Pakistan Stock Exchange Limited.

The Company took over the existing Sui – Multan System (217 miles of 16 inch and 80 miles of 10 inch diameter pipelines) from Pakistan Industrial Development Corporation (PIDC) and Dhulian – Rawalpindi – Wah system (82 miles of 6 inch diameter pipeline) from Attock Oil Company Limited. The Company's commercial operations commenced by selling an average of 47 MMCFD gas in two regions viz. Multan and Rawalpindi, serving a total number of 67 consumers.

SNGPL is the largest integrated gas company serving more than 6.727 million consumers in North Central Pakistan through an extensive network in Punjab, Khyber Pakhtunkhwa and Azad Jamu & Kashmir. The Company has over 56 years of experience in operation and maintenance of high-pressure gas transmission and distribution system. It has also expanded its activities as Engineering, Procurement and Construction (EPC) Contractor to undertake the planning, designing and construction of pipelines, both for itself and other organizations.



**Company Secretary**

Mr. Imtiaz Mehmood

**Auditors**

EY Ford Rhodes,  
Chartered Accountants

**Legal Advisors**

M/s. Surridge & Beecheno  
M/s. Salim Baig and Associates

**Share Registrar**

CDC Share Registrar Services Limited,  
Mezzanine Floor, South Tower, LSE Plaza,  
19-Khayaban-e-Aiwan-e-Iqbal,  
Lahore, Pakistan.  
Tel: (+92-42) 36362061-66  
Fax: (+92-42) 36300072  
Website: [www.cdcsrsl.com](http://www.cdcsrsl.com)

**Registered Office**

Gas House  
21-Kashmir Road, P.O. Box No. 56,  
Lahore - 54000, Pakistan.  
Tel: (+92-42) 99201451-60 & 99201490-99  
Fax: (+92-42) 99201369 & 99201302  
Website: [www.sngpl.com.pk](http://www.sngpl.com.pk)

# CODE OF CONDUCT

SNGPL requires its entire staff both executive staff and subordinate employees, the observance of the highest ethical standards in the conduct of its business activities to minimize the significant risk associated with non compliance. The policy on Business Principles and Ethical Risk is intended to assist SNGPL staff in meeting the standards of professional and personal integrity expected and required of them. SNGPL staff will act with integrity at all times, to protect and safeguard the reputation of the Company. Contravention of this policy will be regarded as misconduct.

SNGPL will ensure that, through this policy and through other means of communication, all staff is aware of the required standards, rules and regulations.

Following are certain specific guidelines in respect of the above.

## **Conflict of interest**

Each staff member has a prime responsibility to the Company and is expected to avoid any activity that could interfere with that responsibility. Staff should not engage in activities or transactions which may give rise to, or which may be seen to be giving rise to conflict between their personal interests and the interest of Company. Such conflict could arise in a number of ways and a number of situations. The following paragraph outlines some specifically forbidden situations. This list is, however not exhaustive. In case of doubt the advice of the Managements should be sought:

- SNGPL purchase equipment, material and services for various aspects of its operations. SNGPL staff members are forbidden from holding any financial interest, directly or indirectly in any organization supplying goods or services to the Company;
- SNGPL staff should not participate in any external activity that competes, directly or indirectly, with the Company;
- SNGPL staff should not participate in any outside business or activity that might interfere with their duties and responsibilities to the Company;
- No staff member should sell, lease or buy equipment, material or services to or from the Company except when as an employee it may be necessary in the normal course of his/her duties;
- Staff members are not permitted to conduct personal business activities on the Company's premises or to use Company facilities for such purpose;
- If a staff member has direct interest, indirect interest or family connections, with an external organization that has business dealings with SNGPL, details

of such connections and interest should be fully disclosed to the Management;

- Staff members should disclose to the Management the details in respect of any relationship (s) with other staff members; and
- Staff members shall not perform any act or get involved in any situation that potentially could conflict with the principles outlined above.

## **Confidentiality**

Staff members should not keep or make copies of correspondence, documents, papers and records, list of suppliers or consumers without the consent of the Company. Company's information and records should be kept on Company premises only and unpublished information may be disclosed to external organization/ individuals only on "need to know" basis. In case of doubt in this regard, the Management's advice should be sought.

## **Contributions**

No contribution shall be made to any organization or to any individual who either holds public office or is a candidate for public office.

## **Inducement Payments**

Staff members should not give or receive payments that are intended to influence a business decision or to compromise independent judgment; nor should any staff member receive money for having given Company business to an outside agency. Payment of any nature to Government officials to induce them their duties is strictly prohibited.

## **Proper record of funds, assets, receipts and disbursements**

All funds, assets, receipts and disbursements should be properly recorded in the books of the Company. In particular, no funds or accounts should be established or maintained for a purpose that is not fully and accurately reflected in the books and records of the Company. Funds and assets received or disbursement should be fully and accurately reflected in the books and the records of the Company. No false or fictitious entries should be made or misleading reports pertaining to the Company or its operations should be issued.

## **Relationships and dealings with Government Officials, Media, Suppliers, Consultants and other parties**

SNGPL's relationships and dealings with Government officials, external agencies, parties and individuals should, at all times, be such the SNGPL's integrity and its reputation would not be damaged if details of the relationship or dealings were to become public knowledge.

It is the responsibility of each SNGPL staff member to exercise good judgment so as to act in a manner that will reflect favorably on the Company and the individual. Staff member should only make statements to the media, speeches in public forums, or publish articles in newspapers etc. with prior authorization. In a personal capacity also, due care should be taken while discussing the Company performance or plans with outsiders. Staff members having questions on how to comply with this requirement should consult with the Management.

### Health and Safety

Every staff member should take reasonable care to ensure the health and safety of him/her self and others, who may be affected by his/her acts or omissions at work. Staff members should not tamper with or misuse any item provided by the Company to secure the safety, health and welfare of its staff and for the protection of the environment.

### Environment

To preserve and protect the environment, all SNGPL staff members should:

- Design and operate the Company's facilities and processes so as to ensure the trust of adjoining communities;
- Promote resource conservations, waste minimization and the minimization of the release of chemicals/gas into the environment;
- Provide employees customers, suppliers, public authorities and communities with appropriate information for informed decision making; and
- Strive continuously to improve environmental awareness and protection.

### Alcohol, Drugs and Gambling

The use of alcohol in any form is prohibited on all Company locations/premises. Similarly, the use of drugs, except under medical advice, is prohibited on all Company locations/premises.

Any staff member arriving at a work place under the influence of alcohol or drugs will not be permitted to enter the premises and will be liable to disciplinary action.

All forms of gambling/betting on the Company's premises are forbidden.

### Receiving gifts

No employee shall seek accept or permit himself/herself or any member of his/her family to accept any gift or favor, the receipt of which will place him/her under form of official obligation to the donor. As part of building relationship with consumers, suppliers, etc. staff members

may receive occasional gifts provided that the gift is of nominal value (e.g. pen, Notepads, calendars, diaries, key chains or such promotional material) and the gift is neither intended nor perceived by others to be intended to improperly influence business decision.

### Work Place Harassment

SNGPL staff will maintain an environment that is free from harassment and in which all employees are equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, religion race or ethnicity.

### Regulatory Compliance and Corporate Governance

SNGPL co-operates fully with all governmental and regulatory bodies and is committed to high standards of corporate governance. We are fully compliant with our obligations as envisaged under the regulations of the Pakistan Stock Exchange Limited of whom SNGPL is a listed member.

### General

- All information and explanations supplied to the auditors must be complete and not misleading.
- SNGPL will not knowingly assist in fraudulent activities (e.g. tax evasion, etc.). If one has any reason to believe that fraudulent activities are taking place (whether within the Company or by others with whom the Company has business), one must report it to the concerned departmental head immediately.
- All the financial transactions will remain within the ambit of Memorandum of Association and Articles of Association of the Company.

# BOARD OF DIRECTORS



**Ms. Roohi Raees Khan**  
Chairperson

Ms. Roohi Raees Khan is an MBA from IBA, Karachi. She completed her B.A. (Economics & Mathematics) from Punjab University. She has over 36 years of experience in various banking segments like Development Banking, Lease Financing, Housing Finance, SME Financing, Islamic Banking, Investment Banking etc. She has about 20 years of experience at senior management level, as well as Chief Executive and Chief Operating Officer and Director on the Boards of various Financial Institutions having dealt with policy making, strategic planning and systems refinement, implementation of control functions, revamping / restructuring and mergers. She has dealt with international lending Institutions like World Bank, Asian Development Bank, Islamic Development Bank and other multilateral lenders. She represented NDFC for successful negotiation, of credit line to financial sector, from Asian Development Bank. Ms. Khan has served on the Boards of Asian Leasing, Lahore Stock Exchange, International Housing Finance Limited, Mashreq Bank (now Samba Bank), PICIC etc. She was also the Chairperson of an Investment Bank before it was merged with a local commercial Bank. She has also served at senior management level in various organizations. She has been Group Head, Textiles, in National Development Finance Corporation, Chief Executive Officer of Asian Leasing, Chief operating Officer of Trust Investment Bank and Zarai Taraqjati Bank Limited (ZTBL). She had also been acting President of ZTBL during 2011 / 2012 when she was instrumental in bringing about many changes with positive impact on its profitability.

She has constantly devoted time over the past 30 years to various social sector institutions working for the betterment of downtrodden and deprived strata of the society and is an advocate of improving the fate of the deprived mainly by catering to the basic right to health, education and equal opportunity to all.



**Mr. Amer Tufail**  
Managing Director / CEO

Mr. Amer Tufail, Managing Director, Sui Northern Gas Pipelines Limited (SNGPL) is a Chartered Accountant by profession having membership with Institute of Chartered Accountants of Pakistan (ICAP). He joined SNGPL in year 2004 and has held various key management positions last being Deputy Managing Director (Services). Prior to joining SNGPL has worked for large national and multinational organizations in Pakistan and abroad including key multi lateral funding agencies featuring over 28 years of rich experience in a large variety of disciplines.



### **Mr. Afan Aziz**

**Director**

Mr. Afan Aziz holds a B.Sc. with First Class Honours in Accounting and Finance from the London School of Economics and Political Science. He is the Honorary Consul of the Republic of Korea (South Korea) for Khyber Pakhtunkhwa province, and has also served as the President of Sarhad Chamber of Commerce and Industry (SCCI) and as Vice Chairman of APTMA (All Pakistan Textile Mills Association). Professionally he is an entrepreneur with over 18 years experience in managing Industrial and development enterprises in the field of Textiles, FMCG and Real Estate Development.

Mr. Aziz has also served on the boards of institutions including National Textile University Faisalabad, Institute of Management Sciences Peshawar amongst others. To keep abreast with a fast changing global trade environment he has attended various courses in notable universities around the world. An Avid reader Mr. Aziz has organized seminars and published studies and papers on various facets related to Economic matters of the country.



### **Mr. Ahmad Aqeel**

**Director**

Mr. Ahmad Aqeel is a business professional and a qualified lawyer with over 16 years of diverse experience in Oil & Gas, Petroleum, Power and Financial Sectors, with a longstanding record of serving as a Director on the Boards of Public Listed/Unlisted Companies.

Currently serving as an Elected Director on the Board of Sui Northern Gas Pipelines Limited (SNGPL).

Serving as a Director on the Board of National Investment Trust Limited (NITL). Chairman of Human Resource & Remuneration Committee & a member of the Audit & Risk Management Committees of the Board of National Investment Trust Limited.

An Elected Independent Director serving on the Board of Nishat Power Limited (NPL), Chairman of the Audit and Human Resource & Remuneration Committees of the Board of Nishat Power Limited.

A Director on the Board of Adamjee Life (AL) Assurance Company Ltd, Chairman of Risk Management and Compliance Committee of Adamjee Life.

Credited with setting up & successfully managing retail business in collaboration with Total Parco Pakistan Limited for more than fifteen years. As Managing Partner founded & setup the private business venture with Total Parco the second largest Oil Marketing Company (OMC) in Pakistan.

A Certified Director from Pakistan Institute of Corporate Governance (PICG) and enrolled at the database of the SECP as a Certified Independent Director. Attended various local and international workshops, skills training programs and seminars.

A member of Lahore Chamber of Commerce & Industry and Lahore Gymkhana Club.

# BOARD OF DIRECTORS



**Mr. Manzoor Ahmed**  
Director

Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT). As COO, he has been successfully managing the operations and investment portfolio worth Rs 81 bn. approx. He has experience of over 30 years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investment management, research and liaising with the regulatory authorities. He has also served NIT as its Managing Director (Acting) twice from May 2013 to May 2014 and September 2017 to February 2019. He is M.B.A. and also holds D.A.I.B.P. He has also been the Council Member of The Institute of Bankers Pakistan. Presently, he is pursuing Chartered Financial Analyst (CFA) level III.

Mr. Ahmed has vast experience of serving on the Boards of various top ranking companies of Pakistan belonging to the diverse sectors of economy.

Mr. Ahmed has also attended various training courses organized by Institutions of international repute like London Business School (LBS) UK, Institute of Directors, London and Financial Markets World, New York (USA).

Currently, he represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

Mr. Manzoor Ahmed is also member of the Defence Authority Country and Golf Club – Karachi.



**Mr. Mohammad Haroon**  
Director

Mr. Mohammad Haroon brings with him over two and half decades of diverse experience in two of the most dynamic and vibrant industries, i.e., Oil and Telecommunications. He had a long prolific association with the "Attock Group", a fully integrated Group of Companies covering all segments of Oil and Gas industry from exploration, production and refining to marketing of a wide range of petroleum products.

He has extensive experience in the downstream sector of the oil industry. He has the honor of being one of the initial members of the team that established "Attock Petroleum Limited", which is, currently, one of the largest OMCs in Pakistan. Apart from heading important departments, he was also a member of its core 'Management Committee'.

Mr. Haroon was also involved in a number of marketing and customer care related initiatives for a Telecom giant in Pakistan.

During his professional career, he gained rich experience in Retail Network (Development/Sales), Human Resource, Administration, Business Development, Customer Care and Joint Ventures. He has worked in challenging, diverse, multi-cultural environments, gaining considerable exposure to both corporate environment and regional set-ups at a senior level.

Mr. Haroon likes spending time with his family, going off-road and exploring the mountainous North of Pakistan to enjoy its matchless beauty. He takes keen interest in community services and is a member of the "Lions Club International" and "Rotary International Club".

He has done Masters in Business Administration and attended a number of management courses in Pakistan and abroad.



### **Mr. Muhammad Ayub Chaudhry** Director

Mr. Muhammad Ayub Chaudhry is currently serving as Additional Secretary, Ministry of Energy (Petroleum Division) in the Federal Government. He has got vast experience of over 22 years of serving in the public entities. He has served in the federal and provincial governments in senior positions. His past appointments include Additional Secretary, National Food Security and Research, Islamabad / Chairman Pakistan Agriculture Research Council (PARC), Secretary, Youth Affairs, Sports, Archaeology and Tourism (YASAT), Government of Punjab, Additional Secretary, Federal Education and Professional Training, Islamabad, Senior Joint Secretary (Career Planning), Establishment Division, Islamabad, Joint Secretary (Emigration & Establishment), Ministry of Overseas Pakistanis & Human Resource Development, Joint Secretary (Committees), National Assembly Secretariat, Director Administration and Finance, Punjab Housing and Town Planning Agency (PHATA) and General Manager (Operations), The Tourism Development Corporation of Punjab. He has also remained Consultant Asian Development Bank (ADB) as Project Development Specialist and Procurement Specialist in the past.

Mr. Ayub Chaudhry has done LL.M, (International Banking & Finance Law) from Nottingham University, United Kingdom and M.Sc, International Relations from Quaid-e-Azam University, Islamabad, Pakistan. He has also travelled abroad extensively in connection with official business / work assignments.

He is Director on the boards of Oil and Gas Development Company Limited (OGDCL) and Pak-Arab Refinery Limited (PARCO).



### **Mr. Naveed Kamran Baloch** Director

Mr. Naveed Kamran Baloch is an officer of Federal Government in BS-22, presently posted as Secretary Finance, Government of Pakistan.

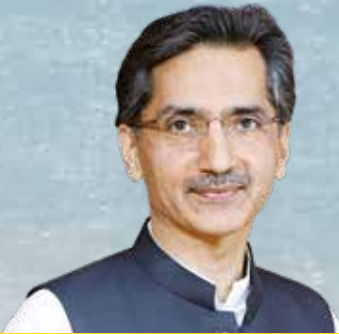
Prior to present posting, he had been posted as Secretary, Cabinet Division and Chief Secretary, Khyber Pakhtunkhwa. He remained Federal Secretary, Ministry of National Health Services, Regulation & Coordination, Government of Pakistan as well. He also served as Chairman of CCM Pakistan. He also held the position of Chairman, State Life Insurance Corporation of Pakistan, Principal Secretary to Chief Minister (Sindh), Director General, National Institute of Management Karachi, Secretary Finance, Secretary Food, Secretary Information, Government of Sindh, besides serving on leading administrative and financial positions in Federal, Provincial Government and Public Sector Enterprises.

Mr. Naveed Kamran Baloch joined Civil Service of Pakistan in 1985. He has vast professional experience in senior management positions in diversified fields such as Public Sector Management, Administration, Financial, Judicial, Health, Insurance and Planning etc.

He has extensively attended local and international professional training courses, workshops, seminars and conferences.

Mr. Naveed Kamran Baloch has attained a degree of M.Sc in Social Policy and Planning in Development countries from London School of Economics, UK. He is also a certified Director from Pakistan Institute of Corporation Governance.

# BOARD OF DIRECTORS



**Sajid Mehmood Qazi**  
Director

Mr. Sajid Mehmood Qazi, Joint Secretary, Ministry of Energy, Petroleum Division joined Office Management Group of the civil service of Pakistan in 1995. He was exposed to the working of Ministries of Economic Affairs, Commerce & Textile and Narcotics Control. As Additional Registrar Supreme Court of Pakistan, he has the rare honour of contributing in the setting up of the HR cell to streamline the implementation of suo moto jurisdiction of the apex court of the country. As a core member of the NAB team, Mr. Qazi contributed in formulating and implementing the national anticorruption strategy during his stint at the premier accountability body from 1999 to 2005. Mr. Qazi performed the duties of a diplomat in Pakistani Consulate Manchester UK as Counsellor Community Affairs. Before joining the Ministry of Petroleum, he was working as Director General in the Overseas Pakistanis Foundation. Mr. Qazi has strong interest in Economics, Public Administration and Law. He earned LL.M from Warwick University, UK as Chevening Scholar. He is an avid reader of contemporary history and also follows his passion of hiking and landscape photography in his leisure time.



**Syed Akhtar Ali**  
Director

Syed Akhtar Ali is an eminent energy expert and consultant. His last appointment was as Member Energy, Planning Commission and earlier one as CEO of Karachi Pipe Mill (KPM), a public sector enterprise. He has held other senior management appointments in Pakistan's public and private sector companies. He has B.E. & M.S. in Mechanical Engineering and was Research Fellow at Harvard University in Energy Policy. He is currently on the Board of ISGS and member Think Tank Petroleum Division. He was earlier on the Board of SSGC, PPIB and AEDB. His expertise and experience has been in the area of Energy Policy Planning, Energy economics, pricing and tariff, Energy projects development, Power plants, pipelines and Renewable Energy, Environment, sustainability and conservation, Climate Change issues, Project development, monitoring and evaluation. He has taught Energy Management at Institute of Business Management. He has written a number of books on Pakistan's energy issues.



## Dr. Sohail R. Khan

### Director

Dr. Sohail R. Khan is a top performing corporate strategy, business development consultant, with record of achievement in planning, development and growth in various sectors mainly Oil & Gas, Logistics, Finance and IT industry. He is a highly motivated individual with successful international working experience of more than 15 years in Oil & Gas and service industries across U.K, UAE, Canada and Qatar. He has a solid track record working for Total (E&P) U.K, providing corporate strategy, improving the development of business by deploying oil and gas processes (upstream and downstream), and implementing & coordinating efficiency improvement techniques with Affiliate management teams across the operations in Total (E&P). Working as a change management consultant for Total (E&P), successfully design and implemented FOI (Field Operational Improvement) change management program on time within budget of £10 Million for U.K and Qatar assets. The purpose of Field Operational Improvement program was to reshape Total Petroleum (E&P) from business unit centric to enterprise, effective and mature shared service IT organization that can support priorities of the entire operations. Successfully designed and implemented oil production reporting processes, competency management systems, integrated logistics & procurement systems, Audit processes, 12-24 month planning and budgeting processes with the engagement of multiple stakeholders to define a strategic direction and enhance business development. He was also responsible for determining competency requirements for all functions and staff, against the competency standards, and successfully delivered the annual training plan that caters the needs of Operation, Human Resource Planning, Engineering and HSE disciplines within budget and on time.

Dr. Khan has extensive experience of policy formation, HR development & Training, audit process, risk identification & mitigation strategies, development and execution of IT strategy to support operation by deploying Artificial Intelligence (AI), Big Data Analytics, to optimize production and improve efficiency. Working for I.P.S.G (U.K) he has managed I.T projects exceeding £10 Million budget and ensured compliance with ISO and European standards. Dr. Khan has valuable company turnaround experience having used leading management tools and techniques such as Lean methodology, RACI, Kanban, PRINCE 2, PMP, ERP, JDE and BPM to bring companies from loss to profit. Dr. Khan has earned his PhD Degree in Management & Technology from University of Fernando Pessoa, Portugal, followed by MBA (Master in Business Administration) from University of Central Lancashire U.K. He has MSc (Distributed Networks & Security System) from University of Hertfordshire U.K and M.A in Strategic Leadership from University of Wolverhampton U.K. He has several publications in international journals. Dr Sohail Khan is a Certified Director from Pakistan Institute of Corporate Governance (PICG). Enrolled at the database of the SECP with Pakistan Institute of Corporate Governance (PICG) as an Independent Certified Director. He is a keen sportsman and love to play cricket and football.



**Mr. Faisal Iqbal**  
**Chief Financial Officer**

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A Chartered Accountant from Institute of Chartered Accountants of Pakistan carries over 25 years of diversified experience at various senior management positions. Prior to becoming Chief Financial officer, he was working as Senior General Manager (Audit). Faisal has demonstrated remarkable leadership skills as well as new initiatives to manage number of difficult challenges bringing tangible improvements in the business processes. Over a period of more than 12 years in SNGPL, headed different departments including Audit, Finance, Regulatory Affairs, IT/ MIS and Billing where he introduced new business processes or re-engineered them with an objective to bring efficiency improvement in the control environment. Prior to joining SNGPL, Faisal was in Kohinoor Group, as General Manager Finance. Prior to Kohinoor, he worked as a Senior Manager in A F Ferguson & Co, member firm of Price WaterhouseCoopers (PWC) for nearly 13 years wherein he participated and led large number of projects in and outside Pakistan and gained substantial expertise in the implementation and review of accounting, internal control procedures and operations of public and private sector organizations.



**Mr. Imtiaz Mehmood**  
**Company Secretary**

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Mr. Imtiaz Mehmood took over the charge of Company Secretary on May 09, 2019. Before taking the charge, he served as Chief Accountant (HO), Secretary Funds and Deputy Company Secretary besides heading the Media Affairs department for one and a half year. He has over 25 years experience in the field of Audit, Accounts, Finance, Corporate and Media Affairs.

Mr. Mehmood is a fellow member of the Institute of Cost & Management Accountants of Pakistan (ICMAP) and Pakistan Institute of Public Finance Accountants (PIPFA). He also holds a degree of MS in Business Administration (Management). Mr. Mehmood has attended local and international professional training courses, workshops and conferences.

Mr. Mehmood has served as Chairman Technical Support Committee at Lahore Branch Council of ICMAP.



# CORPORATE GOVERNANCE

The prime objective of the Company is to protect the interest of all stakeholders through fair, ethical and transparent business practices. The Board has ensured compliance to Code of Corporate Governance by adopting transparent procedures and methodologies which are constantly being monitored and reviewed through better internal controls. The Company also ensures compliance to the Companies Act, 2017, Public Sector Companies (Corporate Governance) Rules, 2013, Listed Companies (Code of Corporate Governance) Regulations, 2019, Rules of Pakistan Stock Exchange Limited and Financial Reporting Framework of Securities and Exchange Commission of Pakistan.

The Board of Directors provides strategic guidance for sustainable growth alongwith effective management oversight in respect of comprehensive corporate governance. All periodic financial statements and working papers for consideration of the Board and its committees are circulated to the Directors well before the meetings (i.e. at least seven days before the meeting) except in case of an emergent meeting, in order to give sufficient time for informed and prudent decision making. The minutes of the meetings are circulated within fourteen days from the date of meetings, after due clarification from respective Chairperson of the Board and its committees.

## BOARD OF DIRECTORS

The Chairperson of the Board and Board Audit Committee are Independent/Non Executive Directors. The Board members bring with them a wide range of relevant business, financial and international experience which carries significant weight while decision-making and managerial suggestions who fulfill a vital role of corporate accountability through the advocacy of fairness and transparency within all independent decisions. The Board has formed five committees viz Audit, Finance and Procurement,

Human Resource and Nomination, Risk Management and Un-accounted for Gas (UFG) Control, comprising different Board Members, based on their areas of expertise. The Board committees give their best input and expert opinion on different strategic issues, for final approval by the Board as per its mandate.

The names and categories of the Board of Directors and their attendance at Board meetings during the year are given below:

Board Meetings					
Sr. No.	Name	Designation	Category	Total No. of Meetings*	No. of Meetings Attended
01	Mr. Muhammad Saeed Mehdi	Chairman	Independent / Non-Executive	15	15
02	Syed Dilawar Abbas	Chairman	Independent / Non-Executive	8	8
03	Mr. Amjad Latif	MD / CEO	Executive	7	7
04	Mr. Amer Tufail	MD / CEO	Executive	6	6
05	Mr. Mahmood Zia Ahmad	MD / CEO	Executive	9	9
06	Mr. Ahmad Aqeel	Director	Non-Executive	22	22
07	Sardar Ahmad Nawaz Sukhera	Director	Non-Executive	5	3
08	Mr. Arif Ahmed Khan	Director	Non-Executive	15	13
09	Mr. Himayat Ullah Khan	Director	Independent / Non-Executive	7	5
10	Mirza Mahmood Ahmad	Director	Non-Executive	22	22
11	Mr. Manzoor Ahmed	Director	Independent / Non-Executive	22	22
12	Mian Misbah-ur-Rehman	Director	Non-Executive	22	22
13	Mr. Mohammad Aamir Qawi	Director	Independent / Non-Executive	14	10
14	Mr. Mohammad Jalal Sikandar Sultan	Director	Non-Executive	1	1
15	Mr. Mohammad Jehanzeb Khan	Director	Non-Executive	15	11
16	Qazi Mohammad Saleem Siddiqui	Director	Non-Executive	22	22
17	Mr. Mohammad Younas Dagha	Director	Non-Executive	15	12
18	Mr. Mustafa Ahmad Khan	Director	Independent / Non-Executive	22	22
19	Mr. Naveed Kamran Baloch	Director	Non-Executive	3	3
20	Ms. Roohi Raees Khan	Director	Independent / Non-Executive	7	7
21	Mr. Sajjad Hussain	Director	Independent / Non-Executive	15	14
22	Mr. Sher Afgan Khan	Director	Non-Executive	20	20
23	Mr. Shoaib Mir	Director	Non-Executive	4	4
24	Dr. Sohail Razi Khan	Director	Independent / Non-Executive	5	5

\* Held during the period the concerned Director was member of the Board.

## BOARD AUDIT COMMITTEE

The procedure alongwith responsibilities / functions of the Board Audit Committee would be as follows:

### Number of Members: 08

#### Procedure:

1. The Committee shall meet at least once in each quarter.
2. Quorum will be three members.
3. The Secretary of the Board Audit Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.
4. The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors shall attend all meetings of the Board Audit Committee at which issues relating to accounts and audit are discussed.
5. At least once in year, the Board Audit Committee shall meet the external auditors without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives being present, to ensure independent communication between the external auditors and the Board Audit Committee.
6. At least once a year, the Board Audit Committee shall meet Chief Internal Auditor and other members of the internal audit function without the Chief Financial Officer and the external auditors being present.

#### Responsibilities:

The Board Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements.

In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Board Audit Committee in all these matters. However, the Board shall not be deemed to absolve itself of its overall responsibility for the functions delegated to the Board Audit Committee. The Board Audit Committee shall have full and explicit authority to investigate any matter within its terms of reference and shall be provided with adequate resources and access to all relevant information.

The terms of reference of the Board Audit Committee shall also include the following:

1. a) determination of appropriate measures to safeguard the Company's assets.  
b) review of financial results.  
c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgment areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards; and
  - compliance with listing regulations and other statutory and regulatory requirements.  
d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);  
e) review of management letter issued by external auditors and management's response thereto;  
f) ensuring coordination between the internal and external auditors of the Company;  
g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;  
h) consideration of major findings of internal investigations and management's response thereto;  
i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;  
j) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;  
k) recommending or approving the hiring or removal of the chief internal auditor;  
l) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief

# CORPORATE GOVERNANCE

Executive and to consider remittance of any matter to the external auditors or to any other external body;

- m) determination of compliance with relevant statutory requirements;
- n) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- o) overseeing whistle-blowing policy and protection mechanism;
- p) consideration of any other issue or matter as may be assigned by the Board of Directors; and
- q) The Board Audit Committee shall also ensure that the external auditors do not perform management functions or make management decisions, responsibility for which remains with the Board and management of the Public Sector Company.

2. The Board Audit Committee shall be responsible for managing the relationship of the Company with the external auditors. In managing the Company's relationship with the external auditors on behalf of the Board, the Board Audit Committee's responsibilities include:-

- a) suggesting the appointment of the external auditor to the Board, the audit fee, and any questions of resignation or dismissal;
- b) considering the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors, and reviewing the remuneration for this work;



- c) discussing with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies;
- d) discussing with the external auditors any significant issues from the review of the financial statements by the Management, and any other work undertaken or overseen by the Board Audit Committee;
- e) reviewing and considering the external auditors' communication with Management and Management's response thereto; and
- f) reviewing progress on accepted recommendations from the external auditors.

3. The recommendations of the Board Audit Committee for appointment of retiring auditors or otherwise, as mentioned in sub-rule 2 above, shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the lapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.

The composition of the Board Audit Committee, category of Directors, detail of meetings and Directors' attendance are given below:

BOARD AUDIT COMMITTEE					
Sr. No.	Name	Designation	Category	Total No. of Meetings*	No. of Meetings Attended
01	Mr. Manzoor Ahmed	Chairman	Independent / Non-Executive	8	8
02	Mr. Ahmad Aqeel	Member	Non-Executive	8	8
03	Mr. Himayatullah Khan	Member	Independent / Non-Executive	1	1
04	Mr. Mohammad Aamir Qawi	Member	Independent / Non-Executive	5	4
05	Mr. Mohammad Jehanzeb Khan	Member	Non-Executive	5	3
06	Qazi Mohammad Saleem Siddiqui	Member	Non-Executive	8	8
07	Mr. Mohammad Younas Dagha	Member	Non-Executive	5	3
08	Mr. Mustafa Ahmad Khan	Member	Independent / Non-Executive	8	8
09	Ms. Roohi Raees Khan	Member	Independent / Non-Executive	2	2
10	Mr. Sajjad Hussain	Member	Independent / Non-Executive	5	5
11	Mr. Shoaib Mir	Member	Non-Executive	3	3
12	Dr. Sohail Razi Khan	Member	Independent / Non-Executive	1	1
13	Mr. Sher Afgan Khan	Co-opted	Non-Executive	1	1
14	Mirza Mahmood Ahmad	Co-opted	Non-Executive	1	1

\* Held during the period the concerned Director was member of the Board Audit Committee.

## FINANCE AND PROCUREMENT COMMITTEE

The procedure along with responsibilities / functions of the Finance and Procurement Committee would be as follows:

### Number of Members: 08

#### Procedure:

1. The Committee shall meet as frequently as required;
2. Quorum will be three members; and
3. The Secretary of the Finance and Procurement Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

#### Responsibilities:

1. To review strategic business/ investment proposals, policies prepared in pursuit of the corporate purpose of the Company by the Management and make recommendations to the Board for approval;
2. To review contracts of strategic nature that may have a material impact on the Company's capital position and business and make recommendations to the Board for approval;
3. To ensure Board is aware of the matters which may significantly impact the financial condition or affairs of the business;
4. To examine the Capital and Revenue Budget of the Company and to make recommendations to the Board of Directors, thereon;
5. To examine the Budgetary and Operating limits of authority and recommend to the Board any deviation or any enhancement thereof;
6. To accord approval to contracts or purchase orders in local or foreign currency for supply of material, services or other works exceeding the financial authority delegated to the Managing Director;
7. To review the contracts or purchase orders exceeding the financial authority of the Finance and Procurement Committee of Directors and make recommendations to the Board for approval;
8. To approve/recommend major contracts of civil works along with cost benefit analysis thereof which also include purchase of land;
9. To lay down time limits/ parameters in respect of procurement of various materials and services;
10. To review the borrowing plans of the Company by assessing the requirements thereof and make recommendations to the Board for approval;
11. Any other matter entrusted by the Board of Directors; and
12. Where there is a perceived overlap of responsibilities between the Finance and Procurement Committee, the Risk Management Committee and the Board Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation.

The composition of the Finance and Procurement Committee, category, detail of meetings and Directors' attendance are given below:

FINANCE AND PROCUREMENT COMMITTEE					
Sr. No.	Name	Designation	Category	Total No. of Meetings*	No. of Meetings Attended
01	Mirza Mahmood Ahmad	Chairman	Non-Executive	9	9
02	Mr. Amjad Latif	MD / CEO	Executive	5	4
03	Mr. Amer Tufail	MD / CEO	Executive	1	1
04	Mr. Mahmood Zia Ahmad	MD / CEO	Executive	3	3
05	Mr. Ahmad Aqeel	Member	Non-Executive	9	9
06	Sardar Ahmad Nawaz Sukhera	Member	Non-Executive	3	3
07	Mr. Arif Ahmed Khan	Member	Non-Executive	6	5
08	Mian Misbah-ur-Rehman	Member	Non-Executive	9	9
09	Mr. Mohammad Jalal Sikandar Sultan	Member	Non-Executive	1	1
10	Mr. Mohammad Jehanzeb Khan	Member	Non-Executive	6	2
11	Mr. Mohammad Younas Dagha	Member	Non-Executive	3	3
12	Ms. Roohi Raees Khan	Member	Independent / Non-Executive	3	3
13	Mr. Sher Afgan Khan	Member	Non-Executive	8	8
14	Mr. Shoaib Mir	Member	Non-Executive	4	4
15	Dr. Sohail Razi Khan	Member	Independent / Non-Executive	2	2
16	Mr. Manzoor Ahmed	co-opted	Independent / Non-Executive	1	1
17	Qazi Mohammad Saleem Siddiqui	co-opted	Non-Executive	1	1
18	Mr. Muhammad Saeed Mehdi	co-opted	Independent / Non-Executive	4	4
19	Mr. Mustafa Ahmad Khan	co-opted	Independent / Non-Executive	9	9

\* Held during the period the concerned Director was member of the Finance and Procurement Committee.

# CORPORATE GOVERNANCE

## HUMAN RESOURCE & NOMINATION COMMITTEE

The procedures alongwith responsibilities/functions of the Human Resource & Nomination Committee would be as follows:

### Number of Members: 08

#### Procedure:

1. Committee will meet at least once in a quarter;
2. Quorum will be three members; and
3. The Secretary of the Human Resource & Nomination Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

#### Responsibilities:

The Committee will be responsible for making recommendations to the Board for maintaining:

1. A sound plan of organization for the Company;
2. An effective employees development programme;
3. Sound compensation and benefit and plans, policies and practices, designed to attract and retain the caliber of personnel needed to manage the business effectively;

#### Functions:

1. Review organization structure periodically to:
  - Evaluate and recommend for approval of changes in organization, functions, and relationships

affecting Management positions equivalent in importance to those on the Management position schedule;

- establish plans and procedure which provide an effective basis for Management control over Company manpower; and
- determine appropriate limits of authority and approval procedures for personnel matters requiring decision at different level of Management.

2. Review the employees development system to ensure that it:

- Foresees the Company's Senior Management requirement;
- provides for early identification and development of key personnel;
- brings forward specific succession plans for Senior Management positions; and
- training and development plans.

3. Compensation and Benefits:

- review data of competitive compensation practices and review and evaluate policies and programmes through which the corporation / Company compensates its employees; and
- review salary ranges, salaries and other compensation for CEO and Senior Management/ Executive Directors reporting to the CEO.

The composition of the Human Resource & Nomination Committee, category, detail of meetings and Directors' attendance are given below:

Human Resource & Nomination Committee					
Sr. No.	Name	Designation	Category	Total No. of Meetings*	No. of Meetings Attended
01	Mr. Muhammad Saeed Mehdi	Chairman	Independent / Non-Executive	2	2
02	Syed Dilawar Abbas	Chairman	Independent / Non-Executive	3	3
03	Mr. Amjad Latif	MD / CEO	Executive	1	1
04	Mr. Amer Tufail	MD / CEO	Executive	1	1
05	Mr. Mahmood Zia Ahmad	MD / CEO	Executive	3	3
06	Mr. Ahmad Aqeel	Member	Non-Executive	5	5
07	Mr. Arif Ahmed Khan	Member	Non-Executive	2	2
08	Mirza Mahmood Ahmad	Member	Non-Executive	5	5
09	Mr. Manzoor Ahmed	Member	Independent / Non-Executive	5	5
10	Mian Misbah-ur-Rehman	Member	Non-Executive	5	5
11	Mr. Mustafa Ahmad Khan	Member	Independent / Non-Executive	5	5
12	Mr. Sher Afgan Khan	Member	Non-Executive	4	4
13	Qazi Mohammad Saleem Siddiqui	Co-opted	Non-Executive	3	3

\* Held during the period the concerned Director was member of the Human Resource & Nomination Committee.

## RISK MANAGEMENT COMMITTEE

The procedure along with responsibilities / functions of the Risk Management Committee would be as follows:

### Number of Members: 08

#### Procedure:

1. The Committee shall meet as frequently as required;
2. Quorum will be three members; and
3. The Secretary of the Risk Management Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

#### Responsibilities:

1. To review and approve the identification of Strategic; Compliance; Operational and Financial Risks (Principal Risks) to the Company by the Management;
2. To review and approve the strategy devised by the Management to mitigate the Principal Risks;
3. To review and approve the procedures laid down by the Management about risk assessment;
4. To review the Company's capability to identify and manage current and new Principal Risk Categories;
5. To oversee and advise the Board on the current risk exposures of the Company within and outside the Principal Risk Categories and advise on the Company's future risk strategy;
6. To consider reports on the nature and extent of the risks being faced by the Company, likelihood of their recurrence and their individual and cumulative impact on the Company's key performance matrix;
7. To assess whether the Company's current exposure to the risks it faces is acceptable and, if not, the ability to reduce such exposure by reference to risk treatment and mitigation options;
8. To identify internal and external risk trends and concentrations;
9. To review and approve the statements included in the Company's Annual Report and Accounts in relation to the Company's "Principal risks and uncertainties" and the internal controls and assurance in place within the Company for the identification and management of risk;
10. To advise the Board on the Company's overall risk appetite and tolerance/resilience within and outside Principal Risk Categories, taking account of the current and prospective macroeconomic, financial, political, business and sector environments;
11. Any other matter entrusted by the Board of Directors; and
12. Where there is a perceived overlap of responsibilities between the Finance and Procurement Committee, the Risk Management Committee and the Board Audit Committee, the respective Committee Chairpersons shall have the discretion to agree the most appropriate Committee to fulfill any obligation.

The composition of the Risk Management Committee, category, detail of meetings and Directors' attendance are given below:

Risk Management Committee					
Sr. No.	Name	Designation	Category	Total No. of Meetings*	No. of Meetings Attended
01	Mr. Ahmad Aqeel	Chairman	Non-Executive	8	8
02	Mr. Amjad Latif	MD / CEO	Executive	4	3
03	Mr. Amer Tufail	MD / CEO	Executive	2	1
04	Mr. Mahmood Zia Ahmad	MD / CEO	Executive	2	2
05	Sardar Ahmad Nawaz Sukhera	Member	Non-Executive	2	1
06	Mirza Mahmood Ahmad	Member	Non-Executive	8	7
07	Mr. Manzoor Ahmed	Member	Independent / Non-Executive	8	8
08	Mian Misbah-ur-Rehman	Member	Non-Executive	8	7
09	Mr. Mohammad Aamir Qawi	Member	Independent / Non-Executive	6	6
10	Qazi Mohammad Saleem Siddiqui	Member	Non-Executive	8	8
11	Mr. Sajjad Hussain	Member	Independent / Non-Executive	6	6
12	Dr. Sohail Razi Khan	Member	Independent / Non-Executive	1	1
13	Mr. Shoaib Mir	Co-opted	Non-Executive	3	3

\* Held during the period the concerned Director was member of the Risk Management Committee.

# CORPORATE GOVERNANCE



## UNACCOUNTED FOR GAS (UFG) CONTROL COMMITTEE

The procedure along with responsibilities of the Unaccounted for Gas (UFG) Control Committee would be as follows:

**Number of Members: 08**

### Procedure:

1. The Committee shall meet at least once in a quarter/or as otherwise directed by the Board;
2. Quorum will be three members; and
3. The Secretary of the UFG Control Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

### Responsibilities:

The UFG Control Committee shall review strategic UFG issues as assigned by the Board of Directors and shall, inter alia,

- Review the Management's plan to minimize the UFG losses on periodic basis and present the same to the Board for approval along with its recommendations;
- Monitor the performance of Management in reduction of UFG;
- Review status of UFG of the Company;
- Recommend Company's position vis a vis Government and the Authority regarding different issues;
- Recommend incentive schemes, policies etc. for reduction of UFG; and
- Review strategic issues pertaining UFG.

The composition of the Unaccounted for Gas (UFG) Control Committee, category of Directors, detail of meetings and Directors' attendance are given below:

UFG Control Committee					
Sr. No.	Name	Designation	Category	Total No. of Meetings*	No. of Meetings Attended
01	Qazi Mohammad Saleem Siddiqui	Chairman	Non-Executive	6	6
02	Mr. Amjad Latif	MD / CEO	Executive	2	2
03	Mr. Amer Tufail	MD / CEO	Executive	3	1
04	Mr. Mahmood Zia Ahmad	MD / CEO	Executive	1	1
05	Sardar Ahmad Nawaz Sukhera	Member	Non-Executive	1	1
06	Mirza Mahmood Ahmad	Member	Non-Executive	6	6
07	Mr. Mohammad Aamir Qawi	Member	Independent / Non-Executive	5	4
08	Mr. Mohammad Younas Dagha	Member	Non-Executive	4	4
09	Mr. Mustafa Ahmad Khan	Member	Independent / Non-Executive	6	6
10	Mr. Sajjad Hussain	Member	Independent / Non-Executive	5	5
11	Mr. Sher Afgan Khan	Co-opted/Member	Non-Executive	5	5
12	Mr. Shoab Mir	Member	Non-Executive	1	1
13	Mr. Ahmad Aqeel	Co-opted	Non-Executive	1	1
14	Mr. Muhammad Saeed Mehdi	Co-opted	Independent / Non-Executive	5	5

\* Held during the period the concerned Director was member of the UFG Control Committee.



# STATEMENT OF COMPLIANCE

## WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

**Name of Company:** Sui Northern Gas Pipelines Limited

**Name of the line Ministry:** Ministry of Energy (Petroleum Division)

**For the year ended:** June 30, 2019

I. This statement is being presented to comply 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 as well as Listed Companies (Code of Corporate Governance) Regulations, 2017.

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																																													
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																																															
2.	The Board has at least one-third of its total members as independent directors. As at June 30, 2019 the Board includes: <table border="1" data-bbox="224 999 964 1406"> <thead> <tr> <th>Names</th> <th>Category</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr><td>1. Syed Dilawar Abbas</td><td>Independent/Non-Executive</td><td>12.04.2019</td></tr> <tr><td>2. Mr. Mahmood Zia Ahmad*</td><td>Executive</td><td>20.03.2019</td></tr> <tr><td>3. Dr. Sohail Razi Khan</td><td>Independent/Non-Executive</td><td>07.05.2019</td></tr> <tr><td>4. Mr. Ahmad Aqeel</td><td>Non-Executive</td><td>26.06.2017</td></tr> <tr><td>5. Mirza Mahmood Ahmad</td><td>Non-Executive</td><td>26.06.2017</td></tr> <tr><td>6. Mr. Himayat ullah Khan</td><td>Independent/Non-Executive</td><td>20.04.2019</td></tr> <tr><td>7. Mr. Manzoor Ahmed</td><td>Independent/Non-Executive</td><td>26.06.2017</td></tr> <tr><td>8. Mian Misbah-ur-Rehman</td><td>Non-Executive</td><td>26.06.2017</td></tr> <tr><td>9. Mr. Naveed Kamran Baloch</td><td>Non-Executive</td><td>19.06.2019</td></tr> <tr><td>10. Ms. Roohi Raees Khan</td><td>Independent/Non-Executive</td><td>20.04.2019</td></tr> <tr><td>11. Qazi Mohammad Saleem Siddiqui</td><td>Non-Executive</td><td>26.06.2017</td></tr> <tr><td>12. Mr. Mustafa Ahmad Khan</td><td>Independent/Non-Executive</td><td>26.06.2017</td></tr> <tr><td>13. Mr. Sher Afgan Khan</td><td>Non-Executive</td><td>06.10.2018</td></tr> <tr><td>14. Sardar Ahmad Nawaz Sukhera</td><td>Non-Executive</td><td>27.04.2019</td></tr> </tbody> </table> <p>*The number of elected directors on the Board is thirteen (13) whereas the Managing Director is a "deemed director" under section 188(3) of the Companies Act, 2017.</p>	Names	Category	Date of appointment	1. Syed Dilawar Abbas	Independent/Non-Executive	12.04.2019	2. Mr. Mahmood Zia Ahmad*	Executive	20.03.2019	3. Dr. Sohail Razi Khan	Independent/Non-Executive	07.05.2019	4. Mr. Ahmad Aqeel	Non-Executive	26.06.2017	5. Mirza Mahmood Ahmad	Non-Executive	26.06.2017	6. Mr. Himayat ullah Khan	Independent/Non-Executive	20.04.2019	7. Mr. Manzoor Ahmed	Independent/Non-Executive	26.06.2017	8. Mian Misbah-ur-Rehman	Non-Executive	26.06.2017	9. Mr. Naveed Kamran Baloch	Non-Executive	19.06.2019	10. Ms. Roohi Raees Khan	Independent/Non-Executive	20.04.2019	11. Qazi Mohammad Saleem Siddiqui	Non-Executive	26.06.2017	12. Mr. Mustafa Ahmad Khan	Independent/Non-Executive	26.06.2017	13. Mr. Sher Afgan Khan	Non-Executive	06.10.2018	14. Sardar Ahmad Nawaz Sukhera	Non-Executive	27.04.2019	3(2)	✓		
Names	Category	Date of appointment																																																
1. Syed Dilawar Abbas	Independent/Non-Executive	12.04.2019																																																
2. Mr. Mahmood Zia Ahmad*	Executive	20.03.2019																																																
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14. Sardar Ahmad Nawaz Sukhera	Non-Executive	27.04.2019																																																
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)	✓		Mr. Manzoor Ahmed holds directorship of more than five listed companies. However, SECP has given dispensation in this regard.																																													
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Act.	3(7)			Not Applicable																																													
5.	The Chairperson of the Board is working separately from the Chief Executive of the Company.	4(1)	✓																																															

Sr. No.	Provision of the Rules	Rule No.	Yes	No	Remarks
6.	The Chairperson has been elected by the Board of Directors except where Chairperson 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, except where Chief Executive has been nominated by the Government.	5(2)			Not Applicable
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.sngpl.com.pk (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)	✓		
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 and mission statements 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)			Not Applicable
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓		

# STATEMENT OF COMPLIANCE

Sr. No.	Provision of the Rules	Rule No.	Yes	No	Remarks																		
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)	✓ ✓ ✓																				
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)	✓																				
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Board Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																				
21.	(a) The Board has approved the profit or 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. (b) In case of Listed Public Sector Company, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the Company's website.	10	✓ ✓ ✓																				
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.	11	✓																				
23.	a) The Board has formed the requisite committees, as specified in the Rules. b) The committees were provided with written term of reference defining their duties, authority and composition. c) The minutes of the meetings of the committees were circulated to all the Board members. d) The committees were chaired by the following non-executive directors:	12	✓ ✓ ✓ ✓																				
<table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>1. Board Audit Committee</td> <td>8</td> <td>Mr. Manzoor Ahmed</td> </tr> <tr> <td>2. Human Resource and Nomination Committee</td> <td>8</td> <td>Syed Dilawar Abbas</td> </tr> <tr> <td>3. Finance and Procurement Committee</td> <td>8</td> <td>Mirza Mahmood Ahmad</td> </tr> <tr> <td>4. UFG Control Committee</td> <td>8</td> <td>Qazi Mohammad Saleem Siddiqui</td> </tr> <tr> <td>5. Risk Management Committee</td> <td>8</td> <td>Mr. Ahmad Aqeel</td> </tr> </tbody> </table>		Committee	Number of Members	Name of Chair	1. Board Audit Committee	8	Mr. Manzoor Ahmed	2. Human Resource and Nomination Committee	8	Syed Dilawar Abbas	3. Finance and Procurement Committee	8	Mirza Mahmood Ahmad	4. UFG Control Committee	8	Qazi Mohammad Saleem Siddiqui	5. Risk Management Committee	8	Mr. Ahmad Aqeel				
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24.	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, 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	✓																				

Sr. No.	Provision of the Rules	Rule No.	Yes	No	Remarks																											
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	✓																													
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	✓																													
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 Board Audit Committee and the Board.	20	✓																													
31.	The Board has formed an Board Audit Committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="272 1240 1013 1543"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Manzoor Ahmed</td> <td>Independent/Non-Executive</td> <td>COO(NIT)</td> </tr> <tr> <td>Mr. Naveed Kamran Baloch</td> <td>Non-Executive</td> <td>Secretary Finance Division</td> </tr> <tr> <td>Mr. Ahmad Aqeel</td> <td>Non-Executive</td> <td>Businessman</td> </tr> <tr> <td>Mr. Himayat Ullah Khan</td> <td>Independent/Non-Executive</td> <td>Ex- Government Servant</td> </tr> <tr> <td>Mr. Mustafa Ahmad Khan</td> <td>Independent/Non-Executive</td> <td>Agriculturist</td> </tr> <tr> <td>Ms. Roohi Raees Khan</td> <td>Independent/Non-Executive</td> <td>Retired Banker</td> </tr> <tr> <td>Qazi Mohammad Saleem Siddiqui</td> <td>Non-Executive</td> <td>Director General (PC)</td> </tr> <tr> <td>Dr. Sohail Razi Khan</td> <td>Independent/Non-Executive</td> <td>Consultant</td> </tr> </tbody> </table> <p>The Chief Executive and Chairperson of the Board are not members of the Board Audit Committee.</p>	Name of Member	Category	Professional Background	Mr. Manzoor Ahmed	Independent/Non-Executive	COO(NIT)	Mr. Naveed Kamran Baloch	Non-Executive	Secretary Finance Division	Mr. Ahmad Aqeel	Non-Executive	Businessman	Mr. Himayat Ullah Khan	Independent/Non-Executive	Ex- Government Servant	Mr. Mustafa Ahmad Khan	Independent/Non-Executive	Agriculturist	Ms. Roohi Raees Khan	Independent/Non-Executive	Retired Banker	Qazi Mohammad Saleem Siddiqui	Non-Executive	Director General (PC)	Dr. Sohail Razi Khan	Independent/Non-Executive	Consultant	21(1) and 21(2)	✓		
Name of Member	Category	Professional Background																														
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Dr. Sohail Razi Khan	Independent/Non-Executive	Consultant																														
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the Board Audit Committee at which issues relating to accounts and audit were discussed. (b) The Board 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 Board Audit Committee met the chief 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)	✓  ✓  ✓																													

# STATEMENT OF COMPLIANCE

Sr. No.	Provision of the Rules	Rule No.	Yes	No	Remarks
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Board Audit Committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit 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)	✓		

## Additional Disclosures as required under Listed Companies (Code of Corporate Governance) Regulations, 2017:

- a. The Total number of directors are 14 including Chief Executive Officer as per the following:
  - i) Male: 13 members
  - ii) Female: 1 member
- b. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and regulations.
- c. The Company is complying with Code of Corporate Governance regarding Directors Training Program.
- d. The meetings of the Board Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- e. The meetings of the board were presided over by the Chairperson and, in his/her absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulation of minutes of meeting of board.
- f. The Board has formed committees comprising members given below:

Board Audit Committee	Human Resource and Nomination Committee	Finance and Procurement Committee	UFG Control Committee	Risk Management Committee
Mr. Manzoor Ahmed Chairman	Syed Dilawar Abbas Chairman	Mirza Mahmood Ahmad Chairman	Qazi Mohammad Saleem Siddiqui- Chairman	Mr. Ahmed Aqeel Chairman
Mr. Naveed Kamran Baloch	Mr. Mahmood Zia Ahmad	Mr. Mahmood Zia Ahmad	Mr. Mahmood Zia Ahmad	Mr. Mahmood Zia Ahmad
Mr. Ahmad Aqeel	Mr. Ahmad Aqeel	Mr. Ahmed Aqeel	Sardar Ahmad Nawaz Sukhera	Sardar Ahmad Nawaz Sukhera
Mr. Himayat Ullah Khan	Mirza Mahmood Ahmad	Sardar Ahmad Nawaz Sukhera	Mirza Mahmood Ahmad	Mirza Mahmood Ahmad
Mr. Mustafa Ahmad Khan	Mr. Manzoor Ahmed	Mian Misbah ur Rehman	Mr. Himayat Ullah Khan	Mr. Manzoor Ahmed
Ms. Roohi Raees Khan	Mian Misbah ur Rehman	Ms. Roohi Raees Khan	Mr. Mustafa Ahmad Khan	Mian Misbah ur Rehman
Qazi Mohammad Saleem Siddiqui	Mr. Mustafa Ahmad Khan	Mr. Sher Afgan Khan	Mr. Sher Afgan Khan	Qazi Mohammad Saleem Siddiqui
Dr. Sohail Razi Khan	Mr. Sher Afgan Khan	Dr. Sohail Razi Khan	Mr. Naveed Kamran Baloch	Dr. Sohail Razi Khan

g. The frequency of meetings (yearly) of the Committee's were as per following:

<b>Committee's Name</b>	<b>Frequency of Meetings (yearly)</b>
Board Audit Committee	8
Human Resource and Nomination Committee	5
Finance and Procurement Committee	9
UFG Control Committee	7
Risk Management Committee	8

- h. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- i. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- j. We confirm that all other material principles enshrined in the CCG have been complied with.



**Amer Tufail**  
Managing Director/CEO



**Roohi Raees Khan**  
Chairperson - BOD

Lahore.  
July 21, 2020.

# NOTICE OF 55<sup>TH</sup> ANNUAL GENERAL MEETING

The Notice is hereby given that the 55<sup>th</sup> Annual General Meeting of the Company will be held on Saturday, August 15, 2020 at 11:00 a.m at Company's Head Office, Gas House, 21-Kashmir Road, Lahore for the purpose of transacting the following business:

## ORDINARY BUSINESS:

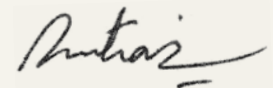
1. To confirm the minutes of the adjourned Extraordinary General Meeting held on June 23, 2020.
2. To confirm the minutes of the Reconvened Extraordinary General Meeting held on July 6, 2020.
3. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2019 together with the Directors' and Auditors' Reports thereon.
4. To consider and approve payment of cash dividend to the shareholders at the rate of Rs 3.50 per share of Rs 10/- each i.e. 35 % for the year ended June 30, 2019, as recommended by the Board of Directors. This is inclusive of interim cash dividend at the rate of Rs 1.5 per share of Rs 10/- each i.e. 15% already paid in FY 2018-19.
5. To appoint External Auditors for the year ending June 30, 2020 and to fix their remuneration.
6. To transact any other ordinary business of the Company with the permission of the Chairperson.

The share transfer books of the Company will remain close from Saturday, August 8, 2020 to Saturday, August 15, 2020 (both days inclusive). The members whose names appear in the register of members as at the close of business on Friday, August 7, 2020 will qualify for the payment of dividend.

Due to prevailing circumstances of Covid-19 across the Country, valuable shareholders are requested to give preference to attend the meeting through video conference instead of their physical presence. Moreover, the Company will follow the best practices and comply with the instructions of the Government and SECP to ensure protective measures are in place for the well-being of its stakeholders. For attending the meeting, wearing of masks and gloves are mandatory.

Considering the hygiene / health of all stakeholders, especially due to outbreak of Covid-19, refreshments will not be served after the meeting.

By order of the Board



**IMTIAZ MEHMOOD**  
Company Secretary

LAHORE.  
July 21, 2020

## NOTES:

### 1. Participation in General Meeting

#### i) Through Electronic Means (Optional/Recommended Via Video Conferencing)

In wake of the prevalent COVID-19 pandemic situation and in the light of the relevant guidelines issued by Securities & Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange Limited, vide Circular No 5 of 2020 dated March 17, 2020 and Circular No PSX/N-372 dated March 19, 2020 respectively, the shareholders are encouraged to participate in the General Meeting through electronic facility organized by SNGPL. In order to attend the General Meeting through electronic facility, the shareholders are requested to get themselves registered with CDC Share Registrar Services Limited at least 48 hours before the time of General Meeting at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com).

The entitled shareholders whose name appear on the Books of the Company by close of Business on August 7, 2020 will be treated in time for the purpose of attending the meeting and those shareholders are requested to provide the information as per below format:

Sr. No	Folio Number/ CDC Account No.	Name of the shareholder	CNIC Number	Cell Number	Email address

The details of the electronic facility will be sent to the Shareholders on the email addresses provided by them. The login facility will be opened at 10:30 a.m. on August 15, 2020 enabling the participants to join the proceedings after identification and verification process before joining the meeting which will start at 11:00 a.m. sharp.

#### ii) Attending Meeting in Person or through Proxies

a. All members, entitled to attend and vote at the General Meeting, are entitled to appoint any person in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may also appoint any person as proxy. However, in case of legal entities, a resolution of the Board of Directors' / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the legal entity shall be submitted to the Company. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.

b. The proxy instrument must be completed in all respects and in order to be effective should be deposited at the Office of the Company Secretary but not later than 48 hours before the time of holding the meeting.

c. If any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the Company, all such instruments of proxy shall be rendered invalid.

#### Guidelines for CDC Account Holders:

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

#### A. For Attending the Meeting

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

ii) In case of legal entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

#### B. For Appointing Proxies

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the requirements mentioned below.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the Passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

In case of a legal entity, the Board of Directors' resolution/power of attorney with specimen signature



year ended June 30, 2019, are being circulated to the members through CD/DVD. However, shareholder may request to provide a hard copy of Annual Accounts.

#### 6. Availability of Annual Audited Financial Statements on the Company's website:

In accordance with the provisions of Section 223(7) of the Companies Act, 2017, the audited financial statements of the Company for the year ended June 30, 2019 are available on the Company's website i.e. [www.sngpl.com.pk](http://www.sngpl.com.pk).

#### 7. Transmission of Annual Audited Financial Statements and Annual General Meeting Notice through e-mail (optional):

In pursuance of the direction, Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive the Company's Annual Audited Financial Statements and Annual General Meeting Notices through e-mail are requested to fill the requisite form available on Company's website i.e. [www.sngpl.com.pk](http://www.sngpl.com.pk).

#### Registered Office

Gas House, 21-Kashmir Road,  
P.O. Box No. 56, Lahore (Pakistan),  
Ph: +92-42-99201451-60, 99201490-99,  
99201044  
Fax: +92-42-99201369, 99201302  
Website: [www.sngpl.com.pk](http://www.sngpl.com.pk)

#### Share Registrar

CDC Share Registrar Services Ltd.

#### Lahore Office:

Mezzanine Floor, South Tower, LSE Plaza,  
19-Khayaban-e-Aiwan-e-Iqbal, Lahore (Pakistan)  
Tel No.: +92 -42-36362061-66  
Fax No.: +92 -42-36300072

#### Karachi Office:

CDC House, 99-B, Block B, S.M.C.H.S.,  
Main Shakra-e-Faisal, Karachi (Pakistan).  
Tel No.: +92-21-111-111-500  
Fax No.: +92-21-34326053  
Website: [www.cdcsrsl.com](http://www.cdcsrsl.com)



## EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting of the Company was held on July 6, 2020 for election of Directors for a term of three years commencing from July 6, 2020 and following eleven (11) directors were elected:

1. Ms. Roohi Raees Khan
2. Mr. Ahmad Aqeel
3. Mr. Rizwan Ullah Khan
4. Dr. Sohail Razi Khan
5. Mr. Manzoor Ahmed
6. Mr. Mohammad Haroon
7. Mr. Naveed Kamran Baloch
8. Mr. Sajid Mehmood Qazi
9. Mr. Muhammad Ayub Chaudhry
10. Mr. Yousaf Naseem Khokhar
11. Mr. Afan Aziz

The first meeting of the newly elected Board of Directors was held on July 13, 2020 wherein Ms. Roohi Raees Khan was elected as Chairperson of the Board of Directors.

# TRANSMISSION SYSTEM

As at June 30, 2019

Diameter (inch)														
	3"	4"	6"	8"	10"	12"	16"	18"	20"	24"	30"	36"	42"	Grand Total (KMs)
<b>Total length (KMs) as at June 30, 2018</b>														
Punjab	0.24	4.43	140.70	1,310.93	509.17	322.48	1,208.56	725.95	59.35	947.46	789.09	837.58	17.13	6,873.06
Khyber Pakhtunkhwa	-	-	57.79	661.59	133.00	160.18	139.66	-	-	148.02	-	-	-	1,300.23
Others	-	2.41	-	17.35	5.50	4.50	55.79	11.25	37.80	239.76	86.73	54.95	186.64	702.68
Total	0.24	6.84	198.49	1,989.87	647.67	487.16	1,404.01	737.20	97.15	1,335.20	875.82	892.53	203.77	8,875.97
<b>Total length (KMs) as at June 30, 2019</b>														
Punjab	0.24	4.43	140.70	1,310.93	469.03	322.48	1,208.56	725.95	59.35	947.46	789.09	837.58	17.13	6,832.92
Khyber Pakhtunkhwa	-	-	57.79	694.09	133.00	209.06	139.66	-	-	148.02	-	-	-	1,381.62
Others	-	2.41	-	17.35	5.50	4.50	55.79	11.25	37.80	239.76	86.73	54.95	186.64	702.68
Total	0.24	6.84	198.49	2,022.38	607.53	536.04	1,404.01	737.20	97.15	1,335.20	875.82	892.53	203.77	8,917.22

## TRANSMISSION LINES COMMISSIONED DURING FY 2018-2019

Sr. No.	Segment	Dia	Length
		(Inch)	(Km)
<b>Khyber Pakhtunkhwa / Any Other</b>			
1	Thana to Swat	12	31.26
2	Mid Point V/A Palai to Thana (Sawat Line)	12	17.61
3	Matani to Regi Lalma	8	32.50
<b>TOTAL</b>			<b>81.37</b>



# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

The Board of Directors present the 56th Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2019 along with the Auditors' Report thereon.



**Ms. Roohi Raees Khan**  
Chairperson

## FINANCIAL REVIEW

We are pleased to present the audited financial statements of your Company for the Year ended June 30, 2019, after incorporating the determination of Final Revenue Requirements of the Company for the year 2018-19 by Oil and Gas Regulatory Authority (OGRA). Your Company has recorded Profit after tax of Rs 7,076 million translating into EPS of Rs 11.16 as compared to profit after tax of Rs 11,121 million and EPS of Rs 17.54 during the corresponding period of last year.

The summary of financial results for the year under review is given below:

	(Rs in million)
Profit before taxation	11,149
Provision for taxation	(4,073)
Profit after taxation	7,076

Following are the primary reasons, which have resulted into decrease in Company's profitability as compared to corresponding year:

- Increase in UFG disallowance of the Company both in terms of volume as well as value from last year. Total UFG loss increased to 11.86% during ensuing year from 10.93% determined last year by the Regulator. The total disallowance increased to Rs 10,528 million during ensuing year as compared to Rs 6,356 million during last year. During the year owing to depreciation of Pak Rupee, the cost of gas increased from Rs 354 / MCF

to Rs 481 / MCF which resulted into increase in cost of disallowance from last year by Rs 2,787 million. During the year under review, your Company successfully managed to reduce the losses in distribution network from 47 BCF to 45 BCF. This reduction is inclusive of volume adjusted as a result of Lahore High Court decision on pressure factor, volume against which has been adjusted from July 2018. During the year, UFG in transmission network increased considerably from 2.8 BCF to 7.7 BCF registering an increase of over 5 BCF only due to illegal network and taping in high gas loss areas in north. Total UFG volume including transmission and distribution was recorded at 52.5 BCF as compared to 49.9 BCF during last year.

The financial impact of application of pressure factor due to the decision of Lahore High Court is approximately Rs 1,385 million. Your Company has filed an appeal against the decision of Lahore High Court and case is pending adjudication in Supreme Court of Pakistan. Had the adjustment of pressure factor not incorporated in these financial statements the UFG percentage for the current year would have been 10.94% instead of 11.86% and UFG disallowance would have reduced by Rs 1,957 million. Your Company is committed in addressing the situation in high gas losses areas and has drawn a detailed plan with the help of Provincial and district management including laying of necessary infrastructure replacing illegal network. In addition, your Company is taking several steps

## Mr. Amer Tufail

Managing Director / CEO



including but not limited to increased surveillance, segmentation of network, particular monitoring of areas susceptible to gas pilferage, timely leakage detection and its rectification and continuous checking and up gradation of measurement facilities.

- b)** As a result of UFG study conducted by OGRA, the parameters used for the purpose of calculation of UFG have been revised from July 01, 2017. Consequently, non-consumer and law & order affected areas' volumes which were earlier allowed by OGRA, over and above the benchmark, have now become part of UFG benchmark and are subject to compliance of Key Monitoring Indicators (KMIs). The benchmark loss for the current year is 5% and compliance with KMIs allows a cushion up to 2.6%. During the year, despite 99% compliance with the KMIs duly audited by external auditors of the Company, Regulator has determined a compliance level of 73.85% (LY 76.58%) resulting into effective benchmark of 6.92% (LY 6.99%). Your Company has already filed an appeal in Lahore High Court against arbitrary determination of compliance level with KMIs and matter is pending adjudication. Company is in process of filing review/appeal against the current OGRA determination as well.
- c)** Increase in finance cost which was mainly due to surge in interest rate during the year which adversely impacted Company's profitability.

The Company operates under guaranteed 17.43% rate of return covenant. OGRA in its determination of Final Revenue Requirements for FY 2018-19 has made number of unprecedented disallowances which Company considers are against the regulatory consistent practices of OGRA and are not in line with the equity justice and fair play. The reasons advanced in respect of them are not cogent and lack fundamental principles governing investments and or regulatory practices. In respect of various matters amounting to Rs 25,074 million, your Company considers that the legal, factual and regulatory arguments support Company's position with respect to arbitrary disallowances and inconsistent practice by OGRA, therefore, their impact has not been recognized in these financial statements. Your Company is in the process of filing an appeal and shall exhaust all possible appellate forums to defend your Company's position in this regard and is confident of a favorable outcome.

Your Company is also facing liquidity challenges mainly due to accumulation of Differential Margin of Rs 203 billion in indigenous gas and RLNG segments and retainage of certain volumes of RLNG by SSGC. The recoverability of these amounts is dependent upon settlement by the Government of Pakistan directly or indirectly inter alia including increase in future gas prices and settlement of account with SSGC. The Company has taken up these issues with the Government of Pakistan at highest level and the Company is hopeful for the resolution of these issues in the next year.

# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

## Modification in External Auditors Report

The External Auditors, M/s. EY Ford Rhodes Chartered Accountants, have expressed a qualified opinion in their audit report for the financial year ended June 30, 2019 for non-compliance with the requirements of the transitional provisions of the IFRS-15 read with IFRIC-18, "transfer of assets from customers" that, in their view, require a retrospective adjustment to the opening statement of financial position as of July 01, 2018 to defer the previously recognized revenues with respect to the contributions towards the cost of supplying and laying transmission, service and main lines on contracts that have continuing performance obligations at the date of transition.

The Company considers that IFRS-15 was adopted by the Company from July 01, 2018, prospectively and the Company has duly recognized the required impact in its previous financial statements. With regard to the treatment of application of transition provisions of IFRS-15, the matter was referred to the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of Pakistan (ICAP) with the consent of the Auditors. It is pertinent to mention that ASB is the only apex body in Pakistan for setting standards and interpreting implementation of IFRSs, which is duly acknowledged and endorsed by SECP in its letter dated July 23, 2020 to the Company. ASB of ICAP issued its interpretation / opinion on this matter on July 08, 2020 which was duly communicated to the Auditors on July 09, 2020. ASB concluded that "the arrangements with the customers involving construction of connection with network infrastructure and for which the revenue has already been completely recognized in prior years under IFRIC-18 meet the definition of "completed contracts" under IFRS-15. The Company can accordingly, consider the transitional requirements of IFRS-15 for the completed contracts." The treatment in financial statements with regard to this matter is strictly in accordance with the opinion / interpretation of ASB and therefore, the disagreement by the Auditors in their audit report is misconceived. Had the impact of qualification incorporated in these financial statements, it would have resulted in reduction of Earning Per Share (EPS) by Re 0.27 per share for the year ended June 30, 2019.

## UNACCOUNTED FOR GAS CONTROL

UFG control is of prime concern for the Company due to its direct impact on Company's efficiency as well as profitability. The BOD, UFG Control Committee of BOD and the Management issues directives from time to time for taking different measures to reduce the UFG losses, in the light of which guidelines are issued to Distribution regions. UFG Reduction Targets are assigned to Distribution Regions and Transmission Department on annual basis within their respective domain; the progress against which is monitored on regular basis. On Distribution side, the Regional Heads of Distribution Regions arrange physical execution of various UFG control activities to control UFG losses in their respective areas of operation through their teams comprising of executives and staff, pertaining to different departments/sections, deputed in regions. Progress of different Distribution regions with respect to implementation of Key Monitoring Indicator (KMIs) notified by OGRA and other UFG Control activities is regularly reviewed by Head Office.

Following major UFG Control programs have been implemented in the Company and the progress of the same during FY 2018-19 is as under:

### 1. Measurement Errors Control Program:

Replacement of defective meters has resulted in booking of under billed volume against measurement errors, causing positive impact on UFG figures.

Description	Industry	Commercial & Sp. Domestic	Domestic	Total
Replacement of Meters (Nos.)	5,009	16,003	656,701	677,713
Volume Booked (MMCF)	4,096	703	2,550	7,349

### 2. Leakage Control Program:

Leakage Control Program comprises of following activities:

- Aboveground Leakage rectification at domestic CMSs
- Rectification of Underground Leakages detected through Laser Leak Detectors
- Replacement of leaking underground network against System Rehabilitation Program
- Leakage rectification at TBSs/DRSs

Description	Achievement
Aboveground Leakage Rectification at Domestic CMSs (Nos.)	871,103
Rectification of Underground Leakages detected through Laser Leak Detectors (Nos.)	34,283
Replacement of leaking Underground Network against System Rehabilitation Program (Kms)	499
Leakage rectification at TBSs/DRSs (Nos.)	943

### 3. Theft Control Program:

Theft Control Program comprises of vigilance activities against Industrial, Commercial & Sp. Domestic and Domestic consumers. As a result of effective vigilance activities carried out by the Company, 98,736 theft cases have been detected during FY 2018-19 resulting in booking of 2,867 MMCF theft volume amounting to Rs 2,167 Million.

Category wise break up is as under:

Category	Theft Cases Detected (Nos.)	Volume Booked (MMCF)	Amount Booked (Rs in million)
Industry	75	1,048	1,379
Commercial & Sp. Domestic	2,807	162	156
Domestic	95,854	1,658	633
Total	98,736	2,868	2,168

In addition to above, 257 FIRs have been registered against theft cases (Consumers & Non-Consumers) and 4,249 illegal Taps have been removed from High Loss Areas by Distribution and Transmission teams.

### OPERATIONS REVIEW

The transmission network of the Company has extended to 8,917 KMs high pressure pipelines, ranging from 6" to 42" diameter, across its area of franchise. During the year, 366 new towns, villages were connected with the existing system by laying 6,591 KMs of distribution mains and service lines. A total of 4,711 towns, villages, DHQs and THQs now exist on the Company's network, which are being facilitated with natural gas facility at their door step. The Company in line with its Vision and Mission Statements has improved the quality of life of its consumers by providing 430,411 new gas connections during the year under review.



# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

## PROJECTS

Your Company has completed / commissioned 88.11 KMs Transmission Lines with diameters 6" to 12" including the contract lines and 923.54 KMs of Distribution Lines with diameters 1" to 18" during the FY 2018-19 for enhancing system capacity, supplying gas to new towns and improving pressure to customers for achieving customer satisfaction. In view of acute energy crisis prevailing in the country, Government of Pakistan aggressively pursued the import of 1200 MMCFD LNG into the country to meet shortfall in gas supplies. The Company was engaged to augment their system for the transportation of 1200 MMCFD additional gas. The Company has completed / commissioned the following:

- (i) Its system augmentation project from Sawan to Lahore for the transportation of 1200 MMCFD RLNG downstream Sawan.
- (ii) Spur lines laying jobs of three power plants at Bhikki, Haveli Bahadur Shah and Balloki of consolidated 3600 MW capacity for supplying 200 MMCFD RLNG to each power plant.
- (iii) Spur pipeline works for supplying 100 MMCFD gas to RLNG based Nandipur power plant.
- (iv) 24" dia x 93 KM spur line job for supply of 200 MMCFD RLNG to Punjab Power Plant near Trimmu Barrage, District Jhang, of 1400 MW capacity on 100 % cost sharing basis.

## LIQUIFIED NATURAL GAS

### LPG Air Mix Project

Your Company is working on a number of energy infrastructure projects to improve energy supplies and to promote efficient use of non-renewable energy resources under the mandate of the Government of Pakistan. The Company is installing LPG Air Mix plants to supply LPG Air Mix also known as Synthetic Natural Gas (SNG) to its consumers on stand-alone basis which are not connected with its distribution network. Economic Coordination Committee (ECC) of the Cabinet has approved 37 Nos. LPG Air Mix Projects in Northern hilly areas of Punjab, Khyber Pakhtunkhwa, AJ&K and Gilgit-Baltistan for supply of LPG Air Mix to domestic consumers.

LNG/LPG technical team has surveyed all of 37 locations within short span of time. It has been found that it would be feasible to provide Natural Gas to 17 locations which are near to existing Natural Gas network and 4 localities were declared technically non feasible. Presently, your Company is working on 16 localities of Khyber Pakhtunkhwa, Azad Jammu & Kashmir and Gilgit Baltistan which are technically feasible for the installation of LPG Air mix Plants.

Three LPG Air Mix plants of 20 MMBTU/hr capacity each and 1 LPG Air mix plant of 300 MMBTU/hr capacity are available within the Company for installation. Acquisition / Possession of land at Drosh, Chitral Town in District Chitral and Gilgit city in Gilgit Baltistan has been obtained. The plants will be installed within a couple of months whereas Procurement / Acquisition of lands for the remaining sites are in progress.



### LNG Import Project

Your Company is playing a key role in LNG transactions in the country through coordination with SSGC and PSO. Approximately 241 LNG cargoes have been imported in the country as of June 30, 2019. RLNG is being supplied to meet the energy requirements of Power Industrial and CNG sectors of Punjab.

### COMPRESSION OF GAS

Your Company is making all out efforts for transmission of natural gas available at different pressure and flows from various fields by maintaining adequate gas pressure and flows in Transmission System to meet the gas demands of consumers located at the Company's distribution network. For this purpose 11 Nos. compressor stations are being operated by the Company having 69 Nos. compressor packages installed with 226,200 HP at these stations.

The Company has indigenous facility for overhauling of Saturn and Centaur Gas Turbine Engines and Gas Compressors of M/s Solar's Turbines. An in house latest testing facility of the same standard and specifications as that one installed in testing facility of M/s Solar, USA for testing and evaluation of performance of these engines after overhauling.

Your Company is also working on its five year plan (2016-21) for zero overhauling of turbine engines having completed more than 100,000 hours during current year, as per M/s Solar's standards, to increase the life and fuel efficiency of these engines.

Machine shop facility of overhauling workshop has also been modernized and upgraded by adding new Balancing

machine. The Company has also in-house facility for operating and maintaining the various allied equipment installed at Compressor Stations such as Heat exchangers, power plants and cooling towers to cool high temperature gas after its compression at compressor station.

Your Company is recently working on relocation of Compressor Packages in order to cater additional LNG flows 150 MMCFD in transmission system within target schedule for Power Sector. The project encompasses augmentation of compression system at compressor stations AC-6 by relocating 4,700 horsepower from AC-1X to AC-6 along with augmentation of allied systems / facilities.

Initially "Asset Management system" has been installed at two (02) major Compressor Stations i.e. AC1X & AC-4 with collaboration of IT Department, for preventive maintenance and computerized reporting and record of maintenance activities. Now it is being implemented on the remaining Compressor Stations.

SNGPL has the distinction of acquiring the status of ISO 9001:2015 certification from M/s. DAS International (The international Certifying Body), in order to upgrade the processes and activities for the achievements of the set goals. In this respect, a Quality Policy ensuring the laid down Objectives & Targets in line with international codes & standards, ISO-9001:2015 and ISO-14001:2015 & OHSAS 18001:2007 has been formulated. The core objective entails smooth operation of Compression system, ensure equipment availability, its reliability by adopting preventive & predictive maintenance plans, monitoring & evaluation of performance of the overall system.



# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

## CORROSION CONTROL

Your Company is fully committed to protect the major asset of the Company i.e. underground steel pipeline network, from attack of corrosion by applying Cathodic Protection (CP) technique through 1,792 CP Stations for MS Network are monitored through 30,489 and 6,505 test points in Distribution and Transmission Departments respectively. During the fiscal year 2018-19, 25 new CP Stations were added to the system while 90 exhausted ground beds of existing CP System were replaced. Implementation of Integrity Management Program on Transmission Pipeline Network as per requirements of ASME B31.8S is in progress and Integrity Assessment of 384 Kms of Transmission Lines through Direct Assessment methodology is under progress as per NACE Standards. Your Company has also been able to successfully scan 26,498 Kms of gas network and detect/ identify 34,265 Nos. of underground leaks by using laser based detection equipment during the year against KMLs set by OGRA for UFG reduction.

Coating repair works have been carried out on 13,278 feet of Transmission Lines during fiscal year 2018-19 in all Transmission Sections. Repairing of hot spots detected during integrity assessment surveys, was also carried out. Carbonaceous backfill material (530 M. Ton) has been prepared for Deep Well / Horizontal Ground beds, along with packing (10,570 bags) of said material. Air Cooled T/R Units (80 Nos.) were fabricated at Corrosion Control Centre and Material Testing of 194 Nos. samples was performed at Material Testing Laboratory of Corrosion Control Centre.

As part of Research & Development, GSM Based Remote Monitoring Units had been developed for monitoring the output of CP Stations and 900 Nos. Remote Monitoring Units (GSM Based) were installed at CP Stations throughout the network during the year under re-view. The data management software of the same has been developed and its customization is in progress.

## METERING

Meters and Electronic Volume Correctors (EVCs) are not only cash registers of the Company but also play a vital role in detection of pilferage of gas to curb UFG losses of the Company. The revenue generation of the Company through billing depends upon accurate working of these sensitive gadgets. Your Company is putting all out efforts for accurate measurement of gas volume through specialized nature of activities such as calibration of meters & EVCs, configuration of measurement parameters in EVCs, saving

revenue by repairing/maintenance of meters & EVCs, critical inspection of meters for any signs of tampering and flow proving in accordance with international practices.

During the year under review, Meter Shops which are already certified for Quality Management System (QMS) ISO 9001:2015 has been audited by third party M/S URS Islamabad to check implementation status of QMS and found in line with international Standards.

Moreover, accreditation of Central Meter Shop Lahore & Regional Meter Shops (Islamabad, Faisalabad, Multan) for Testing and Inspection based on ISO 17025; 2005 & ISO 17020:2012 through Pakistan National Accreditation Council (PNAC) is in process. Meter Shops are also complying with Organization's Health, Safety and Environmental Management Systems and has certifications of OHSAS 18001:2007 & ISO 14001:2004 respectively.

Your Company is striving hard for improvement through induction of latest measurement techniques complying International Standards and by improving specifications of measurement gadgets through continues research and development. Meter Inspection Report (MIR) archiving module is also in development phase. User Acceptance Testing (UAT) has been successfully completed, through close liaison with IT/MIS Department to have good traceability of Meter Inspection Report (MIR).

You Company has introduced the following latest equipment during Fiscal Year 2018-19:

- Sonic Nozzle Auto Prover (SNAP) has been successfully installed and commissioned for Flow Proving of High Pressure Commercial /Industrial Gas Meters at Central Meter Shop, Lahore.
- Sonic Nozzle Prover has been successfully installed and commissioned for Flow Proving of Domestic / Commercial Gas Meters at Central Meter Shop, Lahore.
- Rotor Balance Machine has been procured & installed and is being used to balance the Rotors of Meters at Industrial Section. It is helping to improve the performance and accuracy of Rotary Gas Meters.
- Humidity/Temperature Recorder have been procured and installed to monitor / maintain temperature and humidity level required for flow proving of meters as per standards.

Moreover, 16 Nos. Domestic Meter Inspection Shops (DMISs) are working under supervision of General Manager (Metering). Currently, all DMISs are working inside the premises of Regions however, for the first time, project for construction of separate new building of DMIS at Multan is in pipeline. Necessary budget against the same has been approved by the Management and location has also been finalized. Construction of new building will help to resolve the issues related to paucity of space and will help to manage metering activities in more effective and efficient manner.

During the year under review, Central / Regional Meter Shops and Domestic Meter Inspection Shops repaired and dispatched 322,934 meters while 782,853 meter inspection reports of were generated and dispatched.

#### QUALITY ASSURANCE

Your Company follows and implements strict code of Quality Control & Standard Management which is reflected in every sphere of Project Management and co-ordination. Details of the standards which have been implemented is given below:-

- Manufacturing of MS Line pipe    API Specifications 5L
- Standard Specification for  
Thermoplastic gas pressure pipe    ASTM D2513
- Buried polyethylene pipe for  
the supply of gaseous fuels    ISO 4437
- Gas Transmission and  
Distribution/ Process Piping    ASME B 31.8
- Welding of Pipelines and  
related facilities    API1104

#### CUSTOMER SERVICES

Customer satisfaction has always been an important core value of the Company and is amply reflected in our Vision and Mission. Your Company has 16 Regional Offices, 34 Sub-regional Offices, 88 Customer Services Centers and 178 Complaint Centers, across Punjab, Khyber Pakhtunkhwa, Islamabad Capital Territory and Azad Jammu & Kashmir to receive and rectify the complaints from more than 6.7 million consumers. These Complaint Centers operate round the clock on 365 days of the year to handle emergencies. Besides these offices, SNGPL has made arrangements for Call Center to receive all types of complaints and to forward them to the concerned offices for their redressal. The Call Center can be accessed through a Universal Access



Number (UAN) 1199 from mobile or landline number within Company's area of operation. To improve services of the Company, the Call Center has also been tasked to have feedback from 500 complainants on daily basis.

#### BILLING

Provision of timely gas bills to our valued consumers is our top priority ensured by printing of meter counter image on monthly gas bills. Vigorous efforts are being made for clearance of non-billing cases and resolution of provisional billing cases to ensure error-free billing. Special focus has been given to quality of reporting regarding anomalies and discrepancies noted at site so that timely action can be initiated for their rectification to achieve Company's primary objective of UFG reduction.

Effective and extensive recovery campaign has been launched against active and litigant consumers to maximize recoveries against outstanding dues. In order to maximize recovery from disconnected defaulted consumers, besides recovery through Contractors and Recovery Suits, the decreed cases are also being referred to respective Revenue Authorities, under Section 27 (2) of Gas Theft and Recovery Act, 2016. Accordingly 4,442 cases of defaulted disconnected consumers are filed with District Collector for recovery as arrears of land revenue. It is apprehended that course of action to recover decreed amounts in recovery suits through respective institutions/revenue authorities will extensively increase chances of recovery from defaulted consumers being land revenue authority, equipped with all legal tools to trace and auction the properties of the judgment debtors/defaulters.

# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

## INFORMATION TECHNOLOGY

Your Company is progressing rapidly to become the most IT proficient Company of the country, which would lead towards increased customer satisfaction, enhanced process efficiency, transparency, and visibility. Your Company has been striving to bring process automation and improvements through innovative techniques like Business Intelligence, analytics and state-of-the-art Information Systems.

Customer Care & Billing (CC&B) System has improved the system accuracy, bill delivery, and revenue realization, process visibility across the board while ensuring, customer satisfaction and employees productivity. CC&B system has contributed significantly towards informed decision making and facilitated in UFG reduction. M/s Oracle highly recommended CC&B latest version to support the operating systems and platforms. Your Company has successfully upgraded the CC&B 2.6 system in house in line with the guidelines and technical documentations provided by Oracle.

Enterprise Resource Planning (ERP) modules have been implemented and rolled out in all regional offices as well as project locations across the Company. Significant improvements have been achieved by implementation of functionalities such as development of promotion process in HR, Deployment of planning features in Inventory and utilization of LPR in purchasing modules. Moreover, Oracle Enterprise Assets Management module (eAM) has been implemented for the repair & Maintenance activities of compression stations (AC1, AC4).

Your Company has also enhanced information security management and introduced specific measures to secure the business critical data through tools like IBM Qradar, Gaurdium, etc. Moreover, Logging and Auditing functionality has also been enhanced to track and co-relate business transactions with users.

The Honorable Prime Minister launched an innovative program of 'Pakistan Citizen Portal' - (PCP) under the Prime Minister's Performance Delivery Unit (PMDU) enabling the citizens to have a say in the government affairs through registration of the complaints/suggestions. To handle complaints efficiently and to ensure complaint reaches the concerned region/area and the relevant person, IT/MIS developed a web based complaint portal along with automation of retrieving complaints from PMDU portal.

Presently more than 400 active users from almost all departments are working on IT/MIS designed web-based portal to handle complaints received on PCP.

## TELECOMMUNICATION

During the year under review, your Company ensured continuous operation of the Microwave network without any downtime in all of its services. A Telephone Exchange was installed at newly established Office in LDA building and a Microwave Link was installed between Head Office & LDA building to extend Telecom connectivity. Moreover, a new data radio link was commissioned between Peshawar Distribution Office and Peshawar Store in order to provide voice communication facility.

SCADA Host Replacement project Phase-I has been successfully completed. The project was divided into various functional fragments i.e. Finalization of Functional Design Specification, Factory Acceptance Testing, Site Acceptance Testing, Establishment of Primary Data Center at Faisalabad for SCADA Host equipment and Secondary Data Center for fully synchronized Disaster Recovery Center (DRC) at Head Office Lahore. Disaster Recovery Center is fully equipped with capability of polling all SCADA outstations and facilitating all SCADA clients installed at Faisalabad Gas Control, Head Office, Regional Offices, DG GAS & Ministry of Energy Offices. Successful cutover from old system to this new system was carried out without any downtime.

SCADA Expansion project Phase-2 has also been kicked-off in which additional 321 Nos. Transmission sites including SMSs, Valve Assemblies & Gas Sources shall be available on SCADA for real-time monitoring.

## CIVIL CONSTRUCTION

In continuance of preceding year's accomplishments, the numerous projects of capacity enhancement, infrastructure upgradation and establishment of modern structures to cater the industrial and corporate requirements of Company have been completed.

Details of notable projects completed in Fiscal Year 2018-19 are as under:

### Construction of bill printing setup at Manga

Being the largest consumer based Gas Supply Company, a separate and explicit setup for printing of consumer bills has been established at Manga with all industrial facilities to meet the requirement of massive printing.

### Extension in Company's Archive

Country's first Multi-tier Archive System for safe storage of Company record has been established in Manga making the existing capacity Company's storage twofold and establishing more efficient and systematic method for storage and retrieval of record.

## BUSINESS DEVELOPMENT

The Company is engaged in various pipeline construction projects of national and multinational companies. SNGPL is undertaking pipeline engineering and construction jobs of MOL Pakistan's flow line / trunk lines and Fiber Optic

Cable in District Kohat / Hangu for different gas fields of MOL Pakistan like Maramzai, Manzalai, Mamikhel, Makori Deep-1, Tolanj West and Makori for the last fifteen years. MOL Pakistan has played a very vital role in strengthening the gas input supplies. MOL Pakistan is presently working on Mardankhel-3 & Makori Deep-2 well and has awarded the project of 8" dia x 7.5 KM pipeline laying from Mardankhel-3 well to Mardankhel-1 flow line for onward processing at CPF and 6" dia x 1.2 KM flowline for Makori Deep-2 which is under progress. The completion of Mardankhel-3 & Makori Deep-2 projects will inject additional 20-25 MMCFD gas into SNGPL's system that would be quite instrumental in reducing the energy deficiency in the country. Lately, SNGPL has also completed MOL Pakistan's pipeline construction jobs of 6" dia x 6 Km & 12"/10" dia x 22 KM pipeline for Mardankhel-2 & Mardankhel-1 wells respectively, which has resulted in injection of additional 40-50 MMCFD gas into SNGPL's system. MOL is also planning to award flow line works of their recently developed Mamikhel South-1 to SNGPL on single bid basis which shows the trust in high standards of construction services maintained by SNGPL. Recently, Pak-Arab Fertilizer (PFL) has awarded the construction services job of their 16"/12" dia x 27 KM pipeline project on contract basis which is to be laid from Gas Processing Facility (GPF) at Mari Petroleum Field to tie in point near QV2 valve assembly of SNGPL. The completion of this job will yield profitability for the Company.



# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

## HEALTH SAFETY ENVIRONMENT INFRASTRUCTURE

To ensure that our Health, Safety and Environmental Policy is systematically applied and best industry practices are adopted within all operations, your Company has developed an Integrated HSE Management System (IMS) based upon ISO 14001:2015 and OHSAS 18001:2007 standards.

- HSE Management System is based on the continual improvement process of the Plan – Do – Check – Act (PDCA) cycle utilized by the international certification standards. Maintaining outstanding HSE Performance is a core value of SNGPL.
- HSE Infrastructure at SNGPL is divided into 34 sites of operational sites of each site is designated as HSE Focal Point. Each HSE Focal Point is responsible for the implementation of Company's HSE Management System.
- In compliance to Company's HSE Policy a systematic Management Program is introduced by developing procedures and guidelines for all operational activities across the Company.
- Monitoring and measurement is carried out as per standard through HSE Internal Audits and Surveillance Audits by Certifying Body to evaluate the effectiveness of Company's HSE Management System. This

reflects the Management Commitment towards implementation of HSE Management System.

- Your Company has developed Integrated Management System manual (IMS) procedures duly approved by the management based upon operational activities of the Company and circulated across the Company for implementation in true letter and spirit. These procedures are also available on Company's web portal for easy access.

In order to monitor the compliance of ISO 14001 / OHSAS 18001 Standards, Surveillance audits are conducted by third party bi-annually. Successful conduction of these audits demonstrate the effectiveness of HSE Management System. Management commitment towards HSE is highly appreciated by the Auditors. It is pertinent to mention that SNGPL has upgraded the Management System to ISO 14001:2015 version through in house resources.

HSE Trainings are imparted to the Company's Executives and staff with the prime objective to learn, refresh and update HSE knowledge and skill to continually improve on their HSE performance at work. SNGPL, is a member of 'National Safety Council', which is a non-profit organization with mission of saving lives by preventing injuries and deaths at work, in homes and communities. In addition to this, HSE Engineers are the International Member of American Society



of Safety Professionals (ASSP). SNGPL has sponsored and participated in 2nd PDC conference arranged by ASSP held from 7th to 8th December 2018. SNGPL collaborates with ASSP (Pakistan Chapter) to promote Occupational Health and Safety (OHS) globally through education and advocacy.

Medical Camps are being arranged by HSE Department on regular basis to promote Health Care Awareness and on spot health screening of employees. It provides an excellent opportunity for promoting awareness about the general HSE related initiatives as well. Medical screening tests of Diabetes, Hypertension, Hepatitis B&C, Eye Refraction and Bone Scanning are being carried out. Occupational Health risk assessment is a very important tool to monitor and advise any health risk which provides input for developing suitable controls before any out break.

SNGPL through its core values and HSE policy thrives to provide a safe work environment for its employees. In order to improve fire fighting capabilities; fire hydrant systems with automatic pumping arrangements as per NFPA code/ IAP Rules have been recently installed / commissioned at several Company locations. Installation of new fire hydrant systems and up-gradation of various existing fire hydrant systems of the Company is also in progress for dealing with fire related emergencies more efficiently. Smoke detection systems have been installed and are operational at all major offices of the Company. Such advancements not only make

us self-sufficient in its response and ability to meet fire emergencies but also make the staff have safer feeling.

Keeping in view the Energy crisis, your Company is committed to conserve energy by optimum utilization of energy. The Company strives to preserve resources for the future and reduce environmental pollution and makes extensive efforts to reduce energy consumption in its own operations as well as convince its consumers on efficient utilization of energy through improvements in processes, use of energy efficient equipment and changing life style.

Your Company has conducted energy conservation campaign across the Company by arranging Energy Conservation Walks in coordination with educational institutions. In this regard, a Conservation Walk led by the worthy Managing Director was observed in Lahore on November 25, 2018.

SNGPL is committed to preserve the environment by making compliance to all applicable laws and codes. A procedure for environmental monitoring is part of Integrated Management System Manual. In addition, emission tests of stacks, generators, vehicles and welding plants are carried out as per frequency using either in house resources or 3rd party services. SNGPL has developed In-house resources for monitoring of emissions of all vehicles, generators, stacks and welding plants with state-of-the-art portable equipment



# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

like LANCOM, TESTO, IMR. A vehicle installed with Crypton emission analyzer equipment has been specially designed for emission monitoring in addition to portable devices. The environmental impacts of these emissions are covered in environmental risk assessment (wherein the current controls and preventive measures are suggested).

World environment day is celebrated worldwide on 5th June every year. In SNGPL, it has been practice to observe this day through information sharing and circulation of HSE bulletins.

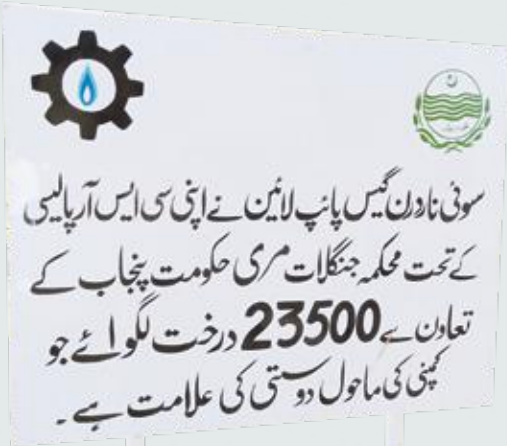
Occupational Health, Safety and Environment is responsibility of every employee. HSE culture is growing day by day in your Company but still there is lot of improvement required. HSE Week promote awareness among employees regarding HSE initiatives with an objective to eliminate workplace accidents. "Work Safely! SNGPL needs you", the slogan of HSE Week 2019 focuses the message to create a safer, accident free workplace for the employees. The purpose of celebrating HSE Week again is to engage employees and to motivate them towards the implementation of HSE Management system. The success of HSE week has been possible due to support of all departments. The basic reason to organize HSE week is to promote awareness in employees to work safely, reduce the accidents at their work place and also to increase the productivity.

Another initiative introduced by HSE department is Safe Working Man Hours. SWMH is an internationally recognized motivational initiative to check the occurrence of accidents and to recognize / reward those who have achieved certain milestone i.e. consecutive work hours without an



occupational injury /ill health resulting in days away from work. This tool would help reduce work related injuries and provision of safe working conditions to our workforce.

For timely reporting of incident and accidents, online reporting system is in place. This system has been instrumental in making it easier for employees to report incidents and has greatly reduced the time for reporting. Incident investigations are carried out to control / eliminate the cause of it, to stop it from occurring again.



Accident Statistics 2018-19		
Sr. No.	Category	Nos.
1	Lost Time Injury	7
2	Fire	8
3	Vehicle	39
4	Third party ruptures	120
5	Near Miss	225
<b>Total</b>		<b>399</b>

Trackers/Data Loggers have been installed in 215 Nos. of Company's vehicles to reduce vehicles related accidents. Driver Safety Report is generated each month and actions



are taken against violators. Safety Booklets, Learning Events, First Aid Booklet have been written (both in English and Urdu) and circulated across the Company to raise awareness regarding safety. New posters on Environment, Energy Conservation and Safety are added for display across the Company.

SNGPL is effectively running tree plantation campaign across its franchise areas and managed to plant 29000 Nos. trees at Company premises as well as at other locations in coordination with Forest departments.

To show its commitment towards implementing HSE Policy across the Company, Management Review Meeting headed by Managing Director is conducted bi-annually for periodic review and evaluation of HSE management system.

Being a responsible Company, SNGPL carries out multiple activities for enhancing the quality of life of the community in which it operates. Corporate Social Responsibility (CSR) policy of the Company, approved by the Board of Directors, is in line with the laid down principles of Securities and Exchange Commission of Pakistan (SECP) and covers all aspects of CSR.

Your Company is committed to conservation of environment and is a corporate partner of World Wide Fund (WWF) for this purpose. Conservation of environment is a major objective of SNGPL Corporate Social Responsibility policy.

Every year a sizeable amount is spent to carry out schemes related to new projects based on these initiatives or for the ongoing projects. SNGPL primary focus in selecting a project is to ensure that maximum benefits of the project is passed on to a larger community.

SNGPL has been registered with United Nation Global Compact (UNGC), in order to align its sustainable initiatives with its operations for the benefit of the society and environment. SNGPL has submitted its 2nd Communication on Progress (COP) / Annual report (on GC Active level), based on the principles of Human Rights, Labour, Environment and Anti - corruption to United Nations and has been accepted.

We are certain that all our efforts during the year have made us more strengthened to work in challenging environment in order to achieve our goal. We wish for a safe year ahead, with the promise of continual improvement.

# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT



## CORPORATE SOCIAL RESPONSIBILITY

SNGPL realizes its corporate role in the society and has a well balanced, equitable CSR policy that is based on the best practices all over the world to leave a positive impact on the environment, employees, social norms and economic development. The laid out objectives are to be achieved by adopting a methodology that drives contact of the Company's business leading to commercial success in ways and manner that honour ethical values, environment, people and communities. We at SNGPL believes in:

- Business that should be both profitable and beneficial to the society;
- Improving the quality of life of the communities especially those who are under privileged; and
- Ensuring harmonious relations with our stakeholders, by working in partnership with the community, the Government and NGOs through the principles of Sustainable Development.

We as "SNGPL" believe in "Social Responsibility". SNGPL has an approved CSR Policy. CSR Cells have been established at

sites for the implementation of CSR Projects. Various CSR Projects completed in FY 2018-19 are enlisted as below:

### A) Education

#### i) Sponsorship of Gold Medals

In order to promote education, SNGPL has sponsored one Gold Medal at Ghulam Ishaque Khan Institute, Topi, two Gold Medals at NFC Multan and two Gold Medals at University of Engineering and Technology, Peshawar.

#### ii) Sponsorship for the Establishment of State of the Art Flue Gas Analysis Laboratory

SNGPL has sponsored for the establishment of state of the art Flue gas analysis laboratory at University of Engineering and Technology Lahore.

#### iii) Sponsorship of Chair on Gas Engineering

SNGPL is sponsoring three Chairs in the universities of Punjab and Khyber Pakhtunkhwa. These Chairs on Gas Engineering are being funded annually against Rs 3.32 Million for each University, to promote research work on issues related to SNGPL especially energy conservation. Gas Engineering Chairs are established at following Universities:



- Department of Chemical Engineering, University of Engineering and Technology, Lahore;
- Institute of Chemical Engineering and Technology, University of the Punjab, Lahore; and
- Department of Mechanical Engineering, University of Engineering & Technology, Peshawar.

The research work carried out is published in reputed journal. Laboratories are established at each university by the funds provided by SNGPL. This initiative helps student to carry out advanced level course work related to gas engineering.

#### B) Provision of Drinking Water

SNGPL has made arrangements for potable drinking water for the community by the installation of 5 number of Reverse Osmosis (RO) plants at different areas, at the cost of Rs 4.5 Million. The number of beneficiaries estimated to be around 20,000.

SNGPL has also installed 13 Nos. of Reverse Osmosis Plants/ Water Filtration Plant at all its Regional Offices with the provision of supplying safe drinking water to communities.

#### C) Partnership with WWF-Pakistan

SNGPL is a corporate member of WWF (World Wide Fund for Nature - Pakistan) which is an international organization engaged in ECO friendly activities.

SNGPL supports two programs of WWF for conservation of energy.

##### i) Agro Waste Project for Community

Your Company is committed to conservation of environment and is a corporate partner of World Wide Fund (WWF) for this purpose. Conservation of environment is a major objective of SNGPL Corporate Social Responsibility policy.

Your Company is partnering with WWF Pakistan regarding the Agro waste Project for Household and Semi Commercial gasifiers. The total cost of the project is Rs 4.8 Million. Agro Waste Project is basically Agro-waste community enterprise for provision of alternate energy for households and small-businesses. The use of agro-waste has found to be an efficient fuel source compared to conventional methods, which burn rapidly; emit excessive smoke and particles causing indoor pollution leading to respiratory diseases. The development of alternate sources of energy will reduce dependence on fuel wood in low-income houses. Additionally, there will be health benefits and savings due to improved indoor air quality. The intended reduction in fuel wood usage will impact the health of forests and their capacity to act as carbon sinks and regulating air quality.

The project is being carried out through multiple field activities in Central Punjab, South Punjab and Khyber Pakhtunkhwa through capacity building workshops, on-site demonstration of agro-waste gasifiers and distribution of gasifier units among rural families and small businesses. Through this project, 300 rural and farming families, 70 small culinary businesses, and 20 local vendors/ technicians are being facilitated. More than 44 fabricators/local technicians have been trained on gasifier fabrication procedure and its technical.

# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT

## ii) ECO Internship Program at SNGPL

Youth with age group of 12-22 are focused through this program. WWF engage these children through their educational institutions for promoting awareness regarding environmental issues and motivating them to become active players for conservation of environment. This program is supported by SNGPL since 2013 and around 10,000 students have benefited from this program. International ECO Internship Program gives students an opportunity to become ambassadors of change. This programme has been implemented in the leading school systems across Pakistan. It enables the students to understand better ways of energy utilization and the significance of its conservation and impact such knowledge to their families in the larger interest of our country.

## D) Health

SNGPL contribution on health sector is also increasing as it supports blood donation campaign of Fatimid Foundation and Sundas Foundation. SNGPL has motivated its employees for this noble cause and has arranged camps at different locations with a considerable donor group among the employees.

## E) Environment

Like other initiatives being a responsible corporate organization, SNGPL has also taken an initiative of Tree Plantation. The purpose of this initiative is to contribute towards Cleaner and Greener Environment. SNGPL has partnered itself with the Forest departments of Punjab and Khyber Pakhtunkhwa for planting trees in Murree and Swat areas. Further SNGPL and WWF are also working together for planting trees at Changa Manga. SNGPL has successfully completed the target of plantation of 100,000 trees for FY 2018-19 in partnership with Forest Departments and WWF.

Plantation on massive scale has a large impact on the environment and reducing the global warming. It is estimated that in one year an acre of mature trees can provide enough oxygen for 18 people consumption. So such initiatives not only contribute towards cleaning the environment but also producing desired oxygen to live on earth.

## CONTRIBUTION TO NATIONAL EXCHEQUER

The Company made a contribution of Rs 97.627 billion to the National Exchequer during the FY 2018-19 comprising of taxes and duties.



## HUMAN RESOURCE DEVELOPMENT

A solid Company culture is key for any business, as it determines how engaged your employees are and for how long you are able to retain them. Human Resource is the most valuable asset of any organization. Your Company is proactively playing a vital role in implementation of merit based recruitment system, equitable compensation packages and need based skill enhancement programs to further improve the knowledge base of employees and provide them with opportunities for professional development by exposing them to various kinds of technical & behavioral trainings both in-house and abroad. Performance Appraisals System is in vogue based on the concept of Management by Objectives for assessment of executives against the assigned tasks each year to bridge the gap between desired outcomes and actual performance. Assessment Tests are conducted to gauge the competency level of the human resource that forms the basis of Promotion to next ladder in organizational hierarchy. Your Company's utmost focus is to maximize employee satisfaction and thereby minimize employee resistance to change and growth.

SNGPL is an equal opportunity employer offering market based remuneration package and excellent growth. All candidates are treated equally without any gender discrimination. Presently, 72 females are working in executive cadre while 136 are working in subordinate cadre. Moreover, some of the females at SNGPL are posted at key

positions like General Manager (Regulatory Affairs), General Manager (Lands) and Secretary Funds.

## INDUSTRIAL RELATIONS

Industrial relations sprout out of employment relations. HR Department being the custodian of Industrial relations in the Company is striving to improve systems and procedures used by union and the Management to determine the reward for effort and other conditions of employment, to protect the interests of the employees and Management and to regulate the ways for treating employees. The Management's utmost priority is to maintain cordial relationship with CBA to ensure industrial peace and harmony in the organization. Industrial Relation is a like a coin for the Company having two faces cooperation and conflict. Thus, all out efforts are made to start the relationship with cooperation and to resolve conflict amicably through negotiations.

## EMPLOYMENT OF SPECIAL PERSONS

SNGPL believes that persons with special needs should integrate fully into society and have equal opportunities for employment without discrimination of any kind. The Company provides full and equal rights to special persons for employment, advancement and retention in compliance to legal obligations and by following the principals of diversity management being a socially responsible corporate employer. A 2% quota as defined for Special Persons in Disabled Persons (Employment and Rehabilitation) Ordinance 1981 is being complied with by the Company.



# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT



## **BUSINESS ETHICS AND ANTI CORRUPTION MEASURES**

The Company has set high standards of discipline, moral guidelines and good corporate governance policies & procedures to be complied with by all employees and contribute in achieving organizational goals. The Company is endeavoring to maintain the highest professional level of ethical conduct, fairness and transparency. A well defined disciplinary framework and whistle blowing policy are in vogue as preventative and detective controls to eliminate corruption, malpractices or any other illegal or unethical acts in the Company, mitigate risks associated with these factors and achieving high integrity standards. The Company took stern action against all those who showed unacceptable behaviours or involved in corrupt practices, setting an example for others and to discourage corruption.

## **TRAINING AND DEVELOPMENT**

Training of Human Resource is crucial to any organization's success and growth. The Company in the year 2005 established Sui Northern Gas Training Institute (SNGTI) at Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore, with an aim to develop employee skills and competencies which contribute towards overall organizational efficiency.

The Institute has highly qualified Trainers who possess Best Academic and Corporate work experience. They are proficient in designing, developing and delivering Training programs reflective of the modern business tools and techniques in current challenging and vibrant business environment. Its professional training workforce offers and conducts trainings in more than thirteen (13) different types/categories i.e. Technical Trainings, Soft Skill Trainings, Domestic Trainings, Foreign Trainings, Orientation Programs, Management for Junior Executives (MJE), Promotional Program (Executive Development Program, Gas Control, Developing Future Leaders), Guest Speakers, Regional Trainings, Certification Training for Welders, and Helper Trade Test etc. SNGPL investment

in Training and Development is perhaps the single most important way that manifests the Top Management's recognition that Employees are our greatest asset. In the FY 2018-19 SNGTI conducted 429 training courses relevant to the organizational working, culture and Training needs of the employees in above mentioned categories and trained 4,849 organizational employees. The mosaic of training modules included not only class room lectures but also Technical Workshops, Hands on Trainings, Case studies, Assignments, Presentations, Interviews, Trade Tests, Theoretical and Practical examinations. Practical Trainings on drilling machines and welding machines are also arranged.

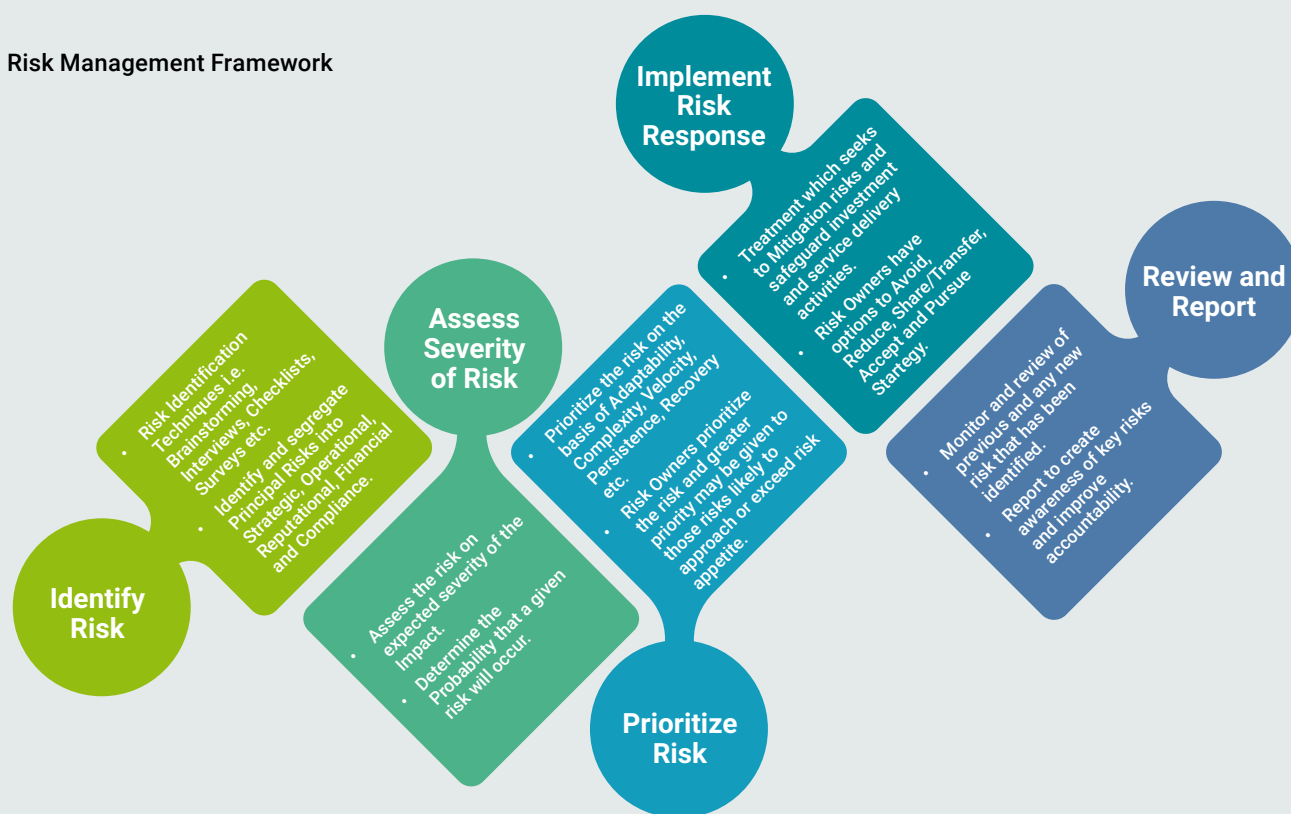
## **INTERNAL CONTROL SYSTEM**

The Internal control system of the Company facilitates effective operation by enabling it to respond in an appropriate manner to significant Operational, Financial, Compliance and other risks in order to achieve its objectives. In addition to efficient conduct of business, internal controls ensure safeguarding Company's assets, prevention & detection of frauds, accuracy and completeness of financial records.

Your Company has a sound system of internal control in place. The internal control processes are designed to safeguard the Company's assets and to appropriately address and /or mitigate risks faced by the Company. SNGPL has established a strong control environment and internal control framework through clear structures and defined policies & procedures including physical controls, segregation of duties, authorization & approval limits, accounting & monitoring controls and review of processes. The Management has overall responsibility for implementing and monitoring of a sound internal control system and related environment.

The Internal Audit function is an integral part of the Company's governance structure. Company maintains a clear organizational structure where Head of Internal Audit functionally reports directly to the Audit Committee of the Board. The role of Internal Audit also corresponds to the functions described for the internal audit under the Companies Act 2017, Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Corporate Governance) Regulations, 2017/2019 as well as best practices envisaged by the Institute of Internal Auditors. The scope of Internal Audit function has been approved by the Audit Committee of Board, which includes independent assessment and evaluation of the effectiveness and efficiency of internal control processes.

## Risk Management Framework



### RISK MANAGEMENT

Risk management is recognized as a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities. Risk Management at SNGPL is not limited to compliance of Corporate Governance Principles; it is regarded as an integral part of sound management practices and is seamlessly integrated into the Company's organizational culture, policies, procedures and business plans. At SNGPL, risk management is considered a collective responsibility at all levels of management.

#### Objectives of SNGPL's Risk Management Policy

The main objectives of the risk management policy at SNGPL are:

- To identify, reduce and prevent undesirable incidents or outcomes and to review past incidents and implement changes to prevent or reduce future undesirable incidents;
- To establish a risk management framework that identifies, assesses, mitigates, monitors and reports all potential risks faced by SNGPL while running operations to achieve its desired sustainable growth;
- To formalize its commitment to the principles of risk management and incorporate these principles in all areas of SNGPL;

- To encourage the development of a culture where risk management is seen as a positive attribute of decision making rather than a corrective measure; and
- To ensure compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

#### Significant Risks and Mitigation Strategies

Your Company is facing number of risks including but not limited to Unaccounted For Gas (UFG), customer services issues, increasing gap between demand and supply of natural gas, cyber security risk, financial challenges in terms of rationalization of consumer gas prices.

Management under the guidance of the Board of Directors has effectively mitigated these risks through intensive planning, timely decision making, training courses, deploying state of the art IT/MIS technologies, extensive media campaigns to create awareness among gas consumers and ensuring compliance with OGRA rules and regulations.

A separate department of Risk Management under the direct supervision of Risk Management Committee of the Board of Directors is working full time on the assessment of principal risks and monitor progress of the mitigation strategies deployed to proactively manage any possible adverse effect on the organization as a result of ever changing environment.

# CHAIRPERSON'S REVIEW AND DIRECTORS' REPORT



## CHANGES IN THE BOARD

During the year Mr. Sher Afgan Khan, Mr. Mohammad Younas Dagha, Syed Dilawar Abbas, Ms. Roohi Raees Khan, Mr. Himayat Ullah Khan, Sardar Ahmad Nawaz Sukhera, Dr. Sohail Razi Khan and Mr. Naveed Kamran Baloch were appointed as Directors in place of Mr. Muhammad Jalal Sikandar Sultan, Mr. Shoaib Mir, Mr. Mohammad Aamir Qawi, Mr. Arif Ahmed Khan, Mr. Mohammad Jehanzeb Khan, Mr. Muhammad Saeed Mehdi, Mr. Sajjad Hussain and Mr. Mohammad Younas Dagha respectively. Moreover, Mr. Amer Tufail was appointed Managing Director in place of Mr. Amjad Latif and subsequently in place of Mr. Mahmood Zia Ahmad. The Board of Directors would like to place on record their appreciation and gratitude to the outgoing Members of the Board for their hard work, guidance and support during their tenure as Directors of the Company.

## COMPOSITION OF THE BOARD

During the year under review Mr. Muhammad Saeed Mehdi, Syed Dilawar Abbas, Mr. Amjad Latif, Mr. Mahmood Zia Ahmad, Mr. Amer Tufail, Mr. Ahmad Aqeel, Ms. Roohi Raees Khan, Mr. Muhammad Younus Dahga, Mirza Mahmood Ahmad, Mr. Manzoor Ahmed, Mian Misbah-ur-Rehman, Mr. Mohammad Aamir Qawi, Mr. Mohammad Jalal Sikandar Sultan, Mr. Mohammad Jehanzab Khan, Qazi Mohammad Saleem Siddiqui, Mr. Mustafa Ahmad Khan, Mr. Sajjad Hussain, Mr. Shoaib Mir, Mr. Naveed Kamran Baloch, Mr. Arif Ahmad Khan, Mr. Himayatullah Khan, Sardar Ahmad Nawaz Sukhera, Dr. Sohail Razi Khan, remained on the Board of the Company. At present the Board consists of Ms. Roohi Raees Khan, Mr. Amer Tufail, Mr. Ahmad Aqeel, Mr. Afan Aziz, Mr. Manzoor Ahmed, Mr. Mohammad Haroon,

Mr. Muhammad Ayub Chaudhry, Mr. Naveed Kamran Baloch, Mr. Sajid Mehmood Qazi, Dr. Sohail Razi Khan and Syed Akhtar Ali.

## PERFORMANCE EVALUATION OF THE BOARD, MANAGING DIRECTOR/CEO AND SENIOR MANAGEMENT

In line with Rule 8 (2) of the Public Sector Companies (Corporate Governance) Rules, 2013 and the Listed Companies (Code of Corporate Governance) Regulations, 2017, the evaluation of performance of the Board and its Committees was carried out under self-evaluation mode through third party i.e. Pakistan Institute of Corporate Governance (PICG). The evaluation exercise is undertaken on annual basis to enhance the effectiveness and better understanding of the roles and responsibilities of the Board.

## DIRECTORS' REMUNERATION

The Board of Directors has a formal policy and transparent procedures for the remuneration of directors in accordance with the Act and Regulations. The directors' fees are paid to the non-executive directors in accordance with the Articles of Association of the Company for attending board and its committee meetings.

## DIS-INVESTMENT IN SHARES OF INTERSTATE GAS SYSTEMS (PRIVATE) LIMITED

The Company holds 490,000 shares of Rs 10 each (0.21% share capital) of Interstate Gas Systems (Private) Limited. During the year, the Board of Directors has approved the sale of these shares to Government Holding (Private) Limited at par value/cost.

### POST BALANCE SHEET EVENTS

The Directors have not received, as at July 21, 2020 being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date otherwise than those disclosed in the financial statements, which effects the financial statements as presented.

### CORPORATE GOVERNANCE

The Board of Directors has complied with the relevant principles of Corporate Governance as envisaged in the Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2017.

### STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors hereby declares that for the year ended June 30, 2019:

- a. The financial statements, together with the notes thereon have been drawn up in conformity with the Fourth Schedule of the Companies Act, 2017. These statements present fairly the Company's state of affairs, result of its operations, cash flows and changes in equity;
- b. Proper Books of Accounts of the Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from has been adequately disclosed and explained;
- e. The system of internal control is sound in design and has been effectively implemented and monitored;
- f. The appointment of Chairperson and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices;
- g. 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;
- h. Significant deviations from last year's operating results have been disclosed as deemed appropriate in this Chairperson's Review & Directors' Report and in the notes to the accounts, annexed to this report;
- i. Key operating and financial data of the last six years in summarized form is a part of this Annual Report;
- j. All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as on June 30, 2019 have been cleared subsequent to the year end;
- k. Value of investment in employee's retirement funds based on Audited Accounts of the funds for the year ended June 30, 2019 is as follows:

	(Rupees)
1. SN Senior Staff Pension Fund	3,105,566,362
2. SN Junior Staff Pension Fund	18,843,797,703
3. SN Executive Staff Gratuity Fund	209,520,800
4. SN Non Executive Staff Gratuity Fund	4,600,764,333
5. SNGPL Trustees Provident Fund	13,268,824,238
6. SNGPL Superannuation Free Gas Executives Fund	108,192,761
7. SNGPL Superannuation Free Gas Subordinates Fund	5,254,918,816
8. SNGPL Superannuation Compensated Absences Executives Fund	706,718,495
9. SNGPL Superannuation Compensated Absences Subordinates Fund	1,450,753,726
10. SNGPL Superannuation Medical Executives Fund	5,063,939,680
11. SNGPL Superannuation Medical Subordinates Fund	8,903,265,684
12. SNGPL Employees Accidental Death Endowment Fund	11,759,634
<b>Total</b>	<b>61,528,022,232</b>

- l.** The number of Board of Directors and Committees meetings held during the year and attendance by each disclosed in Corporate Governance section of this report;
- m.** The name of directors on the Board and its committees as well disclosures as to number of male and female directors, executive, non-executive & independent directors have been made in Statement of Compliance of this report;
- n.** The Company is fully compliant with the Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2017 regarding Directors Training Program.
- o.** The pattern and categories of share holding as at June 30, 2019 has been given in a separate section of this Annual Report;
- p.** There was no default or likelihood of default in respect of any loan / debt instruments;
- q.** No trading of shares by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children has been carried out, other than the transactions disclosed as per statute. The number of shares, if any, held by them have been disclosed in categories of shareholders of this report.

#### **AUDITORS**

M/s. EY Ford Rhodes, Chartered Accountants were appointed as External Auditors of the Company for conducting audit for Financial Year 2018-19 in the Annual General Meeting held on May 23, 2019. They have also given their consent to act as the Auditors of the Company for financial year 2019-20. Other Audit Firms have also given their consents. The Board proposes the appointment of M/s Deloitte Yousaf Adil, Chartered Accountants as Auditors for the financial year 2019-20 on the recommendation of the Board Audit Committee.

#### **SHARE WATCH**

The Company's share opened at Rs 100.22 on July 02, 2018 and closed at Rs 69.49 on June 28, 2019. During the period under review, the highest price of the share was Rs 107.39 and the lowest was Rs 52.60. The market capitalization as on June 30, 2019 was Rs 44,072 million.

#### **FUTURE OUTLOOK**

Your Company is taking various steps to improve the operations efficiency and financial results through improvement in technology, implementation of new systems, improvement in customer service and human resource development.. Different stakeholders including Ministry of Energy and Regulator have been engaged extensively for addressing different contentious issues.

Addressing menace of UFG is one of the major areas where your Company is taking a number of steps. High gas loss areas have been focused specifically where different initiatives have been taken to address local challenges which will lead to reduction in gas losses. With detailed plan drawn and steps being taken, your Company is confident that positive impact will be visible in the shortest possible time. Technology is extensively being used to carry out vigilance of various category of consumers. Concerted efforts are being made to bring down the UFG at an acceptable level by specifically targeting areas of high UFG both technically and functionally.

Your Company is also in the phase of developing Geographic Information System (GIS) maps wherein the leak Rectification can be displayed as a point feature. Repeated leaks in a particular area will show as cluster on GIS map which would help in identifying the Potential problem areas for rectification of the gas leakages. On the basis of these maps, pipeline rehabilitation or replacement can be planned which would help in controlling / monitoring UFG losses.

Moreover, the gas losses at all SMSs are closely monitored and UFG Control activities are focused for SMSs contribution high UFG Losses. Dedicated teams comprising officers of different sections (Engineering, Billing, IT and Sales) have been deputed in the regions for arranging detailed analysis of losses and taking corrective actions for bringing down UFG losses.

The installation of GPRS Modems and their integration with SCADA System for monitoring of Industrial connections has been planned and Pilot project has been launched. This will ensure displaying of different parameters of EVC (Electronic volume corrector) for timely detection of any attempt to interfere with the performance/working of meter by consumer and meter defects due to operational/technical reasons so that corrective measures are taken accordingly. This will add to Company's control against gas theft through meter tampering.



For improving the quality of service including complaint redressal of our consumers on priority basis technology is extensively being used to go digital and reduce physical interaction under the present circumstances. Some of the measures taken include:

- Launch of SNGPL app with increased number of features including online complaint management service;
- Web based online application for new connection;
- Complaints redressal through receipt of SMS message to the Consumers acknowledging receipt of complaint by the consumer and plan to send the confirmation after closure of complaints;
- Digital tracking of various complaint redressal forums like PM Portal, OGRA and Wafaqi Mohtasib and as a result led to **SNGPL being consistently declared No. 1 entity in respect of complaint redressal** on Pakistan Citizen Portal in the last nine months; and
- Complaints can also be lodged on the Company's web page "www.sngpl.com.pk". This facility is also available round the clock on 365 days of the year.

For bringing improvement in supply of gas to the consumers your Company is digitizing network and will be able to track and identify bottlenecks having low pressures for rehabilitation.

In order to ensure improvement in quality of billing, effectiveness of reporting and maximizing recovery, different initiatives are being explored which include training sessions, development of applications, generation of reconciliation reports and standardization of reporting techniques. Litigation cases are actively being perused for early settlement.

Your Company believes in supporting women through bridging the gender gap as well as elevating women in the workforce in the years ahead.

Your Company is actively pursuing other avenues of profitability including pipeline engineering and construction work for E&P companies. The SNGPL management is confident to show marked improvement in operations of the Company in the years ahead.

#### ACKNOWLEDGEMENTS

We wish to offer the members of the Board our profound gratitude for their hard work and precious time which contributed towards successful operations of your Company.

Your Directors wish to place on record their appreciation for the continued support and patronage received from shareholders and its valued consumers. We also wish to acknowledge the dedication and commitment of all the employees who contributed valuable services, to sustain all operations of the Company.

We acknowledgement and appreciate the continued guidance and support received from the Government of Pakistan, Ministry of Energy (Petroleum Division) and Oil & Gas Regulatory Authority (OGRA).

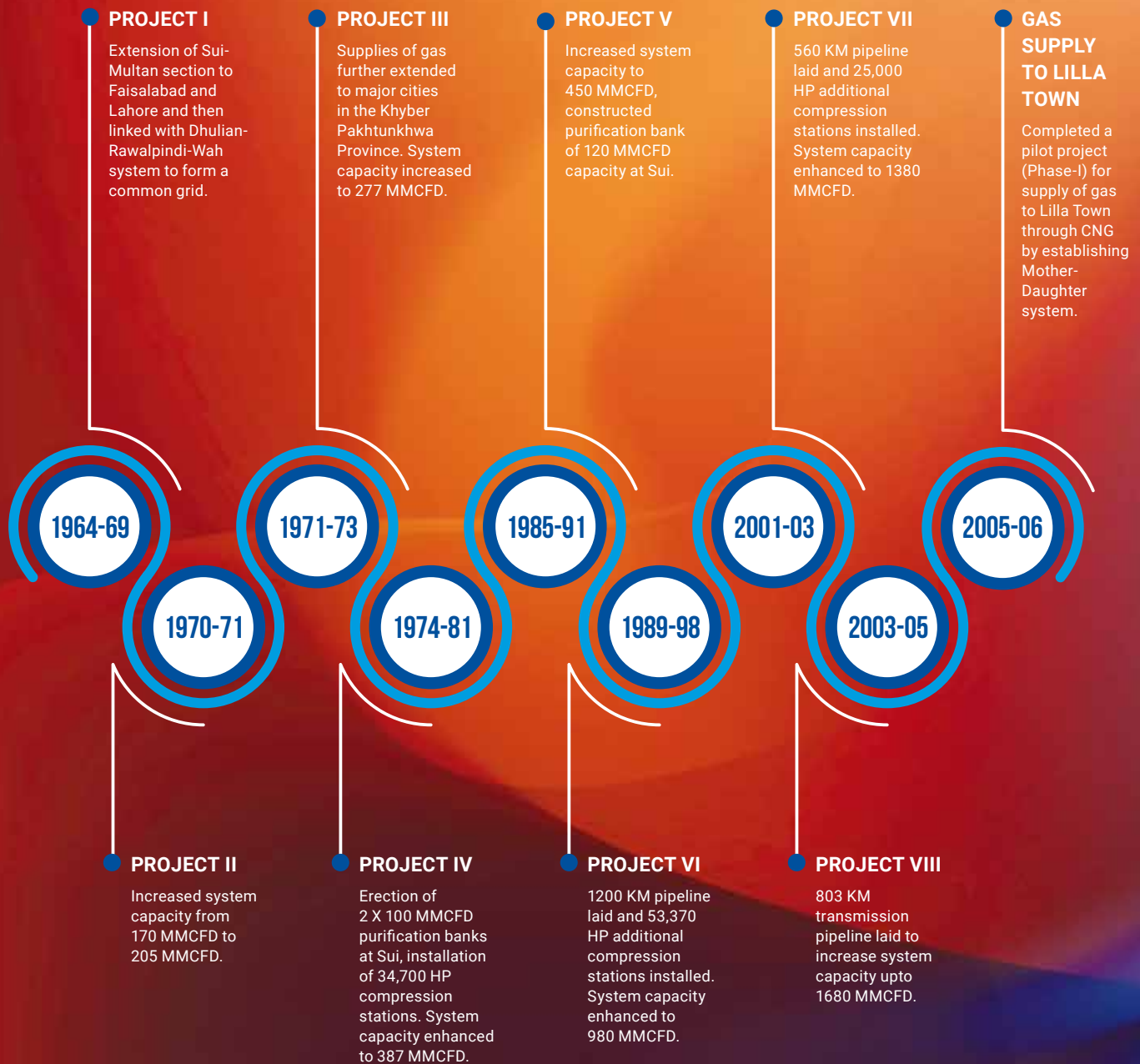
On behalf of the Board,

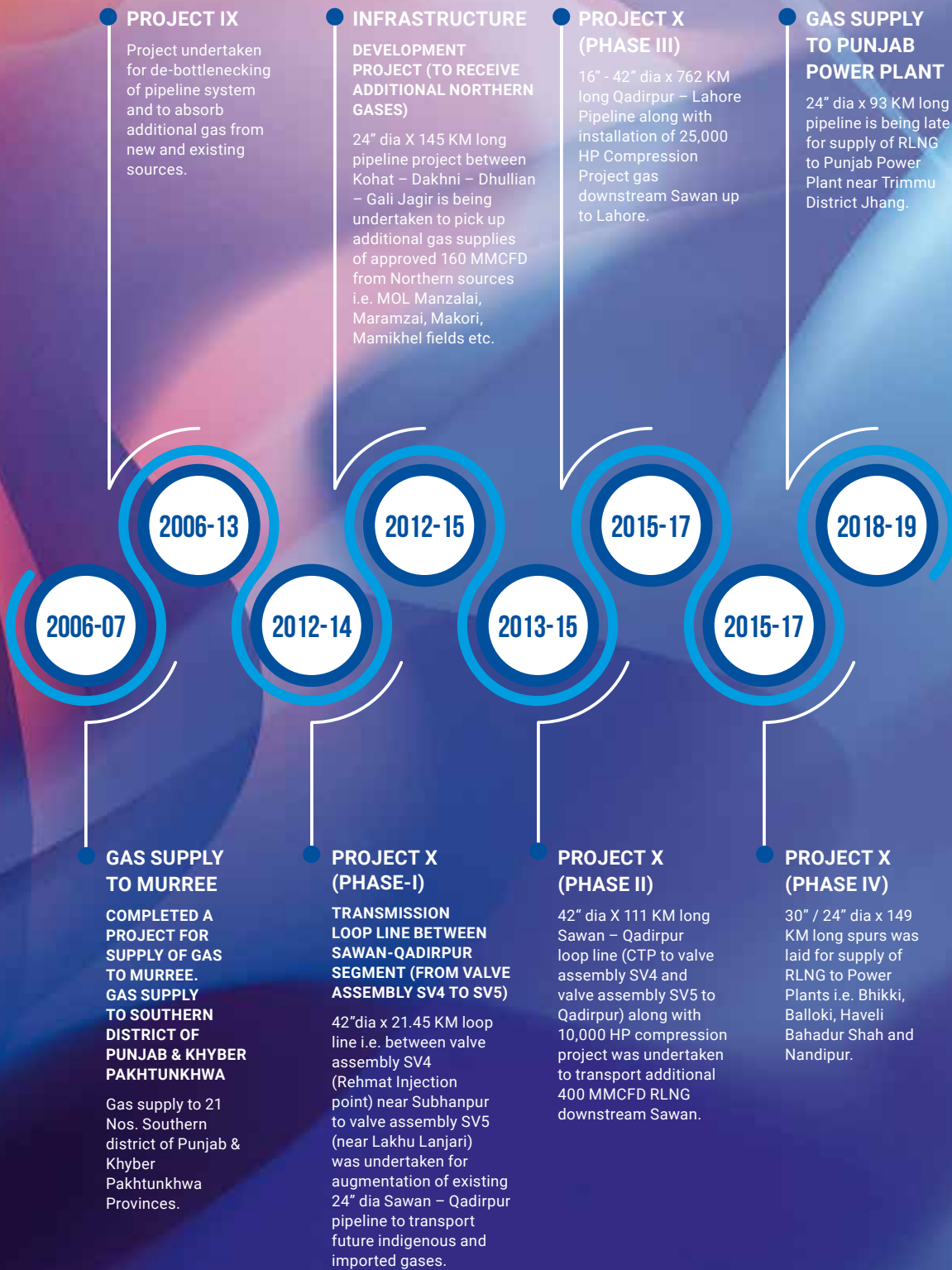
**Amer Tufail**  
Managing Director/CEO

**Roohi Raees Khan**  
Chairperson-BOD

Lahore.  
July 21, 2020

# MILESTONES





# PATTERN OF SHAREHOLDING

As at June 30, 2019

Name of Shareholders*	No. of Shareholders	Shareholding Slab		Total Shares Held
		From	To	
	3470	1	100	156,350
	4312	101	500	1,269,247
	4646	501	1000	3,586,899
	3145	1001	5000	7,753,217
	638	5001	10000	4,911,162
	177	10001	15000	2,241,656
	125	15001	20000	2,263,149
	81	20001	25000	1,866,626
	52	25001	30000	1,477,515
	38	30001	35000	1,270,855
	27	35001	40000	1,039,151
	19	40001	45000	813,187
	33	45001	50000	1,627,163
	22	50001	55000	1,152,264
	14	55001	60000	819,454
	9	60001	65000	568,513
	12	65001	70000	809,401
	10	70001	75000	736,021
	14	75001	80000	1,100,474
	4	80001	85000	330,468
	6	85001	90000	526,151
	10	90001	95000	936,990
	17	95001	100000	1,690,224
	4	100001	105000	405,000
	7	105001	110000	757,300
	7	110001	115000	791,067
	11	115001	120000	1,296,423
Danish Iqbal	1	125001	130000	127,000
	2	130001	135000	265,500
	2	135001	140000	272,100
	2	140001	145000	288,800
	9	145001	150000	1,338,987
Mohammad Munir Mohammad Ahmed Khanani Securities(P) Limited - MF	1	150001	155000	153,000
	4	155001	160000	630,760
	3	160001	165000	490,500
	4	165001	170000	670,500
	3	170001	175000	520,900
	3	175001	180000	533,900
Ayesha Naveed	1	185001	190000	190,000
Faraz Jawed	1	190001	195000	191,900
	8	195001	200000	1,590,591
	3	205001	210000	628,500
	4	210001	215000	848,697

Name of Shareholders*	No. of Shareholders	Shareholding Slab		Total Shares Held
		From	To	
	2	215001	220000	433,000
	3	220001	225000	669,000
Soneri Bank Limited - MT	1	225001	230000	226,500
Sta Str Gbl Advl Trt Com Invst FDS for Tax Exem Retir Plns	1	235001	240000	236,500
MCBFSL Trustee ABL Islamic Dedicated Stock Fund	1	240001	245000	243,500
	2	245001	250000	493,900
	2	250001	255000	507,832
	3	255001	260000	779,000
CDC - Trustee NBP Sarmaya Izafa Fund	1	260001	265000	262,700
	2	265001	270000	531,500
CDC - Trustee NAFA Islamic Pension Fund Equity Account	1	275001	280000	275,500
	4	280001	285000	1,132,346
CDC - Trustee Alfalah GHP Stock Fund	1	290001	295000	290,900
	4	295001	300000	1,193,000
Laerernes Pension Forsikringsaktieselskab	1	300001	305000	305,000
Lockheed Martin Corp Master Retirement Trust	1	305001	310000	306,000
	2	320001	325000	645,247
UPS Group Trust	1	330001	335000	334,779
Advance Series Trust - AST Parametric Emerging Mkts Eqt Prtf	1	345001	350000	349,700
Bulk Management Pakistan (Pvt.) Limited	1	355001	360000	359,966
	2	365001	370000	737,978
E Van Tr C CIT for Em Ben Pln Evtc Para Se Cor Eqt Fd	1	370001	375000	372,800
	5	380001	385000	1,914,814
	2	395001	400000	797,500
California Public Employees Retirement System	1	405001	410000	407,500
Jabeen Zahid	1	445001	450000	448,000
MCBFSL - Trustee ABL Islamic Stock Fund	1	450001	455000	451,000
	2	460001	465000	927,588
	2	465001	470000	931,200
	2	480001	485000	969,000
CDC - Trustee HBL - Stock Fund	1	485001	490000	485,400
	6	495001	500000	2,998,300
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	510001	515000	513,300
Trustee - Bank Alfalah Limited - Employees Provident Fund Trust	1	515001	520000	517,000
Hafiz Avais Ghani	1	525001	530000	530,000
	2	535001	540000	1,075,400
Sana Nadeem	1	540001	545000	542,000
Deutsche Bank AG London Branch	1	555001	560000	557,020
Imperial Developers and Builder (Pvt.) Limited	1	570001	575000	573,000
Muhammad Hasan Yahya	1	580001	585000	580,500
CDC - Trustee NAFA Islamic Energy Fund	1	585001	590000	585,700
Hammad Tahir	1	595001	600000	600,000
CDC - Trustee KSE Meezan Index Fund	1	620001	625000	623,833
CDC - Trustee Atlas Stock Market Fund	1	625001	630000	625,200

# PATTERN OF SHAREHOLDING

As at June 30, 2019

Name of Shareholders*	No. of Shareholders	Shareholding Slab		Total Shares Held
		From	To	
New York State Common Retirement Fund (770-3)	1	640001	645000	643,500
Emerging Markets Small Capitalization Equity Index Fund	1	665001	670000	668,327
Noman Abid Holdings Limited	1	680001	685000	684,400
CDC - Trustee ABL Stock Fund	1	685001	690000	690,000
Sharmin Shahid	1	695001	700000	700,000
Sherman Securities (Pvt ) Limited	1	700001	705000	703,000
CDC - Trustee HBL Energy Fund	1	735001	740000	736,400
Saqib Mahmood (8SM)	1	740001	745000	740,700
Asian Co-Operative Society Limited	1	760001	765000	762,300
SPDR S&P Emerging Markets Small Cap ETF	1	795001	800000	796,400
JS Global Capital Limited - MF	1	820001	825000	820,500
LSE Financial Services Limited - MT	1	860001	865000	861,000
Silkbank Limited	1	885001	890000	886,000
Vanguard FTSE All-World EX-US Small Cap Index Fund	1	895001	900000	896,700
CDC - Trustee PICIC Growth Fund	1	920001	925000	921,700
CDC - Trustee Alfalah GHP Islamic Stock Fund	1	965001	970000	966,107
CDC - Trustee NAFA Islamic Stock Fund	1	990001	995000	992,200
Fawad Jawed	1	995001	1000000	1,000,000
CDC - Trustee Meezan Energy Fund	1	1020001	1025000	1,021,300
	2	1040001	1045000	2,086,600
Global X Funds-Global X MSCI Pakistan ETF	1	1045001	1050000	1,048,700
	2	1095001	1100000	2,200,000
CDC - Trustee NBP Islamic Sarmaya Izafa Fund	1	1100001	1105000	1,102,500
Pak Qatar Family Takaful Limited	1	1145001	1150000	1,150,000
Parametric Tax-Managed Emerging Markets Fund	1	1200001	1205000	1,204,775
Eaton Vance Collective Inv TRT for Emp Benefit Plans	1	1205001	1210000	1,206,500
CDC Trustee - Meezan Dedicated Equity Fund	1	1230001	1235000	1,231,100
CDC - Trustee Meezan Asset Allocation Fund	1	1315001	1320000	1,317,400
CDC - Trustee Lakson Equity Fund	1	1410001	1415000	1,410,283
Samba Bank Limited - MT	1	1430001	1435000	1,431,000
Rotocast Engineering Co. (Pvt) Limited	1	1495001	1500000	1,500,000
College Retirement Equities Fund	1	1635001	1640000	1,636,500
Adamjee Life Assurance Company Limited - IMF	1	1645001	1650000	1,646,000
CDC - Trustee NIT-Equity Market Opportunity Fund	1	1680001	1685000	1,680,449
CDC - Trustee Alhamra Islamic Stock Fund	1	1690001	1695000	1,690,200
MCB Islamic Bank Limited	1	1710001	1715000	1,711,000
Shahbaz Yasin Malik	1	1760001	1765000	1,764,000
Shahid Malik	1	1780001	1785000	1,780,500
Noman Abid & Co. Limited	1	1790001	1795000	1,793,000
CDC - Trustee Alhamra Islamic Asset Allocation Fund	1	2130001	2135000	2,132,500
CDC - Trustee Meezan Balanced Fund	1	2210001	2215000	2,211,500
Pak Qatar Family Takaful Limited	1	2295001	2300000	2,300,000
CDC - Trustee NAFA Stock Fund	1	2335001	2340000	2,338,700
Sui Southern Gas Company Limited	1	2410001	2415000	2,414,174

Name of Shareholders*	No. of Shareholders	Shareholding Slab		Total Shares Held
		From	To	
CDC - Trustee PICIC Investment Fund	1	2485001	2490000	2,488,024
Dawood Foundation	1	2545001	2550000	2,546,045
Sindh Bank Limited	1	2725001	2730000	2,728,800
Soneri Bank Limited - Ordinary Shares	1	2820001	2825000	2,825,000
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	2860001	2865000	2,860,600
Adamjee Life Assurance Company Limited	1	3290001	3295000	3,291,100
CDC - Trustee Al Meezan Mutual Fund	1	3360001	3365000	3,361,500
Pak Qatar Family Takaful Limited	1	3430001	3435000	3,435,000
Meezan Bank Limited	1	4745001	4750000	4,745,800
CDC - Trustee MCB Pakistan Stock Market Fund	1	4825001	4830000	4,828,300
CDC - Trustee NIT State Enterprise Fund	1	4910001	4915000	4,913,067
Pub Institutional Fund Umbrella - Pub Equities Emg Mkts 2	1	5445001	5450000	5,448,904
Arif Habib Corporation Limited	1	5865001	5870000	5,869,500
Vanguard Emerging Markets Stock Index Fund	1	6555001	6560000	6,556,300
Adamjee Insurance Company Limited	1	8145001	8150000	8,145,095
Pakistan Reinsurance Company Limited	1	8695001	8700000	8,698,203
CDC - Trustee PICIC Growth Fund	1	9910001	9915000	9,911,246
State Life Insurance Corp. of Pakistan	1	10725001	10730000	10,725,728
Employees Old Age Benefits Institution	1	12660001	12665000	12,660,753
Trustee - MCB Employees Pension Fund	1	13390001	13395000	13,391,500
CDC - Trustee Meezan Islamic Fund	1	13755001	13760000	13,759,800
MCB Bank Limited - Treasury	1	14630001	14635000	14,632,010
State Life Insurance Corporation of Pakistan	1	16755001	16760000	16,757,409
Jubilee Life Insurance Company Limited	1	17890001	17895000	17,893,800
CDC - Trustee National Investment (Unit) Trust	1	21085001	21090000	21,087,026
SNGPL Employees Empowerment Trust	1	27395001	27400000	27,399,709
National Bank of Pakistan	1	27405001	27410000	27,405,318
Pakistan Industrial Development Corp. (Pvt.) Limited	1	38160001	38165000	38,164,538
The President of Islamic Republic of Pakistan	1	200930001	200935000	200,931,210
<b>Total</b>	<b>17,110</b>			<b>634,216,665</b>

\* Name of Shareholders have been specified where shares are held by a single shareholder.

# CATEGORIES OF SHAREHOLDERS

As at June 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Government of Pakistan</b>			
The President of Islamic Republic of Pakistan	1	200,931,210	31.68
<b>Directors and their spouse(s) and minor children</b>			
Mr. Mustafa Ahmad Khan	1	3,000	0.00
Mr. Ahmad Aqeel	1	3,000	0.00
Mirza Mahmood Ahmad	2	3,077	0.00
Mian Misbah ur Rehman	1	19,000	0.00
<b>Associated Companies, undertakings and related parties</b>			
Sui Southern Gas Company Limited	1	2,414,174	0.38
Adamjee Life Assurance Company Limited	1	3,291,100	0.52
National Investment Trust Limited - Administration Fund	1	12,705	0.00
CDC - Trustee NIT State Enterprise Fund	1	4,913,067	0.77
CDC - Trustee NIT-Equity Market Opportunity Fund	1	1,680,449	0.26
CDC - Trustee National Investment (Unit) Trust	1	21,087,026	3.32
CDC - Trustee NIT Islamic Equity Fund	1	1,044,100	0.16
CDC - Trustee NITIPF Equity Sub-Fund	1	12,000	0.00
CDC - Trustee NITPF Equity Sub-Fund	1	13,500	0.00
<b>Executives</b>			
	6	2,558.00	0.00
<b>Public Sector Companies and Corporations</b>			
	12	93,706,372	14.78
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>			
	84	93,672,502	14.77
<b>Mutual Funds</b>			
CDC - Trustee PICIC Investment Fund	1	2,488,024	0.39
CDC - Trustee PICIC Growth Fund	1	9,911,246	1.56
CDC - Trustee Meezan Balanced Fund	1	2,211,500	0.35
CDC - Trustee First Dawood Mutual Fund	1	7,500	0.00
CDC - Trustee AKD Index Tracker Fund	1	64,670	0.01
CDC - Trustee Meezan Islamic Fund	1	13,759,800	2.17
CDC - Trustee KSE Meezan Index Fund	1	623,833	0.10
CDC - Trustee First Capital Mutual Fund	1	30,000	0.00
CDC - Trustee NAFA Islamic Energy Fund	1	585,700	0.09
CDC - Trustee MCB Pakistan Stock Market Fund	1	4,828,300	0.76
CDC - Trustee PICIC Investment Fund	1	484,500	0.08
CDC - Trustee PICIC Growth Fund	1	921,700	0.15
CDC - Trustee Alhamra Islamic Stock Fund	1	1,690,200	0.27
CDC - Trustee Atlas Stock Market Fund	1	625,200	0.10
CDC - Trustee Faysal Stock Fund	1	63,000	0.01
CDC - Trustee Alfalah GHP Value Fund	1	136,600	0.02
CDC - Trustee HBL Energy Fund	1	736,400	0.12
CDC - Trustee Al Meezan Mutual Fund	1	3,361,500	0.53
CDC - Trustee Faysal Asset Allocation Fund	1	33,000	0.01
CDC - Trustee Atlas Islamic Stock Fund	1	199,700	0.03
CDC - Trustee NAFA Stock Fund	1	2,338,700	0.37

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - Trustee APF - Equity Sub Fund	1	39,200	0.01
CDC - Trustee Alfalah GHP Islamic Stock Fund	1	966,107	0.15
CDC - Trustee HBL - Stock Fund	1	485,400	0.08
CDC - Trustee NBP Islamic Sarmaya Izafa Fund	1	1,102,500	0.17
CDC - Trustee APIF - Equity Sub Fund	1	58,200	0.01
CDC - Trustee HBL Multi - Asset Fund	1	20,500	0.00
CDC - Trustee Alfalah GHP Stock Fund	1	290,900	0.05
CDC - Trustee Alfalah GHP Alpha Fund	1	213,000	0.03
CDC - Trustee ABL Stock Fund	1	690,000	0.11
CDC - Trustee First Habib Stock Fund	1	47,000	0.01
CDC - Trustee Lakson Equity Fund	1	1,410,283	0.22
CDC - Trustee HBL Islamic Stock Fund	1	178,300	0.03
CDC - Trustee HBL Equity Fund	1	52,000	0.01
CDC - Trustee HBL IPF Equity Sub Fund	1	52,200	0.01
CDC - Trustee HBL PF Equity Sub Fund	1	55,700	0.01
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	22,500	0.00
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	1	35,000	0.01
CDC - Trustee First Habib Islamic Stock Fund	1	40,000	0.01
MCBFSL - Trustee ABL Islamic Stock Fund	1	451,000	0.07
CDC - Trustee HBL Islamic Equity Fund	1	74,800	0.01
CDC - Trustee NAFA Islamic Stock Fund	1	992,200	0.16
CDC - Trustee Faysal Islamic Asset Allocation Fund	1	91,000	0.01
CDC - Trustee NAFA Islamic Active Allocation Equity Fund	1	281,000	0.04
CDC - Trustee HBL Islamic Asset Allocation Fund	1	105,800	0.02
CDC - Trustee Meezan Asset Allocation Fund	1	1,317,400	0.21
CDC - Trustee Lakson Tactical Fund	1	210,997	0.03
CDC - Trustee Lakson Islamic Tactical Fund	1	68,342	0.01
CDC - Trustee Meezan Energy Fund	1	1,021,300	0.16
MCBFSL - Trustee ABL Islamic Dedicated Stock Fund	1	243,500	0.04
CDC - Trustee AGIPF Equity Sub-Fund	1	17,550	0.00
CDC - Trustee AGPF Equity Sub-Fund	1	12,000	0.00
CDC - Trustee Pakistan Capital Market Fund	1	135,500	0.02
CDC - Trustee Alhamra Islamic Asset Allocation Fund	1	2,132,500	0.34
CDC - Trustee NBP Balanced Fund	1	161,000	0.03
CDC - Trustee Askari Asset Allocation Fund	1	5,999	0.00
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	513,300	0.08
MCFSL - Trustee Askari Islamic Asset Allocation Fund	1	35,000	0.01
CDC - Trustee NBP Sarmaya Izafa Fund	1	262,700	0.04
CDC - Trustee Askari Equity Fund	1	15,000	0.00
CDC - Trustee NAFA Islamic Principal Protected Fund - II	1	7,500	0.00
CDC - Trustee First Habib Income Fund - MT	1	51,000	0.01
CDC - Trustee Faysal MTS Fund - MT	1	81,500	0.01
CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	1	12,793	0.00
CDC - Trustee Meezan Dedicated Equity Fund	1	1,231,100	0.19
CDC - Trustee Alfalah GHP Islamic Value Fund	1	36,600	0.01

# CATEGORIES OF SHAREHOLDERS

As at June 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - Trustee NAFA Pension Fund Equity Sub-Fund Account	1	143,800	0.02
CDC - Trustee NAFA Islamic Pension Fund Equity Account	1	275,500	0.04
CDC - Trustee Alhamra Islamic Pension Fund - Equity Sub Fund	1	265,500	0.04
CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	1	246,700	0.04
MC FSL Trustee JS - Income Fund	1	24,000	0.00
CDC - Trustee First Habib Asset Allocation Fund	1	31,500	0.00
CDC - Trustee Alfalah Capital Preservation Fund II	1	22,500	0.00
MCBFSL - Trustee HBL Islamic Dedicated Equity Fund	1	34,500	0.01
CDC - Trustee Allied Finergy Fund	1	80,000	0.01
CDC - Trustee Atlas Islamic Dedicated Stock Fund	1	43,000	0.01
<b>General Public</b>			
a. Local	16114	50,123,709	7.90
b. Foreign	491	1,261,590	0.20
Foreign Companies	92	31,272,031	4.93
<b>Others</b>			
a. SNGPL Employees Empowerment Trust	1	27,399,709	4.32
b. Joint Stock Companies	157	19,919,948	3.14
c. All others	62	19,835,594	3.13
<b>Totals</b>	<b>17110</b>	<b>634,216,665</b>	<b>100.00</b>

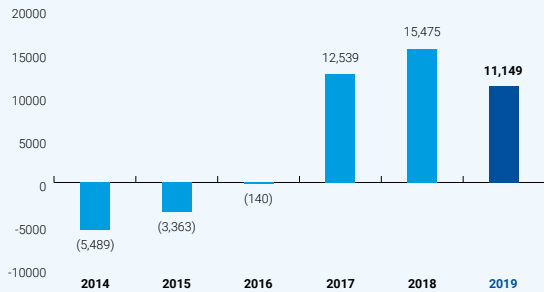
Share holders holding 5% or more	Shares Held	Percentage
The President of Islamic Republic of Pakistan	200,931,210	31.68
Pakistan Industrial Development Corp. (Pvt) Limited	38,164,538	6.02
<b>All trades in the shares of the Company, carried out by its Directors, CEO, CFO, Company Secretary and their Spouse(s) and minor children during the financial year: (Name wise detail)</b>		<b>Purchased</b>
Mian Misbah ur Rehman		2,000

# SUMMARY OF SIX YEARS

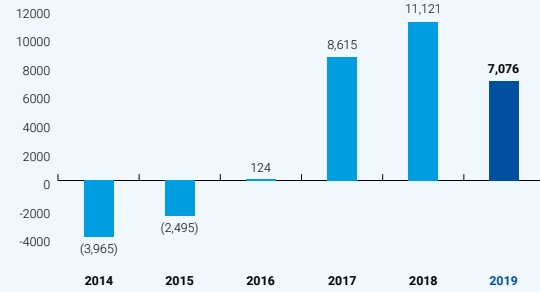
Particulars	Unit	2019	2018	2017	2016	2015	2014
<b>Statement of Profit or Loss</b>							
Net turnover	Rs '000	754,538,324	503,782,390	346,308,284	250,646,588	212,520,573	220,760,878
Gross profit	Rs '000	35,796,009	26,996,739	19,698,652	4,222,419	2,146,341	633,539
Operating profit / (loss)	Rs '000	36,926,064	26,281,556	17,889,719	4,263,133	619,719	(483,267)
Profit / (loss) before tax	Rs '000	11,149,216	15,475,401	12,539,199	(139,608)	(3,363,009)	(5,488,724)
Profit / (loss) after tax	Rs '000	7,075,833	11,121,475	8,614,500	124,013	(2,494,500)	(3,964,575)
Earnings / (loss) before interest, taxes, depreciation and amortization (EBITDA)	Rs '000	54,968,096	42,083,377	30,352,804	14,865,666	10,288,894	8,381,830
<b>Statement of Financial Position</b>							
Share capital	Rs '000	6,342,167	6,342,167	6,342,167	6,342,167	6,342,167	6,342,167
Reserves	Rs '000	14,700,046	12,334,514	4,253,626	(2,644,836)	(2,768,849)	(274,130)
Property, plant and equipment	Rs '000	200,837,557	190,609,690	164,102,403	136,000,051	114,476,508	104,543,542
Net current liabilities	Rs '000	(20,896,506)	(13,619,994)	(6,205,190)	(16,713,885)	(24,618,696)	(26,803,561)
Long term / deferred liabilities	Rs '000	162,812,183	161,766,344	150,280,396	119,076,582	88,562,843	73,960,641
<b>Summary of cash flows</b>							
Net cash from operating activities	Rs '000	17,339,137	39,589,745	21,876,902	10,954,255	11,635,935	13,749,697
Net cash used in investing activities	Rs '000	(27,832,011)	(41,582,308)	(38,476,828)	(30,218,519)	(18,540,378)	(14,500,221)
Net cash (used in) / from financing activities	Rs '000	(14,929,727)	2,432,526	18,463,857	19,635,863	7,814,602	285,993
Net (decrease) / increase in cash and cash equivalents	Rs '000	(25,422,601)	439,963	1,863,931	371,599	910,159	(464,531)
<b>Investor information for six years</b>							
<b>Profitability ratios:</b>							
Gross profit ratio	%	5.23%	6.04%	6.16%	1.76%	1.12%	0.31%
Net profit to sales	%	1.03%	2.49%	2.69%	0.05%	-1.31%	-1.92%
EBITDA margin	%	8.03%	9.42%	9.49%	6.20%	5.39%	4.06%
Return on equity	%	35.63%	75.99%	120.54%	3.41%	-51.75%	-49.25%
Return on capital employed	%	8.09%	8.90%	6.83%	1.32%	-0.92%	-2.82%
<b>Efficiency ratios:</b>							
Operating cycle	Days	70	67	72	88	105	96
Inventory turnover ratio	Times	35.57	22.88	58.13	246.72	212.68	217.61
Debtor turnover ratio	Times	6.12	7.20	5.53	4.20	3.54	3.88
Total asset turnover ratio	Times	1.09	0.97	0.99	0.95	0.93	1.23
Fixed asset turnover ratio	Times	3.41	2.34	1.95	1.76	1.67	1.97
Weighted average cost of debt	%	6.96%	3.40%	2.63%	2.67%	3.09%	5.35%
<b>Investment:</b>							
Earnings / (loss) per share (basic and diluted)	Rs/Share	11.16	17.54	13.58	0.20	(3.93)	(6.25)
Market value per share	Rs/Share	69.49	100.22	148.92	36.29	26.64	22.65
Share's highest value during the year	Rs/Share	107.39	169.95	185.00	38.73	29.75	28.80
Share's lowest value during the year	Rs/Share	52.60	81.08	36.25	18.86	18.50	19.50
Price earning ratio	Times	6.23	5.72	10.96	185.59	(6.77)	(3.62)
Break up value per share	Rs/Share	33.18	29.45	16.71	5.83	5.63	9.57
Bonus shares issued	Ratio	0%	0%	0%	0%	0%	0%
Cash dividend per share	Rs/Share	3.50	7.05	6	-	-	-
<b>Leverage:</b>							
Debt: equity ratio	%	79	78	84	91	83	63
Dividend yield ratio	%	5.04	7.03	4.03	-	-	-
Dividend payout ratio	%	31.37	40.20	44.17	-	-	-
Interest cover ratio	Times	1.43	2.43	3.34	0.97	0.16	(0.10)
Dividend cover ratio	Times	3.19	2.49	2.26	-	-	-
Current ratio	Times	0.95	0.95	0.96	0.87	0.78	0.69
Quick / acid test ratio	Times	0.87	0.83	0.88	0.84	0.75	0.65
<b>Statement of value added &amp; how distributed</b>							
Employees as remuneration	Rs '000	17,565,293	17,021,819	15,758,036	11,209,040	9,894,515	10,161,720
Government as taxes	Rs '000	97,627,200	70,710,179	54,395,635	49,800,909	40,762,190	45,781,896
Shareholders as dividends	Rs '000	2,219,758	4,471,227	3,805,300	-	-	-
Retained with the business	Rs '000	9,063,004	4,206,930	(4,159,356)	(7,252,518)	(7,376,531)	(4,881,812)
Financial charges to providers of finance	Rs '000	25,776,847	10,806,155	5,350,520	4,402,741	3,982,728	5,005,457

# GRAPHICAL PRESENTATION

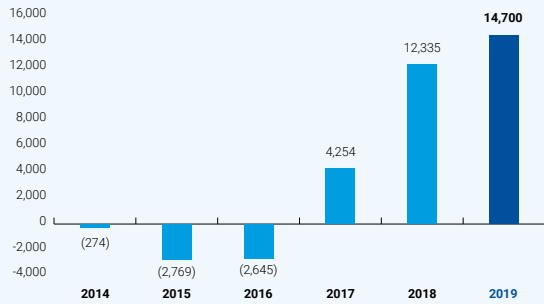
**Profit Before Taxation**  
(Rupees in Million)



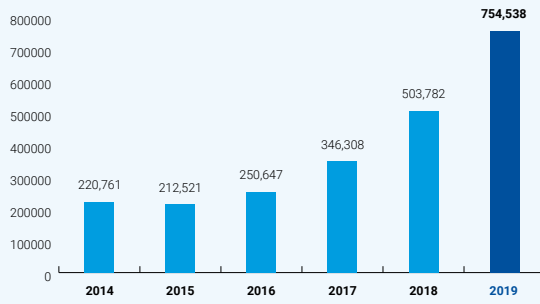
**Profit After Taxation**  
(Rupees in Million)



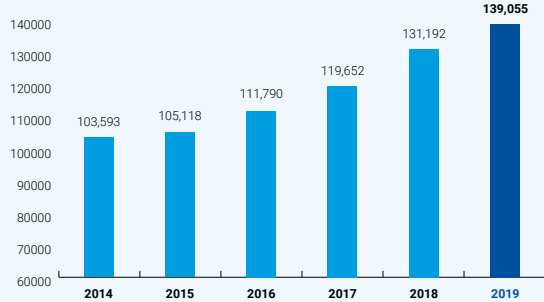
**Reserves**  
(Rupees in Million)



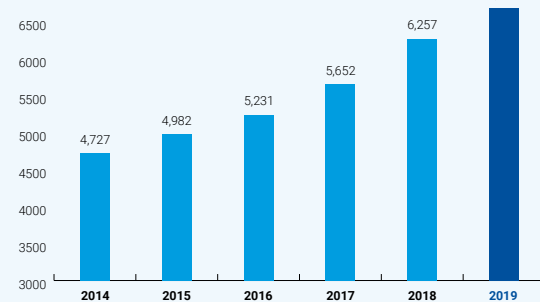
**Net Turnover**  
(Rupees in Million)



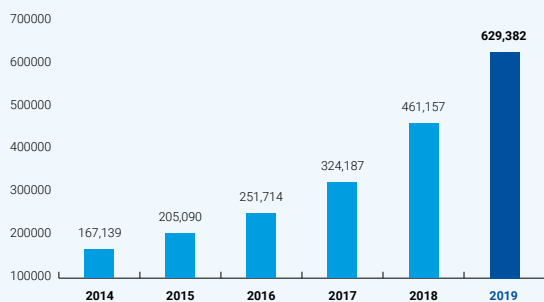
**Transmission and Distribution System**  
(in Kilometers)



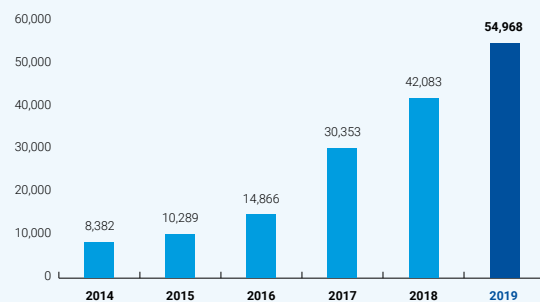
**Customers**  
(Numbers in Thousand)



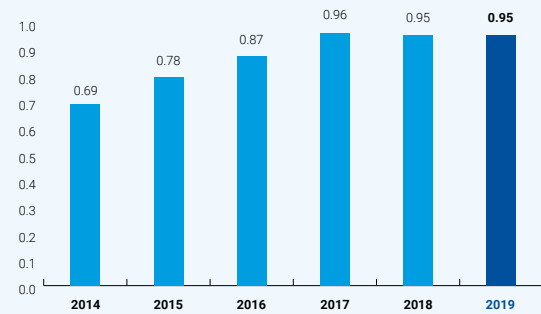
**Growth of Total Assets**  
(Rupees in Million)



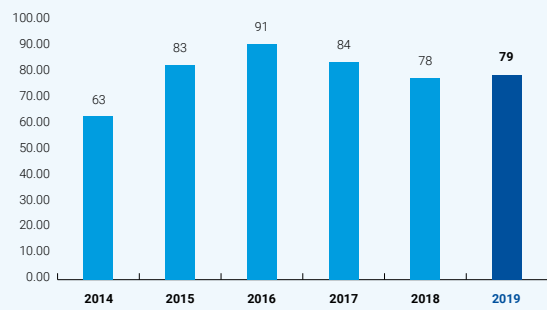
**EBITDA**  
(Rupees in Million)



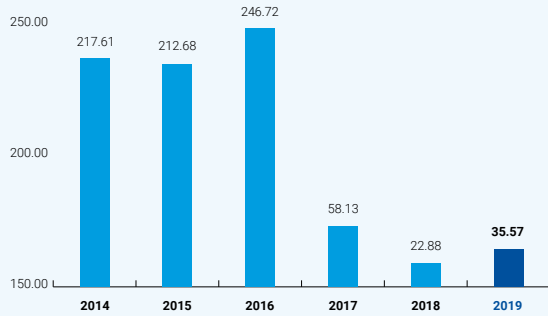
### Current Ratio (in Times)



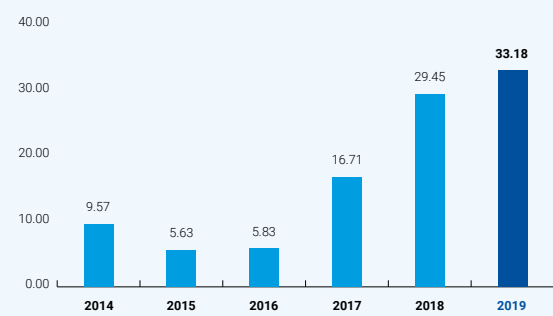
### Debt Equity Ratio (in Percentage)



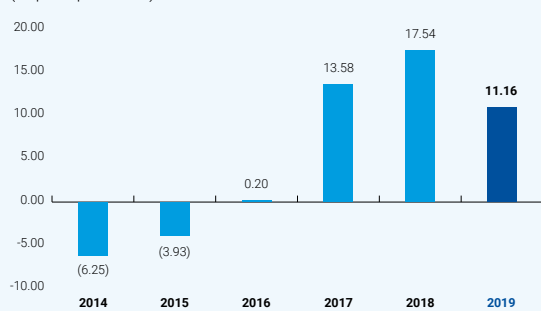
### Inventory Turnover Ratio (in Times)



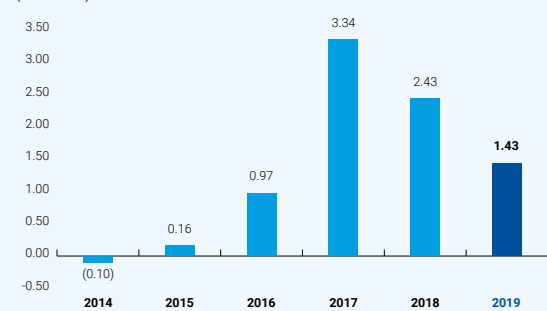
### Break Up Value Per Share (Rupees per Share)



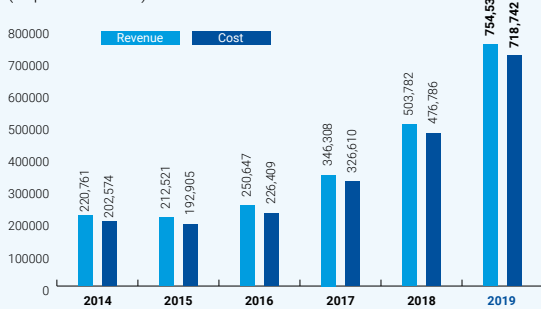
### Earnings / (Loss) Per Share (Rupees per Share)



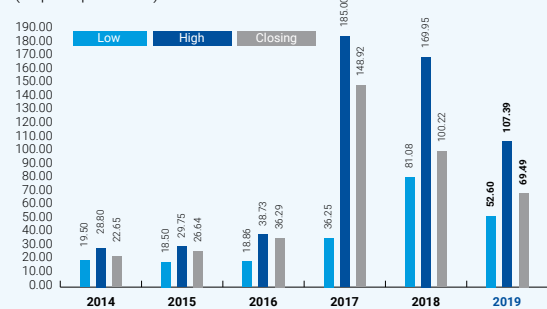
### Interest Cover Ratio (in Times)



### Revenue & Cost Analysis (Rupees in Million)



### Share's Value (Rupees per Share)



# HORIZONTAL ANALYSIS

	Jun 30, 14	Jun 30, 15	Jun 30, 16	Jun 30, 17	Jun 30, 18	Jun 30, 19
<b>STATEMENT OF FINANCIAL POSITION ITEMS</b>						
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	100	110	130	157	182	192
Intangible assets	100	82	205	154	201	320
Deferred taxation	100	100	100	100	100	100
Long term investment	100	100	100	100	100	0
Long term loans	100	113	130	148	255	259
Employee benefits	100	0	37	57	131	152
Long term deposits and prepayments	100	92	130	163	352	218
	100	109	131	156	182	192
<b>CURRENT ASSETS</b>						
Stores and spare parts	100	96	123	133	133	174
Stock in trade-gas in pipelines	100	109	102	1084	3313	950
Trade debts	100	109	112	112	128	305
Loans and advances	100	90	178	148	125	210
Trade deposits and short term prepayments	100	51	49	69	97	104
Interest accrued	100	76	80	57	90	172
Other receivables	100	52117	89067	154354	286513	476077
Contract assets	100	0	0	0	0	100
Short term investments	100	0	0	0	0	100
Income tax recoverable - Net	100	92	111	87	37	108
Sales tax recoverable	100	100	100	100	100	100
Cash and bank balances	100	116	371	760	1474	1282
	100	146	186	261	443	704
<b>TOTAL ASSETS</b>	100	123	151	194	276	377
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
Authorized share capital (1,500,000,000 ordinary shares of Rs 10 each)	100	100	100	100	100	100
Issued, Subscribed and paid up share capital	100	100	100	100	100	100
Revenue reserves	100	1,010	965	(1,552)	(4,500)	(5,362)
Total equity	100	59	61	175	308	347
<b>NON-CURRENT LIABILITIES</b>						
Long term financing:						
- Secured	100	245	626	897	917	715
- Unsecured	100	77	61	54	45	33
Security deposits	100	109	115	129	147	163
Deferred Credit	100	103	120	151	186	165
Contract liabilities	100	0	0	0	0	100
Deferred tax	100	0	0	0	1,553	4,171
Employee benefits	100	151	191	227	118	118
	100	120	161	203	219	220
<b>CURRENT LIABILITIES</b>						
Trade and other payables	100	138	158	200	355	538
Current portion of contract liabilities	100	0	0	0	0	100
Unclaimed dividend	100	0	0	0	100	100
Unpaid dividend	100	0	0	0	0	100
Interest / Mark up accrued	100	115	134	152	189	305
Short term borrowings	100	15	102	102	408	2,915
Current portion of long term financing	100	103	65	189	407	397
Sales Tax payable	100	0	0	0	0	0
	100	130	148	187	322	511
Total liabilities	100	125	154	195	275	378
<b>TOTAL EQUITY AND LIABILITIES</b>	100	123	151	194	276	377
<b>PROFIT OR LOSS ITEMS</b>						
Gas Sales	100	93	116	155	217	332
Add / (Less): Differential Margin / (Gas Development Surcharge)	100	149	76	183	393	481
	100	96	114	157	228	342
Cost Of Gas Sold	100	96	112	148	217	327
Gross Profit	100	339	666	3,109	4,261	5,650
Other Operating Income	100	108	122	113	145	190
	100	122	155	296	396	523
Less: Operating Expenses						
Selling Cost	100	107	99	81	76	101
Administrative Expenses	100	110	125	169	183	192
	100	108	108	112	114	133
Other Operating Expenses	100	446	234	772	2,777	3,218
Operating Profit / (loss)	100	(128)	(882)	(3,702)	(5,438)	(7,641)
Finance Cost	100	80	88	107	216	515
Profit / (loss) Before Taxation	100	61	3	(228)	(282)	(203)
Taxation	100	57	17	(258)	(286)	(267)
Profit / (loss) After Taxation	100	63	(3)	(217)	(281)	(178)
Earnings / (loss) per share - Basic and Diluted (Rupees)	100	63	(3)	(217)	(281)	(178)

# VERTICAL ANALYSIS

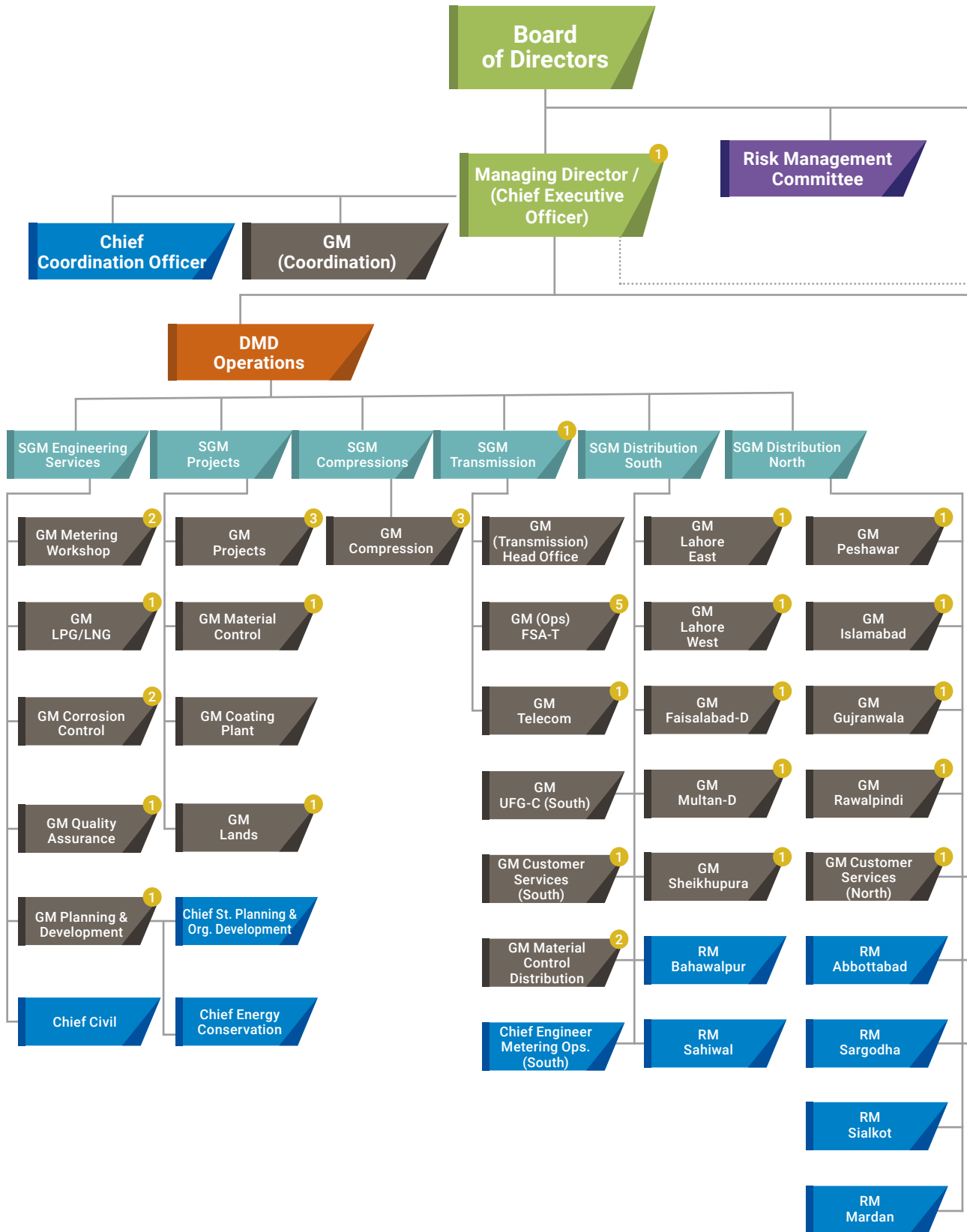
	Jun 30, 14	Jun 30, 15	Jun 30, 16	Jun 30, 17	Jun 30, 18	Jun 30, 19
<b>STATEMENT OF FINANCIAL POSITION ITEMS</b>						
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	62.55	55.82	54.03	50.62	41.33	31.91
Intangible assets	0.03	0.02	0.05	0.03	0.03	0.03
Deferred taxation	0.00	0.91	0.89	0.40	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00
Long term loans	0.19	0.18	0.17	0.15	0.18	0.13
Employee benefits	1.14	0.00	0.28	0.34	0.54	0.46
Long term deposits and prepayments	0.00	0.00	0.00	0.00	0.01	0.00
	63.92	56.93	55.42	51.54	42.08	32.53
<b>CURRENT ASSETS</b>						
Stores and spare parts	1.72	1.35	1.41	1.18	0.83	0.80
Stock in trade-gas in pipelines	0.57	0.50	0.38	3.17	6.81	1.43
Trade debts	30.94	27.40	22.99	17.83	14.38	25.04
Loans and advances	0.60	0.44	0.71	0.46	0.27	0.34
Trade deposits and short term prepayments	0.14	0.06	0.05	0.05	0.05	0.04
Interest accrued	0.01	0.01	0.01	0.00	0.00	0.01
Other receivables	0.03	10.85	15.11	20.33	26.53	32.30
Contract assets	0.00	0.00	0.00	0.00	0.00	0.01
Income tax recoverable - Net	1.78	1.34	1.32	0.80	0.24	0.51
Sales tax recoverable	0.00	0.85	1.90	3.51	7.27	6.03
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00
Cash and bank balances	0.29	0.27	0.71	1.13	1.53	0.98
	36.08	43.07	44.58	48.46	57.92	67.47
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
Authorized share capital (1,500,000,000 ordinary shares of Rs 10 each)						
Issued, Subscribed and paid up share capital	3.79	3.09	2.52	1.96	1.38	1.01
Revenue reserves	(0.16)	(1.35)	(1.05)	1.31	2.67	2.34
Total equity	3.63	1.74	1.47	3.27	4.05	3.34
<b>NON-CURRENT LIABILITIES</b>						
Long term financing:						
- Secured	3.29	6.58	13.68	15.23	10.93	6.25
- Unsecured	0.56	0.35	0.23	0.16	0.09	0.05
Security deposits	17.82	15.82	13.64	11.90	9.49	7.72
Deferred Credit	18.65	15.67	14.86	14.55	12.55	8.17
Contract liabilities	-	-	-	-	-	1.76
Deferred tax	0.06	0.00	0.00	0.00	0.36	0.72
Employee benefits	3.87	4.75	4.90	4.53	1.65	1.21
	44.25	43.18	47.31	46.36	35.08	25.87
<b>CURRENT LIABILITIES</b>						
Trade and other payables	39.39	44.30	41.30	40.64	50.67	56.27
Current portion of contract liabilities	-	-	-	-	-	0.04
Unclaimed dividend	-	-	-	-	0.02	0.02
Unpaid dividend	-	-	-	-	-	0.12
Sales tax Payable	0.53	0.00	0.00	0.00	0.00	0.00
Interest / Mark up accrued	9.91	9.29	8.80	7.78	6.80	8.02
Short term borrowing	0.58	0.07	0.40	0.31	0.86	4.53
Current portion of long term financing	1.70	1.42	0.73	1.65	2.51	1.79
	52.12	55.08	51.22	50.38	60.87	70.79
Total liabilities	96.37	98.26	98.53	96.73	95.95	96.66
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>PROFIT OR LOSS ITEMS</b>						
Gas Sales	100.00	100.00	100.00	100.00	100.00	100.00
Add / (Less): Differential Margin / (Gas Development Surcharge)	7.04	11.37	4.59	8.32	12.76	10.21
	107.04	111.37	104.59	108.32	112.76	110.21
Cost Of Gas Sold	106.73	110.25	102.83	102.16	106.72	104.98
Gross Profit	0.31	1.12	1.76	6.16	6.04	5.23
Other Operating Income	4.73	5.52	4.96	3.44	3.17	2.70
	5.04	6.64	6.73	9.60	9.21	7.93
Less: Operating Expenses						
Selling Cost	3.38	3.90	2.87	1.77	1.18	1.03
Administrative Expenses	1.84	2.20	1.99	2.01	1.56	1.07
	5.22	6.10	4.86	3.78	2.74	2.09
	(0.19)	0.55	1.87	5.82	6.47	5.84
Other Operating Expenses	0.05	0.22	0.09	0.23	0.59	0.44
Operating Profit / (loss)	(0.23)	0.32	1.78	5.60	5.88	5.39
Finance Cost	2.43	2.09	1.84	1.67	2.42	3.77
Profit / (loss) Before Taxation	(2.66)	(1.76)	(0.06)	3.92	3.46	1.63
Taxation	(0.74)	(0.46)	(0.11)	1.23	0.97	0.59
Profit / (loss) After Taxation	(1.92)	(1.31)	0.05	2.69	2.49	1.03

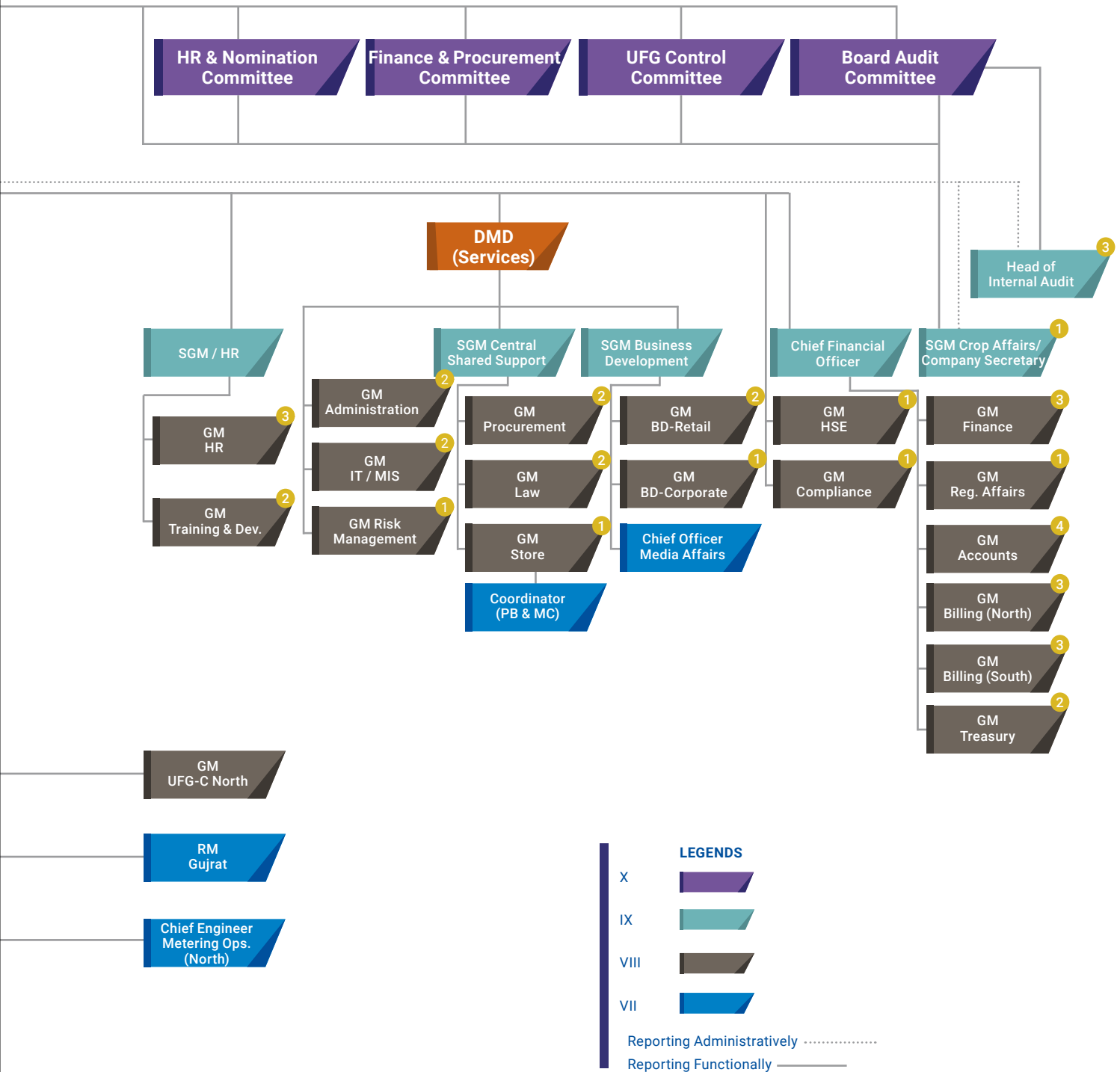
# TEN YEARS AT A GLANCE

(Rupees in thousand)	2019	2018	2017
<b>STATEMENT OF FINANCIAL POSITION - SUMMARY</b>			
Paid up share capital	6,342,167	6,342,167	6,342,167
Revenue reserves	14,700,046	12,334,514	4,253,626
Deferred credit	51,390,541	57,854,554	47,168,154
Contract liabilities	11,066,804	-	-
<b>Non-Current liabilities</b>			
Long term loans outstanding			
- Local	303,229	415,232	504,067
- Banking companies	39,330,000	50,420,000	49,359,799
Long term security deposits	48,578,096	43,782,459	38,566,630
Deferred liabilities - taxation	4,503,422	1,676,766	-
Employee benefit	7,640,091	7,617,333	14,681,746
<b>Current liabilities</b>	445,527,126	280,714,218	163,310,619
	629,381,522	461,157,243	324,186,808
<b>Non-Current assets</b>	204,750,902	194,063,019	167,081,379
<b>Current assets</b>	424,630,620	267,094,224	157,105,429
	629,381,522	461,157,243	324,186,808
<b>STATEMENT OF PROFIT OR LOSS - SUMMARY</b>			
Sales	684,625,881	446,765,837	319,696,374
Add / (Less) differential margin / ( Gas development surcharge)	69,912,443	57,016,553	26,611,910
<b>Net Sales</b>	754,538,324	503,782,390	346,308,284
Cost of gas sold	718,742,315	476,785,651	326,609,632
<b>Gross profit</b>	35,796,009	26,996,739	19,698,652
Other operating income	18,512,175	14,159,487	10,992,947
	54,308,184	41,156,226	30,691,599
<b>Expenditure</b>			
Operating expenses	12,833,101	12,248,552	12,072,161
Expected credit loss	1,505,879	-	-
Finance cost	25,776,847	10,806,155	5,350,520
Other charges	3,043,140	2,626,118	729,719
	43,158,967	25,680,825	18,152,400
<b>Profit / (loss) before taxation</b>	11,149,217	15,475,401	12,539,199
<b>Provision for taxation</b>	4,073,383	4,353,926	3,924,699
<b>Profit / (loss) after taxation</b>	7,075,834	11,121,475	8,614,500
Earnings / (Loss) per share (Basic) / (Rupees)	11.16	17.54	13.58
Dividend (%)	35.00	70.50	60
Bonus shares (%)	-	-	-
Number of employees - Operation	8,567	8,654	8,764
- Project	314	407	420
	8,881	9,061	9,184
<b>Gas sales (MMCF)</b>	755,098	670,644	615,003
<b>Consumers (in Numbers)</b>	6,727,073	6,296,662	5,691,743
<b>Customers (in Numbers)</b>			
Industrial	5,991	5,871	5,755
Commercial	58,822	56,299	53,553
Domestic	6,622,551	6,194,783	5,592,726
	6,687,364	6,256,953	5,652,034
<b>TRANSMISSION AND DISTRIBUTION SYSTEM (in Kilometers)</b>			
Transmission mains	8,948	8,867	8,637
Distribution mains and services	130,106	122,325	111,015
	139,055	131,192	119,652

	2016	2015	2014	2013	2012	2011	2010
	6,342,167	6,342,167	6,342,167	6,342,167	5,765,606	5,491,053	5,491,053
	(2,644,836)	(2,768,849)	(274,130)	3,690,445	15,458,174	13,237,836	13,211,026
	37,405,489	32,142,949	31,168,532	33,118,345	33,315,790	32,768,270	33,017,791
	-	-	-	-	-	-	-
	569,903	718,778	932,097	1,103,835	1,086,313	1,324,177	1,251,220
	34,425,000	13,500,000	5,500,000	5,000,000	7,500,000	9,500,000	-
	34,343,735	32,452,229	29,782,655	22,369,143	20,227,669	16,477,801	14,899,244
	-	-	107,968	2,677,154	9,066,835	8,369,991	8,758,231
	12,332,455	9,748,887	6,469,389	5,048,980	3,176,820	1,130,074	1,232,171
	128,939,602	112,953,347	87,110,028	84,849,817	78,420,597	50,431,414	61,376,573
	251,713,515	205,089,508	167,138,706	164,199,886	174,017,804	138,730,616	139,237,309
	139,487,798	116,754,857	106,832,239	100,920,469	95,063,639	91,263,252	88,240,778
	112,225,717	88,334,651	60,306,467	63,279,417	78,954,165	47,467,364	50,996,531
	251,713,515	205,089,508	167,138,706	164,199,886	174,017,804	138,730,616	139,237,309
	239,636,172	190,819,014	206,237,565	224,063,823	230,267,469	185,060,783	172,994,645
	11,010,416	21,701,559	14,523,313	(18,401,776)	(13,615,152)	2,776,818	(11,364,817)
	250,646,588	212,520,573	220,760,878	205,662,047	216,652,317	187,837,601	161,629,828
	246,424,169	210,374,232	220,127,339	221,012,785	209,422,514	184,237,173	156,016,865
	4,222,419	2,146,341	633,539	(15,350,738)	7,229,803	3,600,428	5,612,963
	11,896,988	10,525,247	9,752,046	15,541,298	9,104,253	8,664,184	7,772,532
	16,119,407	12,671,588	10,385,585	190,560	16,334,056	12,264,612	13,385,495
	11,635,404	11,630,537	10,774,289	9,324,383	7,243,523	6,490,053	4,239,910
	-	-	-	-	-	-	-
	4,402,741	3,982,728	5,005,457	6,100,239	3,412,328	3,877,833	4,650,154
	220,870	421,332	94,563	500,917	937,320	208,983	615,500
	16,259,015	16,034,597	15,874,309	15,925,539	11,593,171	10,576,869	9,505,564
	(139,608)	(3,363,009)	(5,488,724)	(15,734,979)	4,740,885	1,687,743	3,879,931
	(263,621)	(868,509)	(1,524,149)	(5,985,890)	1,696,889	562,722	1,325,368
	124,013	(2,494,500)	(3,964,575)	(9,749,089)	3,043,996	1,125,021	2,554,563
	0.20	(3.93)	(6.25)	(15.37)	4.80	1.95	4.43
	-	-	-	-	25	10	20
	-	-	-	-	10	5	-
	8,819	8,772	8,696	8,991	8,509	7,800	6,774
	384	290	288	303	291	282	306
	9,203	9,062	8,984	9,294	8,800	8,082	7,080
	534,922	463,393	506,355	552,272	597,056	581,935	586,741
	5,271,039	5,021,956	4,766,715	4,486,189	4,174,342	3,964,350	3,706,701
	5,754	6,453	6,453	6,559	6,628	6,606	6,375
	53,271	54,047	53,957	56,212	55,906	55,877	54,631
	5,172,305	4,921,747	4,666,596	4,383,709	4,151,518	3,867,359	3,611,187
	5,231,330	4,982,247	4,727,006	4,446,480	4,214,052	3,929,842	3,672,193
	7,941	7,818	7,738	7,675	7,653	7,613	7,585
	103,849	97,300	95,855	93,646	87,796	81,828	75,653
	111,790	105,118	103,593	101,321	95,449	89,441	83,238

# ORGANIZATIONAL STRUCTURE





Approved by the Board of Directors at its meeting held on December 30, 2019

# SNGPL HEAD OFFICE & REGIONAL OFFICES

## Head Office

📍 SNGPL Head Office, 21, Kashmir Road, Lahore

☎ 042-99082000, 042-99082006

📠 042-99201369, 042-99201302

🌐 [www.sngpl.com.pk](http://www.sngpl.com.pk)

<b>Abbottabad</b>	SNGPL Regional Office, Jub Pul, P.O. Jhangi, Main Masehra Road, Abbottabad
<b>Bahawalpur</b>	SNGPL Regional Office, 6-A-D, Model Town-A, Bahawalpur
<b>Faisalabad</b>	SNGPL Regional Office, Sargodha Road, Faisalabad
<b>Gujranwala</b>	SNGPL Regional Office, M. A. Jinnah Road, Gujranwala.
<b>Gujrat</b>	SNGPL Regional Office, State Life Building, 120 & 121, GT Road, Gujrat
<b>Islamabad</b>	SNGPL Regional Office, Plot 28-30, Sector-I-9, Industrial Area, Islamabad
<b>Lahore</b>	SNGPL Regional Office, 21-Industrial Area, Gurumangat Road, Gulberg III, Lahore
<b>Mardan</b>	SNGPL Regional Office, Riffat Mahal, Main Nowshera Road, Near Mardan Industrial Estate, Mardan
<b>Multan</b>	SNGPL Regional Office, Piran Ghaib Road, Multan.
<b>Peshawar</b>	SNGPL Regional Office, Plot No-33, Sector B-2, Phase-V, Hayatabad, Peshawar
<b>Rawalpindi</b>	SNGPL Regional Office, Al-Mansha Plaza, Main G.T Road, Opposite IESCO Office, Mohra Nagyal Rawalpindi.
<b>Sahiwal</b>	SNGPL Regional Office, 79-A, 79-B, Canal Colony, Farid Town Road, Sahiwal
<b>Sargodha</b>	SNGPL Regional Office, 15 - Muslim Town, Sargodha
<b>Shiekhupura</b>	SNGPL Regional Office, Rajput House, Main Sargodha Road, Near Punjab Collage, Nabi Pura, Shiekhupura
<b>Sialkot</b>	SNGPL Regional Office, Wahid Road, Malkay Kalan, Off. Marala Road, Sialkot
<b>Wah</b>	SNGPL Regional Office, Gudwal Link Road, Wah Cantt

# AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

# INDEPENDENT AUDITOR'S REVIEW REPORT

## TO THE MEMBERS OF SUI NORTHERN GAS PIPELINES LIMITED

Review Report on the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Public Sector Companies (Corporate Governance) Rules, 2013

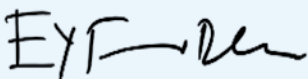
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Rules and Regulations') prepared by the Board of Directors of Sui Northern Gas Pipelines Limited for the year ended June 30, 2019 to comply with the requirements of regulation 40 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Rules and Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the Rules and Regulations and report if it does not and to highlight any non-compliance with the requirements of the Rules and Regulations. 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 and Regulations.

As part of our audit of 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 Director's statement on internal control covers all the 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 and Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Rules and Regulations as applicable to the Company for the year ended June 30, 2019.



Chartered Accountants  
Engagement Partner: Sajjad Hussain Gill  
Lahore  
July 24, 2020

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF SUI NORTHERN GAS PIPELINES LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Qualified Opinion

We have audited the annexed financial statements of Sui Northern Gas Pipelines Limited (the Company), which comprise the statement of financial position as at June 30, 2019 the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Qualified Opinion

As explained in Note 11.1.2 to the financial statements, the Company has adopted and applied International Financial Reporting Standards (IFRS) 15 "Revenue from Contracts with Customers" in its financial statements with effect from July 01, 2018 to the contracts for which the revenue has not been previously recognized. The Company did not comply with the requirements of the transitional provisions of the IFRS 15 read with International Financial Reporting Interpretation Committee (IFRIC) 18 "Transfers of assets from customers" that, in our view, require a retrospective adjustment to the opening statement of financial position as of July 01, 2018 to defer the previously recognized revenues with respect to contributions towards the cost of supplying and laying transmission, service and main lines on contracts that have continuing performance obligations at the date of transition. Accordingly, we consider that treatment adopted by the Company is a departure from the requirements of the IFRS as applicable in Pakistan.

Had the Company applied new accounting policy with respect to the contracts with customers retrospectively, the contract liabilities, differential margin recoverable and income tax recoverable as at June 30, 2019 would have increased by Rs. 6,835 million (July 01, 2018: Rs. 7,419 million), Rs. 1,225 million (July 01, 2018: Rs. 1,808 million) and Rs. 1,627 million (July 01, 2018: Rs. 1,627 million) respectively, whereas, the unappropriated profits and the deferred tax liability would have decreased by Rs. 2,001 million (July 01, 2018: Rs. 1,832 million) and Rs. 1,982 million (July 01, 2018: Rs. 2,152 million) respectively. Further, the profit for the year would have decreased by Rs. 169 million. The financial impacts have been estimated assuming that a differential margin would be allowed under the regulatory tariff regime applicable to the Company.

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.

#### Emphasis of Matter

We draw attention to the Note 26.3 to the financial statements which explains that the settlement of amounts receivable from and payable to Government and certain Government owned and other entities is dependent upon the resolution of inter-corporate circular debt and increase in gas prices by the Government of Pakistan.

Our opinion is not modified in respect of above matter.

## Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the Key Audit Matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in our audit
<b>1. Recognition of differential margin on disallowances determined by the Oil and Gas Regulatory Authority (OGRA)</b>	
<p>As referred to in Note 34 to the financial statements, the Company recognized amounts of Rs. 63,848 million and Rs. 6,064 million (2018: Rs. 56,837 million and Rs. 179 million) in respect of differential margin on indigenous gas and Regasified Liquified Natural Gas (RLNG), respectively.</p> <p>The differential margin on indigenous gas includes an amount of Rs. 22,682 million and differential margin on RLNG includes an amount of Rs. 2,392 million consisting of various expenses which have either been deferred or disallowed by the OGRA on various grounds. However, the Company has recognized differential margin on such deferments / disallowances in the financial statements as the management believes that such deferments / disallowances are out of the ordinary and the claims of the Company are legitimate. The Company is also in the process of filing a review appeal against the Final Revenue Requirement (FRR) decision by the OGRA and is confident of favorable outcome.</p> <p>Considering the significance of the amounts involved and judgements taken the management, we have identified it as a Key Audit Matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• Developed an understanding of the Company's regulatory environment being governed by the regulator i.e. the OGRA;</li> <li>• Reviewed the FRR decision of the OGRA for the year ended 30 June 2019 to develop our understanding of the Company's revenue requirements and related disallowances / deferments;</li> <li>• Discussed the basis of the judgement taken by the management to recognize the disallowances in the differential margin account and obtained the basis of the review appeal to be filed by the management with the OGRA;</li> <li>• Reviewed prior periods FRR decisions issued by the OGRA, relating to the Company, to check the appropriateness of management's judgement; and</li> <li>• Reviewed the appropriateness of the disclosures made in respect of the aforesaid matter in the financial statements and matched the figures of the disclosure with the FRR.</li> </ul>
<b>2. Revenue recognition under "Take or Pay" arrangements</b>	
<p>The Company has recognized revenue of Rs. 3,042 million during the year under "Take or Pay" ("ToP") arrangements with M/s Quaid-e-Azam Thermal Power (Private) Limited ("QATPL") and M/s National Power Parks Management Company Limited ("NPPMCL") (collectively referred to as Government Power Producers ("GPPs")) whereas the total revenue recognized in this respect from July 01, 2017 to June 30, 2019 amounts to Rs. 20,220 million.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• Developed our understanding of the Company's revenue recognition policy under ToP arrangements and assessed its compliance with the requirements of IFRS 15;</li> <li>• Obtained and reviewed the GSAs to develop our understanding of the terms agreed with the customers;</li> </ul>

Key Audit Matters	How the matter was addressed in our audit
<p>As explained in Note 33.1 to the financial statements, the GPPs disputed the invoices under ToP arrangements on various grounds and filed a writ petition with the Honorable Lahore High Court (“LHC”). The LHC on June 22, 2018 directed that the disputed invoices should be dealt with in accordance with the dispute resolution mechanism available in the Gas Sales Agreements (GSAs). In light of section 18.1 of the GSAs, various attempts were made to settle this dispute by mutual discussions, but the matter remained unresolved. As required under section 18.2 of the GSAs, the dispute was thereafter referred to an Expert, after mutual consent of the parties involved, on October 09, 2018.</p> <p>The predecessor auditor qualified their audit opinion on the financial statements for the year ended June 30, 2018 with respect to the aforesaid recognition of revenue considering it as a departure from the accounting and reporting standards as applicable in Pakistan.</p> <p>The matter is, presently, pending adjudication in the “London Court of International Arbitration” (“LCIA”), after a determination of the Expert dated September 14, 2019 in favor of the Company.</p> <p>Due to the significance of amounts involved, element of uncertainty because of ongoing arbitration proceedings and that the prior year audit opinion was qualified in respect of this matter, we have considered revenue recognition under ToP arrangements as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• Reviewed the invoices raised by the Company to the customers under ToP arrangements and assessed whether the same are in accordance with the requirements of GSAs;</li> <li>• Reviewed the correspondence between the Company and the GPPs;</li> <li>• Held meeting with the predecessor auditors to understand their view on this matter;</li> <li>• Reviewed the decision of LHC and the claims submitted by the Company’s legal counsel to the Expert pursuant to the aforesaid decision to understand the position taken by the Company in respect of this matter;</li> <li>• Reviewed the determination of the Expert to understand the basis of the Expert’s determination in arriving at our assessment of the reasonableness of the Company’s position for revenue recognition and determined the impact on the audit report;</li> <li>• Obtained and reviewed the legal opinion from the Company’s legal advisor;</li> <li>• Reviewed the determination of the Final Revenue Requirement for the Company for the year ended June 30, 2018 issued by the OGRA with respect to this matter; and</li> <li>• Reviewed and assessed the adequacy of disclosures made in the financial statements.</li> </ul>

Key Audit Matters	How the matter was addressed in our audit
<b>3. Contingent taxation liabilities</b>	
<p>As discussed in Note 18 to the accompanying financial statements, the Company has contingent liabilities in respect of various income and sales tax matters, which are pending adjudication at various levels with appellate authorities.</p> <p>Such disputes and uncertain tax positions require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Company for disclosure, recognition and measurement of any provision that may be required against such contingencies.</p> <p>Due to significance of the amounts involved, inherent uncertainties with respect to outcome of the matters and use of significant management judgments and estimates to assess the same including related financial impacts, we have considered contingent liabilities relating to income and sales tax, a Key Audit Matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• Obtained and reviewed details of the pending tax matters and discussed the same with the Company's management;</li> <li>• Circularized confirmations to the Company's external legal and tax counsels for their views on open tax assessments and the matters under adjudication;</li> <li>• Reviewed correspondence of the Company with the relevant authorities including significant judgments or orders passed by the relevant authorities in relation to the issues involved;</li> <li>• Involved in-house tax specialists to review the reasonableness of management's conclusion on contingent tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Company; and</li> <li>• Reviewed appropriateness of the disclosures made in the financial statements in respect of such contingent liabilities.</li> </ul>
<b>4. First time adoption of IFRS 9 "Financial Instruments"</b>	
<p>As discussed in Note 2.2.1 to the accompanying financial statements, IFRS 9 "Financial Instruments" became applicable for the first time on the Company's annual financial statements. The Company has adopted IFRS 9 with effect from July 01, 2018 and this standard supersedes the requirements of IAS 39 "Financial Instruments – Recognition and Measurement". The IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities and a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the Company's financial statements relates to the calculation of the allowance for the impairment of trade debts excluding those related to the entities owned or controlled by the Government of Pakistan.</p> <p>The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit-impaired. The Company's management has applied a simplified Expected Credit Loss (ECL) model to determine the allowance for impairment of trade debts. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to Company's history of collection of such trade debts.</p>	<p>We developed an understanding of the relevant business process of the Company and performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained the management's assessment of the impact of adoption of the IFRS 9 on the financial statements of the Company and specifically considered the validity of management's conclusion that the main area of impact was in respect of trade debts impairment;</li> <li>• Reviewed and assessed the appropriateness of changes to the Company's accounting policies due to adoption of the IFRS 9;</li> <li>• Reviewed and assessed whether the ECL model developed by the management is consistent with the requirements of IFRS 9;</li> <li>• Checked the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL;</li> <li>• Assessed the reasonableness key assumptions and judgments, such as those used to calculate the average loss rates for each category of trade debts by comparing to historical data;</li> </ul>

Key Audit Matters	How the matter was addressed in our audit
<p>However, as further explained in Note 2.2.3, subsequent to year end, the Securities and Exchange Commission of Pakistan (SECP), through its notification dated September, 02 2019 and further clarification to the Company dated September 06, 2019 has exempted application of ECL requirements of IFRS 9 on the financial assets due from the Government of Pakistan as a consequence of circular debt till June 30, 2021.</p> <p>The above adoption of IFRS 9 in the financial statements is considered a Key Audit Matter due to the significance of judgements and estimates involved in the application of the ECL model.</p>	<ul style="list-style-type: none"> <li>• Assessed the appropriateness of forward-looking factors (macro-economic factors) used to determine ECL;</li> <li>• Reviewed and assessed the adequacy of disclosures made in accordance with the requirements of IFRS 9 in the accompanying financial statements; and</li> <li>• Reviewed and assessed the adequacy of the disclosures included in Note 2.2.3 to the accompanying financial statements in respect of exemption granted from the requirements of ECL by SECP.</li> </ul>
<p><b>5. Employee retirement benefits</b></p>	
<p>As discussed in Notes 13 and 22 to the financial statements, the Company operates a number of defined benefit plans for its employees. The Company's net obligation in respect of defined benefit plans as at June 30, 2019 amounted to Rs. 4,756 million (2018: Rs. 5,129 million). In determining the obligation with respect to defined benefit plans, the Company engaged an actuarial expert to perform the actuarial valuation of plan assets and to determine the present value of the defined benefit obligation, which involves use of certain key assumptions including but not limited to discount rates, expected rate of increase in future salaries and medical costs, and mortality rates.</p> <p>Changes in any of these key assumptions can have a material impact on the calculation of these liabilities and amounts reported in these financial statements.</p> <p>We have identified employee retirement benefits as a Key Audit Matter due to the significance of amounts involved, judgments applied by the management and technical expertise required to determine these amounts.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• Understanding the management's valuation process, including the involvement of actuarial expert in performing the actuarial valuation of plan assets and defined benefit obligation;</li> <li>• Assessed the competence and objectivity of the qualified actuary engaged by the management of the Company for the determination of amounts to be reported in the financial statements against the employee retirement benefits in accordance with the requirements of IAS 19 "Employee Benefits";</li> <li>• Read the terms of the engagement between the Company and the actuarial expert engaged by the management to understand the nature, scope and objectives of specialist's work;</li> <li>• Tested completeness and accuracy of the data provided by the Company to its actuary for the purpose of valuation;</li> <li>• Engaged our external specialist to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plans; and</li> <li>• Reviewed and assessed the adequacy of the related disclosures in the Financial Statements in accordance with the requirements of IAS 19.</li> </ul>

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

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

Our opinion on the financial statements does not cover the other information and we will 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. As described in the Basis for Qualified Opinion section above, the Company has adopted and applied IFRS 15 "Revenue from Contracts with Customers" in its financial statements with effect from July 01, 2018, however, the Company did not comply with the requirements of transitional provisions which has been considered a departure from the requirements of the standard. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items as described in the Basis for Qualified Opinion section above.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

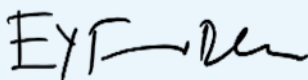
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the period were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

#### **Other Matter**

The financial statements of Sui Northern Gas Pipelines Limited for the year ended June 30, 2018 were audited by another auditor who expressed a qualified opinion on those statements on April 26, 2019 due to disagreement with the management over the revenue recognition under "Take or Pay" arrangements.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sajjad Hussain Gill.



#### **EY Ford Rhodes**

Chartered Accountants

Lahore

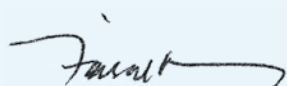
July 24, 2020

# STATEMENT OF FINANCIAL POSITION

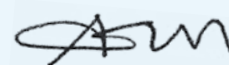
AS AT JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized capital			
1,500,000,000 (2018: 1,500,000,000)			
ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital			
634,216,665 (2018: 634,216,665) ordinary			
shares of Rs 10 each	5	6,342,167	6,342,167
Revenue reserves	6	14,700,046	12,334,514
		21,042,213	18,676,681
<b>Non-Current Liabilities</b>			
Long term financing:			
-Secured	7	39,330,000	50,420,000
-Unsecured	8	303,229	415,232
Security deposits	9	48,578,096	43,782,459
Deferred credit	10	51,390,541	57,854,554
Contract liabilities	11	11,066,804	-
Deferred taxation	12	4,503,422	1,676,766
Employee benefits	13	7,640,091	7,617,333
		162,812,183	161,766,344
<b>Current Liabilities</b>			
Trade and other payables	14	354,171,851	233,679,577
Current portion of contract liabilities	11	263,349	-
Unclaimed dividend		109,039	111,462
Unpaid dividend		731,995	-
Interest / mark-up accrued on loans and other payables	15	50,469,354	31,363,988
Short term borrowing - secured	16	28,486,666	3,986,546
Current portion of long term financing	17	11,294,872	11,572,645
		445,527,126	280,714,218
<b>Contingencies and commitments</b>	18	-	-
		629,381,522	461,157,243

The annexed Notes 1 to 52 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Amer Tufail**  
Managing Director / CEO

	Note	2019 (Rupees in thousand)	2018
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19	200,837,557	190,609,690
Intangible assets	20	185,727	116,432
Long term loans	21	828,757	818,832
Employee benefits	22	2,883,659	2,488,638
Long term deposits and prepayments	23	15,202	24,527
Investments	31	-	4,900
		204,750,902	194,063,019
<b>Current Assets</b>			
Stores and spare parts	24	5,004,896	3,832,525
Stock-in-trade	25	9,007,232	31,404,569
Trade debts	26	157,573,161	66,314,600
Loans and advances	27	2,119,986	1,260,945
Trade deposits and short term prepayments	28	241,025	226,212
Accrued interest		31,798	16,585
Other receivables	29	203,279,967	122,338,162
Contract assets	30	72,758	-
Sales tax recoverable		37,933,065	33,513,780
Income tax receivable		3,209,280	1,111,813
Investments	31	4,900	-
Cash and bank balances	32	6,152,552	7,075,033
		424,630,620	267,094,224
		629,381,522	461,157,243



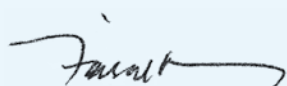
**Roohi Raees Khan**  
Chairperson

# STATEMENT OF PROFIT OR LOSS

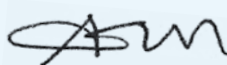
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
Revenue from contracts with customers - Gas sales	33	684,625,881	446,765,837
Add: Differential margin	34	69,912,443	57,016,553
		754,538,324	503,782,390
Less: Cost of gas sales	35	718,742,315	476,785,651
<b>Gross profit</b>		35,796,009	26,996,739
Add: Other operating income	36	18,512,175	14,159,487
		54,308,184	41,156,226
Less: Operating expenses:			
Selling cost	37	5,526,850	5,282,717
Administrative expenses	38	7,306,251	6,965,835
Other operating expenses	39	3,043,140	2,626,118
Expected credit loss		1,505,879	-
		17,382,120	14,874,670
<b>Operating profit</b>		36,926,064	26,281,556
Less: Finance cost	40	25,776,847	10,806,155
<b>Profit before taxation</b>		11,149,217	15,475,401
Taxation	41	4,073,383	4,353,926
<b>Profit for the year</b>		7,075,834	11,121,475
<b>Earnings per share - basic and diluted - (Rupees)</b>	42	11.16	17.54

The annexed Notes 1 to 52 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Amer Tufail**  
Managing Director / CEO



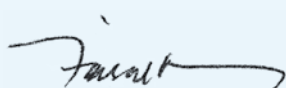
**Roohi Raees Khan**  
Chairperson

# STATEMENT OF COMPREHENSIVE INCOME

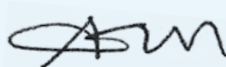
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>Profit for the year</b>		7,075,834	11,121,475
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit plans - net		648,736	2,870,902
Tariff adjustment with respect to remeasurement of IAS-19 by the OGRA	29.1	(648,736)	(419,419)
		-	2,451,483
Tax effect		-	(735,445)
		-	1,716,038
Items to be reclassified to profit or loss in subsequent periods		-	-
<b>Total comprehensive income for the year</b>		7,075,834	12,837,513

The annexed Notes 1 to 52 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Amer Tufail**  
Managing Director / CEO



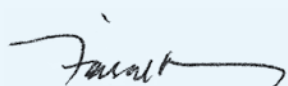
**Roohi Raees Khan**  
Chairperson

# STATEMENT OF CHANGES IN EQUITY

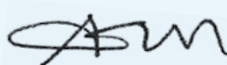
FOR THE YEAR ENDED JUNE 30, 2019

	Share Capital	Revenue Reserves			Total	Total
		General Reserve	Dividend Equalization Reserve	Unappropriated Profit		
(Rupees in thousand)						
<b>Balance as at June 30, 2017</b>	6,342,167	4,127,682	480,000	(354,056)	4,253,626	10,595,793
<b>Transactions with owners, recognized directly in equity:</b>						
Final dividend for the year ended June 30, 2017						
@ Rupees 6.00 per share	-	-	-	(3,805,300)	(3,805,300)	(3,805,300)
Interim cash dividend for the first quarter ended						
September 30, 2017 @ Rupees 1.5 per share	-	-	-	(951,325)	(951,325)	(951,325)
	-	-	-	(4,756,625)	(4,756,625)	(4,756,625)
Profit for the year	-	-	-	11,121,475	11,121,475	11,121,475
Other comprehensive income for the year	-	-	-	1,716,038	1,716,038	1,716,038
<b>Total comprehensive income for the year</b>	-	-	-	12,837,513	12,837,513	12,837,513
<b>Balance as at July 01, 2018 (As reported)</b>	6,342,167	4,127,682	480,000	7,726,832	12,334,514	18,676,681
<b>Effect of adoption of IFRS 9 - Note 2.2.1</b>	-	-	-	(239,075)	(239,075)	(239,075)
<b>Balance as at July 01, 2018 (Restated)</b>	6,342,167	4,127,682	480,000	7,487,757	12,095,439	18,437,606
<b>Transactions with owners, recognized directly in equity:</b>						
Final dividend for the year ended June 30, 2018						
@ Rupees 5.55 per share	-	-	-	(3,519,902)	(3,519,902)	(3,519,902)
Interim cash dividend for the first quarter ended						
September 30, 2018 @ Rupees 1.5 per share	-	-	-	(951,325)	(951,325)	(951,325)
	-	-	-	(4,471,227)	(4,471,227)	(4,471,227)
Profit for the year	-	-	-	7,075,834	7,075,834	7,075,834
Other comprehensive income for the year	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	7,075,834	7,075,834	7,075,834
<b>Balance as at June 30, 2019</b>	6,342,167	4,127,682	480,000	10,092,364	14,700,046	21,042,213

The annexed Notes 1 to 52 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Amer Tufail**  
Managing Director / CEO



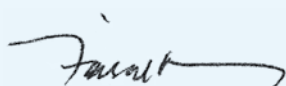
**Roohi Raees Khan**  
Chairperson

# STATEMENT OF CASH FLOWS

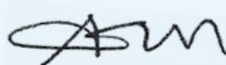
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	43	17,099,375	34,765,892
Finance cost paid		(6,706,085)	(4,960,411)
Taxes paid		(3,246,542)	(628,267)
Employee benefits / contributions paid		(1,323,602)	(8,869,312)
Increase in security deposits		4,795,637	5,215,829
Receipts against Government grants and consumer contributions		6,739,523	14,530,022
Increase in long term loans - net		(28,494)	(450,870)
Decrease / (increase) in long term deposits and prepayments		9,325	(13,138)
<b>Net cash generated from operating activities</b>		17,339,137	39,589,745
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(28,043,325)	(41,825,936)
Expenditure on intangible assets		(163,332)	(95,214)
Proceeds from sale of property, plant and equipment		49,996	43,742
Return on bank deposits		324,650	295,100
<b>Net cash used in investing activities</b>		(27,832,011)	(41,582,308)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing - secured		-	12,150,200
Repayment of long term financing - secured		(11,090,000)	(4,915,000)
Repayment of long term financing - unsecured		(98,072)	(84,146)
Dividend paid		(3,741,655)	(4,718,528)
<b>Net cash (used in) / generated from financing activities</b>		(14,929,727)	2,432,526
<b>Net (decrease) / increase in cash and cash equivalents</b>		(25,422,601)	439,963
<b>Cash and cash equivalents at the beginning of the year</b>		3,088,487	2,648,524
<b>Cash and cash equivalents at the end of the year</b>	43.2	(22,334,114)	3,088,487

The annexed Notes 1 to 52 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Amer Tufail**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 1 THE COMPANY AND ITS OPERATIONS

Sui Northern Gas Pipelines Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) and listed on the Pakistan Stock Exchange Limited. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas. The registered office of the Company is situated at 21 Kashmir Road, Lahore. The Company's pipe coating plant is situated at Uch Sharif, Bahawalpur. The addresses of other regional offices of the Company are as follows:

Region	Address
Abbottabad	Jub Pul. PO Jhangi, Main Manshera Road, Abbottabad.
Bahawalpur	6-A-D, Model Town-A, Bahawalpur.
Faisalabad	Sargodha Road, Faisalabad.
Gujranwala	M.A. Jinnah Road, Gujranwala.
Sialkot	Wahid Road, Malkay Kalan, Off. Marala Road, Sialkot.
Gujrat	State Life Building, 120 and 121, G.T. Road, Gujrat.
Islamabad	Plot No. 28-30, I-9 Industrial Area, Islamabad.
Rawalpindi	Al-Mansha Plaza, Opp. LESCO Office, Main G.T. Road, Rawalpindi.
Lahore (East and West)	21-Industrial Area, Gulberg-III, Lahore.
Multan	Piran Ghaib Road, Multan.
Peshawar	Plot No. 33, Sector B-2M, Hayatabad, Peshawar.
Mardan	Riffat Mehal, Near Mardan Industrial Estate, Main Nowshera Road, Mardan.
Sahiwal	79-A and 79-B, Canal Colony, Sahiwal.
Sargodha	House. No. 15, Muslim Town, Sargodha.
Sheikhupura	Main Sargodha Road, Near Punjab College, Sheikhupura.
Wah	Gudwal Link Road, Wah Cantt.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

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

### 2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements.

#### 2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

The Company has adopted the following accounting standards, amendments and interpretation of IFRSs which became effective for the current year:

**i) IFRS 15 - Revenue from Contracts with Customers**

The Company has adopted IFRS 15 from July 01, 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company has elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognized in the statement of financial position:

Description	Carrying amount as previously reported	Reclassification due to adoption of IFRS 15	IFRS 15 carrying amount
	July 01, 2018		
	(Rupees in thousand)		
Other receivables	122,338,162	(1,438)	122,336,724
Contract assets	-	1,438	1,438
Deferred credit	(57,854,554)	8,348,879	(49,505,675)
Contract liabilities	-	(8,348,879)	(8,348,879)
Trade and other payables	(233,679,577)	75,991	(233,603,586)
Current portion of contract liabilities	-	(75,991)	(75,991)

Description	Carrying amount as previously reported	Reclassification due to adoption of IFRS 15	IFRS 15 carrying amount
	June 30, 2019		
	(Rupees in thousand)		
Other receivables	203,352,725	(72,758)	203,279,967
Contract assets	-	72,758	72,758
Deferred credit	(62,457,345)	11,066,804	(51,390,541)
Contract liabilities	-	(11,066,804)	(11,066,804)
Trade and other payables	(354,435,200)	263,349	(354,171,851)
Current portion of contract liabilities	-	(263,349)	(263,349)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The core business of the Company is transmission and sale of gas and is the only performance obligation towards its customers based on the contracts with customers.

The adoption of IFRS 15 did not have a material impact on amounts reported in the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and earnings per share for the prior period as there is no significant change in the Company's revenue recognition criteria as compared to those under the previous standards or related interpretations.

The Company has recognized contract liabilities due to adoption of IFRS 15 on July 01, 2018, which represents contribution received from the customers towards the cost of supplying and laying transmission, service and main lines. Prior to year ended June 30, 2010, these contributions were treated as Deferred Credit and were being amortized as income over the useful lives of the related assets. From the year ended June 30, 2010, these contributions are being recognized in the income on immediate basis (upon completion and commissioning of the project) based upon the management's interpretation of International Financial Reporting Interpretation Committee (IFRIC) – 18 "Transfers of assets from customers" which was effective from the same year. However, the similar contributions from customers in respect of the additional pipelines laid and commissioned prior to the year ended June 30, 2010 are being amortized over 16 years (i.e. the useful lives of the assets).

From July 01, 2018, as per the requirements of the IFRS 15, these contributions are being amortized over the useful lives of the related assets as laying of the pipelines is not a distinct performance obligation, instead is considered a part of the Company's only performance obligation to deliver gas to the customers. The Company has not adjusted the amounts reported in prior years as the Company considers that contracts for which the revenue has already been recognized under IFRIC 18 are considered complete under the transitional provisions of IFRS 15 read with IFRIC 18.

## ii) **IFRS 9 - Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The application of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The accounting for the Company's financial liabilities remains substantially the same as it was under IAS 39. The Company applied IFRS 9 using modified retrospective approach and hence has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in opening balance of retained earnings as follows:

Description	Carrying amount reported under IAS 39	Adjustment for ECL due to adoption of IFRS 9	Carrying amount reported under IFRS 9
	July 01, 2018		
(Rupees in thousand)			
Trade debts	66,314,600	(336,726)	65,977,874
Deferred taxation	(1,676,766)	97,651	(1,579,115)
Unappropriated profit	(7,726,832)	239,075	(7,487,757)

Description	Carrying amount reported under IAS 39	Adjustment for ECL due to adoption of IFRS 9	Carrying amount reported under IFRS 9
	June 30, 2019		
(Rupees in thousand)			
Trade debts	158,327,786	(754,625)	157,573,161
Deferred taxation	(4,722,263)	218,841	(4,503,422)
Differential margin	184,958,250	417,899	185,376,149
Unappropriated profit	(10,210,249)	117,885	(10,092,364)

#### Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application i.e. July 01, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of respective assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following reclassifications as at July 01, 2018:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Description	Reported amounts	IFRS 9 measurement category		
		FVTPL	Amortized cost	FVOCI
		As at July 01, 2018		
(Rupees in thousand)				
<b>IAS 39 measurement category</b>				
<b>Assets</b>				
<b>Loans and receivables</b>				
Loans and advances	1,618,231	-	1,618,231	-
Trade deposits	128,603	-	128,603	-
Trade debts*	66,314,600	-	65,977,874	-
Interest accrued	16,585	-	16,585	-
Other receivables	161,645	-	161,645	-
<b>Held-to-maturity</b>				
Unquoted equity investment	4,900	4,900	-	-
	68,244,564	4,900	67,902,938	-
<b>Liabilities</b>				
<b>Amortized cost</b>				
Long term financing	62,407,877	-	62,407,877	-
Security deposit	43,782,459	-	43,782,459	-
Accrued mark-up	31,363,988	-	31,363,988	-
Short term borrowings	3,986,546	-	3,986,546	-
Unclaimed dividend	111,462	-	111,462	-
Trade and other payables	219,256,484	-	219,256,484	-
	360,908,816	-	360,908,816	-

Description	Reported amounts	IFRS 9 measurement category		
		FVTPL	Amortized cost	FVOCI
		As at June 30, 2019		
(Rupees in thousand)				
<b>IAS 39 measurement category</b>				
<b>Assets</b>				
<b>Loans and receivables</b>				
Loans and advances	2,723,314	-	2,723,314	-
Trade deposits	146,886	-	146,886	-
Trade debts	157,573,161	-	157,573,161	-
Interest accrued	31,798	-	31,798	-
Other receivables	126,657	-	126,657	-
<b>Available for sale</b>				
Unquoted equity investment	4,900	4,900	-	-
	160,606,716	4,900	160,601,816	-

Description	Reported amounts	IFRS 9 measurement category		
		FVTPL	Amortized cost	FVOCI
		As at June 30, 2019 (Rupees in thousand)		
<b>IAS 39 measurement category</b>				
<b>Liabilities</b>				
<b>Amortized cost</b>				
Long term financing	50,928,101	-	50,928,101	-
Security deposit	48,578,096	-	48,578,096	-
Accrued mark-up	50,469,354	-	50,469,354	-
Short term borrowings	28,486,666	-	28,486,666	-
Unpaid dividend	731,995	-	731,995	-
Unclaimed dividend	109,039	-	109,039	-
Trade and other payables	348,397,390	-	348,397,390	-
	527,700,641	-	527,700,641	-

\*The change in carrying amount is a result of additional impairment allowance as reflected in the opening balance of retained earnings.

### Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Company recognized additional impairment on the Company's trade debts amounting to Rs. 336.726 million which resulted a decrease in retained earnings of Rs 239.075 million as at July 01, 2018 after taking into account the respective taxation impact as shown above.

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Company:

- IFRS 16 'Leases' (effective for annual period beginning on or after January 01, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Upon adoption, this standard will have a significant impact on the Company's accounting treatment of leased hold office premises and gas transmission pipelines under rental agreements. The Company is currently using the

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

- exemption allowed by the SECP vide its Circular No. 24/2012 dated January 16, 2012 for the application of IFRIC 4 with respect to two gas transmission pipelines under rental agreements. However, the same exemption is not available for the application of IFRS 16. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of this standard.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are not likely to have any significant impact on Company's financial statements.
  - Amendments to IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after January 01, 2019 and January 01, 2020) on prepayment features with negative compensation and Interest Rate Benchmark Reform. The amendments on prepayment features with negative compensation allow companies to measure particular prepayable financial assets with so called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss. Whereas, the other amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments also modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are not likely to have any significant impact on Company's financial statements.
  - IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently assessing the requirements of IFRIC 23 to analyze its implications, if any, on the financial statements.
  - Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS. The amendments are not likely to have any significant impact on Company's financial statements.
  - Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 01, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have any significant impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 01, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have any significant impact on Company's financial statements.
- IFRS 14 'Regulatory Deferral Accounts' (effective for annual period beginning on or after July 01, 2019). IFRS 14 is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with similar entities that already apply IFRS, but which do not recognize regulatory deferral accounts. This would be achieved by requiring separate presentation of the regulatory deferral account balances (and movements in these balances) in the statement of financial position, statement of profit or loss and statement of comprehensive income. It allows (but does not require) an entity whose activities are subject to rate regulation to continue applying most of its existing accounting policies for regulatory deferral account balances upon first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Entities that adopt this standard must present the regulatory deferral accounts as separate line items in the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. Further, the standard also requires to disclose multiple earnings per share. The Company is currently in the process of assessing the possible impact due to application of this standard on the Company's financial statements for the year ended June 30, 2020.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Annual Improvements to IFRS 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have any significant impact on Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Other than the aforesaid standards, interpretations and amendments, the IASB has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2019:

IFRS 1 – First Time Adoption of International Financial Reporting Standards; and  
IFRS 17 – Insurance Contracts.

## 2.2.3 Exemptions from applicability of certain standards and interpretations to standards

- IFRS 2 (amendment) - 'Share-based payment-Group Cash-settled Share-base Payment Transactions' effective for annual period beginning on or after January 01, 2010.

The IASB amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

On August 14, 2009, the Government of Pakistan (GOP) launched "Benazir Employee Stock Option Scheme" (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The scheme provides for cash payments to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GOP shall transfer 12% of its investments in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GOP. The Scheme developed in compliance with the stated GOP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme vide S.R.O 587(I)/2011 dated June 07, 2011.

Had the exemption not been granted, the staff costs of the Company for the year would have been lower by Rs 728,913 thousand (2018: lower by Rs 1,155,160 thousand) and reserves would have been higher by Rs 1,648,298 thousand (2018: higher by Rs 2,377,211 thousand). However, there will be no impact on profit after taxation, EPS and retained earning as Company's management believes that this impact is a pass through item which will be eventually adjusted against gas development surcharge or differential margin as explained in Note 4.19 to these financial statements.

- IFRIC 4 - 'Determining whether an Arrangement contains a Lease'. International Financial Reporting Interpretation Committee (IFRIC) of the IASB issued IFRIC 4 which requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC 4, if an arrangement conveys a right to use the asset to lessee and the fulfillment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

The SECP vide its Circular No. 24/2012 dated January 16, 2012 has exempted the application of IFRIC 4 'Determining whether an Arrangement contains a Lease' for all companies. However, the SECP made it mandatory for the companies to disclose the impacts of the application of IFRIC 4 on the results of the companies. Consequently, the Company has also been exempted from the application of IFRIC 4 while preparing its financial statements.

The Company reviewed various pipeline rental agreements executed in previous years and has determined that two pipeline rental agreements relating to certain gas transmission pipelines contain embedded leases and are to be recognized as leases in terms of IFRIC 4 and IAS 17 'Leases'.

Under IFRIC 4, the consideration required to be made by the lessee i.e. Sui Northern Gas Pipelines Limited for the right to use the assets is to be accounted for as a finance lease under IAS 17. If the Company was to follow IFRIC 4 and IAS 17, the effects on the financial statements would have been as follows:

	2019	2018
	(Rupees in thousand)	
<b>Effect on statement of profit or loss:</b>		
Decrease / (Increase) in:		
<b>Cost of sales</b>		
Transportation charges		
- Sui Southern Gas Company Limited (SSGCL)	251,820	244,853
<b>Operating expenses</b>		
Depreciation	(150,984)	(150,984)
<b>Finance cost</b>		
Finance cost - leased assets	(204,134)	(229,665)
<b>Effect on statement of financial position</b>		
Increase in:		
Written down value of operating assets	-	150,984
<b>Obligation under finance lease</b>		
Long term portion	(1,037,644)	(1,210,189)
Short term portion	(172,545)	(147,480)

- IFRS 9 - Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after July 01, 2018. The application of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach as more fully explained in Note 2.2.1 (ii) to these financial statements.

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 985 (I)/2019 dated September 02, 2019 and further clarification vide its letter No. EMD/233/414/2002 dated September 13, 2019 to the Company has exempted the application of IFRS 9 with respect to recognition requirements of

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Expected Credit Losses on financial assets due from Government of Pakistan or ultimately due from the Government of Pakistan (including receivables in context of circular debt) till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39, in respect of such financial assets.

Consequently, the Company has also been exempted from the application of IFRS 9 with respect to Expected Credit Losses method on financial assets due from Government of Pakistan, while preparing its financial statements. Accordingly, there is no ECL recorded on the financial assets due from the GOP in these financial statements.

## 3 BASIS OF MEASUREMENT

### 3.1 Presentation and functional currency

The financial statements are presented in Pak Rupees, which is also the Company's functional and presentation currency.

### 3.2 Significant accounting estimates

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The Company's significant accounting policies are stated in Note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies, management considers critical because of their complexity, judgment or estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- i) Employee benefits - Note 4.5, 13.7 and 22.7
- ii) Provision for taxation - Note 4.4 and 41
- iii) Useful life and residual values of property, plant and equipment - Note 4.8 and 19.1
- iv) Impairment of financial assets - Note 4.18, 26 and 30
- v) Impairment of non-financial assets - Note 4.8, 4.9, 19 and 20
- vi) Differential margin - recognition of disallowances determined by the OGRA - Note 4.19, 4.20 and 34.

#### i) Employee benefits

The Company operates various defined benefit plans for its executive and non executive employees and recognizes deferred liabilities in respect of pension, gratuity, medical, free gas facility and accumulated compensated absences. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and pension benefit levels, medical benefit rate and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually. Calculations are sensitive to changes in the underlying assumptions. The valuation is based on assumptions as mentioned in Note 4.5, 13.7 and 22.7.

#### ii) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and tax credits to the extent that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The recoverability of deferred tax assets are analyzed at each reporting period end and adjusted if considered necessary with a corresponding effect on deferred tax charge / income for the period.

**iii) Useful life and residual values of property, plant and equipment**

The Company reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

**iv) Impairment of financial assets**

The Company recognizes an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss, excluding financial assets due from Government of Pakistan due to exemption granted by SECP as more fully explained in Note 2.2.3 above. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company measures the expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured for the maximum contractual period over which the entity is exposed to credit risk. The significant estimates relating to the measurement of ECL relate to the fair value of the collaterals in place, the expected timing of the collection and forward looking economic factors.

For trade receivables and contract assets, the Company has applied simplified approach in calculating ECLs adjusted for forward-looking factors specific to the debtors and the economic environment.

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on Probability of Default (PDs), Exposure At Default (EADs) and Loss Given Default (LGDs).

The Company considers a financial asset in default when contractual payments are significantly past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company also reviews the recoverability of its trade debts, advances and other receivables that are due from GOP to assess amount of bad debts and provision required their against on annual basis. As referred in Note 2.2.3 to these financial statements, the SECP has exempted application of the requirements of ECL on financial assets due directly / ultimately from GOP, provided that the Company is following the requirements of IAS 39 "Financial Instruments: Recognition and Measurement", in respect of these financial assets.

## v) **Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **4.1 Borrowings**

Borrowings are recognized initially at fair value (proceeds received), net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount unpaid.

### **4.2 Deferred credit**

Deferred credit represents the amount received from the Government as grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life.

### **4.3 Contract liabilities**

As explained in Note 2.2.1 to these financial statements, the Company has applied IFRS 15 from July 01, 2018 and accordingly, has recognized contract assets and liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. Contract liabilities include the amount received from the customers as contribution towards the cost of supplying and laying transmission, service and main lines. Revenue recognition against such contract liabilities commences upon capitalization of the related asset and is amortized over its useful life.

### **4.4 Taxation**

Taxation for the year comprises current and deferred tax. Taxation is recognized in profit or loss except to the extent that it relates to items recognized outside profit or loss (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit or loss.

#### **Current**

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for income taxation. The charge for current tax is calculated using prevailing current tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

#### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences whereas deferred tax assets are recognized for deductible temporary differences,

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except where deferred tax arises on the items credited or charged to equity in which case it is included in equity.

## **4.5 Employee retirement benefits**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company. The main features of the schemes operated by the Company for its employees are as follows:

### **4.5.1 Defined benefit plans**

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The most recent valuations were carried out as on June 30, 2019 using the projected unit credit method. Significant assumptions used for valuation of these schemes are mentioned in Note 13.7. The future contribution rates of these funds include allowance for deficit and surplus.

#### **4.5.1.1 Pension and gratuity funds**

The Company operates an approved funded pension scheme and an approved funded gratuity scheme for executives and non-executives. In case of gratuity scheme, qualifying service period for executives and non-executives is five years and six years, respectively. Contributions to the schemes are payable on the recommendations of the actuary. The future contribution rates of these schemes include allowance for deficit and surplus.

An executive who qualifies for pension at the time of retirement from the Company and does not surrender his pension, shall be entitled to gratuity at the rate of 20 days basic salary for each completed year of service. An executive who qualifies for pension at the time of retirement from the Company and surrenders his pension, shall be entitled to gratuity at the rate of 50 days basic salary for each completed year of service. Significant assumptions used for valuation of these schemes are mentioned in Note 13.7 and 22.7.

#### **4.5.1.2 Medical and free gas facility schemes**

The Company provides free gas facility to non-executives and medical facility to all employees and their dependents after their retirement. However, all executives retired up to December 31, 2000 are also entitled to avail free gas facility. Significant assumptions used for valuation of these schemes are mentioned in Note 13.7 and 22.7.

#### **4.5.1.3 Accumulating compensated absences**

The Company provides annually for the expected cost of accumulating compensated absences and leave fare assistances on the basis of actuarial valuations. However, executives of the Company were not entitled to avail leave fare assistance after December 31, 2000.

Executives and non-executives of the Company are entitled to accumulate the unutilized privilege leaves up to 60 and 90 days, respectively. Such accumulation is encashable only at the time of retirement or leaving the service of the Company.

### **4.5.2 Defined contribution plan**

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund. The rate of the contribution is 7.5% (2018: 7.5%) for the executives and 10% (2018: 10%) for the non-executive employees.

#### **4.6 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities as the payment is due within one year or less (or in the normal operating cycle of the business, if longer).

Trade payables and other costs payable are initially recognized at cost which is the fair value of the consideration to be paid in future for goods and / or services, whether or not billed to the Company and subsequently measured at amortized cost using the effective interest method.

#### **4.7 Provisions**

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

#### **4.8 Property, plant and equipment**

##### **Cost**

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold and leasehold land are stated at cost less impairment loss, if any. Capital work-in-progress is stated at cost less impairment loss, if any. Cost in relation to certain assets signifies historical cost and borrowing cost referred to in Note 4.10.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged as expense during the period in which they are incurred.

##### **Depreciation**

Depreciation is charged to the statement of profit or loss on straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 19.1 to these financial statements. Depreciation on additions is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

The assets' residual value and estimated useful lives are reviewed at each financial year and adjusted if impact on depreciation is significant. The Company's estimate of the residual value and useful lives of its operating assets as at June 30, 2019 has not required any adjustment as its impact is considered insignificant by the management.

##### **Derecognition**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Pipelines uplifted during the year are derecognized from operating fixed assets. 60% to 65% of the written down value of the uplifted pipelines representing cost of pipelines and fittings is transferred to capital work-in-progress after considering their reuse capability. The balance of the written down value representing construction overheads is charged to the statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 4.9 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization at the rates given in Note 20 and impairment loss, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

## 4.10 Borrowing cost

Mark-up, interest, profit and other charges on long term financing are capitalized for the period up to the date of commissioning of the respective assets acquired out of the proceeds of such borrowings considering the requirements of IAS 23. All other mark-up, interest, profit and other charges are charged to the statement of profit or loss during the year.

## 4.11 Stores and spare parts

These are valued at monthly moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon till the reporting date. The Company reviews stores and spare parts for possible impairment on an annual basis and provision is made for obsolescence, based on management's best estimate.

## 4.12 Stock-in-trade

Stock of gas is valued at the lower of cost determined on annual average cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

## 4.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount. Trade debts are amount receivable from customer for goods transferred or services performed in the ordinary course of business. Other receivables generally arise from the transactions outside the usual operating activities of the Company. The Company recognizes impairment against these receivable balances using Expected Credit Loss model as explained in Note 3.2 (iv). Debts considered irrecoverable are written off.

## 4.14 Contract assets

As explained in Note 2.2.1 to these financial statements, the Company has applied IFRS 15 from July 01, 2018 and accordingly, has recognized contract assets and liabilities. Contract asset is the right to consideration in exchange for goods or services that the Company has transferred to a customer, when that right is conditioned on something other than the passage of time, e.g. the entity's future performance. The Company recognizes impairment against these contract assets using Expected Credit Loss model as explained in Note 3.2 (iv). Amounts considered irrecoverable are written off.

## 4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash equivalents comprise of cash in hand, cash at banks in current, saving and deposit accounts, other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values and short term finances under mark-up arrangements. Finances under mark-up arrangements are included in current liabilities on the statement of financial position.

#### 4.16 Revenue recognition

The Company recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the performance obligations for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue comprises the fair value of the consideration received or receivable from contracts with customer in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured and it is highly probable that a significant reversal in the amount of income recognized will not occur and specific criteria has been met for each of the Company's activities as described below:

- i) Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates notified by the Oil and Gas Regulatory Authority (OGRA). Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end. The revenue for the Company is recognized on point in time basis as the management has determined that there is a single performance obligation i.e. supply of gas.
- ii) Meter rentals are recognized on a monthly basis, at specified rates by the OGRA for various categories of consumers. All the revenue for the Company in this category, is recognized on over the time basis as the Company has determined that there is a single performance obligation i.e. availability of meters to the customers.
- iii) Late payment surcharge on gas sales arrears is calculated from the date the billed amount is overdue and recognized when it is probable that economic benefits will flow to the entity. All the revenue for the Company in this category, is recognized on over the time basis.
- iv) Take or Pay income is recognized when the consumers are unable to consume the committed volume of gas by the agreed date as per the terms of Gas Supply Agreement (GSA) with the consumer. All the revenue for the Company in this category, is recognized on point in time basis.
- v) Income on the construction contracts is recognized over time by reference to the progress towards satisfaction of the relevant performance obligation. The Company uses cost based input method to determine the inflow of economic benefits. Revenue for the Company in this category, is recognized on over the time basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

- vi) Income on the urgent fee is recognized when the connection has been installed. Revenue for the Company in this category, is recognized on point in time basis.

## 4.17 Foreign currency transactions

Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency using rate of exchange prevailing at the reporting date. All differences are taken to the statement of profit or loss. All non-monetary items are translated into rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined.

## 4.18 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through statement of profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized in trade date, i.e. the date that the Company commits to purchase or sell the asset.

#### ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

*Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost majorly includes trade debts, loans and advances, trade deposits, interest accrued and other receivables.

*Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets for which it has elected to classify irrevocably under this category.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Company has classified its investment previously classified as held to maturity investment under this category.

## iii) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## iv) **Impairment**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as explained in Note 3.2 (iv) to these financial statements, excluding financial assets due from Government of Pakistan due to exemption granted by the SECP as more fully explained in Note 2.2.3 to these financial statements.

## v) **Return on bank deposits**

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return. All the revenue for the Company in this category, is recognized on over the time basis.

## **Financial liabilities**

### i) **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities majorly include trade and other payables, loans and borrowings including bank overdrafts.

## ii) **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at fair value through profit or loss.

### *Financial liabilities at amortized cost (loans and borrowings)*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

All of the Company's financial liabilities are measured under this category.

## iii) **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## 4.19 Gas development surcharge / Differential margin

Under the provisions of license for transmission and distribution of natural gas granted to the Company by the OGRA, the Company is required to earn an annual return of not less than the rate of return calculated using Weighted Average Cost of Capital (WACC) (2018: fixed rate of 17.50% per annum) on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income and before incorporating the effect of efficiency benchmarks prescribed by the OGRA. Any deficit or surplus on account of this is recoverable from or payable to the Government of Pakistan as differential margin or gas development surcharge.

## 4.20 RLNG differential margin and gas swapping deferral account

As per the policy guideline issued by the Economic Coordination Committee of the Cabinet (ECC) on pricing of RLNG, the Company is allowed to earn an annual return as a percentage of the value of its average fixed assets in RLNG operation, to be determined by the OGRA. Any deficit or surplus on account of this is recoverable from or payable to the RLNG consumers through adjustment in future RLNG prices. The surplus or the shortfall, if any, are included in "trade and other payables" or "other receivables" respectively with the corresponding charge or credit respectively, recognized in the statement of profit or loss.

Moreover, a gas swapping mechanism was allowed by the ECC and endorsed by the OGRA vide Final Revenue Requirement decision of the Company for financial year 2017-18, for swapping of natural gas and RLNG for the purpose of gas load management. The difference of average cost of RLNG and the average sale price of system gas (2018: prescribed price of system gas) (used by the OGRA in determination of deferral account) of the swapped volumes is recognized as an adjustment to the Cost of Sales with the corresponding credit or debit balance being included in "trade and other payables" or "other receivables" as the case may be.

## 4.21 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## 5 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2019 (Number of shares)	2018		2019 (Rupees in thousand)	2018
		Ordinary shares of Rs 10 each		
121,146,000	121,146,000	issued as fully paid for cash	1,211,460	1,211,460
		Ordinary shares of Rs 10 each		
		issued as fully paid for		
3,329,000	3,329,000	consideration other than cash	33,290	33,290
		Ordinary shares of Rs 10 each		
509,741,665	509,741,665	issued as fully paid bonus shares	5,097,417	5,097,417
634,216,665	634,216,665		6,342,167	6,342,167

5.1 Ordinary shares of the Company held by associated undertaking by virtue of common directorship are as follows:

	Note	2019 (Number of shares)	2018
Sui Southern Gas Company Limited		2,414,174	2,414,174
Adamjee Life Assurance Company Limited		3,291,100	-
National Investment Trust Limited		28,762,847	-
		34,468,121	2,414,174

	Note	2019 (Rupees in thousand)	2018
<b>6 REVENUE RESERVES</b>			
General reserve		4,127,682	4,127,682
Dividend equalization reserve		480,000	480,000
Unappropriated profit		10,092,364	7,726,832
		14,700,046	12,334,514
<b>7 LONG TERM FINANCING - SECURED</b>			
Local currency - Syndicate term finance:			
Syndicate term finance I	7.1.1	7,020,000	9,360,000
Syndicate term finance II	7.1.2	24,686,460	28,213,097
		31,706,460	37,573,097
Islamic mode of financing:			
Islamic finance under Musharaka arrangement	7.2.1	1,375,000	2,750,000
Islamic finance under Musharaka arrangement for LNG Project Phase I	7.2.2	3,600,000	4,800,000
Islamic finance under lease arrangement for LNG Project Phase II	7.2.3	12,938,540	14,786,903
Islamic finance under Musharaka arrangement	7.2.4	800,000	1,600,000
		18,713,540	23,936,903
Current portion shown under current liabilities	17	(11,090,000)	(11,090,000)
		39,330,000	50,420,000

#### 7.1 Local currency - Syndicate term finance

##### 7.1.1 Syndicate term finance I

Lender	Mark-up rate	No. of installments	Repayment commencement date	Maturity date
Syndicate of banks	Six month KIBOR + 0.70% per annum	10 half yearly installments	November 19, 2017	May 19, 2022

This loan of Rs 11,700,000 thousand has been obtained from a syndicate of banks (with Bank Alfalah acting as the Agent and United Bank Limited acting as the Security Trustee) and is secured by a first pari passu charge created by way of hypothecation over all present and future movable fixed assets of the Company (excluding land and building)

# NOTES TO THE FINANCIAL STATEMENTS

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to the extent of Rs 15,600,000 thousand (2018: Rs 15,600,000 thousand). The effective mark-up charged during the year ranges from 7.21% to 12.77% per annum (2018: 7% to 7.21% per annum).

## 7.1.2 Syndicate term finance II

Lender	Mark-up rate	No. of installments	Repayment commencement date	Maturity date
Syndicate of banks	Six month KIBOR + 1.10% per annum	16 half yearly installments	December 8, 2018	June 8, 2026

This loan of Rs 28,213,097 thousand has been obtained from a syndicate of banks (with Habib Bank Limited acting as the Agent) and is secured by a first pari passu charge created by way of hypothecation over all present and future movable fixed Regassified Liquefied Natural Gas (RLNG) assets of the Company to the extent of Rs 35,870,000 thousand (2018: Rs 35,870,000 thousand) relating to the project and a sovereign guarantee of the Government of Pakistan. The effective mark-up charged during the year ranges from 8.04 % to 14.13% (2018: 7.26% to 8.03% per annum).

## 7.2 Arrangements under Islamic financing

Lender	Note	Mark-up rate	No. of installments	Repayment commencement date	Maturity date
Syndicate of banks	7.2.1	Six month KIBOR+ 0.55% per annum	8 half yearly installments	December 30, 2016	June 30, 2020
Syndicate of banks	7.2.2	Six month KIBOR + 0.70% per annum	10 half yearly installments	November 19, 2017	May 19, 2022
Syndicate of banks	7.2.3	Six month KIBOR + 1.10% per annum	16 half yearly installments	December 8, 2018	June 8, 2026
Allied Bank Limited	7.2.4	Six month KIBOR - 0.12% per annum	4 half yearly installments	March 28, 2019	September 28, 2019

**7.2.1** This loan of Rs 5,500,000 thousand has been obtained from a syndicate of banks (with Al Baraka Bank acting as the Investment Agent) and is secured by a first pari passu charge created by way of hypothecation over movable fixed assets of the Company (excluding land and building) to the extent of Rs 7,333,333 thousand (2018: Rs 7,333,333 thousand). The effective mark-up charged during the year ranges from 7.59% to 13.66% per annum (2018: 6.69% to 7.59% per annum).

**7.2.2** This loan of Rs 6,000,000 thousand has been obtained from a syndicate of banks (with Bank Alfalah acting as the Investment Agent) and is secured by a first pari passu charge created by way of hypothecation over movable fixed assets of the Company (excluding land and building) to the extent of Rs 8,000,000 thousand (2018: Rs 8,000,000 thousand), as given in Note 19.1.4. The effective mark-up charged during the year ranges from 7.21% to 12.77% per annum (2018: 7% to 7.21% per annum).

**7.2.3** This loan of Rs 14,786,903 thousand has been obtained from a syndicate of banks (with Habib Bank Limited acting as the Agent) and is secured by a first pari passu charge created by way of hypothecation over all present and future movable fixed RLNG assets of the Company to the extent of Rs 18,800,000 thousand (2018: Rs 18,800,000 thousand) relating to the project and the sovereign guarantee of Government of Pakistan. The effective mark-up charged during the year ranges from 8.04% to 14.13% per annum (2018: 7.26% to 8.03% per annum).

**7.2.4** This loan of Rs 1,600,000 thousand has been obtained from Allied Bank Limited and is secured by a first pari passu charge created by way of hypothecation over all present and future movable fixed assets of the Company (excluding RLNG assets) to the extent of Rs 3,094,667 thousand (2018: Rs 3,094,667) as given in Note 19.1.5. The effective mark-up charged during the year ranges from 6.44% to 10.89% per annum (2018: 6.05% to 6.44% per annum). The 4 half yearly installments include the interest payments only for the first two installments.

	Note	2019 (Rupees in thousand)	2018
<b>8</b>	<b>LONG TERM FINANCING - UNSECURED</b>		
Local currency loans	8.1	508,101	897,877
Current portion shown under current liabilities	17	(204,872)	(482,645)
		303,229	415,232
<b>8.1</b>	<b>Local currency loans</b>		
From Government - development loans	8.1.1	362,744	730,457
From industrial consumers	8.1.2	145,357	167,420
		508,101	897,877

**8.1.1** These have been obtained from the Provincial Governments of Punjab and Khyber Pakhtunkhwa (KPK) for supply of gas to new towns. Loans aggregating to Rs 233,600 thousand (2018: Rs 533,028 thousand) carry mark-up at the rate of 5% (2018: 5%) per annum and Rs 129,144 thousand (2018: Rs 197,429 thousand) carry mark-up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2018: six month SBP treasury bills plus 1.2%) on the outstanding balance or part thereof. The amortized cost of loans from Provincial Governments has been computed by discounting future cash flows using Pakistan Investment Bonds (PIBs) rate prevailing at the time of initial recognition of respective loans.

**8.1.2** These have been obtained from certain industrial consumers for laying of gas pipelines and carry mark-up at the rate of 1.5% (2018: 1.5%) per annum on the outstanding balance or part thereof and are repayable over a period of 10 years with a grace period of 2 years. Loans from industrial consumers are computed as present value of all future cash flows discounted using 1.1% (2018: 1.1%) above State Bank of Pakistan's cut off yield rates prevailing at the time of initial recognition of these loans.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	%	

## 8.1.3 The effective interest rates are as follows:

From Government - development loans	9.80 to 14.47	9.80 to 14.47
From industrial consumers	6.55 to 14.24	6.55 to 14.24

	Note	2019 (Rupees in thousand)	2018
<b>9 SECURITY DEPOSITS</b>			
Consumers	9.1 & 9.2	48,429,798	43,637,181
Contractors - Housetline	9.3	148,298	145,278
	9.4	48,578,096	43,782,459

- 9.1** Consumers' deposits represent security received against amount due from consumers on account of gas sales. These are repayable on cancellation of contract for supply of gas or on submission of bank guarantee / standby letter of credit in lieu of security deposits and are adjustable against the unrecovered trade debts from respective consumers. Interest is payable at the rate of KIBOR minus 3% (2018: KIBOR minus 3%) per annum on deposits from all consumers, other than domestic, which aggregate to Rs 25,673,715 thousand (2018: Rs 22,849,178 thousand). However, for one consumer with a deposit of Rs 1,091,995 thousand (2018: Rs 1,091,995 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2018: 3 months SBP treasury bills cut off rate subject to a floor of 7%) per annum.

	2019 (Rupees in thousand)	2018
<b>9.2 These include security deposits from following related parties:</b>		
Fauji Fertilizer Company Limited	12,366	12,366
State Life Insurance Corporation of Pakistan	877	820
Oil and Gas Development Company Limited	7	7
Sheikh CNG	1,514	1,514
City CNG	2,844	2,844
	17,608	17,551

- 9.3** No interest is payable on the deposits from houseline contractors. These are refundable on cancellation of contract or dealership agreement.

- 9.4** These security deposits are being utilized for the purpose of business in accordance with the terms of contract with consumers and contractors and accordingly, have not been kept in a separate bank account.

	Note	2019 (Rupees in thousand)	2018
<b>10 DEFERRED CREDIT</b>			
Consumer contribution against:			
- Completed jobs		-	26,369,931
- Jobs-in-progress		-	4,309,005
		-	30,678,936
Less: Accumulated amortization:			
Opening balance		-	20,029,105
Loan from Provincial Government - initial recognition		-	-
Amortization for the year		-	2,300,952
		-	22,330,057
	11.1.1	-	8,348,879
Government grants against:			
- Completed jobs		29,618,336	27,324,879
- Jobs-in-progress		32,402,672	31,092,948
		62,021,008	58,417,827
Less: Accumulated amortization:			
Opening balance		8,912,152	7,369,482
Loan from Provincial Government - initial recognition		35,682	6,113
Amortization for the year	36	1,682,633	1,536,557
		10,630,467	8,912,152
		51,390,541	49,505,675
		51,390,541	57,854,554
<b>11 CONTRACT LIABILITIES</b>			
Consumer contribution	11.1	11,066,804	-
Due to customers against construction contracts	11.2	6,563	-
Advances from customers against gas bills and new connections	11.2	256,786	-
	11.3	11,330,153	-
<b>11.1 Consumer contribution against:</b>			
- Completed jobs		29,581,569	-
- Jobs-in-progress		4,549,923	-
		34,131,492	-
Less: Accumulated amortization:			
Opening balance		22,330,057	-
Amortization for the year	36	734,631	-
		23,064,688	-
	11.1.1	11,066,804	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>11.1.1 Movement of consumer contribution</b>			
Balance as at June 30, 2018		-	-
Effect of adoption of IFRS 15 - transferred from deferred credit		8,348,879	-
Balance as at July 01, 2018		8,348,879	-
Addition during the year		3,452,556	-
Amortization for the year		(734,631)	-
	11.1.2	11,066,804	-

- 11.1.2** As explained in Note 2.2.1 (i) to these financial statements, after the first time adoption of IFRS 15 in Pakistan, the Company has applied the provisions of IFRS 15 "Revenue from Contract with Customers" for the first time in its financial statements and accordingly, has recognized the contract liabilities in respect of the amount received from the customers as contribution towards the cost of supplying and laying transmission, service and main lines. These contributions were being treated as deferred credit previously under IFRIC 18 from the year ended June 30, 2010 to June 30, 2018 and the revenue was being recognized when the lines were laid and commissioned based on the management's judgment under IFRIC 18.

The Company has not adjusted the amounts reported in prior years as the Company considers that contracts for which the revenue has already been recognized under IFRIC 18 are considered complete under the transitional provisions of IFRS 15 read with IFRIC 18.

- 11.2** This includes amounts due to customers against construction contracts and advances from customers against gas bills and new connections as transferred from trade and other payables as at July 01, 2018, due to adoption of IFRS 15.

	2019 (Rupees in thousand)	2018
<b>11.3 Current portion</b>	263,349	-
<b>Non-current portion</b>	11,066,804	-

	Note	2019 (Rupees in thousand)	2018
<b>12 DEFERRED TAXATION</b>			
The deferred taxation liability comprises timing differences relating to:			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation		20,208,024	17,445,752
<b>Deductible temporary differences</b>			
Expected credit losses / provision for doubtful debts		(6,722,534)	(5,334,636)
Unpaid trading liabilities		(7,078,476)	(4,987,507)
Carried forward tax losses		-	(2,622,747)
Minimum and alternate corporate tax available for carry forward		(1,847,384)	(2,780,309)
Unamortized balance of employee loans at fair value		(56,208)	(43,787)
		(15,704,602)	(15,768,986)
		4,503,422	1,676,766
The gross movement in net deferred tax liability during the year is as follows:			
Opening balance		1,676,766	(1,310,341)
Tax impact due to adoption of IFRS 9 directly recognized in retained earnings		(97,651)	-
Charged to profit or loss	41	2,924,307	2,251,662
Charged to other comprehensive income		-	735,445
Closing balance		4,503,422	1,676,766
<b>13 EMPLOYEE BENEFITS</b>			
Pension fund - Non Executive staff		1,703,277	2,765,262
Medical fund - Executive staff		241,677	225,125
Gratuity fund - Executive staff		4,060,690	3,475,484
Gratuity fund - Non Executive staff		1,543,265	955,354
Compensated absences - Executive staff		-	137,161
Compensated absences - Non Executive staff		91,182	58,947
	13.1	7,640,091	7,617,333

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 13.1 Reconciliation of payable to employee benefit plans:

	Note	Pension fund - Non executive staff		Medical fund - Executive staff		Gratuity fund - Executive staff		Gratuity fund - Non Executive staff	
		2019	2018	2019	2018	2019	2018	2019	2018
		(Rupees in thousand)							
Present value of defined benefit obligations	13.4	20,487,865	20,521,161	5,122,277	4,469,136	4,270,102	3,643,444	6,138,596	5,397,116
Fair value of plan assets	13.5	(18,784,588)	(17,755,899)	(4,880,600)	(4,244,011)	(209,412)	(167,960)	(4,595,331)	(4,441,762)
Net liabilities	13.10	1,703,277	2,765,262	241,677	225,125	4,060,690	3,475,484	1,543,265	955,354
		(Rupees in thousand)							
		Accumulating compensated absences - Executive staff		Accumulating compensated absences - Non Executive staff		Total			
		2019	2018	2019	2018	2019	2018		
		(Rupees in thousand)							
Present value of defined benefit obligations	13.4	-	655,456	1,468,461	1,325,969	37,487,301	36,012,282		
Fair value of plan assets	13.5	-	(518,295)	(1,377,279)	(1,267,022)	(29,847,210)	(28,394,949)		
Net liabilities	13.10	-	137,161	91,182	58,947	7,640,091	7,617,333		

## 13.2 Movement in net liability

	Note	Pension fund - Non executive staff		Medical fund - Executive staff		Gratuity fund - Executive staff		Gratuity fund - Non Executive staff	
		2019	2018	2019	2018	2019	2018	2019	2018
		(Rupees in thousand)							
Opening liability		2,765,262	10,416,352	225,125	40,547	3,475,484	2,889,523	955,354	617,046
Transfer of funds		-	-	-	-	-	(100,000)	-	-
Charge for the year	13.3	906,799	1,440,020	238,920	204,076	636,125	514,020	374,694	309,763
Remeasurements charged in OCI		(1,330,679)	(2,328,066)	107,366	109,517	125,407	345,007	446,043	343,883
Contribution paid		(638,105)	(6,763,044)	(329,734)	(129,015)	(176,326)	(173,066)	(232,826)	(315,338)
		1,703,277	2,765,262	241,677	225,125	4,060,690	3,475,484	1,543,265	955,354

	Accumulating compensated absences - Executive staff		Accumulating compensated absences - Non Executive staff		Total	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Opening liability	-	105,581	58,947	73,918	7,480,172	14,142,967
Transfer of funds	-	-	-	-	-	(100,000)
Charge for the year	-	147,892	143,074	122,279	2,299,612	2,738,050
Remeasurements charged in OCI	-	-	-	-	(651,863)	(1,529,659)
Contribution paid	-	(116,312)	(110,839)	(137,250)	(1,487,830)	(7,634,025)
	-	137,161	91,182	58,947	7,640,091	7,617,333

**Note**

13.3

**13.3 Amounts recognized in profit or loss**

	Pension fund - Non executive staff		Medical fund - Executive staff		Gratuity fund - Executive staff		Gratuity fund - Non Executive staff	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)							
Current service cost	631,600	683,776	232,141	206,652	255,051	212,698	280,313	260,380
Interest on obligation	2,264,407	2,246,004	496,894	423,846	399,510	312,512	590,449	507,906
Expected return on plan assets	(1,989,208)	(1,489,760)	(490,115)	(426,422)	(18,436)	(11,190)	(496,068)	(458,523)
Net actuarial losses recognized in the year	-	-	-	-	-	-	-	-
Total included in employee benefit expense	906,799	1,440,020	238,920	204,076	636,125	514,020	374,694	309,763
Actual return on plan assets	1,176,781	869,589	411,464	257,021	49,614	12,209	218,101	193,036

	Accumulating compensated absences - Executive staff		Accumulating compensated absences - Non Executive staff		Total	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Current service cost	-	12,435	20,632	29,463	1,419,737	1,405,404
Interest on obligation	-	60,168	146,253	116,354	3,897,513	3,666,790
Expected return on plan assets	-	(55,070)	(145,856)	(115,785)	(3,139,683)	(2,556,750)
Net actuarial losses recognized in the year	-	130,359	122,045	92,247	122,045	222,606
Total included in employee benefit expense	-	147,892	143,074	122,279	2,299,612	2,738,050
Actual return on plan assets	-	(46,771)	51,310	152,993	1,907,270	1,438,077

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 13.4 Changes in the present value of defined benefit obligation

	Pension fund - Non executive staff		Medical fund - Executive staff		Gratuity fund - Executive staff		Gratuity fund - Non Executive staff	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)							
Opening defined benefit obligation	20,521,161	21,246,503	4,469,136	3,986,990	3,643,444	3,041,965	5,397,116	4,898,981
Current service cost	631,601	683,776	232,141	206,652	255,052	212,698	280,313	260,380
Interest cost	2,264,407	2,246,004	496,894	423,846	399,510	312,512	590,449	507,906
Remeasurements charged to OCI	(2,143,105)	(2,948,237)	28,715	(59,884)	156,584	346,026	168,076	78,396
Actuarial losses	-	-	-	-	-	-	-	-
Benefits paid	(786,199)	(706,885)	(104,609)	(88,468)	(184,488)	(269,757)	(297,358)	(348,547)
Closing defined benefit obligation	20,487,865	20,521,161	5,122,277	4,469,136	4,270,102	3,643,444	6,138,596	5,397,116

	Accumulating compensated absences - Executive staff		Accumulating compensated absences - Non Executive staff		Total	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Opening defined benefit obligation	-	565,065	1,325,969	1,114,027	35,356,826	34,853,531
Current service cost	-	12,435	20,632	29,463	1,419,739	1,405,404
Interest cost	-	60,168	146,253	116,354	3,897,513	3,666,790
Remeasurements charged to OCI	-	-	-	-	(1,789,730)	(2,583,699)
Actuarial losses	-	28,518	27,499	129,455	27,499	157,973
Benefits paid	-	(10,730)	(51,892)	(63,330)	(1,424,546)	(1,487,717)
Closing defined benefit obligation	-	655,456	1,468,461	1,325,969	37,487,301	36,012,282

## 13.5

## Changes in the fair value of plan assets

	Pension fund - Non executive staff						Medical fund - Executive staff			Gratuity fund - Executive staff			Gratuity fund - Non Executive staff			
	2019		2018		2019		2018		2019		2018		2019		2018	
	(Rupees in thousand)															
Opening fair value of plan assets	17,755,899	10,830,151	4,244,011	3,946,443	167,960	152,442	4,441,762	4,281,935								
Expected return	1,989,208	1,489,760	490,115	426,422	18,436	11,190	496,068	458,523								
Remeasurements charged to OCI	(812,427)	(620,171)	(78,651)	(169,401)	31,178	1,019	(277,967)	(265,487)								
Actuarial losses	-	-	-	-	-	-	-	-								
Contributions by employer	638,107	6,763,044	329,734	129,015	176,326	173,066	232,826	315,338								
Benefits paid	(786,199)	(706,885)	(104,609)	(88,468)	(184,488)	(269,757)	(297,358)	(348,547)								
Transfer of funds	-	-	-	-	-	100,000	-	-								
13.6	18,784,588	17,755,899	4,880,600	4,244,011	209,412	167,960	4,595,331	4,441,762								

	Accumulating compensated absences - Executive staff						Accumulating compensated absences - Non Executive staff			Total		
	2019		2018		2019		2018		2019		2018	
	(Rupees in thousand)											
Opening fair value of plan assets	-	459,484	1,267,022	1,040,109	27,876,654	20,710,564						
Expected return	-	55,070	145,856	115,785	3,139,683	2,556,750						
Remeasurements charged to OCI	-	-	-	-	(1,137,867)	(1,054,040)						
Actuarial losses	-	(101,841)	(94,546)	37,208	(94,546)	(64,633)						
Contributions by employer	-	116,312	110,839	137,250	1,487,832	7,634,025						
Benefits paid	-	(10,730)	(51,892)	(63,330)	(1,424,546)	(1,487,717)						
Transfer of funds	-	-	-	-	-	100,000						
13.6	-	518,295	1,377,279	1,267,022	29,847,210	28,394,949						

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 13.6 Plan assets comprise:

	Pension fund - Non executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	15,834,902	84.30	14,948,184	84.18
NIT units	398,073	2.12	642,274	3.62
Pakistan Investment Bonds	2,336,546	12.44	1,862,012	10.49
Cash at bank	133,489	0.71	303,429	1.71
Others	81,578	0.43	-	-
	18,784,588	100.00	17,755,899	100.00

	Medical fund - Executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	3,983,851	81.63	3,963,573	93.39
NIT units	22,183	0.45	28,317	0.67
Pakistan Investment Bonds	832,399	17.06	143,813	3.39
Cash at bank	42,167	0.86	108,308	2.55
	4,880,600	100.00	4,244,011	100.00

	Gratuity fund - Executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	133,313	63.66	111,770	66.55
Cash at bank	76,099	36.34	56,190	33.45
	209,412	100.00	167,960	100.00

	Gratuity fund - Non executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	3,804,922	82.80	3,488,438	78.53
NIT Units	396,871	8.64	522,603	11.77
Pakistan Investment Bonds	333,766	7.26	249,546	5.62
Cash at bank	44,855	0.98	163,802	3.69
Others	14,917	0.32	17,373	0.39
	4,595,331	100.00	4,441,762	100.00

	Accumulating compensated absences - Executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	-	-	500,935	96.65
Pakistan Investment Bonds	-	-	10,000	1.93
Cash at bank	-	-	7,360	1.42
	-	-	518,295	100.00

	Accumulating compensated absences - Non executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	1,108,593	80.49	1,232,333	97.26
Pakistan Investment Bonds	245,558	17.83	25,875	2.04
Cash at bank	23,128	1.68	8,814	0.70
	1,377,279	100.00	1,267,022	100.00

### 13.7 Principal actuarial assumptions used (expressed as weighted average)

	Pension fund			
	2019		2018	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	14.50%	14.50%	11.25%	11.25%
Discount rate	14.50%	14.50%	11.25%	11.25%
Expected rate of return per annum on plan assets	14.50%	14.50%	11.25%	11.25%
Rate of growth in pensions				
- Employees with retirement up to November 11, 2017	11.50%	11.50%	8.25%	8.25%
- Employees with retirement after November 11, 2017	5.00%	5.00%	5.00%	5.00%

During the financial year 2017-18, the Company revised its policy of linking pension increase with the pension enhancements announced by the Government to fixed rate of 5% for employee retiring after November 11, 2017. Resultantly, pension increase assumption of 11.50% per annum was used for pensioners who retired before November 11, 2017 and 5% for pensioners who become pensioners after November 11, 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Medical fund			
	2019		2018	
	Executive	Non-executive	Executive	Non-executive
Discount rate	14.50%	14.50%	11.25%	11.25%
Expected rate of growth per annum in average cost of facility	13.50%	13.50%	10.25%	10.25%
Increase in average cost of post retirement medical facility	14.50%	14.50%	11.25%	11.25%
Expected rate of return per annum on plan assets	14.50%	14.50%	11.25%	11.25%

	Gratuity fund			
	2019		2018	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	14.50%	14.50%	11.25%	11.25%
Discount rate	14.50%	14.50%	11.25%	11.25%
Expected rate of return per annum on plan assets	14.50%	14.50%	11.25%	11.25%

	Accumulating compensated absences			
	2019		2018	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	14.50%	14.50%	11.25%	11.25%
Discount rate	14.50%	14.50%	11.25%	11.25%
Expected rate of return per annum on plan assets	14.50%	14.50%	11.25%	11.25%

**13.8** Calculations are based on mathematical model which takes into account the yield at maturity of the existing investment present at the beginning of the financial year. The model also considers the expected return on the reinvestment of the maturity proceeds in similar instruments (based on their yield as at the valuation date) up till the life of the related obligation.

**13.9** The effect of one per cent movement in assumed medical cost trend rates would have the following effects:

	2019		2018	
	1% increase	1% (decrease)	1% increase	1% (decrease)
	(Rupees in thousand)			
Effect on the aggregate of the service cost and interest cost	112,055	(91,038)	99,760	(80,430)
Effect on defined benefit obligation	2,192,668	(1,809,697)	2,126,080	(1,744,110)

### 13.10 Deficit / (surplus) for current and previous four years

	Pension fund - Non executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Defined benefit obligation	20,487,865	20,521,161	21,246,503	15,982,635	12,405,311
Plan assets	(18,784,588)	(17,755,899)	(10,830,151)	(8,853,258)	(8,221,493)
Deficit	1,703,277	2,765,262	10,416,352	7,129,377	4,183,818
Experience adjustment on plan liabilities	(1,488,150)	298,176	3,537,355	2,462,098	2,506,973
Experience adjustment on plan assets	(812,427)	(620,171)	(220,146)	(178,608)	(163,675)
	Medical fund - Executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Defined benefit obligation	5,122,277	4,469,136	3,986,990	3,635,365	2,995,622
Plan assets	(4,880,600)	(4,244,011)	(3,946,443)	(2,619,048)	(1,866,823)
Deficit	241,677	225,125	40,547	1,016,317	1,128,799
Experience adjustment on plan liabilities	(59,269)	(71,977)	(143,468)	245,062	199,385
Experience adjustment on plan assets	(78,651)	(169,401)	(16,945)	(145,809)	(47,483)
	Medical fund - Non executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Defined benefit obligation	-	-	8,784,355	7,674,632	6,283,881
Plan assets	-	-	(8,245,576)	(6,640,831)	(6,127,680)
Deficit	-	-	538,779	1,033,801	156,201
Experience adjustment on plan liabilities	-	-	63,469	531,920	1,092,243
Experience adjustment on plan assets	-	-	180,827	(130,255)	(211,788)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Gratuity fund - Executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Defined benefit obligation	4,270,102	3,643,444	3,041,965	2,351,765	1,636,505
Plan assets	(209,412)	(167,960)	(152,442)	(152,526)	(197,679)
Deficit	4,060,690	3,475,484	2,889,523	2,199,239	1,438,826
Experience adjustment on plan liabilities	99,698	338,341	(24,105)	672,996	8,495
Experience adjustment on plan assets	31,178	1,019	(1,869)	(4,845)	(27,152)

	Gratuity fund - Non executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Defined benefit obligation	6,138,596	5,397,116	4,898,981	3,888,553	3,461,211
Plan assets	(4,595,331)	(4,441,762)	(4,281,935)	(3,559,884)	(3,362,077)
Deficit	1,543,265	955,354	617,046	328,669	99,134
Experience adjustment on plan liabilities	(368,714)	78,396	866,656	170,528	658,320
Experience adjustment on plan assets	(277,331)	(265,487)	45,267	(113,235)	(30,048)

	Accumulating compensated absences - Non Executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Defined benefit obligation	1,468,461	1,325,969	1,114,027	974,398	896,716
Plan assets	(1,377,279)	(1,267,022)	(1,040,109)	(675,875)	(396,829)
Deficit	91,182	58,947	73,918	298,523	499,887
Experience adjustment on plan liabilities	(87,602)	129,455	107,699	17,667	197,174
Experience adjustment on plan assets	(94,546)	37,208	(21,430)	(19,431)	(10,729)

	2019	2018
	(Rupees in thousand)	
<b>13.11 Estimated future contributions</b>		
Pension fund - Non executive staff	834,898	562,271
Medical fund - Executive staff	241,677	225,125
Gratuity fund-Executive staff	863,390	629,611
Gratuity fund-Non executive staff	524,578	370,053
Accumulating compensated absences-Executive staff	-	137,161
Accumulating compensated absences-Non Executive staff	91,182	58,947
	2,555,725	1,983,168

	2019	2018
	(Rupees in thousand)	
<b>13.12</b>		
The charge for the year has been allocated as follows:		
Distribution cost	1,055,064	1,262,520
Selling costs	544,766	660,212
Administrative expenses	659,939	763,300
Project work in progress	39,843	52,018
	2,299,612	2,738,050

### 13.13 Risk associated with schemes

#### Final salary risk (linked to inflation risk)

The risk is that the final salary at the time of cessation of service is greater than assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

#### Demographic risks

##### Mortality risk

The risk is that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

##### Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiaries.

##### Investment risk

The risk of the investment is linked to underperforming and being not sufficient to meet the liabilities.

	Note	2019	2018
		(Rupees in thousand)	
<b>14</b>			
<b>TRADE AND OTHER PAYABLES</b>			
Creditors for:			
- gas	14.1 & 14.2	336,526,966	207,456,506
- supplies	14.3	1,173,968	1,400,122
Accrued liabilities		10,608,718	11,675,679
Provident Fund payable	14.4	114,968	42,439
Gas Infrastructure Development Cess (GIDC)	14.5	-	439,868
Interest free deposits repayable on demand	14.6	369,155	727,809
Earnest money received from contractors		157,081	130,463
Mobilization and other advances		2,741,586	3,184,518
Due to customers against construction contracts	11.2	-	68,066
Advances from customers against gas bills and new connections	11.2	-	7,925
RLNG differential margin / Gas swapping deferral account	29.2	-	6,653,574
Workers' Profit Participation Fund (WPPF)	14.7	2,479,409	1,892,608
		354,171,851	233,679,577



	2019	2018
	(Rupees in thousand)	
<b>14.5 Gas Infrastructure Development Cess (GIDC)</b>		
Opening balance	439,868	726,054
Add: GIDC Collected during the year	12,365,023	5,658,173
Less: Payment made to Government Treasury	(12,804,891)	(5,944,359)
Closing balance	-	439,868

The Honorable Islamabad High Court vide its decision dated January 31, 2013, declared Gas Infrastructure Development CESS (GIDC) Act, 2011 as ultra vires to the Constitution and directed the Company to adjust the amount already received on this account in the future bills of the petitioners. However, the Honorable Islamabad High Court vide its decision dated March 18, 2013, directed that neither the appellant shall recover the disputed amount from the respondents, nor the amount which has become payable to the respondents on the basis of impugned judgment shall be paid back to the respondents.

An order on the subject matter was also passed by the Peshawar High Court vide its judgment dated June 13, 2013 whereby the Court declared the GIDC Act, 2011 as ultra vires to the Constitution. An appeal was filed in the Supreme Court of Pakistan, which by its order dated December 30, 2013 suspended the judgment of Peshawar High Court. On December 31, 2013, the OGRA issued a notification directing levy of GIDC at revised rates.

In September 2014, a GIDC Ordinance was issued by President of Pakistan, pursuant to which, on directions of the OGRA, the Company charged GIDC from its consumers with effect from September 2014. The Ordinance was superseded by GIDC Act, 2015 passed by Parliament of Pakistan. The Act ratified the preceding GIDC Act, 2011 and GIDC Ordinance, 2014 and its provisions. However, a special Committee has been constituted by the Parliament to decide on previous arrears of GIDC due from customers and to make recommendations for removal of any anomalies in the GIDC Act. Based on the report of the sub-committee of the special committee requisite amendment in GIDC Act, 2015 had already been laid in the Senate through GIDC Amendment Bill and the same was referred to the Senate Standing Committee on Energy. However, a number of consumers of the Company contested and have obtained stay order from various Courts against recovery of GIDC. During the year ended June 30, 2018, certain amendments were introduced in GIDC Act, 2015 through GIDC (Amendment) Act, 2018, which inter alia include change in effective date for applicability of mark-up on delayed payments of GIDC and a settlement option for CNG consumers for GIDC payable pertaining to the period January 1, 2012 to May 21, 2015, subject to agreement with the Company.

Furthermore, principal amount of GIDC amounting to Rs 138,303,671 thousand (June 30, 2018: Rs 130,606,731 thousand) is recoverable from consumers and payable to Government of Pakistan. These financial statements do not reflect the said amounts since the provisions of the GIDC Act require the Company to pay GIDC as and when the same is collected from consumers. Furthermore, such consumers have obtained stay orders against recovery of the same and consequently in view of the legal advisors of the Company, the Company is not liable to pay such amounts until the same are recovered. Both the principal amount and sales tax on GIDC will be shown as payable as and when these balances are collected from consumers.

**14.6** These security deposits are being utilized for the purpose of business in accordance with the terms of contract with contractors and accordingly, have not been kept in a separate bank account.

# NOTES TO THE FINANCIAL STATEMENTS

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	Note	2019 (Rupees in thousand)	2018
<b>14.7 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		1,892,608	1,078,114
Allocation for the year	39	586,801	814,494
		2,479,409	1,892,608

**14.7.1** After promulgation of 18th amendment, the Workers' Profit Participation Act, 1968 was repealed which resulted into devolution of power to provinces to make all enactments relating to labor laws. The Company on the advice of their legal counsel withheld payment to Federal Government on account of WPPF since the related labor laws governing matters related to WPPF has not yet been framed by the Provincial Government. Accordingly, no provision for interest on delayed payment has been created in these financial statements.

## 15 INTEREST / MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

	Note	2019 (Rupees in thousand)	2018
Accrued mark-up / interest on:			
Long term financing - secured		518,204	365,245
Long term financing - unsecured		212,708	300,233
Short term borrowing - secured		693,895	45,661
Deposits from customers		1,725,277	1,320,833
Late payment of gas creditors and gas development surcharge	15.1	47,319,270	29,332,016
		50,469,354	31,363,988

**15.1** These include amounts payable to the following related parties:

Sui Southern Gas Company Limited		7,076,153	6,046,632
Government Holdings (Private) Limited		2,571,517	1,264,489
Pakistan Petroleum Limited		18,601,324	9,569,767
Oil and Gas Development Company Limited		14,121,248	7,889,798
Mari Petroleum Company Limited		29,968	5,901
		42,400,210	24,776,587

## 16 SHORT TERM BORROWING - SECURED

Allied Bank Limited	16.1	8,242,365	2,348,352
Bank Alfalah Limited	16.2	2,255,234	1,638,194
Standard Chartered Bank (Pakistan) Limited	16.3	2,990,000	-
Askari Bank Limited	16.4	2,500,000	-
Habib Bank Limited	16.5	6,499,918	-
National Bank of Pakistan	16.6	5,999,149	-
		28,486,666	3,986,546

**16.1** This represents short term running finance facility of Rs 4,000,000 thousand (2018: Rs 4,000,000 thousand) which carries mark-up at the rate of 3 months KIBOR (2018: 3 months KIBOR) on the balance outstanding. During the year, the Company has further obtained a short term running finance facility of Rs. 5,000,000 thousand which carries mark-up at the rate of 3 months KIBOR + 0.50% per annum on the balance outstanding. These are secured by way of first pari passu charge over current assets of the Company to the extent of Rs 1,333,330 thousand (June 30, 2018: Rs 1,333,330 thousand) and ranking charge over current assets of the Company to the extent of Rs 10,666,667

thousand (2018: Rs 4,000,000 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 6.92% to 11.49% per annum (June 30, 2018: 6.29% to 6.50%) per annum.

- 16.2** This is a short term running finance facility from Bank Alfalah Limited amounting to Rs 2,500,000 thousand (2018: Rs 2,500,000 thousand). This facility carries mark-up at the rate of 3 months KIBOR per annum (2018: 3 months KIBOR per annum) on the outstanding balance, payable quarterly. This is secured by way of ranking charge over current assets of the Company to the extent of Rs 3,333,334 thousand (2018: Rs 3,333,334 thousand). The effective interest rate during the year ranges from 6.93% to 11.13% per annum (2018: 6.41% per annum).
- 16.3** During the year, the Company has obtained a short term running finance facility of Rs 3,000,000 thousand from Standard Chartered Bank (Pakistan) Limited. This facility carries mark-up at the rate of 3 months KIBOR per annum on the outstanding balance, payable quarterly. This is secured by way of ranking charge over current assets of the Company to the extent of Rs 4,000,000 thousand. The effective interest rate during the year is 10.94% per annum.
- 16.4** During the year, the Company has obtained a short term running finance facility of Rs 2,500,000 thousand from Askari Bank Limited. This facility carries mark-up at the rate of 3 months KIBOR + 0.50% per annum on the balance outstanding. This is secured by way of ranking charge over current assets of the Company to the extent of Rs 3,333,334 thousand. Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 11.25% to 11.49% per annum.
- 16.5** During the year, the Company has obtained a short term running finance facility of Rs 6,500,000 thousand from Habib Bank Limited. This facility carries mark-up at the rate of 1 months KIBOR + 0.50% per annum on the balance outstanding. This is secured by way of ranking charge over current assets of the Company to the extent of Rs 8,666,667 thousand. Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 11.21% to 13.29% per annum.
- 16.6** During the year, the Company has obtained a short term running finance facility of Rs 6,000,000 thousand from National Bank of Pakistan. This facility carries mark-up at the rate of 3 months KIBOR + 0.50% per annum on the balance outstanding. This is secured by way of ranking charge over current assets of the Company to the extent of Rs 8,000,000 thousand. Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 11.23% to 11.49% per annum.

	Note	2019 (Rupees in thousand)	2018
<b>17</b>			
<b>CURRENT PORTION OF LONG TERM FINANCING</b>			
Long term financing - secured	7	11,090,000	11,090,000
Long term financing - unsecured	8	204,872	482,645
		11,294,872	11,572,645

## **18 CONTINGENCIES AND COMMITMENTS**

### **18.1 Contingencies**

#### **18.1.1 Taxation**

- a) A demand of Rs 67,998 thousand (2018: Rs 67,998 thousand) relating to excess compensation for delayed refunds for assessment years 1988-89, 1990-91, 1991-92 and 1996-97 was raised by the Additional Commissioner of Income Tax on November 10, 2008 by rectifying the orders previously issued under section 171 of the repealed Ordinance. In this regard, while disposing off the appeal filed before Appellate

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Tribunal Inland Revenue (ATIR) on May 04, 2009 against the order of Commissioner Income Tax (Appeals) (CIT(A)), the ATIR has remanded back the matter of curtailment of compensation on delayed payment / adjustment of refund pertaining to assessment year 1988-89, 1991-92 and 1996-97 for verification of underlying facts afresh. However, no provision has been made in these financial statements as the Company is confident of a favorable outcome based on the opinion of legal counsel of the Company.

- b) During the year ended June 30, 2012, Income Tax Authorities raised demands of Rs 8,207,290 thousand, Rs 7,366,587 thousand and Rs 2,715,174 thousand for Tax Year 2011, 2010 and 2006, respectively, on account of disallowance of Cost Equalization Adjustment, Gas Development Surcharge (GDS) while adding back consumers' contribution and Government grants on February 13, 2012 for Tax Year 2011, 2010 and on March 16, 2007 for Tax Year 2006. The Company's appeal against the amendment orders was disposed off by Commissioner Inland Revenue (Appeals) [CIR(A)] substantially in the Company's favor and except for the issue of admissibility of GDS and tax credit as referred above, all other material disallowances were removed. Both the Tax Authorities and the Company preferred appeals against order of CIR(A) before ATIR. During the financial year ended June 30, 2015, while disposing off the Company's appeal, ATIR upheld the Company's contention in respect of admissibility of GDS, whereas the tax credit under section 65B of Income Tax Ordinance, 2001 amounting to Rs 574,355 thousand was not allowed. Furthermore, appeal filed by the Income Tax Department with respect to other issues was decided in the Company's favor. However, Tax Authorities have filed an appeal on January 01, 2016 against the decision of ATIR with regards to GDS before Honorable Lahore High Court (LHC) which is pending adjudication. Except for the disallowance related to tax credit under section 65B, no provision regarding the above explained issues has been made in these financial statements as management considers, based on the opinion of legal counsel of the Company, that the Company's stance is based on meritorious grounds and will be upheld by the Honorable Lahore High Court.
- c) During the year ended June 30, 2013, Income Tax Authorities raised demands of Rs 17,207,333 thousand and Rs 6,880,501 thousand for Tax Year 2012 and 2007, respectively, on similar grounds to those raised in Tax Years 2011, 2010 and 2006 as mentioned above on April 18, 2013 for Tax Year 2012 and on December 11, 2008 for Tax Year 2007. During the year ended June 30, 2016, the Company's appeal against the amendment orders were disposed by CIR(A) substantially in the Company's favor and except for the issue of admissibility of GDS and tax credit referred above, all other material disallowances were removed. Consequently, the demand for Tax year 2012 and Tax year 2007 were reduced to Rs 5,105,423 thousand and Rs 3,330,110 thousand, respectively. Both, the Tax Authorities and the Company preferred appeals against order of CIR(A) before the ATIR. While disposing off the Company's appeal, ATIR upheld Company's contention in respect of admissibility of GDS, whereas the tax credit under section 65B of Income Tax Ordinance 2001 amounting to Rs 340,120 thousand was not allowed. Furthermore, appeal filed by the Department with respect to other issues has been decided in the Company's favor. However, Tax Authorities and the Company have filed appeals against the decision of ATIR with regards to GDS and tax credit under section 65B of Income Tax Ordinance, 2001 respectively, before Honorable Lahore High Court on March 24, 2014 which are pending adjudication. Except for the disallowance related to tax credit under section 65B, no provision regarding the above has been made in these financial statements as the management considers, based on the opinion of legal counsel of the Company, that the Company's stance is based on meritorious grounds and will be upheld by the Honorable Lahore High Court.
- d) Income Tax Authorities raised demands of Rs 23,401,212 thousand, Rs 17,930,455 thousand, Rs 12,640,691 thousand and Rs 9,852,122 thousand for Tax Year 2014, 2015, 2016, 2017, respectively, on similar grounds as mentioned in (b) above with the addition of inadmissibility of UFG and recoverability of shortfall (as determined by the OGRA) from consumers. The Company filed an appeal against the demand raised by the Tax Authorities with CIR(A). The Company's appeal against the amendment orders was disposed of by CIR(A) substantially in the Company's favor and except for the issues of inadmissibility of UFG and recoverability of shortfall (as determined by the OGRA) from consumers, exchange loss and tax credit under section 65B of Income Tax Ordinance, 2001, as referred above, all other material disallowances were removed. The matter of exchange loss was disposed of by CIR(A) for Tax Year 2014 in favor of the

Company. The Company preferred an appeal against order of CIR(A) before ATIR with respect to the issues decided against the Company for Tax Year 2014, 2015, 2016 and 2017. The ATIR decided the matter of UFG and recoverability of shortfall from consumers in favor of the Company for Tax Year 2014 and 2015. Except for the disallowance related to tax credit under section 65B, no provision has been made in these financial statements as the management is confident of a favorable outcome based on the opinion of legal counsel of the Company.

- e) During the year ended June 30, 2018, Income Tax Authorities raised a demand of Rs 128,000 thousand for Tax Year 2006 relating to compensation on delayed refund of Rs 368,000 thousand which was originally received by the Company from FBR under section 171 of Income Tax Ordinance, 2001 originally on March 16, 2007. An appeal against this was filed with CIR(A) on the grounds that the section 39(1)CC of Income Tax Ordinance, 2001 was incorporated through Finance Act, 2012 which cannot be applied retrospectively. The appeal was dismissed by CIR(A) in favor of Income Tax Department. Consequently, the Company filed an appeal against the decision of CIR(A) with ATIR on the same grounds as mentioned before. ATIR accepted the Company's contention and decided the issue in favor of the Company. The decision of ATIR was challenged by the Income Tax Department in Honorable Lahore High Court who decided the case against the Company. The Company has challenged the decision of the Honorable Lahore High Court before the Honorable Supreme Court of Pakistan on December 18, 2017 which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome of the appeal based on the opinion of legal counsel of the Company.
- f) Subsequent to the year ended June 30, 2019, Income Tax Authorities raised a demand of Rs 4,626,000 thousand for Tax Year 2008 on account of cost equalization adjustment originally on January 17, 2009. The Company's contention was accepted by the CIR(A) and ATIR. The department being aggrieved with the decision of ATIR, filled a reference with Honorable Lahore High Court in March 2020 which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome of the appeal based on the opinion of legal counsel of the Company.
- g) The Company filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal against the orders of Collector of Sales Tax (Appeals) on May 21, 2010 regarding various issues including but not limited to apportionment of input tax, admissibility of input tax on natural gas lost in ruptures, etc. amounting to Rs 45,549 thousand (2018: Rs 45,549 thousand). Subsequently, Company's appeal against the orders of collector of Sales Tax (Appeals) was disposed off by ATIR in Company's favor. However, the department has filed an appeal against the decision of ATIR in Honorable Lahore High Court. Pending the outcome of appeal, no provision against Sales tax refundable has been recognized in the financial statements based on the opinion of legal counsel of the Company.
- h) During the year ended 2011, Sales Tax authorities raised a demand of Rs 406,650 thousand (2018: Rs 406,650 thousand) and Rs 736,000 thousand (2018: Rs 736,000 thousand) for the years 2008 and 2009, respectively, on account of inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by the OGRA originally on March 31, 2011. In this regard an appeal filed by the Company with CIR(A) for the year 2008 and 2009 was decided against the Company. The Company filed an appeal against the orders of CIR(A) with the ATIR for the year 2008 and 2009, respectively, which was decided against the Company. Subsequently, the Company filed an appeal with Honorable Lahore High Court on September 15, 2016, which is pending adjudication. No provision has been made in these financial statements as Company is confident of favorable outcome of the appeals based on the opinion of legal counsel of the Company.
- i) During the year ended June 30, 2014, Sales Tax authorities raised a demand of Rs 555,938 thousand for the Tax Year 2010 on account of inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by the OGRA originally on April 28, 2014. In this regard, appeal was filed by the Company with CIR(A) which was decided against the Company. The Company filed appeal against the orders of

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- CIR(A) with ATIR on September 17, 2014 which is pending adjudication. No provision has been made in these financial statements as Company is confident of favorable outcome of the appeal based on the opinion of legal counsel of the Company.
- j) During the year ended June 30, 2016, the Authorities raised a demand of Rs 2,185,953 thousand for the Tax Year 2013 on account of inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by the OGRA originally on April 29, 2016. In this regard, an appeal was filed by Company with CIR(A) which was decided against the Company. The Company filed an appeal against the order of CIR(A) with ATIR which was decided in favor of the Company. However, subsequent to the year end, the department has filed an appeal against the decision of ATIR with Honorable Lahore High Court which is pending adjudication. No provision has been made in these financial statements as the Company is confident of a favorable outcome against the appeal based on the opinion of legal counsel of the Company.
- k) During the year ended June 30, 2016, Income Tax Authorities raised a demand of Rs 128,322 thousand as a result of order passed u/s 161/205 of Income Tax Ordinance, 2001 on October 20, 2014. This demand was raised on pretext of non-withholding of tax under section 152(2A) of Income Tax Ordinance, 2001 by the Company. An appeal filed by the Company with CIR(A) was decided against the Company, following which the Company filed an appeal on April 09, 2015 with ATIR against the said decision of CIR(A), which is pending adjudication. No provision has been made in these financial statements as the Company is confident of a favorable outcome against the appeal based on the opinion of legal counsel of the Company.
- l) As a consequence of withholding tax audit for Tax Year 2016, the tax department has raised a demand of Rs 2,688,912 thousand on August 09, 2017. The Company has filed an appeal on March 28, 2018 with CIR(A) against this demand which is pending adjudication. No provision has been made in these financial statements as the Company is confident of a favorable outcome against the appeal based on the opinion of legal counsel of the Company.
- m) During the year, Income Tax Authorities raised demand of Rs 175,827 thousand by levying super tax under section 4B of Income Tax Ordinance, 2001 for Tax Year 2016. The Company has filed an appeal on February 26, 2019 against the demand raised by the Tax Authorities with CIR(A) which was decided in the Company's favor, however, it is expected that the Department will file an appeal in the ATIR. Accordingly, no provision has been made in these financial statements as the Company is confident of a favorable outcome based on the opinion of legal counsel of the Company.
- n) During the year, Income Tax Authorities raised a demand of Rs 2,069,048 thousand primarily on account of disallowance of tax credit under section 65B of Income Tax Ordinance, 2001 and tax deducted under section 148 of Income Tax Ordinance, 2001 for Tax Year 2018 on December 18, 2019. The Company has filed an appeal on March 27, 2019 against the demand raised by the Tax Authorities with CIR(A) and decided in the favor of the Company by CIR(A). Except for the disallowance related to tax credit under section 65B of Rs 1,510,748 thousand, no provision has been made in these financial statements as the Company's management is confident of a favorable outcome based on the opinion of legal counsel of the Company.
- o) During the year, Sales Tax Authorities raised a demand of Rs 1,572,027 thousand by disallowing input tax claimed against exempt supplies, short payment of extra tax, output tax charged to CNG stations and discrepancy in collection of further tax for the tax period July 2012 to June 2017 originally on February 15, 2019. The Company has filed an appeal on March 15, 2019 against the demand raised by the Tax Authorities with ATIR which is pending adjudication. However, no provision has been made in these financial statements as the Company is confident of a favorable outcome based on the opinion of legal counsel of the Company.

- p) During the year, Sales Tax Authorities raised demands of Rs 3,343,294 thousand and Rs 4,032,793 thousand for the tax period July 2015 to June 2016 and tax period July 2016 to March 2017 by invoking provision of section 8(1) of Sales Tax Act 1990 on November 19, 2018. The Company has filed an appeal on December 18, 2018 against the demands raised by the Tax Authorities with ATIR which is pending adjudication. However, no provision has been made in these financial statements as the Company is confident of a favorable outcome based on the opinion of legal counsel of the Company.
- q) During the year ended 2009, Sales Tax Authorities raised a demand of Rs 901,310 thousand for the Tax Year 2006 on account of inadmissibility of input sales tax in respect of certain purchases, non charging of sales tax on testing on reconnection charges and non charging of sales tax on Government grant on November 12, 2009. In this regard, an appeal filed by the Company with CIR(A) was decided in favor of the Company. The Sales Tax Department filed an appeal against the orders of CIR(A) with ATIR and against the order of ATIR with the Honorable Lahore High Court which were decided against the Sales Tax Department. Subsequently, the Sales Tax Department filed a reference against the decision of the Honorable Lahore High Court in the Honorable Supreme Court of Pakistan on Jun 03,2019, which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome based on the opinion of legal counsel of the Company.
- r) During the year ended 2011, Sales Tax Authorities raised a demand of Rs 900,032 thousand for the Tax Year 2009 on account of inadmissibility of input sales tax in respect of certain purchases, non payment of GST on repair work, gas burst and non payment of sales tax on receipts against deferred credit / contract liabilities on March 31, 2011. In this regard, an appeal filed by the Company with CIR(A) for the year 2009 was decided in favor of the company. The Sales Tax Department filed an appeal against the orders of CIR(A) with ATIR and against the order of ATIR with Honorable Lahore High Court which were decided against the Sales Tax Department. Subsequently, the Sales Tax Department filed a reference with the Honorable Supreme Court of Pakistan on Jun 03,2019 against the order of the Honorable Lahore High court, which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome based on the opinion of legal counsel of the Company.
- s) During the year ended 2010, Sales Tax Authorities raised a demand of Rs 1,169,196 thousand for the Tax Year 2005 on account of inadmissibility of input sales tax in respect of certain purchases, non charging of sales tax on testing on reconnection charges and non charging of sales tax on Government grant on October 24, 2010. In this regard, an appeal filed by the Company with CIR(A) was decided in favor of the Company. The Sales Tax Department filed an appeal against the orders of CIR(A) with ATIR and against the order of ATIR with the Honorable Lahore High Court which were decided against the Sales Tax Department. Subsequently, the Sales Tax Department filed a reference against the decision of the Honorable Lahore High Court with the Honorable Supreme Court of Pakistan on June 03,2019, which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome based on the opinion of legal counsel of the Company.
- t) During the year ended June 30, 2014, Sales Tax Authorities raised a demand of Rs 1,722,795 thousand for the Tax Year 2010 on account of non payment of sales tax on repair works, Inadmissible adjustment on gas blown due to ruptures, non payment of sales tax on receipts against deferred credit / contract liabilities, non-deposit of 9% sales tax on account of gas supplied to CNG stations, inadmissible input tax u/s 8(i)(a), inadmissible input tax u/s 8(i)(b) and short payment of sale tax on sale of scrap on April 24, 2014. In this regard, an appeal was filed by Company with CIR(A) which was decided in favor of the Company. The Sales Tax Department filed appeal against the orders of CIR(A) with ATIR on October 02, 2014 which is pending adjudication. No provision has been made in these financial statements as the Company's management is confident of favorable outcome based on the opinion of legal counsel of the Company.
- u) During the year ended 2007, Sales Tax Authorities raised a demand of Rs 9,455 thousand for the Tax Year 2006 on account of inadmissibility of input sales tax in respect of certain purchases and non payment

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of GST on repair work on July 12, 2007. In this regard, an appeal filed by the Company with CIR(A) was decided in favor of the Company. The Sales Tax Department filed an appeal against the orders of CIR(A) with ATIR which was decided against the Sales Tax Department. Subsequently, the Sales Tax Department filed a reference in the Honorable Lahore High Court on May 21, 2010, which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome based on the opinion of legal counsel of the Company.

- v) During the year ended June 30, 2019, Punjab Revenue Authority raised a demand of Rs 1,819,000 thousand on account of withholding tax audit on September 06, 2019, the Company has filled an appeal with Commissioner (Appeals), which is pending adjudication. No provision has been made in these financial statements as Company is confident of favorable outcome based on the opinion of legal counsel of the Company.

## 18.1.1 Others

Claims against the Company not acknowledged as debts amount to Rs 1,491,978 thousand (2018: Rs 2,468,552 thousand).

- a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating Rs 84,313 thousand (2018: Rs 84,313 thousand). This also includes a penalty of Rs 1,000 thousand (2018: Rs 1,000 thousand) imposed by SECP for delay in dissemination of price sensitive information to stock exchange. The Company has filed an appeal in the Lahore High Court against the said decision. Pending the outcome of these matters/claims, which are being adjudicated, no provision has been made in these financial statements as the Company is confident of favorable outcome.
- b) Included in claims against the Company not acknowledged as debt is the claim of employees union for bonus amounting to Rs 255,200 thousand (2018: Rs 255,200 thousand), which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honorable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC is without jurisdiction and is therefore void. The appeal filed by the Company has been decided against the Company by the Honorable Supreme Court of Pakistan. The Company has filed a review petition with Honorable Supreme Court of Pakistan, which has not been so far fixed for hearing. No provision has been made in these financial statements for the amount of bonus as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favor of the Company. However, in case if the decision is not in favor of the Company and the Company has exhausted all legal remedies available under the law, the matter will be taken up with the OGRA for determining the cost of the same to the Company in its revenue requirement decision. Pending the same, the financial impact cannot be determined till the OGRA makes a final determination on the matter.
- c) The Company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/94 in respect of custom duty and sales tax on certain imported items amounting to Rs 83,708 thousand (2018: Rs 195,731 thousand). Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.
- d) During the financial years 2010-12, the Company had entered into Gas Supply Agreements (GSA) with M/s Saif Power Limited, Sapphire Electric Company Limited and Orient Power Company Limited (hereinafter referred to as "the claimants") for the supply of a daily contracted quantity of gas during a firm delivery period in a given year i.e. from March 1st to November 30th each year. During certain periods of the year, the Company could not supply the contracted quantity of gas to the claimants due to force majeure events such as ruptures in the pipelines and other sabotage/terrorism activities in certain gas wells. Such force majeure events were rejected by claimants contesting that they did not fall under the definition "force

majeure" as per the GSAs. The total claim of all claimants including ancillary costs is Rs 764,401 thousand (2018: Rs 764,401 thousand). The case was referred to London Court of International Arbitration vide separate arbitration proceedings for each of the claimants. The arbitrator has decided these cases in favor of claimants vide its decision dated March 9, 2016. The Company filed an appeal with the Honorable Lahore High Court against the said decision. The appeal was dismissed by the Honorable Lahore High Court. The Company has now filed an appeal with the Honorable Supreme Court against the said decision, which is pending adjudication. The management is of the view that there are meritorious grounds to defend the Company's claims and consequently, no provision has been made in these financial statements. Furthermore, in case the Company exhausts its legal remedies available under law, the matter will be taken with the OGRA for determining the cost of the same to the Company. Pending the same, the financial impact cannot be determined till the OGRA makes a final determination on the matter.

## 18.2 Commitments

### 18.2.1 Capital commitments

Capital expenditure contracted at reporting date but not yet incurred is as follows:

	2019	2018
	(Rupees in thousand)	
Property, plant and equipment	1,240,142	636,879
Intangible assets	29,634	29,307
Stores and spares	17,845,953	18,141,502
	19,115,729	18,807,688
Other commitments	641,473	684,443

### 18.2.2 Letters of credit and bank guarantees

Facilities of Rs 100,000 thousand (2018: Rs 100,000 thousand) for opening letters of credit and Rs 100,000 thousand (2018: Rs 100,000 thousand) for guarantees are available with the Company as a sub-limit of facilities referred in Note 16. Both facilities have not been availed during the years ended June 30, 2019 and June 30, 2018. The facility for opening of letters of credit is secured by lien over trade documents and the facility for guarantees is secured by way of first pari passu charge over present and future fixed assets i.e. plant and machinery of the Company to the extent of Rs 666,670 thousand (2018: Rs 666,670 thousand).

The Company has additional facilities for opening letters of credit amounting to Rs 16,000,000 thousand (2018: Rs 13,000,000 thousand) out of which Rs 12,969,350 thousand (2018: Rs 4,037,640 thousand) remained unutilized at the end of the year. These are secured by lien over trade documents.

Aggregate facilities for guarantees and letters of credit are additionally secured by charges on assets of the Company.

		2019	2018
	Note	(Rupees in thousand)	
<b>19</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets	175,465,092	171,406,578
	Capital work-in-progress	25,372,465	19,203,112
		200,837,557	190,609,690

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## 19.1 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Operating Fixed Assets										Total				
	Freehold land	Leasehold land construction on freehold land	Buildings and civil construction	Leasehold improvements	Transmission system	Distribution system	Consumer meter and transformer stations	Telecommunication system and facilities	Compressor stations and equipment	Plant and machinery		Furniture and equipment	Transport vehicle	Tools and accessories	Computers and ancillary equipment
<b>Net carrying value basis</b>															
<b>At 30 June 2019</b>															
Opening net book value	2,232,721	392	934,091	10,674	66,080,119	63,356,616	23,982,820	449,229	7,894,346	4,459,634	300,259	958,051	64,289	683,337	171,406,578
Additions	493,616	-	114,066	-	1,751,275	13,953,832	3,241,802	55,613	333,821	536,526	68,417	271,366	28,351	244,336	23,093,021
Disposals	-	-	-	-	(512)	-	(325,102)	(335,530)	-	(134,269)	(5,731)	(66,131)	(22,260)	(73,874)	(963,409)
Cost	-	-	-	-	512	-	325,102	335,530	-	134,255	5,731	64,213	22,260	73,874	961,477
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(14)	(1,918)	-	-	-	(1,932)
Depreciation charge	-	(75,814)	(2,177)	(5,761,911)	(6,002,549)	(4,034,331)	(114,253)	(748,954)	(37,444)	(115,742)	(466,009)	(37,444)	(255,386)	(19,032,575)	
Closing net book value	2,726,337	392	972,343	8,503	62,069,483	71,307,899	25,190,491	390,589	7,479,213	3,577,935	252,934	761,490	55,196	672,287	175,465,092
<b>Gross carrying value basis</b>															
<b>At 30 June 2019</b>															
Cost	2,726,337	392	2,301,139	19,316	113,879,383	120,112,411	53,974,005	2,723,096	15,965,909	12,598,933	900,726	3,574,496	365,470	2,064,427	331,206,040
Accumulated depreciation	-	(1,328,796)	(10,813)	(51,809,900)	(48,804,512)	(28,783,514)	(2,332,507)	(8,486,696)	(9,020,998)	(647,792)	(2,813,006)	(310,274)	(1,392,140)	(155,740,948)	
Net book value	2,726,337	392	972,343	8,503	62,069,483	71,307,899	25,190,491	390,589	7,479,213	3,577,935	252,934	761,490	55,196	672,287	175,465,092
Depreciation rate	-	-	6%	6%	6-10%	6%	6-10%	15%	6-20%	10-20%	15-20%	25%	33.3%	15-33.33%	
<b>Net Carrying Value basis</b>															
<b>At 30 June 2018</b>															
Opening net book value	1,886,852	392	861,838	-	53,433,306	48,505,189	20,734,569	447,102	7,989,777	5,186,749	344,452	630,265	38,093	745,989	140,804,573
Additions	345,869	-	156,673	10,855	1,795,793	19,833,525	6,856,534	110,170	649,059	685,095	66,133	746,173	51,820	290,363	47,760,232
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(256,981)	(847)	-	(67,787)	(8,133)	(58,128)	(28,308)	(97,223)	(517,407)
Accumulated depreciation	-	-	-	-	-	-	256,981	847	-	67,739	7,255	56,226	28,308	97,041	514,397
Transfers to CWIP for rework	-	-	-	-	-	-	-	-	-	(48)	(878)	(1,902)	-	(182)	(3,010)
Cost	-	-	-	-	(333,783)	-	-	-	-	-	-	-	-	-	(333,783)
Accumulated depreciation	-	-	-	-	295,562	-	-	-	-	-	-	-	-	-	295,562
Depreciation charge	-	(84,420)	(181)	(5,272,929)	(4,982,098)	(3,608,283)	(108,043)	(744,490)	(1,412,162)	(109,448)	(416,485)	(25,624)	(352,833)	(17,116,996)	
Closing net book value	2,232,721	392	934,091	10,674	66,080,119	63,356,616	23,982,820	449,229	7,894,346	4,459,634	300,259	958,051	64,289	683,337	171,406,578
<b>Gross carrying value basis</b>															
<b>At 30 June 2018</b>															
Cost	2,232,721	392	2,187,073	19,316	112,128,620	106,168,579	49,057,305	3,003,013	15,632,088	12,196,676	838,040	3,369,261	359,379	1,893,965	309,076,428
Accumulated depreciation	-	(1,252,982)	(8,642)	(46,048,501)	(42,801,963)	(25,074,485)	(2,553,784)	(7,337,742)	(7,737,742)	(63,781)	(2,411,210)	(295,090)	(1,210,628)	(137,669,850)	
Net book value	2,232,721	392	934,091	10,674	66,080,119	63,356,616	23,982,820	449,229	7,894,346	4,459,634	300,259	958,051	64,289	683,337	171,406,578
Depreciation rate	-	-	6%	6%	6-10%	6%	6-10%	15%	6-20%	10-20%	15-20%	25%	33.3%	15-33.33%	

**19.1.1** Freehold land at cost of Rs 1,825,974 thousand (2018: Rs 1,574,670 thousand) is subject to restriction under The Land Acquisition Act, 1894 and cannot be sold by the Company without the prior approval from the respective Provincial Governments.

**19.1.2** The cost of assets as at June 30, 2019, include fully depreciated assets amounting to Rs 57,539,435 thousand (2018: Rs 50,519,450 thousand).

**19.1.3** The depreciation charge for the year has been allocated as follows:

	Note	2019 (Rupees in thousand)	2018
Distribution cost	35.4	17,589,036	15,419,148
Administrative expenses	38	358,960	314,677
	43	17,947,996	15,733,825
Transmission system		509,811	1,252,488
Construction contracts		47,467	3,320
Distribution system		527,301	127,363
		1,084,579	1,383,171
	19.1	19,032,575	17,116,996

**19.1.4** Transmission lines include assets held by the Company on behalf of and in trust for the investors under the Musharaka arrangements with Bank Alfalah Limited (Lead Bank) entered into by the Company. Assets held under these Musharaka arrangement are as follows:

	2019		2018	
	Cost	Book value	Cost	Book value
<b>Musharaka Arrangements</b>	<b>(Rupees in thousand)</b>			
36" Dia 34.95 Km Harrapa 110.25 Km - 120.25 Km				
Sahiwal Line	1,621,741	640,588	1,621,741	737,892
24" Dia 81.42 Miles Sawan - Qadirpur Line	997,609	34,916	997,609	94,773
36" Dia 43.49 Miles Qadirpur - Bhong Line	989,327	34,626	989,327	93,986
24" Dia 67.77 Km Sahiwal - Phool Nagar (1st Segment)	830,062	278,071	830,062	327,874
24" Dia 23.30 Km Kohat - Dakhni Line (1st Segment)	1,256,278	873,113	1,256,278	948,490
24" Dia 39.01 Km Manzalai - Kohat Line	655,227	242,434	655,227	281,748
30" Dia 31.5 Miles MP6 - AV30 (P6) Kabirwala / Ali Pur	609,570	-	609,570	-
24" Dia 52.00 Km Down Stream Balloki to				
Dawood Hercules Line	599,898	263,955	599,898	299,949
36" Dia 22.78 Miles AV7 A3 (P-7)	537,929	-	537,929	18,828
30" Dia 35.40 Km All - Chanab Crossing	513,753	79,632	513,753	110,457
36" Dia 20.66 Miles Sidhani - AC 7 D/S	486,421	46,210	486,421	75,395
36" Dia 31.93 Km AV20-AC6	481,939	62,620	481,939	91,537
36" Dia 25.48 Km AC4 - AV15	407,217	63,119	407,217	87,552
36" Dia 18.60 Miles A4 AC4 (P-7)	450,064	-	450,064	15,752
24" Dia 23.71 Km D/H Offtake (MP 59.9) - B - 3 Loopline	451,644	205,499	451,644	232,597
36" Dia 16.75 Miles Q AC1X-AC7	439,664	41,768	439,664	68,148
24" Dia 10.10 Km Dakhni - FC - 1 Line (1st Segment)	1,104,516	767,639	1,104,516	833,910
Balance carried forward	12,432,859	3,634,190	12,432,859	4,318,888

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Musharaka Arrangements (continued)	2019		2018	
	Cost	Book value	Cost	Book value
	(Rupees in thousand)			
Balance brought forward	12,432,859	3,634,190	12,432,859	4,318,888
30" Dia 29.16 Km CC1 - CC4	432,300	67,007	432,300	92,945
36" Dia 25.93 Km AV29 - A8 - AV30	450,632	69,848	450,632	96,886
30" Dia 16.30 Miles AV29 - A8 (P6)	396,566	-	396,566	-
36" Dia 13.82 Miles AC6-AV - 29 (P-7)	383,026	-	383,026	13,406
36" Dia 16.42 Miles AV 40 - AC 8 Line	371,390	3,689	371,390	25,973
36" Dia 13.04 Miles A3 AV10 (P-7)	368,308	-	368,308	12,891
30" Dia 21.24 Miles CS - CV25	357,557	-	357,557	-
36" Dia 14.66 Miles A6 AV - 22	351,991	33,439	351,991	54,559
36" Dia 13.11 Miles AV - 20 - MP130 (P-7)	327,276	-	327,276	3,251
30" Dia 19.61 Miles CS - CV10	317,078	-	317,078	-
24" Dia 20.48 Km All - BV - 3	255,920	33,253	255,920	48,608
36" Dia 8.76 Miles AV 10MP 11.57 (P-7)	250,067	-	250,067	2,484
30" Dia 12.76 Miles A8 - AV31 Add Loop	248,085	-	248,085	-
30" Dia 14.15 Miles CV74 - CV9	240,483	2,389	240,483	16,818
30" Dia 15.95 Miles AIO	240,089	-	240,089	-
24" Dia 25.63 Km Kohat Darra Adam Khel Line	235,399	94,162	235,399	108,284
36" Dia 9.93 Miles MP 173 - A6	222,876	2,214	222,876	15,587
24" Dia 10.31 Km Kohat - D/S Dara Adamkhel Line	219,507	82,315	219,507	95,486
24" 92" 16" Dia Kamra Noshir	196,057	-	196,057	-
24" Dia 18.46 Km BC1 - B2	193,743	30,030	193,743	41,655
24" Dia 10.38 Km Phool Nagar - Baloki Line	182,430	58,378	182,430	69,324
36" Dia 9.44 Miles MP 112.54 - A4	176,862	1,757	176,862	12,369
36" Dia 4.78 Miles Q MP - 173 A6 AV20	155,737	14,795	155,737	24,139
24" Dia 3.08 Km River Ravi Crossing At Balloki	137,612	66,054	137,612	74,310
30" Dia 6.80 Km MP 160 - CC3 Line	97,760	12,702	97,760	18,568
24" Dia 6.21 Miles Sui MP6 (NT)	83,633	-	83,633	831
24" Dia 16 Km MP28.33 - BC1	79,079	18,979	79,079	23,724
24" Dia 1.12 Km Attock Crossing	39,319	12,189	39,319	14,548
30" Dia Construction of AC - A11	11,315	-	11,315	112
24" Dia 24.48 Km AC4 - AV15 Line	6,762	1,589	6,762	1,995
	19,461,718	4,238,979	19,461,718	5,187,641

**19.1.5** Transmission lines include assets held by the Company on behalf of and in trust for the investors under the Musharaka arrangements with Allied Bank Limited entered into by the Company. Assets held under these Musharaka arrangement is as follows:

Musharaka Arrangements	2019		2018	
	Cost	Book value	Cost	Book value
	(Rupees in thousand)			
36" Dia 68.14 Km AV 29 Mian Channu Line	2,125,933	712,188	2,125,933	839,744

**19.1.6** Particulars of Company's significant immovable property including location and area of land are as follows:

Particulars of land and buildings	District	Area of land		
		Acre	Kanal	Marlas
Faisalabad HQ/Ac-8/Base Store/Distribution Office etc.	Faisalabad	63	4	3
Multan Distribution Office/Store	Multan	9	5	10
Multan (T)/Compression Station etc.	Multan	62	1	8
Multan Terminal A-7 Multan	Multan	3	7	12
Multan AC-6 Compression Station	Multan	2	2	10
Gujranwala Distribution Office	Gujranwala	2	2	-
Islamabad Distribution Office I-9	Islamabad	3	3	10
Wah Transmission Office	Rawalpindi	6	2	14
Wah Store	Rawalpindi	-	12	-
Compression Station Cc-4	Chakwal	7	5	-
Compression Station Gali Jagir Cc-3	Attock	10	-	4
Compression Station Haranpur Cc-1	Jhelum	-	7	7
Compression Station Haranpur C-3	Jhelum	12	1	18
Compression Station Chakwal C-5	Chakwal	8	3	11
Repeater Station FC-1 Dhullian	Attock	2	7	13
Ahmad Nagar C-1 Station	Chiniot	13	6	9
Kot Moman C-2 Station	Sargodha	10	5	3
Shorkot A-9 Station	Jhang	6	7	-
Shorkot AC-7	Jhang	6	7	6
Gojra A-10 Station	Toba tek singh	3	5	17
Compression Station AC-4 Uch Shareef	Bhawalpur	2	1	18
Uch Shareef Pre-Coating Plant	Bhawalpur	24	5	19
Sahiwal Sub Office	Sahiwal	-	2	10
Sahiwal Compression Station	Sahiwal	12	-	-
Lahore Distribution Office	Lahore	1	1	6
Head Office Building	Lahore	-	6	4
Vacant Plot Adjacent Head Office Building	Lahore	-	2	-
Shahkot B-1 Station	Nankana	9	3	1
Bhikki B-2 Station	Sheikhupura	17	2	7
Shahdara B-3 Station	Lahore	1	7	9
Repeater Station Kot Addu	Muzafar Garh	2	-	4
Central Base Store Manga	Lahore	26	4	11
Metering Workshop Kot Lakhpat	Lahore	15	4	12
Central Base Store Lahore	Lahore	2	1	-
Distribution Office Peshawar	Peshawar	-	6	-
Distribution Office Abbottabad	Abbottabad	1	4	17
Office Mess Lahore Cantt	Lahore	800 square yards		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>19.2 Capital work-in-progress</b>			
Transmission system	19.2.1	6,169,476	2,076,420
Distribution system	19.2.2	9,895,328	8,718,932
Stores and spare parts held for capital expenditure	19.2.3	8,980,006	7,819,285
Advances for land and other capital expenditure		327,655	588,475
		25,372,465	19,203,112
<b>19.2.1 Transmission system</b>			
Opening balance		2,076,420	5,950,447
Addition during the year		6,795,272	15,568,402
Transfer to the operating assets		(2,702,216)	(19,442,429)
Closing balance		6,169,476	2,076,420
<b>19.2.2 Distribution system</b>			
Opening balance		8,718,932	8,840,635
Addition during the year		21,730,531	28,429,090
Transfer to the operating assets		(20,554,135)	(28,550,793)
Closing balance		9,895,328	8,718,932
<b>19.2.3 Stores and spare parts held for capital expenditure</b>			
Stores and spare parts [including in-transit Rs 1,114,170 thousand (2018: Rs 1,325,451 thousand)]		9,047,494	7,907,479
Less: Provision for obsolescence		(67,488)	(88,194)
		8,980,006	7,819,285
<b>20 INTANGIBLE ASSETS</b>			
This represents computer software, licenses and ERP system.			
<b>Balance as at beginning of the year</b>			
Cost		773,966	678,752
Accumulated amortization		(657,534)	(589,538)
Net book value		116,432	89,214
<b>Movement during the year</b>			
Additions		163,332	95,214
Amortization charge for the year	38	(94,037)	(67,996)
<b>Balance as at year end</b>			
Cost		937,298	773,966
Accumulated amortization		(751,571)	(657,534)
Net book value		185,727	116,432
<b>Rate of amortization</b>		33.33%	33.33%
<b>20.1</b>	The cost of intangible assets as at June 30, 2019, include fully amortized assets amounting to Rs 647,943 thousand (2018: Rs 540,977 thousand).		

## 21 LONG TERM LOANS - CONSIDERED GOOD

	Note	Employee welfare		House building		Motorcycle / Scooter		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in thousand)									
Due from:									
- Executives	21.1	-	-	3,325	4,384	-	-	3,325	4,384
- Other employees		975,470	968,358	3,858	4,216	34,517	10,898	1,013,845	983,472
		975,470	968,358	7,183	8,600	34,517	10,898	1,017,170	987,856
Current portion shown under									
loans and advances:									
- Executives	27	-	-	1,009	1,065	-	-	1,009	1,065
- Other employees	27	166,675	158,065	1,054	1,266	19,675	8,628	187,404	167,959
		166,675	158,065	2,063	2,331	19,675	8,628	188,413	169,024
		808,795	810,293	5,120	6,269	14,842	2,270	828,757	818,832

### 21.1 Reconciliation of balance due from executives:

Opening balance	-	-	4,384	5,709	-	-	4,384	5,709
Disbursements / reclassification	-	-	-	-	-	-	-	-
	-	-	4,384	5,709	-	-	4,384	5,709
Repayments / adjustments	-	-	(1,059)	(1,325)	-	-	(1,059)	(1,325)
Closing balance	-	-	3,325	4,384	-	-	3,325	4,384

**21.2** House building loans are repayable in 10 years, while motorcycle / scooter loans are repayable in 3 years. Interest at the rate ranging between 1% and 10% (2018: 1% and 10%) per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles in the name of the Company and the employees.

**21.3** The maximum amount due from the Chief Executive and Executives at any month end during the year was Nil (2018: Nil) and Rs 4,291 thousand (2018: Rs 5,602 thousand), respectively.

**21.4** Fair values of long term loans to employees are estimated at the present value of all future cash flows discounted using rate prevailing on Regular Income Certificates for the relevant year.

**21.5** Effective interest rates on the above loans range between 6.54% to 13.44% (2018: 6.54% to 13.44%) per annum.

	Note	2019 (Rupees in thousand)	2018
<b>22 EMPLOYEE BENEFITS</b>			
Pension fund - Executive staff		1,314,177	913,120
Free gas facility fund - Executives		105,129	114,877
Free gas facility fund - Non Executive staff		44,305	720,444
Medical fund - Non Executive Staff		1,338,554	740,197
Accumulating compensated absences - Executive staff		81,494	-
	22.1	2,883,659	2,488,638

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 22.1 Reconciliation of receivable from employee benefit plans:

	Note	Pension fund - Executive staff		Free gas facility fund - Executives		Free gas facility fund - Non executives	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Fair value of plan assets	22.5	3,118,825	2,667,650	213,115	203,112	5,334,927	4,902,558
Present value of funded obligations	22.4	(1,804,648)	(1,754,530)	(107,986)	(88,235)	(5,290,622)	(4,182,114)
Net assets	22.9	1,314,177	913,120	105,129	114,877	44,305	720,444

	Note	Medical fund - Non Executive Staff		Accumulating compensated absences - Executive staff		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Fair value of plan assets	22.5	10,301,319	9,475,453	812,278	-	19,780,464	17,248,773
Present value of funded obligations	22.4	(8,962,765)	(8,735,256)	(730,784)	-	(16,896,805)	(14,760,135)
Net assets	22.9	1,338,554	740,197	81,494	-	2,883,659	2,488,638

## 22.2 Movement in net assets

	Note	Pension fund - Executive staff		Free gas facility fund - Executives		Free gas facility fund - Non executives	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Opening asset		913,120	558,834	114,877	211,610	720,444	318,149
Transfer of funds		-	(100,000)	-	-	-	-
Credit / (charge) for the year	22.3	58,207	9,691	13,445	23,017	(79,181)	(137,167)
Remeasurements chargeable in OCI		(29,508)	87,106	(32,458)	(124,755)	(727,533)	470,502
Contribution paid		372,358	357,489	9,265	5,005	130,575	68,960
		1,314,177	913,120	105,129	114,877	44,305	720,444

	Note	Medical fund - Non Executive Staff		Accumulating compensated absences - Executive staff		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Opening asset		740,197	(538,779)	(137,161)	-	2,351,477	549,814
Transfer of funds		-	-	-	-	-	(100,000)
Credit / (charge) for the year	22.3	(311,842)	(433,247)	54,783	-	(264,588)	(537,706)
Remeasurements chargeable in OCI		786,372	908,390	-	-	(3,127)	1,341,243
Contribution paid		123,827	803,833	163,872	-	799,897	1,235,287
		1,338,554	740,197	81,494	-	2,883,659	2,488,638

### 22.3 Amounts recognized in profit or loss are as follows:

	Note	Pension fund - Executive staff		Free gas facility fund - Executives		Free gas facility fund - Non executives	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Current service cost		65,465	69,598	-	-	167,578	175,075
Interest on obligation		192,751	187,362	9,405	10,616	463,141	446,223
Expected return on plan assets		(316,423)	(266,651)	(22,850)	(33,633)	(551,538)	(484,131)
Net actuarial losses recognized in the year		-	-	-	-	-	-
Total included in employee benefit (income) / expense	22.2	(58,207)	(9,691)	(13,445)	(23,017)	79,181	137,167
Actual return on plan assets		161,188	130,304	10,003	(109,753)	432,369	399,017

	Note	Medical fund - Non Executive Staff		Accumulating compensated absences - Executive staff		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Current service cost		402,081	418,535	13,023	-	648,147	663,208
Interest on obligation		975,749	938,476	72,236	-	1,713,282	1,582,677
Expected return on plan assets		(1,065,988)	(923,764)	(66,023)	-	(2,022,822)	(1,708,179)
Net actuarial losses recognized in the year		-	-	(74,019)	-	(74,019)	-
Total included in employee benefit (income) / expense	22.2	311,842	433,247	(54,783)	-	264,588	537,706
Actual return on plan assets		825,866	534,729	156,822	-	1,586,248	954,297

### 22.4 Changes in the present value of defined benefit obligation are as follows:

	Note	Pension fund - Executive staff		Free gas facility fund - Executives		Free gas facility fund - Non executives	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Opening defined benefit obligation		1,754,530	1,764,776	88,235	101,255	4,182,114	4,185,392
Service cost		65,465	69,598	-	-	167,578	175,075
Interest cost		192,751	187,362	9,405	10,616	463,141	446,223
Remeasurements charged to OCI		(125,727)	(223,454)	19,611	(18,631)	608,364	(555,616)
Actuarial losses		-	-	-	-	-	-
Benefits paid		(82,371)	(43,752)	(9,265)	(5,005)	(130,575)	(68,960)
Closing defined benefit obligation	22.1	1,804,648	1,754,530	107,986	88,235	5,290,622	4,182,114

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	Note	Medical fund - Non Executive Staff		Accumulating compensated absences - Executive staff		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Opening defined benefit obligation		8,735,256	8,784,355	655,456	-	15,415,591	14,835,778
Service cost		402,081	418,534	13,023	-	648,147	663,207
Interest cost		975,749	938,476	72,236	-	1,713,282	1,582,677
Remeasurements charged to OCI		(1,026,494)	(1,297,425)	-	-	(524,246)	(2,095,126)
Actuarial losses		-	-	16,780	-	16,780	-
Benefits paid		(123,827)	(108,684)	(26,711)	-	(372,749)	(226,401)
Closing defined benefit obligation	22.1	8,962,765	8,735,256	730,784	-	16,896,805	14,760,135

## 22.5 Changes in the fair value of plan assets are as follows:

	Note	Pension fund - Executive staff		Free gas facility fund - Executives		Free gas facility fund - Non executives	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Opening fair value of plan assets		2,667,650	2,323,610	203,112	312,865	4,902,558	4,503,541
Expected return		316,423	266,651	22,850	33,633	551,538	484,131
Remeasurements charged to OCI		(155,235)	(136,347)	(12,847)	(143,386)	(119,169)	(85,114)
Actuarial losses		-	-	-	-	-	-
Contributions by employer		372,358	357,488	9,265	5,005	130,575	68,960
Benefits paid		(82,371)	(43,752)	(9,265)	(5,005)	(130,575)	(68,960)
Amount transferred from pension fund to gratuity fund		-	(100,000)	-	-	-	-
	22.6	3,118,825	2,667,650	213,115	203,112	5,334,927	4,902,558

	Note	Medical fund - Non Executive Staff		Accumulating compensated absences - Executive staff		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in thousand)					
Opening fair value of plan assets		9,475,453	8,245,576	518,295	-	17,767,068	15,385,592
Expected return		1,065,988	923,764	66,023	-	2,022,822	1,708,179
Remeasurements charged to OCI		(240,122)	(389,035)	-	-	(527,373)	(753,882)
Actuarial losses		-	-	90,799	-	90,799	-
Contributions by employer		123,827	803,832	163,872	-	799,897	1,235,285
Benefits paid		(123,827)	(108,684)	(26,711)	-	(372,749)	(226,401)
Amount transferred from pension fund to gratuity fund		-	-	-	-	-	(100,000)
	22.6	10,301,319	9,475,453	812,278	-	19,780,464	17,248,773

**22.6 Plan assets comprise of:**

	<b>Pension fund - Executive staff</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Fair value</b>		<b>Fair value</b>	
	<b>(Rupees in thousand)</b>	<b>%</b>	<b>(Rupees in thousand)</b>	<b>%</b>
Certificates of deposit	2,409,217	77.25	2,066,227	77.46
Pakistan Investment Bonds	496,588	15.92	250,553	9.39
NIT Units	147,064	4.72	193,656	7.26
Cash at Bank	65,956	2.11	157,214	5.89
	<b>3,118,825</b>	<b>100.00</b>	<b>2,667,650</b>	<b>100.00</b>

	<b>Free gas facility fund - Executives</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Fair value</b>		<b>Fair value</b>	
	<b>(Rupees in thousand)</b>	<b>%</b>	<b>(Rupees in thousand)</b>	<b>%</b>
Certificates of deposit	201,469	94.54	198,998	97.97
Cash at Bank	11,646	5.46	4,114	2.03
	<b>213,115</b>	<b>100.00</b>	<b>203,112</b>	<b>100.00</b>

	<b>Free gas facility fund - Non executives</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Fair value</b>		<b>Fair value</b>	
	<b>(Rupees in thousand)</b>	<b>%</b>	<b>(Rupees in thousand)</b>	<b>%</b>
Certificates of deposit	4,815,719	90.27	4,716,914	96.21
NIT Units	57,596	1.08	73,524	1.51
Pakistan Investment Bonds	436,896	8.19	85,000	1.73
Cash at Bank	24,716	0.46	27,120	0.55
	<b>5,334,927</b>	<b>100.00</b>	<b>4,902,558</b>	<b>100.00</b>

	<b>Medical fund - Non executive staff</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Fair value</b>		<b>Fair value</b>	
	<b>(Rupees in thousand)</b>	<b>%</b>	<b>(Rupees in thousand)</b>	<b>%</b>
Certificates of deposits	8,809,426	85.51	8,781,118	92.67
NIT Units	165,625	1.61	211,425	2.23
Pakistan Investment Bonds	1,204,951	11.70	402,500	4.25
Cash at Bank	121,317	1.18	80,410	0.85
	<b>10,301,319</b>	<b>100.00</b>	<b>9,475,453</b>	<b>100.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Accumulating compensated absences - Executive staff			
	2019		2018	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	486,982	59.96	-	-
Pakistan Investment Bonds	307,561	37.86	-	-
Cash at bank	17,735	2.18	-	-
	812,278	100.00	-	-

	2019	2018
	Pension fund - Executive staff	
<b>22.7 Principal actuarial assumptions used (expressed as weighted average)</b>		
Expected increase in salaries	14.50%	11.25%
Discount rate	14.50%	11.25%
Expected rate of return per annum on plan assets	14.50%	11.25%
Rate of growth in pensions		
- Employees with retirement up to November 11, 2017	11.50%	8.25%
- Employees with retirement after November 11, 2017	5.0%	5.0%

During the financial year 2017-18, the Company revised its policy of linking pension increase with the pension enhancements announced by the Government to fixed rate of 5% for employees retiring after November 11, 2017. Resultantly, pension increase assumption of 11.50% per annum was used for pensioners who retired before November 11, 2017 and 5% for pensioners who become pensioners after November 11, 2017.

	Free Gas facility fund - Executive staff	
	2019	2018
Discount rate	14.5%	11.25%
Expected return of growth per annum in average cost of facility	13.5%	10.25%
Expected rate of return per annum on plan assets	14.5%	11.25%

	Free Gas facility fund - Non executive staff	
	2019	2018
Discount rate	14.5%	11.25%
Expected return of growth per annum in average cost of facility	13.5%	10.25%
Expected rate of return per annum on plan assets	14.5%	11.25%

	Medical fund Non-executive	
	2019	2018
Discount rate	14.5%	11.25%
Expected rate of growth per annum in average cost of facility	13.5%	10.25%
Increase in average cost of post retirement medical facility	14.5%	11.25%
Expected rate of return per annum on plan assets	14.5%	11.25%

	Accumulating compensated absences Executive	
	2019	2018
Expected increase in salaries	14.50%	11.25%
Discount rate	14.50%	11.25%
Expected rate of return per annum on plan assets	14.50%	11.25%

**22.8** The overall expected rate of return on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

**22.9** Surplus / (deficit) for current and previous four years are as follows:

	Pension fund - Executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Plan assets	3,118,825	2,667,650	2,323,610	1,984,447	1,682,038
Defined benefit obligation	(1,804,648)	(1,754,530)	(1,764,776)	(1,340,851)	(1,833,957)
Surplus / (deficit)	1,314,177	913,120	558,834	643,596	(151,919)
Experience adjustment					
on plan liabilities	46,775	97,738	31,761	(773,163)	(445,392)
Experience adjustment					
on plan assets	(155,235)	(136,347)	655	(43,240)	22,083

	Free Gas Facility - Executives				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Plan assets	213,115	203,112	312,865	169,010	126,487
Defined benefit obligation	(107,986)	(88,235)	(101,255)	(106,185)	(150,086)
Surplus / (deficit)	105,129	114,877	211,610	62,825	(23,599)
Experience adjustment					
on plan liabilities	17,614	(18,888)	11,023	(53,689)	7,161
Experience adjustment					
on plan assets	(12,847)	(143,386)	126,109	29,711	1,177

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Free Gas Facility - Non Executives staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Plan assets	5,334,927	4,902,558	4,503,541	4,072,397	2,067,563
Defined benefit obligation	(5,290,622)	(4,182,114)	(4,185,392)	(4,240,733)	(3,966,458)
Surplus / (deficit)	44,305	720,444	318,149	(168,336)	(1,898,895)
Experience adjustment					
on plan liabilities	496,393	(569,655)	(611,522)	(233,903)	(471,401)
Experience adjustment					
on plan assets	(119,169)	(85,114)	173,278	(170,378)	(72,583)

	Medical fund - Non executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Plan assets	10,301,319	9,475,453	8,245,576	6,640,831	6,127,680
Defined benefit obligation	(8,962,765)	(8,735,256)	(8,784,355)	(7,674,632)	(6,283,881)
Surplus / (deficit)	1,338,554	740,197	(538,779)	(1,033,801)	(156,201)
Experience adjustment					
on plan liabilities	(1,184,120)	(1,321,711)	63,469	531,920	1,092,243
Experience adjustment					
on plan assets	(240,122)	(389,035)	180,827	(130,255)	(211,788)

	Accumulating compensated absences - Executive staff				
	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Plan assets	812,278	518,295	459,484	295,365	203,101
Defined benefit obligation	(730,784)	(655,456)	(565,065)	(453,558)	(370,910)
Surplus / (deficit)	81,494	(137,161)	(105,581)	(158,193)	(167,809)
Experience adjustment					
on plan liabilities	13,338	28,096	(29,788)	58,573	95,040
Experience adjustment					
on plan assets	90,799	(101,841)	(33,189)	17,260	(2,567)

	2019	2018
	(Rupees in thousand)	
<b>22.10 The charge for the year has been allocated as follows:</b>		
Distribution cost	143,569	283,999
Selling cost	54,265	123,608
Administrative expenses	40,493	98,877
Capital work-in-progress	26,261	31,222
	264,588	537,706

	Note	2019 (Rupees in thousand)	2018
<b>23</b>	<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>		
Security and other deposits		15,020	24,305
Prepayments		105,941	123,368
		120,961	147,673
Less: Current portion of prepayments	28	104,527	121,914
Provision against prepayments		1,232	1,232
		105,759	123,146
		15,202	24,527
<b>24</b>	<b>STORES AND SPARE PARTS</b>		
Stores [including in-transit Rs 427,108 thousand (2018: Rs 351,338 thousand)]		4,000,487	2,957,216
Spares [including in-transit Rs 128,120 thousand (2018: Rs 89,202 thousand)]		1,032,537	897,944
		5,033,024	3,855,160
Less: Provision for obsolescence	24.1	28,128	22,635
		5,004,896	3,832,525
<b>24.1</b>	<b>Provision for obsolescence</b>		
Balance as on July 1		22,635	41,768
Charge / (reversal) for the year		5,493	(19,133)
Balance as on June 30		28,128	22,635
<b>25</b>	<b>STOCK-IN-TRADE</b>		
- Gas in pipelines		4,616,328	3,211,724
- Gas in Floating Storage Regassification Unit	25.1	4,390,904	1,672,953
- Held with third parties	29.2.2	-	26,519,892
		9,007,232	31,404,569

**25.1** This represents gas purchased by the Company that is yet to be delivered by Engro Elengy Terminal (Private) Limited ('EETL').

**25.2** Stock of gas is valued at the lower of cost determined on annual average cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale. However, during the year there has been no net realizable value adjustment due to the reason more fully explained in Note 4.19 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>26</b>	<b>TRADE DEBTS</b>		
Considered good:			
Secured	26.1 & 26.3	62,142,912	40,870,650
Unsecured	14.5, 26.1 & 26.3	95,645,371	25,658,877
Deferred gas sales		(215,122)	(214,927)
		157,573,161	66,314,600
Considered impaired			
		23,045,455	21,202,850
Allowance for expected credit losses	26.2	(23,045,455)	(21,202,850)
		157,573,161	66,314,600
<b>26.1</b>	These include amounts due from the following related parties:		
	Oil and Gas Development Company Limited	5	4
	Sui Southern Gas Company Limited	32,801,683	1,938,154
	State Life Insurance Corporation of Pakistan	101	273
	The Bank of Punjab	2	2
	Pak Arab Refinery Limited	40,753	52,979
	Sheikh CNG	1,356	1,342
	City CNG	1,306	1,532
	National Power Parks Management Company (Private) Limited	6,018,355	3,977,915
	Quaid-e-Azam Thermal Power (Private) Limited	12,844,872	1,856,267
	Fuji Fertilizers Company Limited	1,399	1,010
	Water and Power Development Authority	22,800,916	15,330,275
		74,510,748	23,159,753
<b>26.1.1</b>	<b>Ageing of related party balances</b>		
	One to six months	47,839,161	11,372,382
	More than six months	26,671,587	11,787,371
		74,510,748	23,159,753
<b>26.1.2</b>	The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 74,543,832 thousand (2018: Rs 25,564,012 thousand).		
	Note	2019 (Rupees in thousand)	2018
<b>26.2</b>	<b>Allowance for expected credit losses</b>		
	Balance as at June 30, 2018 / June 30, 2017	21,202,850	21,330,027
	Effect of adoption of IFRS 9	336,726	-
	Provision for expected credit losses	1,505,879	-
	Reversal of the provision for doubtful debts	36	-
		-	(127,177)
	Balance as on June 30, 2019 / June 30, 2018	26.2.1	23,045,455
			21,202,850

**26.2.1** For amounts due directly or ultimately from the Government of Pakistan, exemption is allowed by the SECP as more fully explained in Note 2.2.3 to these financial statements. The Company is following the requirements of IAS 39 for these receivable balances and based on the assessment done by the management there is no incurred loss with respect to these balances.

**26.3** Included in trade debts are amounts receivable from Government owned power generation companies, independent power producers and Sui Southern Gas Company Limited (SSGCL) of Rs 93,892,862 thousand (2018: Rs 27,294,107 thousand) along with interest thereon of Rs 17,482,640 thousand (2018: Rs 15,155,518 thousand) due to delayed payments. While trade and other payables as referred to in Note 14 include an amount of Rs 317,681,475 thousand (2018: Rs 160,714,924 thousand) due to Pakistan Petroleum Limited, SSGCL, Oil and Gas Development Company Limited, Pakistan State Oil, Pakistan LNG Limited and Government Holding (Private) Limited on account of gas purchases along with interest on delayed payments of Rs 42,370,242 thousand (2018: Rs 24,770,686 thousand) and interest on delayed payment of Gas Development Surcharge of Rs 4,101,732 thousand (2018: Rs 4,101,732 thousand) payable to Government of Pakistan. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan. Furthermore, amounts of Rs 185,376,149 thousand (2018: Rs 122,176,517 thousand) and Rs 17,777,161 thousand (2018: payable Rs 6,653,574 thousand) as referred to in Note 29 is receivable from Government of Pakistan on account of differential margins/deferral account. The recoverability of these amounts is dependent upon settlement by the Government of Pakistan directly or indirectly inter alia including increase in future gas prices.

	Note	2019 (Rupees in thousand)	2018
<b>27</b>	<b>LOANS AND ADVANCES</b>		
Current portion of loans to employees - considered good:			
Executives	21	1,009	1,065
Other employees	21	187,404	167,959
		188,413	169,024
Advances - considered good:			
- Employees		1,706,144	630,375
- Suppliers and contractors	27.1	225,429	461,546
Advances to suppliers and contractors - considered impaired		3,227	3,227
Less: Allowance for expected credit loss		3,227	3,227
		-	-
		2,119,986	1,260,945
<b>27.1</b>	These include amounts due from the following related parties:		
The General Tyre & Rubber Company of Pakistan limited		6,353	765
Pakistan Cables Limited		611	705
Sui Southern Gas Company Limited		1,299	1,299
		8,263	2,769

**27.1.1** These are in the normal course of business and are interest free.

**27.1.2** The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 11,011 thousand (2018: Rs 3,389 thousand).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>27.1.3 Ageing of related party balances</b>			
One to six months		6,133	573
More than six months		2,130	2,196
		8,263	2,769
<b>28 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Trade deposits and short term prepayments		158,788	126,588
Allowance for expected credit loss		(22,290)	(22,290)
		136,498	104,298
Current portion of long term prepayments	23	104,527	121,914
		241,025	226,212
<b>29 OTHER RECEIVABLES</b>			
Excise duty recoverable		108,945	108,945
Less: Expected credit losses		(108,945)	(108,945)
		-	-
Differential margin recoverable	26.3 & 29.1	185,376,149	122,176,517
RLNG differential margin / Gas swapping deferral account	29.2	17,777,161	-
Current account with Sui Southern Gas Company Limited		17,893	17,132
Others		108,764	144,513
		203,279,967	122,338,162
<b>29.1 Differential margin recoverable</b>			
Opening balance		122,176,517	65,758,692
Differential margin determined for the year:			
- Recognized in statement of profit or loss	34	63,848,368	56,837,244
- Recognized in OCI		(648,736)	(419,419)
Closing balance		185,376,149	122,176,517
<b>29.2 RLNG differential margin / Gas swapping deferral account</b>			
Opening balance	14	(6,653,574)	(4,192,208)
Recognized for the year	34 & 35	33,425,715	(2,461,366)
		26,772,141	(6,653,574)
RLNG margin on sale of stock to SSGCL	29.2.2	(8,994,980)	-
Closing balance		17,777,161	(6,653,574)

**29.2.1** The balance of RLNG differential margin represents the aggregate difference between the margin earned by the Company from the purchase and sale of RLNG based on the notified rates and the RLNG margin guaranteed to the Company till June 30, 2019. The settlement of this amount is expected to materialize in the shape of adjustment to future sale price of RLNG by the OGRA.

A gas swapping mechanism was allowed by the Economic Coordination Committee ("ECC") of the Cabinet Division vide its decision dated May 11, 2018, which was endorsed by the OGRA vide Final Revenue Requirement decision of the Company for financial year 2017-18 dated January 15, 2019 (FRR 17-18), for swapping of natural gas and RLNG for the purpose of gas load management. The necessary volumetric adjustments and financial impact is to be made on a cost neutral basis in the sale price of RLNG. The balance of gas swapping deferral account represents

the difference of average cost of RLNG and the average sale price of system gas (2018: average prescribed price) (used by the OGRA in determination of deferral account) of the swapped volumes. During the year, 29,029,501 MMBTUs of RLNG were sold as Indigenous gas. The differential margin receivable resulting from RLNG sold as indigenous gas will be adjusted upon directional changes in gas swapping and / or tariff adjustments in future periods to be determined by the OGRA.

- 29.2.2** During the year, the OGRA vide its decision dated November 20, 2018 which was further clarified by the OGRA dated February 04, 2019, has directed that the stock of RLNG held with SSGCL to be sold to SSGCL on historical weighted average cost. Thereafter, SSGCL shall record sales as per relevant applicable OGRA notified rates. The gain / loss owing to the difference between the current and historical rates shall be passed on to the Company within a month of sale of RLNG stock by the SSGCL and is to be realized / adjusted in the OGRA's determined future price adjustments to the Company's RLNG consumers.

	Note	2019 (Rupees in thousand)	2018
<b>30</b>	<b>CONTRACT ASSETS</b>		
	Due from customers against construction contracts:		
	Balance as at June 30, 2018	-	-
	Effect of adoption of IFRS 15 - transferred from other receivables	1,438	-
	Balance as at July 01, 2018	1,438	-
	Additions during the year	71,320	-
	Balance as at June 30, 2019	45	72,758

<b>31</b>	<b>INVESTMENTS</b>		
	<b>Non-current asset</b>		
	Inter State Gas Systems (Private) Limited		
	490,000 (2018: 490,000) ordinary shares of Rs 10 each	-	4,900
	<b>Current asset</b>		
	Inter State Gas Systems (Private) Limited		
	490,000 (2018: 490,000) ordinary shares of Rs 10 each	4,900	-

The Company holds 0.21% share capital of Interstate Gas Systems (Private) Limited. This investment was classified as held to maturity under IAS 39 and have been transferred to FVTPL under IFRS 9. During the year, the Board of Directors has approved the sale of these shares to Government Holding (Private) Limited at par value/cost.

	Note	2019 (Rupees in thousand)	2018
<b>32</b>	<b>CASH AND BANK BALANCES</b>		
	Cash at banks:		
	On deposits accounts	32.1	5,921,385
	On current accounts		229,543
		32.2 & 32.4	6,150,928
	Cash in hand		1,624
			6,152,552
			7,075,033

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

**32.1** Rate of return on bank deposits ranges between 4.50% to 11.50% (2018: 3.75% to 6.40%) per annum.

	2019	2018
	(Rupees in thousand)	
<b>32.2 Balance with related parties</b>		
Askari Bank Limited	2,332,466	2,784,106
The Bank of Punjab	54,936	51,887
Soneri Bank Limited	2,478	2,208
	2,389,880	2,838,201

**32.3** Included in deposit accounts are amounts deposited by the Company in separate bank account(s) for funds released by the Government as grant to finance distribution development projects being the Government share of cost. Withdrawal from this account(s) is made on periodic basis to the extent of projects approved and sanctioned there from and until then, these funds amounting to Rs 4,877,457 thousand (2018: Rs 5,426,673 thousand) are not used for the normal treasury operations of the Company. Any profit earned there on is credited to the funds instead of accounting for as Company's income.

**32.4** This includes Rs 841,034 thousand (2018: Rs 111,462 thousand) restricted for outstanding dividend payments.

## **33 REVENUE FROM CONTRACTS WITH CUSTOMERS - GAS SALES**

	Note	2019	2018
		(Rupees in thousand)	
Gross sales - Indigenous gas		202,182,545	162,901,496
Gross sales - RLNG	33.1	577,820,206	346,736,734
		780,002,751	509,638,230
Sales tax - Indigenous gas		(28,055,072)	(22,992,515)
Sales tax - RLNG		(67,321,798)	(39,879,878)
		(95,376,870)	(62,872,393)
		684,625,881	446,765,837

**33.1** In aggregate, the Company has recognized revenue of Rs. 20,220 million under Take or Pay ("ToP") arrangements from July 01, 2017 to June 30, 2019 out of which Rs. 3,042 million has been recognized during the year. This comprises of Rs. 8,536 million from M/s Quaid-e-Azam Thermal Power (Private) Limited ("QATPL") and Rs. 11,684 million from M/s National Power Parks Management Company Limited ("NPPMCL") (collectively referred to as Government Power Producers ("GPPs")).

The Company entered into Gas Supply Agreements (“GSAs”) for supply of RLNG to GPPs. Under clause 3.6 of the respective GSAs, the GPPs shall take and if not taken, pay for the unutilized gas on account of Take or Pay (“ToP”) arrangements. If the GPPs do not fully utilize the ToP quantity, they can request the Company to divert any unutilized quantity to other power plants, after seeking their consent. In case the power plants refuse or the Company, due to technical constraints or other reasons, is unable to supply the unutilized quantity to the power plants, it can divert that quantity to any of its consumers. The amounts recovered from these consumers, after deduction of any additional charges incurred by the Company in arranging the sale is required to be paid to the GPPs. The revenue of Rs 20,220 million is recorded net of amounts billed by the Company to such other consumers.

The Company has also partially recovered the ToP amounts by encashment of Standby Letter of Credit of NPPMCL for a net amount of Rs. 10,384 million and withdrawal of Rs. 3,265 million from the Escrow Account of QATPL against the invoices raised under ToP arrangement. The net receivable balance as at year end amounts to Rs. 6,571 million (June 30, 2018: Rs. 3,529 million). The GPPs disputed the invoices under ToP arrangements on various grounds and filed a writ petition with the Honorable Lahore High Court (“LHC”). The LHC on June 22, 2018 directed that the disputed invoices should be dealt with in accordance with the dispute resolution mechanism available in the GSAs. In light of section 18.1 of the GSAs, various attempts were made to settle this dispute by mutual discussions but the matter remained unresolved. As required under section 18.2 of the GSAs, the dispute has thereafter been referred to an Expert, after mutual agreement of the parties involved, on October 09, 2018.

The legal advisor of the Company filed claims against GPPs to the Expert on March 15, 2019 and the proceedings before this forum were completed subsequent to the year end in September 2019. The determination of the Expert was issued in favor of the Company and the GPPs have approached the London Court of International Arbitration (LCIA) for the resolution of the matter. The matter is still pending adjudication with the LCIA and no proceedings have yet been initiated. Based upon the advice of the Company’s legal counsel on this matter, the Company believes that it has reasonably good arguments in its favor and it expects a favorable outcome

Besides the above proceedings, the Company, under the terms of the license granted to it by the OGRA, the guidelines issued by the Federal Government vide decision of the Economic Coordination Committee of the Cabinet (“ECC”) dated May 11, 2018, and as per determination of Final Revenue Requirement of the Company for FY 2017-18 (“FRR 2017-18”) dated January 15, 2019, operates under a fixed rate of return regime. The management believes that in case the decision of the Arbitrator is not in favor of the Company or is partially in favor of the Company, and the Company has exhausted its legal remedies available under the law, the matter will be taken up with the OGRA for determining the cost of the same to the Company in its revenue requirement decision, therefore, the Company is not exposed to any significant loss upon the conclusion of this matter.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
<b>33.2 Disaggregated revenue information</b>		
<b>Type of goods:</b>		
- Indigenous gas	174,127,473	139,908,981
- RLNG	510,498,408	306,856,856
	684,625,881	446,765,837
<b>Timing of revenue recognition:</b>		
- Revenue recognized at point in time	684,625,881	446,765,837
- Revenue recognized over time	-	-
<b>Region wise revenue:</b>		
Multan	87,509,110	96,429,890
Bahawalpur	40,063,189	26,557,505
Sargodha	14,902,832	4,542,894
Faisalabad	104,378,918	60,613,805
Sahiwal	3,033,208	3,374,586
Sheikhupura	104,813,190	68,762,932
Lahore	129,247,428	74,979,903
Sialkot	3,939,379	2,893,602
Gujranwala	35,578,930	34,243,276
Gujrat	2,730,384	1,910,562
Islamabad and Rawalpindi	40,990,102	32,926,187
Mardan	14,990,598	11,898,490
Peshawar	22,493,471	18,128,013
Abbottabad	12,295,692	9,504,192
Head office	67,659,450	-
	684,625,881	446,765,837
<b>Category wise revenue:</b>		
Domestic	63,657,029	43,676,517
Commercial	20,409,303	15,556,594
General industry	56,077,487	55,318,244
Fertilizers	27,110,940	6,390,839
WAPDA	14,077,254	10,324,899
Power sector	310,986,104	207,548,674
CNG	51,829,858	42,858,329
Cement sector	144,133	508,967
SSGCL	67,659,450	-
Captive power	58,225,144	52,689,374
Textile	14,449,179	11,893,400
	684,625,881	446,765,837
<b>Contract balances</b>		
Trade debts	157,573,161	66,314,600
Contract assets	72,758	-
Contract liabilities	11,330,153	-

The main reason for increase in trade debts is due to increased revenue of RLNG and circular debt as more fully explained in Note 26 to these financial statements.

These contract assets and liabilities have been recognized as on July 01, 2018 due to the adoption of IFRS 15 as more fully explained in Note 11 and 30 to these financial statements.

The transaction price allocated to the remaining unsatisfied performance obligations as on June 30, 2019 is as follows:

	2019	2018
	(Rupees in thousand)	
Within one year	263,349	-
Over one year	11,066,804	-

The performance obligation with respect to each category of revenue is disclosed in Note 4.16 to these financial statements. The Company does not have any further segments, accordingly, the further disaggregation of Company revenue from contracts with customers has not been presented.

	Note	2019	2018
		(Rupees in thousand)	
<b>34 DIFFERENTIAL MARGIN</b>			
Differential margin on indigenous gas	34.1 & 34.2	63,848,368	56,837,244
Differential margin on RLNG	34.3	6,064,075	179,309
		69,912,443	57,016,553

**34.1** The revenue recognized above is receivable from Government of Pakistan (GOP) under the provisions of license for transmission and distribution of natural gas granted to the Company by the OGRA. The OGRA vide its decision dated June 21, 2018 on the Estimated Revenue Requirement ('ERR') of the Company for the year 2018-19 decided in consultation with the Federal Government and other licensees in the natural gas sector to revise the tariff regime including the rate of return which is to be based on Weighted Average Cost of Capital ('WACC') from the financial year 2018-19 in place of the existing rate of return of 17.5% of the average operating assets. Weighted Average Cost of Capital ('WACC') was computed at 17.43% for financial year 2018-19 and onwards, however, the same will automatically reset if the reference figure changes by  $\pm 2\%$ . As per the revised tariff regime, the Company is required to earn an annual return of not less than Weighted Average Cost of Capital ('WACC') on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income and before incorporating the effect of efficiency benchmarks prescribed by the OGRA.

During the year, the Company could not meet the benchmarks prescribed by the Oil and Gas Regulatory Authority (OGRA) and as a result the return for the year on the aforesaid basis works out to be 10.10% (2018: 13.86%). Among other disallowances made by the OGRA, the Company has also incorporated the effect of Unaccounted for Gas (UFG), which represents the volume difference of gas purchases and sales, amounting to Rs 10,527,715 thousand (2018: Rs 6,356,066 thousand), which is in excess of the UFG benchmark of 6.9238% (2018: 6.991%) as determined by the OGRA.

**34.2** This includes an amount of Rs 22,681,689 thousand consisting of various expenses which have either been deferred or disallowed by the OGRA on various grounds, however, the Company has recognized differential margin on such deferrals / disallowances in these financial statements as the Company believes that the OGRA in its various determinations in the past years has consistently allowed such expenses. Accordingly, the Company is in the process of filing a review appeal against the Final Revenue Requirements (FRR) decision by the OGRA and is confident of favorable outcome. Detailed break up of the deferred and / or disallowed expenses is as follows:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
Late payment surcharge to gas creditors	34.2.1	17,877,308	-
Impact of rupture/sabotage volume disallowed	34.2.2	170,348	-
Return on assets	34.2.3	784,000	-
Human resource cost	34.2.4	3,029,033	-
Operating cost other than HR	34.2.5	821,000	-
		22,681,689	-

**34.2.1** This represents late payment surcharge payable to various gas suppliers deferred by the OGRA till actual payment. The Company is of the view that this amount has not been disallowed instead has been deferred and the Company is confident that it will be allowed on accrual basis of accounting as per past practices.

**34.2.2** This represents impact of volume of gas disallowed by the OGRA on account of rupture/sabotage which has been consistently allowed by the OGRA in past years and hence, the Company is confident that the same will be allowed upon the review of appeal to be filed with the OGRA.

**34.2.3** This represents respective portion of return on assets capitalized during the year pending by the OGRA for re-validation. The Company is confident that this return will be allowed by the OGRA upon re-validation of such assets.

**34.2.4** This represents disallowance of human resource cost related to the capitalization during the year which has been consistently allowed by the OGRA in past years and hence, the Company is confident that the same will be allowed upon the review of appeal to be filed with the OGRA.

**34.2.5** This represents certain operating costs other than the human resource cost disallowed by the OGRA for various reasons which have been consistently allowed by the OGRA in past years and hence, the Company is confident that the same will be allowed upon the review of appeal to be filed with the OGRA.

**34.3** This includes an amount of Rs 2,392,000 thousand disallowed by the OGRA partially by diverting from the earlier consistent practice of allowing such expenses in full by dividing the total cost on the actual throughput instead of gross throughput and partially due to an inadvertent error while calculating the average cost of supply in respect of gas internally consumed. As explained in Note 34.2 above, the Company is in the process of filing a review appeal against the FRR decision by the OGRA and is confident of favorable outcome. Detailed break up of the amount is as follows:

	2019 (Rupees in thousand)	2018
Return on assets and depreciation	1,721,000	-
Gas internally consumed	671,000	-
	2,392,000	-

	Note	2019 (Rupees in thousand)	2018
<b>35 COST OF GAS SALES</b>			
Opening stock of gas in pipelines		31,404,569	10,270,890
Gas purchases:			
- Southern system		98,888,845	60,495,204
- Northern system		86,953,804	79,355,022
- RLNG	35.1	509,046,749	316,702,545
- Cost equalization adjustment	35.2	-	12,526,232
		694,889,398	469,079,003
Gas swapping deferral account	29.2.1	(27,361,640)	2,640,675
		698,932,327	481,990,568
Less:			
- Gas internally consumed		5,880,402	4,437,854
- Gas in pipelines	25	4,616,328	3,211,724
- Gas in Floating Storage Regassified Unit	25	4,390,904	1,672,953
- Held with third parties	25	-	26,519,892
		14,887,634	35,842,423
Distribution cost	35.4	34,697,622	30,637,506
		718,742,315	476,785,651
<b>35.1 Gas purchases - RLNG</b>			
Cost of RLNG		486,941,928	297,593,275
Cost of capacity and utilization charges/regassification cost		15,071,702	11,271,676
Transportation cost and margin		7,033,119	7,837,594
		509,046,749	316,702,545

**35.2** In accordance with the policy guidelines issued by the Government of Pakistan, under section 21 of the Oil & Gas Regulatory Authority Ordinance, 2002, the Company has entered into an agreement with Sui Southern Gas Company Limited (SSGCL) for uniform pricing of gas. Under this agreement, the Company with a higher weighted average cost of gas will raise a demand to the other company of the amount necessary to equalize the cost of gas for both companies. This represents the impact of cost equalization till May, 2018. The arrangement has been held in abeyance by the Economic Coordination Committee (ECC) of the Cabinet in the meeting held on May 17, 2018.

**35.3** Unaccounted For Gas (UFG) in the parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the Company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. As a result of UFG study conducted by the OGRA, the parameters used for the purpose of calculation of UFG have been revised with effect from July 01, 2017. Consequently non consumer and law affected area's volumes which were earlier allowed by the OGRA, over and above the benchmark, have now become part of UFG. However, this has been partly compensated by an increase in UFG benchmark from 4.5% to 5% and a further 2.6% dependent on achievement of Key Monitoring Indicators (KMIs) as prescribed by the OGRA. UFG for each region of SNGPL network is given below in terms of volume and percentage.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Sr. No.	Region	Number of consumers	UFG	
			MMCF	%
1	Multan	570,428	3,279	12.99
2	Bahawalpur	270,015	1,448	1.42
3	Sargodha	253,167	750	8.26
4	Faisalabad	744,451	2,033	7.10
5	Sahiwal	242,097	366	5.16
6	Sheikhupura	328,258	365	2.92
7	Lahore	1,138,279	6,953	12.31
8	Sialkot	303,793	945	8.69
9	Gujranwala	540,396	1,688	8.54
10	Gujrat	263,497	597	7.55
11	Islamabad and Rawalpindi	1,090,106	6,625	11.81
12	Mardan	244,866	3,495	12.61
13	Peshawar	448,622	16,133	31.29
14	Abbottabad	177,304	226	1.21
<b>Total distribution system</b>		6,615,279	44,903	10.87
Transmission system		-	7,674	0.99
<b>Total</b>		6,615,279	52,577	11.86

	Note	2019	2018
		(Rupees in thousand)	
<b>35.4 DISTRIBUTION COST</b>			
Salaries, wages and benefits	35.4.1	8,153,211	8,005,046
Employees' medical and welfare		650,951	625,075
Stores and spare parts consumed		648,717	686,618
Fuel and power		5,733,066	4,217,724
Repairs and maintenance		1,874,903	1,712,795
Rent, rates, electricity and telephone		508,516	270,928
Insurance		197,829	278,355
Travelling and conveyance		105,351	93,427
Stationery and postage		24,621	27,302
Transportation charges		764,686	703,106
Professional services		22,707	5,433
Security expenses		692,366	664,124
Advertisement		41,151	22,000
Depreciation	19.1.3	17,589,036	15,419,148
Others		345,374	459,439
		37,352,485	33,190,520
Allocated to fixed capital expenditure		(2,654,863)	(2,553,014)
		34,697,622	30,637,506

**35.4.1** Included in salaries, wages and benefits are Rs 229,343 thousand (2018: Rs 198,372 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2019 (Rupees in thousand)	2018
<b>36 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Interest on staff loans and advances		79,316	61,247
Return on bank deposits		339,863	301,139
Reversal of provision for doubtful debts	26.2	-	127,177
Gain on initial recognition of financial liabilities at fair value		35,682	6,113
		454,861	495,676
Late payment surcharge on gas bills:			
- Government owned and other power generation companies		2,333,575	1,614,934
- Fertilizer and cement companies		401,781	316,151
- Other consumers	36.1	8,836,926	4,258,146
		11,572,282	6,189,231
<b>Income from assets other than financial assets</b>			
Net gain on sale of property, plant and equipment		48,064	40,732
Meter rentals and repair charges		2,021,513	2,176,138
Amortization of deferred credit and contract liabilities	10 & 11	2,417,264	3,837,509
Insurance claim	36.4	4,333	4,343
		4,491,174	6,058,722
<b>Others</b>			
Sale of tender documents		8,483	10,681
Sale of scrap		78,493	86,913
Liquidated damages recovered		694,221	154,964
Gain on construction contracts		505,163	288,370
Bad debts recovered		2,800	8,879
Urgent fee for new meter connections		679,045	840,686
Miscellaneous		25,653	25,365
		1,993,858	1,415,858
		18,512,175	14,159,487
<b>36.1 Interest Income on late payment of gas bills - other consumers</b>			
Interest on gas sales arrears	36.2	7,339,769	3,207,374
Surcharge on late payments	36.3	1,497,157	1,050,772
		8,836,926	4,258,146

**36.2** This represents interest charged on gas sales arrears at the rate of 1.5% (2018: 1.5%) per month up to one year and thereafter 2% (2018: 2%) per month from other than domestic consumers.

**36.3** Late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2018: 10%) charged once.

**36.4** This represents claims received on account of rupture of gas pipelines.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>37</b>	<b>SELLING COST</b>		
Salaries, wages and benefits	37.1	4,275,960	4,130,036
Employees' medical and welfare		311,032	305,673
Stores and spare parts consumed		1,894	2,116
Fuel and power		-	6
Repairs and maintenance		299,512	238,495
Rent, rates, electricity and telephone		47,163	44,211
Travelling and conveyance		42,740	30,551
Stationery and postage		86,600	77,079
Dispatch of gas bills		124,115	122,604
Transportation charges		122,643	95,798
Professional services		3,417	3,774
Gathering charges of gas bills collection data		50,000	45,000
Gas bills collection charges		460,000	472,326
Security expenses		30,890	17,671
Others		53,166	63,907
		5,909,132	5,649,247
Allocated to fixed capital expenditure		(382,282)	(366,530)
		5,526,850	5,282,717

**37.1** Included in salaries, wages and benefits is Rs 119,131 thousand (2018: Rs 103,587 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2019 (Rupees in thousand)	2018
<b>38</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits	38.1	5,136,122	4,886,737
Employees' medical and welfare		314,960	317,060
Stores and spare parts consumed		67,980	85,553
Fuel and power		49,214	44,898
Repairs and maintenance		173,055	154,869
Rent, rates, electricity and telephone		146,850	164,587
Insurance		23,021	21,959
Travelling and conveyance		45,847	47,282
Stationery and postage		48,406	49,734
Transportation charges		120,393	98,369
Professional services	38.3	270,817	222,006
Security expenses		175,165	225,105
Service charges		-	15,000
OGRA fee and expenses		253,734	216,969
Advertisement		204,471	167,215
Depreciation	19.1.3	358,960	314,677
Amortization of intangible assets	20	94,037	67,996
Others		326,323	340,081
		7,809,355	7,440,097
Allocated to fixed capital expenditure		(503,104)	(474,262)
		7,306,251	6,965,835

**38.1** Included in salaries, wages and benefits is Rs 151,353 thousand (2018: Rs 134,328 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	2019		2018	
	As at June 30	Average during the year	As at June 30	Average during the year
<b>38.2 Number of employees</b>				
Operations	8,567	8,636	8,654	8,724
Projects	314	324	407	420
Total	8,881	8,960	9,061	9,144

	Note	2019 (Rupees in thousand)	2018
<b>38.3 The charges for professional services include the following in respect of auditors' services for:</b>			
Statutory audit			
- EY Ford Rhodes		3,762	-
- A.F Ferguson & Co.		-	3,762
		3,762	3,762
Half yearly review and other certifications			
- EY Ford Rhodes		4,020	-
- A.F Ferguson & Co.		-	3,390
		4,020	3,390
Income tax advisory			
- A.F Ferguson & Co.		9,915	6,976
Out of pocket expenses			
- EY Ford Rhodes		700	-
- A.F Ferguson & Co.		-	700
		700	700
		18,397	14,828

### 39 OTHER OPERATING EXPENSES

Exchange loss - net		2,414,762	1,254,705
Workers' Profit Participation Fund	14.7	586,801	814,494
Loss on initial recognition of financial assets at fair value		41,577	93,639
Reversal of transportation income	39.1	-	463,280
		3,043,140	2,626,118

**39.1** This represented reversal of transportation income along with late payment surcharge thereon in respect of RLNG transported to Pak Arab Fertilizer Limited during the financial years 2015 & 2016 resulting from the revision in the transportation tariff pursuant to the order of the Honorable Lahore High Court dated July 13, 2018, and as determined by the OGRA vide its decision dated August 3, 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>40</b>	<b>FINANCE COST</b>		
Interest and mark up including commitment charges on:			
	- Long term finances - secured	5,733,360	4,376,979
	- Long term finances - unsecured	54,614	76,261
	- Short term borrowing	1,026,532	117,403
	- Late payment surcharge to gas creditors	17,987,254	5,875,072
	- Security deposits	1,024,395	686,931
	Bank charges	9,805	8,455
		25,835,960	11,141,101
	Allocated to fixed capital expenditure	(59,113)	(334,946)
		25,776,847	10,806,155

## 41 TAXATION

### Current Tax

	Current year	3,756,383	2,607,308
	Prior year	(2,607,308)	(505,044)
		1,149,075	2,102,264
	<b>Deferred tax</b>	12	2,924,308
		4,073,383	4,353,926

- 41.1** By virtue of amendments introduced through Finance Act, 2018, the provisions of section 5A of the Ordinance have been amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 20% of its after tax profits within six months of the end of the said tax year through cash or bonus shares, shall be liable to pay tax at the rate of 5% of its accounting profit before tax. Liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

	Note	2019 (%)	2018
<b>41.2</b>	<b>Tax charge reconciliation</b>		
Numerical reconciliation between the average effective tax rate and the applicable tax rate			
	Applicable tax rate as per Income Tax Ordinance, 2001	29.00	30.00
	Super tax	41.3	2.28
Tax effect of amounts that are:			
	- Effect of changes in current tax of prior years	(22.61)	(3.26)
	- Change in tax rate	4.51	(4.34)
De-recognition of previously recognized minimum and alternate corporate tax available for carry forward			
	- Others	-	3.48
		22.82	(0.03)
		4.72	(4.15)
	Average effective tax rate charged to statement of profit or loss	36.54	28.13

- 41.3** It represents tax expense pertaining to super tax, which has been levied at the rate of 2% for the tax year 2019 on all Companies having taxable income of Rs 500 million or above through amendments introduced in the Income Tax Ordinance, 2001 vide Finance Act, 2015.

#### 41.4 Management's assessment on the sufficiency of provision for income taxes

Tax Year	Tax assessed as per most recent tax assessment	Provision in accounts for the income tax
2018	-	2,607,308
2017	1,760,034	2,265,077
2016	1,212,797	1,210,350

The Company computes tax provisions based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. Accordingly, the management of the Company has assessed the sufficiency of the tax provisions and believes that the tax provisions are sufficient to reflect the actual tax liability of the Company. However, in prior year the management adjusted the tax credits available in consultation with its tax advisor while filing the tax return which were not accounted at the time of recording the provision for income tax in the financial statements.

		Note	2019	2018
<b>42</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>			
	Profit for the year		7,075,834	11,121,475
	Average ordinary shares in issue	5	634,216,665	634,216,665
	Basic Earnings per share		11.16	17.54

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

		Note	2019 (Rupees in thousand)	2018
<b>43</b>	<b>CASH GENERATED FROM OPERATIONS</b>			
	Profit before taxation		11,149,217	15,475,401
	<b>Adjustment for non-cash charges and other items:</b>			
	Depreciation on owned assets	19.1.3	17,947,996	15,733,825
	Amortization on intangible assets	20	94,037	67,996
	Employee benefits		1,524,717	3,192,516
	Amortization of deferred credit and contract liabilities	36	(2,417,264)	(3,837,509)
	Net gain on sale of property, plant and equipment	36	(48,064)	(40,732)
	Finance cost	40	25,776,847	10,806,155
	Return on bank deposits	36	(339,863)	(301,139)
	Allowance for expected credit losses	26.2	1,505,879	-
	Reversal of provision for doubtful debts	26.2	-	(127,177)
	Loss on initial recognition of financial assets at fair value	39	41,577	93,639
	Gain on initial recognition of financial liabilities at fair value	36	(35,682)	(6,113)
	Net loss on initial recognition of financial assets/ financial liabilities at fair value		5,895	87,526
	Net interest income due to the discounting under IFRS 9		(42,396)	(32,855)
	Working capital changes	43.1	(38,057,626)	(6,258,115)
			17,099,375	34,765,892

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>43.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores and spare parts		(1,172,371)	(1,534)
Stock-in-trade		22,397,337	(21,133,679)
Trade debts		(93,101,166)	(8,370,102)
Loans and advances		(839,652)	281,637
Trade deposits and short term prepayments		(14,813)	(65,303)
Other receivables		(86,082,584)	(78,990,273)
		(158,813,249)	(108,279,254)
<b>Increase in current liabilities:</b>			
Trade and other payables		120,492,274	102,021,139
Contract liabilities		263,349	-
		(38,057,626)	(6,258,115)
<b>43.2 Cash and cash equivalents</b>			
Cash and bank balances	32	6,152,552	7,075,033
Short term borrowing	16	(28,486,666)	(3,986,546)
		(22,334,114)	3,088,487

	Note	Long term financing	
		Secured	Unsecured
<b>43.3 Reconciliation of liabilities arising from financing activities</b>			
Net debt as at July 1, 2017 (including current portion shown under current liabilities)		54,274,800	952,789
Cash flows		7,235,200	(84,146)
Others	43.3.1	-	29,234
Net debt as at June 30, 2018 (including current portion shown under current liabilities)		61,510,000	897,877
Cash flows		(11,090,000)	(98,072)
Transferred to deferred credit		-	(316,213)
Others	43.3.1	-	24,509
Net debt as at June 30, 2019 (including current portion shown under current liabilities)		50,420,000	508,101

**43.3.1** Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.

#### 44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits, to the Managing Director / Chief Executive and executives of the Company is as follows:

	Managing Director / Chief Executive		Executives	
	2019	2018	2019	2018
	(Rupees in thousand)			
Remuneration	21,990	24,654	1,713,236	1,572,157
Contribution to Provident, Pension and Gratuity funds	6,135	7,710	563,379	521,471
Housing and utilities	12,095	13,560	878,179	826,507
Medical reimbursement	514	317	84,687	36,057
Conveyance and other allowances	12,272	4,553	147,310	610,969
Special allowance	4,963	4,931	500	720
Leave encashment	4,954	9,875	17,445	2,782
Club subscription	4	8	4,755	10,118
	62,927	65,608	3,409,491	3,580,781
Number of persons	1	1	623	657

In addition, the Chief Executive and certain executives are provided with Company maintained vehicles subject to certain specified limits for petrol consumption, residential telephone/mobile facilities for both business and personal use and free medical facilities.

The aggregate amount charged in the financial statements in respect of Directors' fee paid to twenty one (2018: sixteen) Directors was Rs 52,500 thousand (2018: Rs 64,700 thousand) including the casual vacancies created. Total number of Directors as at year end is fourteen (2018: fourteen).

The aggregate amount charged in the financial statements in respect of medical reimbursement to two (2018: one) Director(s) was Rs 253 thousand (2018: Rs 305 thousand).

	Note	2019 (Rupees in thousand)	2018
<b>45 LONG-TERM CONSTRUCTION CONTRACTS</b>			
Contract revenue for the year		389,371	398,102
Method used to determine revenue		Fixed price Contract	
Method used to determine progress towards satisfaction of performance obligations		Cost incurred to date	
Contract cost incurred to date		2,477,943	2,085,457
Contract cost incurred during the period		392,486	125,093
Gross profit realized to date		981,635	807,986
Gross profit realized		173,649	112,653
Retention money receivable		120,280	92,712
Gross amount due from customers	29	-	1,438
Contract assets	30	72,758	-
Gross amount due to customers	14	-	68,066
Contract liabilities	11	6,563	-
Estimated future costs to complete projects in progress		53,049	153,721

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

## 46 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking, other related group companies, Directors, Executives including Key Management Personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from Directors and Key Management Personnel are shown under receivables and remuneration of Directors and Executives including Key Management Personnel is disclosed in Note 44 to these financial statements. Other significant transactions with related parties are as follows:

	2019	2018
	(Rupees in thousand)	
<b>Gas sales</b>		
Sui Southern Gas Company Limited	68,896,826	1,046,499
Fauji Fertilizer Company Limited	8,995	6,897
Pak-Arab Refinery Limited (PARCO)	1,668,468	1,413,685
Oil and Gas Development Company Limited	57	45
The Bank of Punjab	-	13
WAPDA	14,064,247	6,835,786
Quaid-e-Azam Thermal Power (Private) Limited	54,886,865	31,529,835
National Power Parks Management Company Limited	112,629,303	45,412,019
State Life Insurance Corporation of Pakistan	2,385	2,850
City CNG	17,181	16,376
Sheikh CNG	28,938	25,801
Residential gas sales to Directors and Key Management Personnel	639	302
	252,203,904	86,290,108
<b>Purchase of gas</b>		
Sui Southern Gas Company Limited	23,117,500	31,635,501
Government Holdings (Private) Limited	12,134,237	11,191,888
Pakistan Petroleum Limited	62,890,101	51,109,854
Oil and Gas Development Company Limited	54,650,471	48,754,186
Mari Petroleum Company Limited	6,089,965	3,778,387
Pakistan State Oil Company Limited	320,521,440	217,841,426
	479,403,714	364,311,242
<b>Purchase of materials</b>		
The General Tyre & Rubber Company of Pakistan Limited	16,724	10,395
International Industries Limited	3,310,079	4,611,689
Sui Southern Gas Company Limited	300,394	-
Pakistan Cables Limited	6,374	6,797
	3,633,571	4,628,881
<b>Purchase of services</b>		
Pakistan Telecommunication Company Limited	18,572	22,105
Minto and Mirza	33,200	13,000
Pakistan Cricket Board	810	303
Petroleum Institute of Pakistan	900	-
	53,482	35,408

	2019	2018
	(Rupees in thousand)	
<b>Profit received on bank deposits</b>		
Askari Bank Limited	6,144	16,150
Soneri Bank Limited	3,235	2,222
The Bank of Punjab	8,873	6,131
	<b>18,252</b>	<b>24,503</b>
<b>Dividend paid</b>		
Sui Southern Gas Company Limited	-	18,106
National Investment (Trust) Limited	148,581	148,163
Millat Tractors Limited	-	36,144
The General Tyre & Rubber Company of Pakistan Limited	1,857	2,051
State Life Insurance Corporation of Pakistan	75,616	206,124
National Insurance Company Limited	1,707	2,136
The President of Islamic Republic of Pakistan	1,416,565	1,506,984
SNGPL Employees Empowerment Trust	164,193	205,498
	<b>1,808,519</b>	<b>2,125,206</b>
<b>Insurance expenses</b>		
National Insurance Company Limited	240,148	332,492
State Life Insurance Corporation of Pakistan	26,761	20,779
	<b>266,909</b>	<b>353,271</b>
<b>Insurance claimed received</b>		
National Insurance Company Limited	10,937	15,867
Postal Life Corporation	800	3,200
State Life Insurance Corporation of Pakistan	9,315	7,784
	<b>21,052</b>	<b>26,851</b>
Contribution to defined contribution plan	499,827	525,458
Contribution to defined benefit plans	2,564,219	3,275,756
Transportation charges - Sui Southern Gas Company Limited	251,820	244,853
Transmission charges - Pakistan Petroleum Limited	5,339	4,564

Transaction with related parties are carried out on mutually agreed commercial terms and conditions.

- 46.1** Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and / or actuarial advice.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

**46.2** The names of related parties with whom the Company has entered into transactions or had agreements / arrangements in place during the year and whose names have not been disclosed elsewhere in these financial statements are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Government Holdings (Private) Limited	GOP holding	Not applicable
Pakistan State Oil Company Limited	GOP holding	Not applicable
WAPDA	GOP holding	Not applicable
National Insurance Company Limited	GOP holding	Not applicable
Postal Life Corporation	GOP holding	Not applicable
National Investment (Trust) Limited	GOP holding & common directorship	Not applicable
Oil and Gas Development Company Limited	GOP holding & common directorship	Not applicable
State Life Insurance Corporation of Pakistan	GOP holding & common directorship	Not applicable
Pakistan Petroleum Limited	GOP holding & common directorship	Not applicable
Sui Southern Gas Company Limited	GOP holding & common directorship	Not applicable
Pak-Arab Refinery Limited (PARCO)	GOP holding & common directorship	Not applicable
Quaid-e-Azam Thermal Power (Private) Limited	GOP holding & common directorship	Not applicable
National Power Parks Management Company Limited	GOP holding & common directorship	Not applicable
Millat Tractors Limited	Common directorship	Not applicable
Askari Bank Limited	Common directorship	Not applicable
Fauji Fertilizer Company Limited	Common directorship	Not applicable
The General Tyre & Rubber Company of Pakistan Limited	Common directorship	Not applicable
Soneri Bank Limited	Common directorship	Not applicable
International Industries Limited	Common directorship	Not applicable
Pakistan Cables Limited	Common directorship	Not applicable
The Bank of Punjab	Common directorship	Not applicable
Pakistan Telecommunication Company Limited	Common directorship	Not applicable
Mari Petroleum Company Limited	Common directorship	Not applicable
Minto and Mirza	Common directorship	Not applicable
Pakistan Cricket Board	Common directorship	Not applicable
City CNG	Common directorship	Not applicable
Sheikh CNG	Common directorship	Not applicable

**46.3** A number of entities owned directly/indirectly by the Government of Pakistan (GOP) are the related parties of the Company due to significant influence of the GOP over the Company. Accordingly, the management has applied the exemption available under IAS 24 'Related Party Disclosures' and the transactions with those entities, other than disclosed above, are considered highly insignificant at the financial statements level to be disclosed. Moreover, considering the nature of the Company's business, utility services are being provided to a number of Directors and Executives, other than those disclosed above, which are also considered highly insignificant to be disclosed.

## **47 CAPACITY AND ACTUAL PERFORMANCE**

The average daily gas transmitted during the year was 613,908 HM3 (2018: 611,927 HM3) against the designed capacity of 752,242 HM3 (2018: 747,282 HM3). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers and availability of gas.

## 48 FINANCIAL RISK MANAGEMENT

### 48.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

#### (a) Market risk

##### i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the gas suppliers. The exchange gain / (loss) on the payment to gas suppliers is passed on to the Government, due to the reason more fully explained in Note 4.19 to the financial statements.

	2019	2018
	(Rupees per US Dollar)	
The following significant exchange rates were applied during the year:		
Average rate	137.61	112.50
Reporting date rate	164.50	121.60

##### ii) Price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

##### iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has long-term interest-bearing assets in addition to the long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Loans to employees	1,017,170	987,856
<b>Financial liabilities</b>		
Long term financing	378,957	700,448
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	5,921,385	5,821,947
<b>Financial liabilities</b>		
Long term financing	50,549,144	61,707,429
Security deposit	26,765,709	23,941,173
Short term borrowing	28,486,666	3,986,546

## Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

## Cash flow sensitivity analysis for variable rate instruments

If floating interest rates on financial liabilities at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have decreased / increased by Rs 709,149 thousand (2018: Rs 591,596 thousand), mainly as a result of higher / lower interest expense in the year ended June 30, 2019. This analysis is prepared assuming the amount of floating rate instruments outstanding at the dates of statement of financial position were outstanding for the whole year.

## (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019	2018
	(Rupees in thousand)	
Loans and advances	2,723,314	1,618,231
Deposits	146,886	128,603
Trade debts	157,573,161	66,314,600
Interest accrued	31,798	16,585
Other receivables	126,657	161,645
Contract assets	72,758	-
Bank balances	6,150,928	7,070,763
	166,825,502	75,310,427

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on historical loss rates for each category of customers. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Company also holds cash security and letter of guarantees from banks with strong credit ratings as security from consumers. Accordingly, expected credit loss rate for secured debtors is insignificant, hence gross amount equals to net carrying amount. However, for unsecured trade debts, the Company evaluates the concentration of risk with respect to each category of customer for the purpose of determining expected credit loss. The maximum exposure to credit risk for trade debts at the reporting date is as follows:

	2019	2018
	(Rupees in thousand)	
Not yet due	31,970,642	26,193,964
1 to 6 months	78,672,128	18,601,173
More than 6 months	46,930,391	21,519,463
	125,602,519	40,120,636
	157,573,161	66,314,600

As at June 30, 2019, trade debts of Rs 67,228,663 thousand (2018: Rs 16,219,245 thousand) were past due but not considered impaired relating to receivables from a number of related parties from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2019	2018
	(Rupees in thousand)	
Not yet due	7,282,085	6,940,508
1 to 6 months	40,557,076	5,126,476
More than 6 months	26,671,587	11,092,769
	67,228,663	16,219,245
	74,510,748	23,159,753

Category	Total trade debts (Rupees in thousand)	Expected credit loss	Expected credit loss rate %
Fertilizer	7,457,111	203,563	3%
General industry	37,779,993	12,121,923	32%
Commercial	6,347,786	4,380,428	69%
Domestic	9,403,695	4,832,462	51%
Bulk domestic	8,254,529	1,507,079	18%
Receivable from entities under circular debt (Refer Note 2.2.3)	111,375,502	Not applicable for ECL	
	180,618,616	23,045,455	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

As at June 30, 2019, expected credit loss amounts to Rs 23,045,455 thousand (2018: Provision for doubtful debts amounts to Rs 21,202,850 thousand) against trade debts. The ageing analysis of these trade debts is as follows:

	2019	2018
	(Rupees in thousand)	
Up to 1 month	40,590	42,546
1 to 6 months	147,650	320,174
More than 6 months	22,857,215	20,840,130
	23,045,455	21,202,850

The Company deals with banks having credit ratings in the top categories therefore, considers these as low risk and does not expect credit loss to arise on the balances. Following are the credit ratings of banks with which balances are held or credit lines available:

Banks	Rating		
	Short Term	Long Term	Agency
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
United Bank Limited	A-1+	AAA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AA+	PACRA
Faysal Bank Limited	A-1+	AA	JCR-VIS
Bank Alfalah Limited	A-1+	AA	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
The Bank of Punjab	A-1+	AA	PACRA
Citi Bank N.A.	P-1	Aa3	Moody's
First Women Bank Limited	A-2	A-	PACRA
Standard Chartered Bank (Pakistan)	A1+	AAA	PACRA
Al Baraka Bank (Pakistan) Limited	A-1	A	PACRA
Summit Bank Limited	A-1	BBB-	JCR-VIS
JS Bank Limited	A-1+	AA-	PACRA
Samba Bank Limited	A-1	AA	JCR-VIS
The Bank of Khyber	A-1	A	PACRA
Sindh Bank Limited	A-1+	A+	JCR-VIS
Silk Bank Limited	A-2	A-	JCR-VIS
Meezan Bank Limited	A-1+	AA+	JCR-VIS

## (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. In spite of the fact that the Company is in a negative working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at reporting date to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
(Rupees in thousand)					
<b>June 30, 2019</b>					
Unclaimed dividend	109,039	109,039	109,039	-	-
Unpaid dividend	731,995	731,995	731,995	-	-
Interest / mark-up accrued					
on loans and other payables	50,469,354	50,469,354	50,469,354	-	-
Long term financing	50,928,101	73,897,627	18,020,338	43,085,378	12,791,911
Trade and other payables	348,397,390	348,397,390	348,397,390	-	-
Short term borrowings	28,486,666	31,326,304	31,326,304	-	-
	479,122,545	504,931,709	449,054,420	43,085,378	12,791,911
<b>June 30, 2018</b>					
Unclaimed dividend	111,462	111,462	111,462	-	-
Interest / mark-up accrued					
on loans and other payables	31,363,988	31,363,988	31,363,988	-	-
Long term financing	62,407,877	80,431,848	16,349,277	45,475,069	18,607,502
Trade and other payables	219,256,484	219,256,484	219,256,484	-	-
Short term borrowings	3,986,546	4,615,295	4,615,295	-	-
	317,126,357	335,779,077	271,696,506	45,475,069	18,607,502

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2019 and 2018. The rates of mark-up have been disclosed in respective notes to the financial statements.

#### 48.2 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

As explained in Note 31 to these financial statements, the Company only has an investment in unquoted equity instruments amounting to Rs 4,900 thousand (2018: Nil) which has been classified under level 2 hierarchy. As the investment is approved to be transferred to Government Holding (Private) Limited at cost by the Board of Directors therefore the management believes that the cost approximates the fair value.

	2019	2018
	(Rupees in thousand)	
<b>48.3 Financial instruments by categories</b>		
<b>As at 30 June</b>		
<b>Debt instruments at amortized cost / loans and receivables</b>		
Loans and advances	2,723,314	1,618,231
Trade deposits	146,886	128,603
Trade debts	157,573,161	66,314,600
Interest accrued	31,798	16,585
Other receivables	126,657	161,645
Cash and bank balances	6,152,552	7,075,033
	166,754,368	75,314,697
<b>Debt instruments held to maturity</b>		
Investments	-	4,900
<b>Debt instruments at FVTPL</b>		
Investments	4,900	-
<b>Total current</b>	165,727,078	74,302,536
<b>Total non current</b>	1,032,190	1,017,061
<b>Financial liabilities at amortized cost</b>		
Long term financing	50,928,101	62,407,877
Security deposit	48,578,096	43,782,459
Accrued mark-up	50,469,354	31,363,988
Short term borrowings	28,486,666	3,986,546
Unpaid dividend	731,995	-
Unclaimed dividend	109,039	111,462
Trade and other payables	348,397,390	219,256,484
	527,700,641	360,908,816
<b>Total current</b>	428,194,444	254,718,480
<b>Total non current</b>	99,506,197	106,190,336

## 49 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion) plus short term borrowing obtained by the Company as referred to in Note 7, 8, 16 and 17. Total capital employed includes 'total equity' as shown in the statement of financial position plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at June 30, 2019 and June 30, 2018 were as follows:

	Note	2019 (Rupees in thousand)	2018
Debt	7, 8, 16 & 17	79,414,767	66,394,423
Equity		21,042,213	18,676,681
Total capital employed		100,456,980	85,071,104
Gearing ratio		79.05%	78.05%

#### Loan covenants

Under the terms of the major borrowing facilities, the Company is required to comply with certain financial covenants in respect of the loans referred to in Note 7. The Company has complied with these covenants throughout the reporting period.

## 50 EVENTS AFTER BALANCE SHEET DATE

**50.1** The Board of Directors have proposed a final dividend for the year ended June 30, 2019 of Rs 2.00 per share (2018: Rs 5.55 per share), amounting to Rs 1,268,433,333 (2018: Rs 3,519,902,491) at their meeting held on July 21, 2020 for approval of the members at the forthcoming Annual General Meeting. These financial statements do not include the effect of the above dividend that will be accounted for in the period in which it is approved.

**50.2** On 11 March 2020, the World Health Organization made an assessment that the outbreak of a corona virus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped during January to March 2020 due to the effect of COVID-19 and a number of other political and economic factors. These factors have negatively affected the economies and the businesses of the country where the Company operates. To alleviate the negative impact of the COVID-19 pandemic, the various governments including the Government of Pakistan, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

These conditions are considered subsequent, non-adjusting events, and impacted the economic and risk environment in which the Company operates.

The situation, including the Government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorization of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

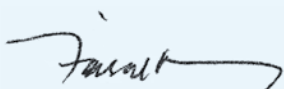
FOR THE YEAR ENDED JUNE 30, 2019

**51 GENERAL**

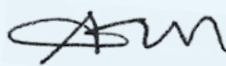
The figures have been rounded off to the nearest thousand Rupees.

**52 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on July 21, 2020 by the Board of Directors of the Company.



**Faisal Iqbal**  
Chief Financial Officer



**Amer Tufail**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson





























# FORM OF PROXY

## Sui Northern Gas Pipelines Limited

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of SUI NORTHERN GAS PIPELINES LIMITED and holder of \_\_\_\_\_ (number of shares)  
ordinary shares vide Registered Folio/CDC Participant I.D. No. \_\_\_\_\_  
hereby appoint Mr./Mrs./Miss. \_\_\_\_\_ of \_\_\_\_\_  
or failing whom Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the 55<sup>th</sup> Annual General Meeting of the Company to be held  
on Saturday, August 15, 2020 at 11:00 a.m. and/or at any adjournment thereof.

Signed under my/our hand this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Signature on  
Rupees Five  
Revenue Stamp**

(Signature should agree  
with the specimen  
signature registered with  
the Company)

### WITNESSES:

1. Signature: _____	2. Signature: _____
Name: _____	Name: _____
_____	_____
Address: _____	Address: _____
_____	_____
CNIC / Passport No. _____	CNIC / Passport No. _____
Dated: _____	

### NOTES:

1. All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of legal entities, a resolution of the Board of Directors' / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the legal entity, shall be submitted to the Company. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.
2. The proxy instrument must be complete in all respects and in order to be effective should be deposited at the Registered Office of the Company but not later than 48 hours before the time of holding the meeting.

### For CDC account holders / legal entities:

In addition to the above the following requirements have to be met:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the requirements mentioned below.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the Passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- v) In case of a legal entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary,

**SUI NORTHERN GAS PIPELINES LIMITED**

Gas House, 21-Kashmir Road, P.O. Box No. 56,  
Lahore-54000, Pakistan.

Tel : (+92-42) 99201451-60 & 99201490-99

Fax : (+92-42) 99201369 & 99201302

# پراکسی فارم

سوئی ناردرن گیس پائپ لائنز لمیٹڈ

میں مسمی اسمت \_\_\_\_\_ ساکن \_\_\_\_\_  
بجائیت ممبر سوئی ناردرن گیس پائپ لائنز لمیٹڈ (کمپنی) حامل \_\_\_\_\_  
عمومی حصص، \_\_\_\_\_ (تعداد حصص) (شمیر) \_\_\_\_\_  
جو کہ بحوالہ فولیو نمبر اسی ڈی سی (CDC) اکاؤنٹ نمبر \_\_\_\_\_ کے تحت  
مسمی اسمت \_\_\_\_\_ ساکن \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں بصورت عدم موجودگی  
مسمی اسمت \_\_\_\_\_ ساکن \_\_\_\_\_  
کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ کمپنی کے 55 ویں سالانہ اجلاس عام، جو بتاریخ 15 اگست 2020ء بروز ہفتہ بوقت 11 بجے  
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The Company Secretary,

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