



## Annual Report 2020



**DETERMINED TO  
MEET NEW CHALLENGES**

# Determined to Meet New Challenges

SNGPL's story is simple; we thrive on extraordinary efforts during unusual times. We partner with commitment, dedication and steadfastness to lead our efforts to a successful path.

SNGPL acknowledges that times have been uncertain and it has been an uphill journey, but we have managed to emerge in the industry and looked upon as those who 'make things happen'.

Our strength is derived from inclusive goals and objectives encompassing our customers, employees, and all other stakeholders. Such focus helps to channelise our energies to overcome any obstacles.

As always, we will continue to remain responsible to our country and our society facing all challenges with determination which is the fortè of SNGPL.

آ نہیں تیرا نشین قصر سلطانی کے گنبد پر  
تو شاہیں ہے بسیرا کر پہاڑوں کی چٹانوں میں



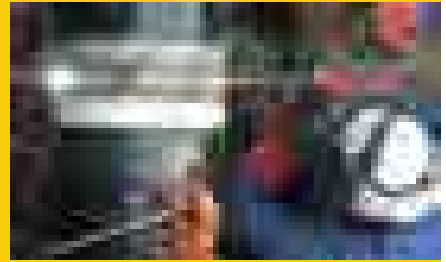
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# Vision and Mission



## 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

**S**ui 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 6.9 million consumers in North

Central Pakistan through an extensive network in Punjab, Khyber Pakhtunkhwa and Azad Jamu & Kashmir. The Company has over 57 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.



# Corporate Information

## **Chairperson**

Ms. Roohi R. Khan

## **Managing Director**

Mr. Ali J. Hamdani

## **Company Secretary**

Mr. Imtiaz Mehmood

## **Auditors**

M/s. Yousuf Adil  
Chartered Accountants

## **Legal Advisors**

M/s. Surridge & Beecheno

## **Share Registrar**

CDC Share Registrar Services  
Limited (CDCSRL)  
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

## **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



**S**NGPL 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 Management 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, supplies, 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.

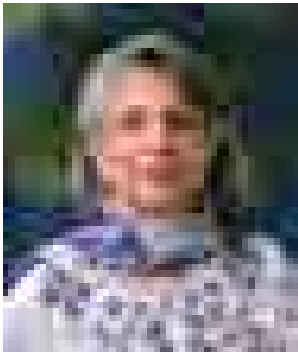
### **Regulatory Compliance and Corporate Governance**

SNGPL co-operates fully with all governmental and regulatory bodies and is committed to high standards of corporate governance. We comply fully with our obligations under the Listing Rules of the Pakistan Stock Exchange.

### **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

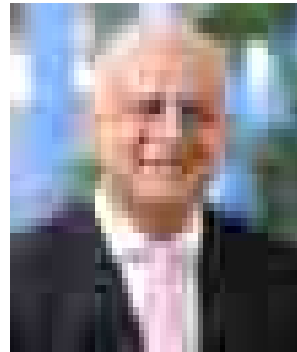


**Ms. Roohi Raees Khan**  
Chairperson

Ms. Roohi R. Khan is an MBA from IBA, Karachi. She completed her B.A. (Economics & Mathematics) from Punjab University. She has over 37 years of experience in various banking segments like Development Banking, Lease Financing, Housing Finance, SME Financing, Islamic Banking, Investment Banking etc. She has more than 21 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 is also an independent Director on the Board of Atlas Insurance Limited. She 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 Taraqiati 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 31 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.



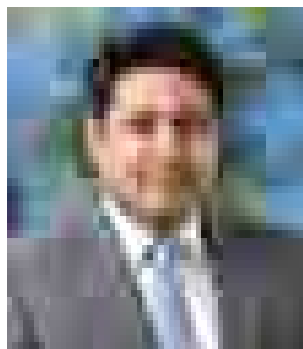
**Ali J. Hamdani**  
Managing Director / CEO

A visionary executive and transformational leader with foresight and imagination with 30 years experience. Ali J. Hamdani has an impressive history of surpassing ambitious business goals, and creating revolutionary technical and industrial solutions that appeal to companies from all industries. He has a proven record of positioning organizations for success, spurring billion-dollar sales growth, leading global initiatives, and demonstrating a profound dedication to client satisfaction. In addition, he has a robust personal/professional network of contacts through multinational energy and industrial firms.

Since January 1, 2021 Mr. Hamdani took over the helm of SNGPL with a clear vision of diversity, stability in the organization with profitable growth, reduction in UFG losses and focus on enhancement of customer satisfaction. Prior to the above he headed the Middle East Region, as Managing Director at Linde Healthcare Middle East LLC, a subsidiary of The Linde Group globally. For the preceding 21 years, Ali J. Hamdani ascended the ranks at Siemens AG, ultimately holding the roles of CEO, Managing Director, and Board Member of operations in Karachi, Pakistan. Building the new oil and gas headquarters in Abu Dhabi from the ground up, he led Siemens AG's first attempt to move their headquarters out of Germany.

For Siemens Saudi Arabia, Ali J. Hamdani built a technology center to share best practices, optimize global competitiveness, and open new project opportunities. In addition, he improved automation technologies for the Saudi Aramco East West Pipeline and implemented failsafe technologies for 1200 wellhead shutdown systems at Saudi Aramco Oil and Gas Wells.

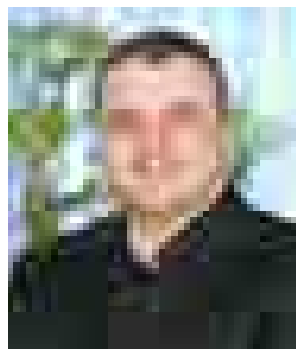
Mr. Ali Hamdani has an Executive Master of Business Administration from Babson College, and an Electrical/ Electronic Engineering Degree from the University of Engineering and Technology.



**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 pertaining to 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 a Director on the Board of Sui Northern Gas Pipelines Limited (SNGPL), a Director on the Board of National Investment Trust Limited (NITL), an Independent Director on the Board of Nishat Power Limited (NPL) and a Director on the Board of Adamjee Life Assurance Company Ltd (AL).

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.

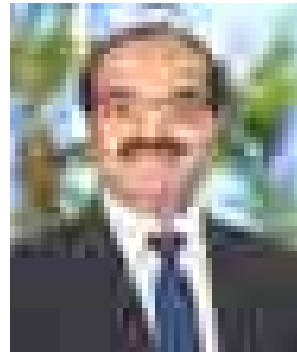
A Certified Director from Pakistan Institute of Corporate Governance (PICG) and enrolled at the database of the SECP as a Certified Independent Director. Attended various local and international workshops, skills training programs and seminars. A member of Lahore Chamber of Commerce & Industry and Lahore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

## Board of Directors



**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 a member of the Think Tank Petroleum Division. He was earlier on the Board of ISGS, 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 the Institute of Business Management. He has written a number of books on Pakistan's energy issues.



**Mr. Manzoor Ahmed**  
Director

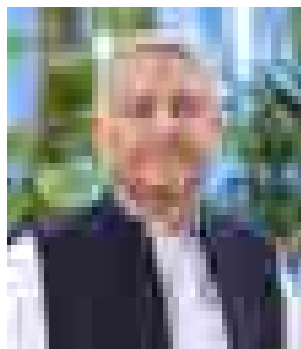
Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT). As COO, he has been successfully managing the operations and investment portfolio worth over Rs. 150 bn. He has experience of over 30 years of the Mutual Fund industry and has been placed at many key positions 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. Manzoor 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.

A Certified Director from Pakistan Institute of Corporate Governance, currently, he is serving as an Independent Director on the Boards of two prestigious Listed Companies:

1. Sui Northern Gas Pipelines Limited (Ministry of Energy – Petroleum Division),
2. Attock Cement Pakistan Limited (Attock Group of Companies).

Earlier, 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.

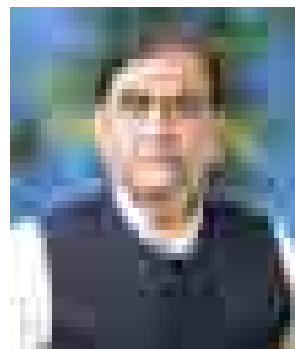
He has extensive experience in the “downstream” sector of the oil industry. He has the honor of being one of the primary members of the team that established “Attock Petroleum Limited”, which is, currently, one of the largest OMCs in Pakistan. Apart from heading important departments, he was also a member 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.

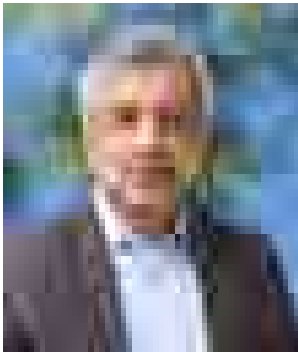


**Mr. Muhammad Haroon-ur-Rafique**  
Director

Mr. Haroon-ur-Rafique is currently serving as Additional Secretary Policy, Ministry of Energy (Petroleum Division). He holds a diversified experience of more than 25 years at local, provincial and Federal levels. His areas of interests are policy making and implementation, governance, HRM, Project Management & evaluation. He worked at different positions in the public sector as Assistant Commissioner, Deputy Commissioner and Secretary to the provincial government in the areas of health, education, agriculture development planning, governance, forest, tourism and transportation sectors, among others. His last assignment was at the PM office as Joint Secretary He also had the experience of working for UNDP & ADB and had exposure of working with DFID, World Bank, WHO & UNICEF and other donors.

In academics he has completed his PhD related to social policy and governance. He also has post graduate degrees in Economics, Development Studies, Law and Civil Engineering. Besides, he has done a diploma in Project Management and international human rights law. He was also awarded international fellowships at Central European University, Hungary and Utah University USA for research. He was also awarded Ausaid and Fulbright Scholarships. He has contributed to various policy and research papers at local and international level as well. He earned many distinctions and merits scholarships during the course of his studies. He has extensively travelled abroad in connection with his official business / studies.

## Board of Directors

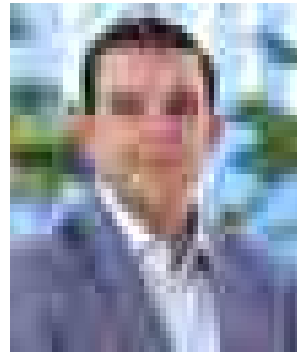


**Mr. Muhammad Sualeh Ahmad Faruqui**

**Director**

Mr. Muhammad Sualeh Ahmad Faruqui is an officer of Pakistan Administrative Services (PAS) who joined the Civil Service in 1990. Before joining as Secretary Commerce, he has remained posted as Secretary, Trade Development Authority of Pakistan and Chief Executive Officer, Sindh Infrastructure Development Company. Besides, he held various positions at Federal, Provincial and Divisional/District administration levels.

He earned his Master's degree from London School of Economics, UK. He is a Britannia Chevening Scholar and also a lead International fellow in the field of sustainable development. Further to this, he has been particularly associated with economic, financial and structural reforms initiatives at various levels. During the span of his service, he has widely travelled and represented Pakistan at various international forums.



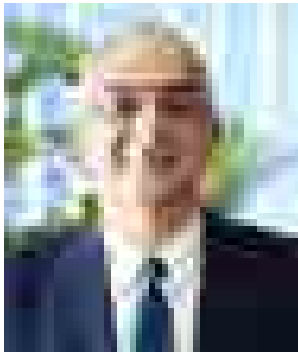
**Dr. Sohail R. Khan**

**Director**

Dr. Sohail R. Khan is a top performing corporate strategy, Oil and Gas business development management consultant, with record of achievement in planning, development and growth of oil & gas industry. He is a highly motivated individual with successful international working experience of more than 16 years in Oil & Gas and service industries across U.K, UAE and Qatar. He has a solid track record working for Total (E&P) 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. Working as a change management consultant, successfully design and implemented FOI (Field Operational Improvement) change management program on time within budget of £10 Million.

Dr. Sohail R. Khan has extensive experience of policy formation, development and execution of IT strategy to support operation by deploying Artificial Intelligence (AI), Big Data Analytics, Cyber Threat Intelligence and Cloud Computing to optimize production, efficiency and improve business processes across the operation. He has vast experience working with IBM Watson Data Platform which provides strategic value to an organization by analyzing vast amount of 'dark' data to improve operational and business decisions.

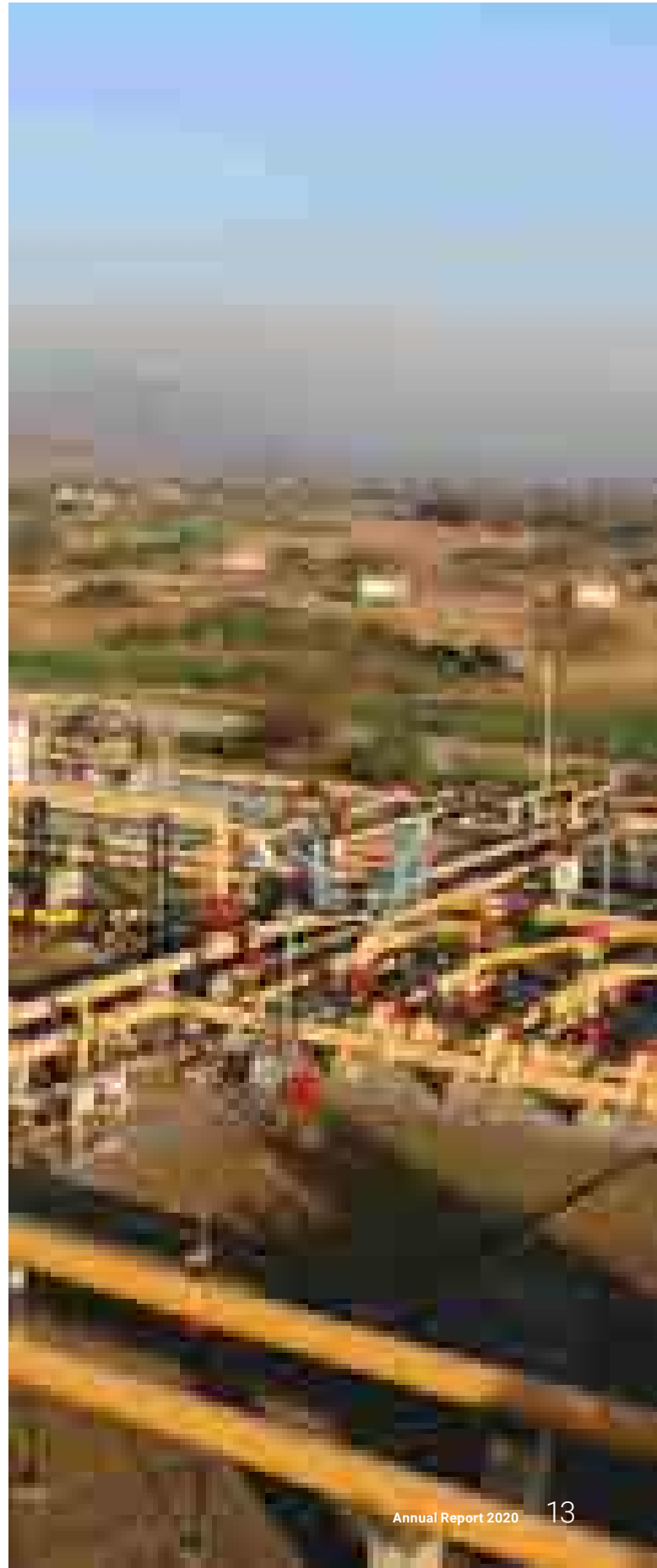
Dr. Sohail Khan has valuable company turnaround experience having used leading management tools and techniques such as Lean methodology, RACI, Kanban, PRINCE 2, PMP, ERP, JDE and BPM to bring companies from loss to profit. Dr. Sohail R. Khan has earned his Ph.D Degree in Management & Technology (Portugal) followed by MBA, MSc (Distributed Networks & Security System) and M.A in Strategic Leadership from U.K. He is also a certified director from Pakistan Institute of Corporate Governance (PICG) and have industrial certifications in Cyber Threat Intelligence, Project Management and involved in various publications in international journals. He is also a Director on the Board of Sui Southern Gas Company Limited (SSGC).

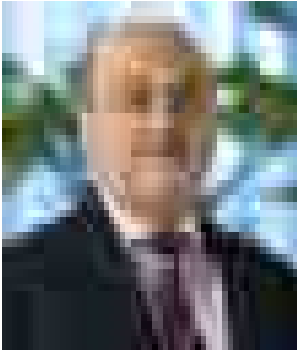


### Mr. Yusuf Khan

Director

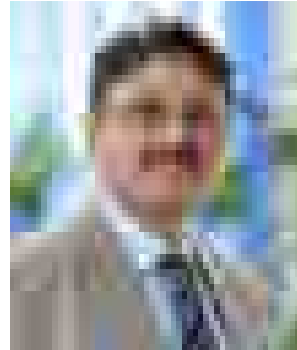
Mr. Yusuf Khan belongs to Pakistan Administrative Service. In his career of thirty-three years, he has worked at the sub-district, district, provincial and federal levels. His key assignments in the field of public-sector financial management have been Finance Secretary to the Government of Punjab, Finance Secretary to the Government of AJ&K and Joint Secretary (External Finance) at Finance Division. His last assignment with the Government of Pakistan was Secretary, BISP, where he was responsible for the roll out of several key Ehsaas initiatives. Earlier, as Director General, Tobacco Control, he worked towards the successful introduction of the "pictorial health warning" on cigarette packs in Pakistan. Mr. Khan has led eleven development projects related to various socio-economic sectors. He has served as Deputy Commissioner in the Province of Khyber Pakhtunkhwa and has lived and worked in former-FATA as Assistant Political Agent and Political Agent for five years. In 1996, he won the Britannia 'Premier Award', which is given to individuals possessing high academic credentials and the potential to contribute towards improvement of life in their country. Mr. Yusuf Khan studied for his M.Phil in Development Studies, at the University of Cambridge, UK. He speaks nine languages and is an avid painter and calligrapher.





**Mr. Faisal Iqbal**  
Chief Financial Officer

A Chartered Accountant from Institute of Chartered Accountants of Pakistan carries over 26 years of diversified experience at various senior management positions. Prior to becoming Chief Financial officer, he was working as Senior General Manager (Audit). Mr. 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 13 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, Mr. 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 Waterhouse Coopers (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.

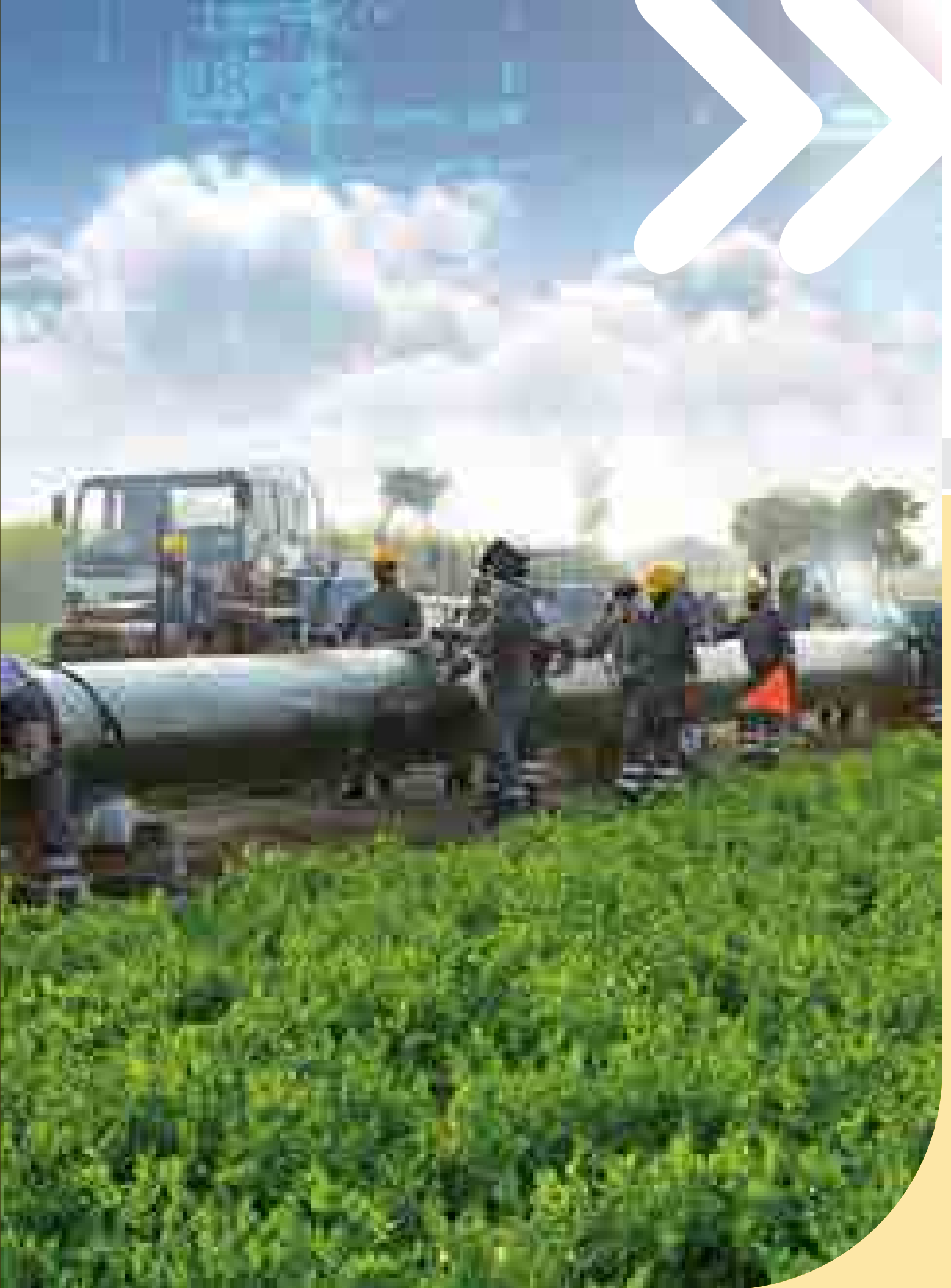


**Mr. Imtiaz Mehmood**  
Company Secretary

Mr. Imtiaz Mehmood has over 26 years experience in the field of Audit, Accounts, Finance, Corporate and Media Affairs. Before taking the charge of Company Secretary, Mr. Mehmood served as Chief Accountant (HO), Secretary Funds and Deputy Company Secretary besides heading the Media Affairs department for one and a half year.

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 also 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 and Financial Reporting Framework of Securities and Exchange Commission of Pakistan.

The Board of Directors provides strategic guidance for sustainable

growth along with 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             | Syed Dilawar Abbas (Late)     | Chairman              | Independent / Non-Executive | 09                     | 09                       |
| 02             | Ms. Roohi Raees Khan          | Chairperson/ Director | Independent / Non-Executive | 22                     | 22                       |
| 03             | Mr. Mahmood Zia Ahmad         | MD / CEO              | Executive                   | 6                      | 6                        |
| 04             | Mr. Amer Tufail               | MD / CEO              | Executive                   | 16                     | 14                       |
| 05             | Mr. Ahmad Aqeel               | Director              | Non-Executive               | 22                     | 22                       |
| 06             | Mr. Himayat Ullah Khan        | Director              | Independent / Non-Executive | 22                     | 19                       |
| 07             | Sardar Ahmad Nawaz Sukhera    | Director              | Non-Executive               | 20                     | 17                       |
| 08             | Mirza Mahmood Ahmad           | Director              | Non-Executive               | 22                     | 22                       |
| 09             | Mr. Manzoor Ahmed             | Director              | Independent / Non-Executive | 22                     | 20                       |
| 10             | Mian Misbah-ur-Rehman         | Director              | Non-Executive               | 16                     | 15                       |
| 11             | Qazi Mohammad Saleem Siddiqui | Director              | Non-Executive               | 02                     | 02                       |
| 12             | Mr. Muhammad Ayub Chaudhry    | Director              | Non-Executive               | 10                     | 09                       |
| 13             | Mr. Mustafa Ahmad Khan        | Director              | Independent / Non-Executive | 22                     | 22                       |
| 14             | Mr. Naveed Kamran Baloch      | Director              | Non-Executive               | 22                     | 20                       |
| 15             | Mr. Sajid Mehmood Qazi        | Director              | Non-Executive               | 20                     | 20                       |
| 16             | Mr. Shabbir Hussain Hashmi    | Director              | Independent / Non-Executive | 02                     | 02                       |
| 17             | Mr. Sher Afgan Khan           | Director              | Non-Executive               | 12                     | 12                       |
| 18             | Dr. Sohail Razi Khan          | Director              | Independent / Non-Executive | 22                     | 22                       |
| 19             | Mr. Yousaf Naseem Khokhar     | Director              | Non-Executive               | 02                     | 02                       |

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





## Board Audit Committee

The procedure along with 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:

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

- d) 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 Director;
  - 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 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, 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. Himayat Ullah Khan        | Member      | Independent / Non-Executive | 8                      | 7                        |
| 04                    | Qazi Mohammad Saleem Siddiqui | Member      | Non-Executive               | 1                      | 1                        |
| 05                    | Mr. Mustafa Ahmad Khan        | Member      | Independent / Non-Executive | 8                      | 8                        |
| 06                    | Mr. Naveed Kamran Baloch      | Member      | Non-Executive               | 8                      | 8                        |
| 07                    | Ms. Roohi Raees Khan          | Member      | Independent / Non-Executive | 4                      | 4                        |
| 08                    | Mr. Sajid Mehmood Qazi        | Member      | Non-Executive               | 7                      | 7                        |
| 09                    | Dr. Sohail Razi Khan          | Member      | Independent / Non-Executive | 8                      | 8                        |
| 10                    | Mr. Sher Afgan Khan           | 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: 07**

### Procedure:

1. The Committee shall meet as frequently as required.
2. Quorum will be three members.
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.
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               | 7                      | 7                        |
| 02                                | Mr. Mahmood Zia Ahmad      | MD / CEO          | Executive                   | 1                      | 1                        |
| 03                                | Mr. Ahmad Aqeel            | Member            | Non-Executive               | 7                      | 7                        |
| 04                                | Sardar Ahmad Nawaz Sukhera | Member            | Non-Executive               | 6                      | 6                        |
| 05                                | Mian Misbah-ur-Rehman      | Member            | Non-Executive               | 4                      | 4                        |
| 06                                | Mr. Mustafa Ahmad Khan     | Co-opted / Member | Independent / Non-Executive | 7                      | 7                        |
| 07                                | Ms. Roohi Raees Khan       | Member            | Independent / Non-Executive | 1                      | 1                        |
| 08                                | Mr. Sher Afgan Khan        | Member            | Non-Executive               | 1                      | 1                        |
| 09                                | Dr. Sohail Razi Khan       | Member            | Independent / Non-Executive | 7                      | 7                        |
| 10                                | Mr. Naveed Kamran Baloch   | Co-opted          | Non-Executive               | 1                      | 1                        |

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

### Human Resource & Nomination Committee

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

Number of Members: 07

#### Procedure:

1. Committee will meet at least once in a quarter.
2. Quorum will be three members.
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;
  - 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;
  - 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;
  - 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                                    | Syed Dilawar Abbas         | Chairman               | Independent / Non-Executive | 7                      | 6                        |
| 02                                    | Ms. Roohi Raees Khan       | Co-opted / Chairperson | Independent / Non-Executive | 9                      | 9                        |
| 03                                    | Mirza Mahmood Ahmad        | Chairman / Member      | Non-Executive               | 14                     | 14                       |
| 04                                    | Mr. Mahmood Zia Ahmad      | MD / CEO               | Executive                   | 4                      | 3                        |
| 05                                    | Mr. Ahmad Aqeel            | Member                 | Non-Executive               | 14                     | 14                       |
| 06                                    | Mr. Manzoor Ahmed          | Member                 | Independent / Non-Executive | 14                     | 14                       |
| 07                                    | Mian Misbah-ur-Rehman      | Member                 | Non-Executive               | 13                     | 13                       |
| 08                                    | Mr. Muhammad Ayub Chaudhry | Member                 | Non-Executive               | 3                      | 3                        |
| 09                                    | Mr. Mustafa Ahmad Khan     | Member                 | Independent / Non-Executive | 14                     | 14                       |
| 10                                    | Mr. Sher Afgan Khan        | Member                 | Non-Executive               | 11                     | 11                       |
| 11                                    | Dr. Sohail Razi Khan       | Co-opted               | Independent / Non-Executive | 5                      | 5                        |

\* 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: 07**

### Procedure:

1. The Committee shall meet as frequently as required.
2. Quorum will be three members.
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 Chairmen 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               | 6                      | 6                        |
| 02                        | Mr. Mahmood Zia Ahmad      | MD / CEO    | Executive                   | 2                      | 2                        |
| 03                        | Mr. Amer Tufail            | MD / CEO    | Executive                   | 5                      | 4                        |
| 04                        | Sardar Ahmad Nawaz Sukhera | Member      | Non-Executive               | 1                      | 1                        |
| 05                        | Mirza Mahmood Ahmad        | Member      | Non-Executive               | 6                      | 6                        |
| 06                        | Mr. Manzoor Ahmed          | Member      | Independent / Non-Executive | 6                      | 6                        |
| 07                        | Ms. Roohi Raees Khan       | Member      | Independent / Non-Executive | 2                      | 2                        |
| 08                        | Mr. Sajid Mehmood Qazi     | Member      | Non-Executive               | 6                      | 6                        |
| 09                        | Mian Misbah-ur-Rehman      | Member      | Non-Executive               | 4                      | 4                        |
| 10                        | Dr. Sohail Razi Khan       | Member      | Independent / Non-Executive | 6                      | 6                        |

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

## Unaccounted For Gas (UFG) Control Committee

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

Number of Members: 07

### 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.
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 of Directors 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;
- Review strategic issues pertaining UFG.

The composition of the Unaccounted for Gas (UFG) Control Committee, category, 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               | 1                      | 1                        |
| 02                    | Mr. Sajid Mehmood Qazi        | Chairman / Member | Non-Executive               | 4                      | 4                        |
| 03                    | Mr. Muhammad Ayub Chaudhry    | Chairman          | Non-Executive               | 2                      | 2                        |
| 04                    | Mr. Mahmood Zia Ahmad         | MD / CEO          | Executive                   | 1                      | 1                        |
| 05                    | Sardar Ahmad Nawaz Sukhera    | Member            | Non-Executive               | 4                      | 4                        |
| 06                    | Mr. Himayat Ullah Khan        | Member            | Non-Executive               | 5                      | 4                        |
| 07                    | Mirza Mahmood Ahmad           | Member            | Non-Executive               | 5                      | 4                        |
| 08                    | Mr. Mustafa Ahmad Khan        | Member            | Independent / Non-Executive | 5                      | 5                        |
| 09                    | Mr. Naveed Kamran Baloch      | Member            | Non-Executive               | 1                      | 1                        |
| 10                    | Mr. Sher Afgan Khan           | Member            | Non-Executive               | 2                      | 2                        |
| 11                    | Dr. Sohail Razi Khan          | Member            | Independent / Non-Executive | 4                      | 4                        |

\* 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, 2019

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

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

**For the year ended:** June 30, 2020

- 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, 2019.
- 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.                             | <p>The Board has at least one-third of its total members as independent directors. As at June 30, 2020 the Board includes:</p> <table border="1"> <thead> <tr> <th>Names</th> <th>Category</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr><td>1. Ms. Roohi Raees Khan</td><td>Independent/Non-Executive</td><td>20.04.2019</td></tr> <tr><td>2. Mr. Amer Tufail*</td><td>Executive</td><td>03.10.2019</td></tr> <tr><td>3. Mr. Ahmad Aqeel</td><td>Non-Executive</td><td>26.06.2017</td></tr> <tr><td>4. Mr. Himayat Ullah Khan</td><td>Independent/Non-Executive</td><td>20.04.2019</td></tr> <tr><td>5. Mr. Manzoor Ahmad</td><td>Independent/Non-Executive</td><td>26.06.2017</td></tr> <tr><td>6. Mirza Mahmood Ahmad</td><td>Non-Executive</td><td>26.06.2017</td></tr> <tr><td>7. Mr. Muhammad Ayub Chaudhry</td><td>Non-Executive</td><td>30.12.2019</td></tr> <tr><td>8. Mr. Mustafa Ahmad Khan</td><td>Independent/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. Mr. Sajid Mehmood Qazi</td><td>Non-Executive</td><td>28.08.2019</td></tr> <tr><td>11. Mr. Shabbir Hussain Hashmi</td><td>Independent/Non-Executive</td><td>15.05.2020</td></tr> <tr><td>12. Dr. Sohail Razi Khan</td><td>Independent/Non-Executive</td><td>07.05.2019</td></tr> <tr><td>13. Mr. Yousaf Naseem Khokhar</td><td>Non-Executive</td><td>01.06.2020</td></tr> </tbody> </table> <p>one casual vacancy exists on the Board.</p> <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. Ms. Roohi Raees Khan   | Independent/Non-Executive | 20.04.2019 | 2. Mr. Amer Tufail* | Executive | 03.10.2019 | 3. Mr. Ahmad Aqeel | Non-Executive | 26.06.2017 | 4. Mr. Himayat Ullah Khan | Independent/Non-Executive | 20.04.2019 | 5. Mr. Manzoor Ahmad | Independent/Non-Executive | 26.06.2017 | 6. Mirza Mahmood Ahmad | Non-Executive | 26.06.2017 | 7. Mr. Muhammad Ayub Chaudhry | Non-Executive | 30.12.2019 | 8. Mr. Mustafa Ahmad Khan | Independent/Non-Executive | 26.06.2017 | 9. Mr. Naveed Kamran Baloch | Non-Executive | 19.06.2019 | 10. Mr. Sajid Mehmood Qazi | Non-Executive | 28.08.2019 | 11. Mr. Shabbir Hussain Hashmi | Independent/Non-Executive | 15.05.2020 | 12. Dr. Sohail Razi Khan | Independent/Non-Executive | 07.05.2019 | 13. Mr. Yousaf Naseem Khokhar | Non-Executive | 01.06.2020 | 3(2) | ✓ |  |  |
| Names                          | Category   | Date of appointment |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 1. Ms. Roohi Raees Khan        | Independent/Non-Executive  | 20.04.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 2. Mr. Amer Tufail*            | Executive  | 03.10.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 3. Mr. Ahmad Aqeel             | Non-Executive  | 26.06.2017          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 4. Mr. Himayat Ullah Khan      | Independent/Non-Executive  | 20.04.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 5. Mr. Manzoor Ahmad           | Independent/Non-Executive  | 26.06.2017          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 6. Mirza Mahmood Ahmad         | Non-Executive  | 26.06.2017          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 7. Mr. Muhammad Ayub Chaudhry  | Non-Executive  | 30.12.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 8. Mr. Mustafa Ahmad Khan      | Independent/Non-Executive  | 26.06.2017          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 9. Mr. Naveed Kamran Baloch    | Non-Executive  | 19.06.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 10. Mr. Sajid Mehmood Qazi     | Non-Executive  | 28.08.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 11. Mr. Shabbir Hussain Hashmi | Independent/Non-Executive  | 15.05.2020          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 12. Dr. Sohail Razi Khan       | Independent/Non-Executive  | 07.05.2019          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 13. Mr. Yousaf Naseem Khokhar  | Non-Executive  | 01.06.2020          |          |                     |   |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |
| 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 hold 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)                | ✓        |                     | Government of Pakistan being the appointing authority has nominated five members of the Board of Directors during the reporting period. |                           |            |                     |           |            |                    |               |            |                           |                           |            |                      |                           |            |                        |               |            |                               |               |            |                           |                           |            |                             |               |            |                            |               |            |                                |                           |            |                          |                           |            |                               |               |            |      |   |  |  |



| Sr. No. | Provision of the Rules   | Rule No.         | Yes         | No | Remarks  |
|---------|--|------------------|-------------|----|--|
| 5.      | The chairman of the board is working separately from the chief executive of the Company.   | 4(1)             | ✓           |    |  |
| 6.      | The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.   | 4(4)             | ✓           |    |  |
| 7.      | The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission, except where Chief Executive has been nominated by the Government.   | 5(2)             | ✓           |    | No appointment of Chief Executive Officer has been made in the reporting year. |
| 8.      | (a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.<br>(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<br>(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices. | 5(4)             | ✓<br>✓<br>✓ |    |  |
| 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)<br>(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)<br>(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)<br>(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)<br>(iii) | ✓           |    |  |
| 14.     | The Board has developed a vision or mission statement and corporate strategy of the Company.   | 5(6)             | ✓           |    |  |
| 15.     | The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.  | 5(7)             | ✓           |    |  |
| 16.     | The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation and has submitted its request for appropriate compensation to the Government for consideration.  | 5(8)             |             |    | Not Applicable   |

## Statement of Compliance

| Sr. No. | Provision of the Rules   | Rule No.             | Yes         | No | Remarks  |
|---------|--|----------------------|-------------|----|--|
| 17.     | The Board has ensured compliance with policy directions requirements received from the Government.   | 5(11)                | ✓           |    | The Board ensured compliance of the Government policies to the extent of best interest of the Company.   |
| 18.     | (a) The board has met at least four times during the year.<br>(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.<br>(c) The minutes of the meetings were appropriately recorded and circulated.   | 6(1)<br>6(2)<br>6(3) | ✓<br>✓<br>✓ |    |  |
| 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 audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.   | 9                    | ✓           |    | Included in the related party transactions are certain transactions pertaining to a Director which are under investigation internally as well as by external agency. The impact of such investigation, if any, will be accounted for in the period during which such investigation is completed. |
| 21.     | (a) The Board has approved the profit or loss account for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end.<br>(b) In case of Listed Public Sector Company, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.<br>(c) The Board has placed the annual financial statements on the Company's website. | 10                   | ✓<br>✓<br>✓ |    | Due to delay in holding of the Annual General Meeting for the Financial Year 2018-19, the quarterly and half yearly financial statements were delayed.   |



| Sr. No.                                    | Provision of the Rules   | Rule No.                   | Yes               | No            | Remarks                  |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
|--|--|----------------------------|-------------------|---------------|--------------------------|---|-------------------|--|---|----------------------|--------------------------------------|---|---------------------|--------------------------|---|----------------------------|------------------------------|---|-----------------|----|------------------|--|--|
| 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.  | <p>a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>d) The committees were chaired by the following non-executive directors:</p> <table border="1" data-bbox="321 880 1015 1101"> <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>7</td> <td>Ms. Roohi Raees Khan</td> </tr> <tr> <td>3. Finance and Procurement Committee</td> <td>7</td> <td>Mirza Mahmood Ahmad</td> </tr> <tr> <td>4. UFG Control Committee</td> <td>7</td> <td>Mr. Muhammad Ayub Chaudhry</td> </tr> <tr> <td>5. Risk Management Committee</td> <td>7</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 | 7 | Ms. Roohi Raees Khan | 3. Finance and Procurement Committee | 7 | Mirza Mahmood Ahmad | 4. UFG Control Committee | 7 | Mr. Muhammad Ayub Chaudhry | 5. Risk Management Committee | 7 | Mr. Ahmad Aqeel | 12 | ✓<br>✓<br>✓<br>✓ |  |  |
| Committee                                  | Number of Members  | Name of Chair              |                   |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 1. Board Audit Committee                   | 8  | Mr. Manzoor Ahmed          |                   |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 2. Human Resource and Nomination Committee | 7  | Ms. Roohi Raees Khan       |                   |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 3. Finance and Procurement Committee       | 7  | Mirza Mahmood Ahmad        |                   |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 4. UFG Control Committee                   | 7  | Mr. Muhammad Ayub Chaudhry |                   |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 5. Risk Management Committee               | 7  | Mr. Ahmad Aqeel            |                   |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 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                         | ✓                 |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |
| 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.  | <p>(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.</p> <p>(b) The annual report of the company contains criteria and details of remuneration of each director.</p>   | 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                         | ✓                 |               |                          |   |                   |  |   |                      |                                      |   |                     |                          |   |                            |                              |   |                 |    |                  |  |  |

## Statement of Compliance

| Sr. No.                  | Provision of the Rules  | Rule No.                   | Yes                 | No                      | Remarks           |                           |          |                          |               |                            |                 |               |             |                        |                           |                        |                        |                           |               |                        |               |               |                      |                           |            |                 |   |  |  |
|--------------------------|---|----------------------------|---------------------|-------------------------|-------------------|---------------------------|----------|--------------------------|---------------|----------------------------|-----------------|---------------|-------------|------------------------|---------------------------|------------------------|------------------------|---------------------------|---------------|------------------------|---------------|---------------|----------------------|---------------------------|------------|-----------------|---|--|--|
| 31.                      | <p>The Board has formed Board Audit Committee, with defined and written terms of reference, and having the following members:</p> <table border="1"> <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>Mr. Sajid Mehmood Qazi</td> <td>Non-Executive</td> <td>Govt. Servant</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 chairman 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 | Mr. Sajid Mehmood Qazi | Non-Executive | Govt. Servant | Dr. Sohail Razi Khan | Independent/Non-Executive | Consultant | 21(1) and 21(2) | ✓ |  |  |
| 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              |                     |                         |                   |                           |          |                          |               |                            |                 |               |             |                        |                           |                        |                        |                           |               |                        |               |               |                      |                           |            |                 |   |  |  |
| Mr. Sajid Mehmood Qazi   | Non-Executive   | Govt. Servant              |                     |                         |                   |                           |          |                          |               |                            |                 |               |             |                        |                           |                        |                        |                           |               |                        |               |               |                      |                           |            |                 |   |  |  |
| Dr. Sohail Razi Khan     | Independent/Non-Executive   | Consultant                 |                     |                         |                   |                           |          |                          |               |                            |                 |               |             |                        |                           |                        |                        |                           |               |                        |               |               |                      |                           |            |                 |   |  |  |
| 32.                      | <p>a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</p> <p>(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</p> <p>(c) The 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.</p>   | 21(3)                      | ✓<br><br>✓<br><br>✓ |                         |                   |                           |          |                          |               |                            |                 |               |             |                        |                           |                        |                        |                           |               |                        |               |               |                      |                           |            |                 |   |  |  |
| 33.                      | <p>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>(c) The internal audit reports have been provided to the external auditors for their review.</p>   | 22                         | ✓<br><br>✓<br><br>✓ |                         |                   |                           |          |                          |               |                            |                 |               |             |                        |                           |                        |                        |                           |               |                        |               |               |                      |                           |            |                 |   |  |  |
| 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, 2019

- a.** The total number of directors are 13 including Chief Executive Officer as per the following, apart from one Casual vacancy:
- Male: 12 members
  - 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 Chairman and, in his 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 | Ms. Roohi Raees Khan, Chairperson       | Mirza Mahmood Ahmad, Chairman     | Mr. Muhammad Ayub Chaudhry, Chairman | Mr. Ahmad Aqeel, Chairman |
| Mr. Naveed Kamran Baloch    | Mr. Ahmad Aqeel                         | Mr. Ahmed Aqeel                   | Mirza Mahmood Ahmad                  | Mirza Mahmood Ahmad       |
| Mr. Ahmad Aqeel             | Mirza Mahmood Ahmad                     | Mr. Mustafa Ahmad Khan            | Mr. Himayat Ullah Khan               | Mr. Manzoor Ahmed         |
| Mr. Himayat Ullah Khan      | Mr. Manzoor Ahmed                       | Dr. Sohail Razi Khan              | Mr. Mustafa Ahmad Khan               | Mr. Sajid Mehmood Qazi    |
| Mr. Mustafa Ahmad Khan      | Mr. Mustafa Ahmad Khan                  |                                   | Mr. Sajid Mehmood Qazi               | Dr. Sohail Razi Khan      |
| Mr. Sajid Mehmood Qazi      | Mr. Muhammad Ayub Chaudhry              |                                   | Dr. Sohail Razi Khan                 |                           |
| Dr. Sohail Razi Khan        |   |                                   |                                      |                           |

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

| Committee's Name                        | Frequency of Meetings |
|---|-----------------------|
| Board Audit Committee                   | 8                     |
| Human Resource and Nomination Committee | 14                    |
| Finance and Procurement Committee       | 7                     |
| UFG Control Committee                   | 5                     |
| Risk Management Committee               | 6                     |

- 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.

**Ali J. Hamdani**  
Managing Director/CEO

**Roohi Raees Khan**  
Chairperson - BOD

Islamabad  
July 2, 2021.

# Notice of 56<sup>th</sup> Annual General Meeting

The Notice is hereby given that the 56<sup>th</sup> Annual General Meeting of the Company will be held on July 29, 2021 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore for the purpose of transacting the following business:

#### ORDINARY BUSINESS:

1. To confirm the minutes of the 55<sup>th</sup> Annual General Meeting held on August 15, 2020.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2020 together with the Directors' and Auditors' Reports thereon.
3. To consider and approve payment of cash dividend to the shareholders at the rate of Rs. 4.00 per share of Rs. 10/- each i.e. 40% for the year ended June 30, 2020, as recommended by the Board of Directors.
4. To appoint External Auditors for the year ended June 30, 2021 and to fix their remuneration.
5. 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 Wednesday, July 28, 2021 to Thursday, July 29, 2021 (both days inclusive). The members whose names appear in the register of members as at the close of business on Tuesday, July 27, 2021 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. However, for attending the meeting in person, wearing of mask is mandatory.

Islamabad.  
July 2, 2021

By order of the Board



**Imtiaz Mehmood**  
Company Secretary



## 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) from time to time latest vide Circular No 4 dated February 15, 2021 and Circular No. 6 dated March 03, 2021, 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 email: [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) or at Whatsapp number 0321-8200864.

The entitled shareholders whose name appear on the Books of the Company by close of Business on Tuesday, July 27, 2021 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 July 29, 2021 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.
- v) In case of a legal entity, the Board of Directors' resolution/power of attorney with specimen signature





**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, 2020 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).

**8. Conversion of Physical shareholding in Book-Entry Form:**

Securities and Exchange Commission of Pakistan has issued directions vide letter No. CSD/ED/Misc./2016/ 639-640 dated March 26, 2021 in the light of Section 72 of Company Act, 2017 that every existing listed company shall be required to replace its physical shares with Book-Entry Form within the period not exceeding four years from the promulgation of the Act i.e May 30, 2017. In order to ensure compliance with the aforesaid provision and to be benefited of the holding of shares in Book-Entry Form, all shareholders who still hold shares in physical form are encouraged to open CDC sub- Account with any of broker or investor account directly with CDC to convert their shares in Book-Entry Form. This will benefits the valued shareholders in many ways, including safe custody/ online trading of shares, easy transfer of ownership, no risk of damage/lost/duplicate shares, instant credit of entitlements (bonus/right issue).

**9. Unclaimed Dividends And Shares:**

As per the provisions of Section 242 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/ unpaid after having completed the stipulated procedure, of three (3) years and more from the date on which it was due and payable, shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares,



shall be delivered to SECP after issuance of notices to the shareholders to file their claim. Shareholders of the Company are hereby informed that as per our record there are some unclaimed/uncollected / unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact the Share Registrar to enquire/ collect about their unclaimed dividend or shares, if any. In case, no claim is lodged, the Company shall proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

**Registered Office**

Gas House, 21-Kashmir Road,  
P.O. Box No. 56, Lahore (Pakistan),  
Ph: +92-42-99201451-60, 99201490-99  
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 Shahr-e-Faisal, Karachi (Pakistan).  
Tel No.: +92-21-111-111-500  
Fax No.: +92-21-34326053  
Website: [www.cdcsrsl.com](http://www.cdcsrsl.com)

# Transmission System and Network

As at June 30, 2020



| Diameter (inch)                       | 3"          | 4"          | 6"            | 8"             | 10"           | 12"           | 16"            | 18"           | 20"          | 24"             | 30"           | 36"           | 42"           | Grand Total (KMs) |
|---------------------------------------|-------------|-------------|---------------|----------------|---------------|---------------|----------------|---------------|--------------|-----------------|---------------|---------------|---------------|-------------------|
| <b>Detail of Transmission Network</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         | 708.59         | 133           | 209.06        | 139.655        | -             | -            | 167.85          | -             | -             | -             | 1415.95           |
| Others                                | -           | 2.41        | -             | 17.353         | 5.5           | 4.50          | 55.79          | 11.25         | 37.80        | 239.76          | 86.73         | 54.95         | 186.64        | 702.68            |
| <b>Total</b>                          | <b>0.24</b> | <b>6.84</b> | <b>198.49</b> | <b>2036.87</b> | <b>669.73</b> | <b>536.04</b> | <b>1404.01</b> | <b>737.20</b> | <b>97.15</b> | <b>1,448.07</b> | <b>875.82</b> | <b>892.53</b> | <b>203.77</b> | <b>9106.75</b>    |



# Chairperson's Review and Directors' Report



**Ms. Roohi Raees Khan**  
Chairperson

The Board of Directors presents the 57<sup>th</sup> Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2020 along with the Auditors' Report thereon.

## **FINANCIAL REVIEW**

We are pleased to present the audited financial statements of your Company for the year ended June 30, 2020, after incorporating the determination of Final Revenue Requirements (FRR) of the Company for the financial year 2019-20 by Oil and Gas Regulatory Authority (OGRA). During the year your Company has earned a Profit after tax of Rs.5,998 million and Earnings Per Share (EPS) has been Rs. 9.46 as compared to profit after tax of Rs. 7,076 million and EPS of Rs. 11.16 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       | 8,417            |
| Provision for taxation       | (2,419)          |
| <b>Profit after taxation</b> | <b>5,998</b>     |

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

- a) Increase in UFG percentage from 11.86% to 12.32% and accordingly UFG disallowance from Rs. 10,528 million to Rs. 11,742 million. Even though UFG volumes decreased from 52.5 Bcf in previous year to 48.3 Bcf during the current year, the increase in UFG percentage is mainly due to decrease in availability of indigenous gas volumes during the year. However, the value of disallowance increased due to increase in Weighted Average Cost of Gas (WACOG) used for valuing UFG disallowance by the Regulator. It is pertinent to highlight that the Regulator has continued to value UFG disallowance at National WACOG even though the arrangement for using WACOG has been held in abeyance by Economic Coordination Committee (ECC) of the Cabinet. Moreover, an amount of Rs. 419 million pertaining to previous year has also been included by the Regulator in UFG disallowance on the basis of finalized WACOG for FY 2018-19. Company has taken up the matter with the Ministry of Energy (Petroleum Division) for directions in this regard.



**Ali J. Hamdani**

Managing Director / CEO

## Chairperson's Review and Directors' Report

- b) As against 2.60% component of local conditions in UFG benchmark, the Regulator has continued to allow subjective scoring in the achievement of Key Monitoring Indicators (KMIs) and has determined it at 76.15% as against the claim of 99.9% by the Company. The cumulative benchmark for UFG has been set by the Regulator at 6.98% (5% fixed + 1.98% local conditions component).
- c) Increase in finance cost which was mainly due to higher interest rates during the year which adversely impacted the Company's profitability.

The Company traditionally operates under guaranteed 17.43% rate of

return. After making all adjustments made by the OGRA, effective return of 9.50% has been achieved in the year under review as against 10.10% in the corresponding last year. OGRA vide its decision for the determination of final revenue requirement has either deferred/ disallowed certain items on various grounds having financial impact of Rs. 39,294 million, however the Company has not recognized the amounts of such deferment / disallowances in these financial statements as it is considered that the Regulator in its various determinations had consistently been allowing such expenses and the instant decision is a diversion from the consistent regulatory practice. The detailed explanation in this regard is mentioned in note 36.2

to 36.3 of these financial statements. The company is in the process of filing an appeal against the decision of the Regulator and is confident of the favorable outcome.

During the year under review new accounting standard IFRS-14 "Regulatory Deferral Account" became applicable w.e.f July 01,2019, however, due to pending circular debt issue, the Company sought exemption from application of this standard from the Securities and Exchange Commission of Pakistan (SECP). SECP while recognizing hardship has deferred the application of this standard for a period of up to three years i.e. up to financial year ending June 30, 2022. While there is no impact of the implementation of the standard, the detailed disclosures arising out





of possible implementation of the standard have been explained in note 2.2.4 of the financial statements.

Your Company is taking several steps including but not limited to, increased surveillance, particular monitoring of areas susceptible to gas pilferage, timely leakage detection and its rectification and continuous checking and up gradation of measurement facilities etc.

The Company has initiated a number of steps to modernize your Company and improve efficiency through digitization and use of advanced technologies.

During the period under review your Company made a healthy

contribution to the National Exchequer. An amount of Rs. 109.461 billion was paid in the form of taxes and duties.

## CHALLENGES FACED BY THE COMPANY

### External Challenges:

**Circular Debt:** The Company is facing challenges relating to circular debt arising mainly due to delay in increase of domestic gas prices. The tariff adjustments have accumulated to Rs. 333 billion in indigenous gas and RLNG segments. 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, subsidy and / or other mechanism.

The Company has taken up the issue with the Federal Government and is hopeful for the resolution of these issues in coming years.

### Dwindling System Gas supplies:

The Company is facing a peculiar situation at this time owing to dwindling local gas supplies every year and increasing demand as a consequence of new development schemes and new economic zones, in line with Socio-Economic Agenda of the Government. This situation has increased SNGPL's dependence on RLNG while its share has now exceeded more than 50% of the total supplies. The continuous increase in domestic





demand is now being met through RLNG diversion to the domestic sector.

**Increased Reliance on RLNG:** The Reliance on RLNG will increase in the coming years while domestic/ indigenous supplies are likely to reduce from current 825 MMCFD to around 100 MMCFD by FY 2029-30. Hence all sectors will primarily have to be fed with the RLNG in times to come. RLNG however, is an expensive fuel and its diversion to domestic sector without any recovery mechanism is hampering SNGPL's financial position and ability to meet its upstream obligations. Till date more than Rs. 100/- billion (approx.) is pending on this account. Federal Government has however, issued policy guideline to OGRA for developing a mechanism to recover the cost of RLNG diversion to domestic sector which is likely to be implemented in near future.

**Insufficient Revision in Gas Prices:** The system gas prices have been minimally increased over last 6 years. Resultantly, tariff differential owed by the Federal Government has now increased beyond Rs. 300 Billion. Also, against a cost of Rs. 700/ MMBTU for system gas, domestic

sector is being billed at average rate of Rs. 300 to Rs. 350 per MMBTU while its minimum slab is Rs. 121 / MMBTU. Consultations are on going with the Ministry of Energy (MOE) for increase in domestic tariff and coming up with a National Weighted Average Cost of Gas which is likely to considerably reduce such receivable.

**Terminal & Pipeline Capacities:** It is pertinent to mention that currently there are two terminals having contracted re-gasification capacity of around 1,200 MMCFD and dedicated pipeline capacity for RLNG transportation up to 1,200 MMCFD from Port Qasim to SNGPL entry point at Sawan. SNGPL's RLNG demand is however, more than 1,200 MMCFD during 9~10 months in a year.

The RLNG availability from both terminals for SNGPL has practically reduced upon retention of RLNG by SSGC for its consumers and PLL's supply to K-Electric. The reduced RLNG availability from terminals shall constrain SNGPL to meet its demand in peak months. This situation is likely to get resolved with increase in re-gasification capacity.

**Third Party Access (TPA):** Main objective of induction of Third Parties

is to develop the gas market and improve the infrastructure, with inception of Third-Party Access (TPA) regime. SNGPL shall be facing challenges to maintain its market share owing to certain structural issues like expensive Govt. to Govt. legacy contracts, which are parked with SNGPL. This problem is further compounded since SNGPL is obligated to sell large volumes of RLNG on subsidized prices arising from Government of Pakistan (GoP) socio economic agenda. This can promote cherry picking by private shippers who are not bound by expensive contracts and can avail lower spot prices. A level playing field situation therefore needs to be created.

SNGPL is in touch with the Federal Government (FG) wherein proposals appear to be at an advance stage to come up with WACOG inclusive of RLNG price, which can make us competitive under the said circumstances. The FG will need to undertake arrangement to provide level playing field for all which is under discussion at this time.

### Internal Challenges:

**Un-Accounted for Gas (UFG):** Un-Accounted for Gas is considered as a major risk for the Company. This not only adversely impacts profitability of the Company but also results in wastage of natural gas resources of the Country.

Considering the significance and severity of the UFG losses, a separate committee of the Board of Directors is proactively working to monitor and guide the Management for adoption of suitable measures to keep UFG losses within the acceptable limits as allowed by OGRA.



In order to curb gas losses, Company is currently executing 3 Years UFG Reduction Plan with effect from Financial Year 2019-20 duly approved by Management, Board of Directors, Ministry of Energy (Petroleum Division) and ECC of Cabinet. Accumulated reduction was collectively achieved by all the Distribution Regions through execution of Key Monitoring Indicators (KMIs) as advised by OGRA. Reduction in Transmission and Distribution losses in high UFG areas of Khyber Pakhtunkhwa was made through close liaison and administrative support of law enforcement agencies. Apart from three years UFG reduction plan, the Board has assigned stringent targets for the next financial year, as a result of which the overall UFG loses have witnessed downward trend.

Your Company identified and removed illegal networks with the help of Provincial and District management authorities to keep UFG disallowance within its risk appetite. In addition, the Company initiated several steps for increased surveillance, segmentation of network, particular monitoring of areas susceptible to gas pilferage,

timely leakage detection and its rectification and continuous checking and upgrading measurement facilities by exploring and deploying state of the art technologies. Regular monitoring of monthly and annual UFG reduction targets given to Distribution and Transmission departments were ensured at the highest forum. To settle arbitrary determination of Compliance level in Key Monitoring Indicators (KMIs), all available options are being pursued.

**Liquidity Risks:** The Company has been facing the liquidity issues in lieu of differential margin arising due to lack of timely price increase by the authorities to domestic consumers and accumulated circular debt arising in the LNG value chain. The Company has taken up these issues with Ministry of Energy, Government of Pakistan and is hopeful for the resolution of these issues. On temporary basis, running finance facilities from banks at competitive rates have helped the Company to meet its liquidity requirements while keeping its debt to equity ratios within its risk appetite level. Active monitoring at the highest Management and Board level is done to observe the liquidity position of the company. All expenses that can be

deferred or reduced were identified and strategy was implemented to improve the cash flow of the Company without compromising on necessary business operations of the Company.

**Operational Risks amid COVID-19:**

You Company has faced suspension of operational, development and field activities amid COVID-19 pandemic. Being an essential business, your Company's operations were less affected than other non-essential corporate entities but nevertheless like all other businesses your company operations suffered and limited activities could be undertaken. To mitigate the risk, effective planning and prioritization of key activities were carried out considering all available resources and SOPs. Having learned through this, your Company is better prepared to handle similar situations in future if God forbid such a situation arises. Business continuity plan has been developed and the plan will be updated on regular basis to cater the ever-changing environment.

**Health and Safety of Employees**

**amid COVID-19:** The employees of the Company have been exposed and contracted SARS-CoV-2, since the outbreak of COVID-19 pandemic.



169 serving employees contracted SARS-CoV-2 during the financial year 2019-20.

To curb the spread of the COVID-19 pandemic, the line departments were consulted and work from home strategy/rotation plan was implemented across the Company after lock down decision by Government of Pakistan in March, 2020. Employees who were exposed to SARS-CoV-2 were quarantined at home and some of them were hospitalized for better care and information was shared with relevant Provincial and District Health Authorities. Social distancing and proactive measures were taken within Company's premises and Standard Operating Procedures (SOPs) were devised in line with directions issued by Ministry of National Health Services. Oxygen cylinders and pulse oximeters were purchased for emergent oxygen support to employees in case of non-availability in hospitals. Disinfection of Company's offices was carried out. Surgical masks, gloves, face shields and hazmat suits were provided to Company's employees.

**Manpower Challenges:** Customer service has been a challenging area

due to shortage of manpower as compared to the large customer base of the Company. This risk is being mitigated by the Management of the Company through provision of regular training courses to the employees of the Customer Services department. For this purpose, in house training facility viz. SNGTI and third-party trainings are regularly arranged. Number of trainings on Customer Relationship Management (CRM) for employees of Customer Services department were arranged. Your Company plans to put all its efforts in improving the customer services and building a positive image of the Company through strict monitoring and introducing state of the art technology wherever necessary.

### OPERATIONAL REVIEW

Your Company is striving hard to operate optimally under High Performance Organizations (HPO) Model. The transmission network of your Company has extended to 9,107 KMs high pressure pipelines, ranging from 6 inches to 42 inches diameter, across its area of franchise. During the year, 256 new towns, villages were connected with the existing system by laying 5,639 KMs of distribution mains and service lines. A total of 4,967 towns, villages, District Head Quarters

and Tehsil Head Quarters now exist on the Company's network. The Company in line with its Vision and Mission Statements has improved the quality of life of its consumers by providing 271,228 new gas connections during the year under review.

### CUSTOMER SERVICES

Customer satisfaction has always been a core value in SNGPL policies and decision making which is amply reflected in our Vision and Mission statements. Your Company has 16 Regional Offices, 35 Sub-regional Offices, 91 Customer Services Centers and 177 Complaint Centers across Punjab, Khyber Pakhtunkhwa, Islamabad Capital Territory and Azad Jammu & Kashmir to receive and rectify the complaints from more than 6.9 million consumers. Our Complaint Centers operate round the clock on 365 days of the year to handle emergencies. Besides these offices, your Company has made arrangements for Call Center to receive all types of complaints and to forward them to concerned offices for redressal. The Call Center can be accessed through a short code number 1199 from mobile or landline number within Company's area of operation. To improve services



## Chairperson's Review and Directors' Report

of the Company, SMS feedback from all the complainants is also solicited. Furthermore, complaints can also be lodged round the clock on 365 days of the year on following:

- Walk-in customers at Complaint Centers (CCs)
- Landline number mentioned on top right of customer's monthly gas bill
- Company's website: "www.sngpl.com.pk"
- Company's Facebook account: "www.facebook.com/SNGPLofficial"
- Company's Twitter account: "www.twitter.com/SNGPLofficial"
- Company's YouTube account: "www.youtube.com/SNGPLofficial"
- Company's Instagram account: "www.instagram.com/sngplofficial"
- Mobile application ("SNGPL BILL" available at Google Play Store for Android Cell Phones)
- Prime Minister's Delivery Unit (PMDU)

The received complaints are routed to designated offices through Oracle based Customer Care & Billing (CC&B) software. The complete history and database of each customer is maintained in this software. The complaint rectification teams in all Complaint Centers are equipped with proper tools, equipment and transport for prompt action as per standards laid down by Oil & Gas Regulatory Authority (OGRA).

## PROJECTS

Your Company has commissioned 224 KMs Transmission Lines with diameters ranging from 6" to 24" including the contract lines. In addition to Transmission Lines, 872 KMs of Distribution mains were commissioned during this fiscal year 2019-20 for improving pressure and supplying gas to new towns which has enhanced customer satisfaction level. 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) 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; and
- (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;

## FUTURE PROJECTS

### 1. Special Economic Zones

The development of Economic Zones to support industrialization and business development is a priority of Government of Pakistan. Accordingly, Government of Khyber Pakhtunkhwa is developing Special Economic Zones (SEZ) at Rashakai & Hattar through Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) and Government of Punjab is developing SEZs at Allama Iqbal Industrial Estate at Faisalabad through Faisalabad Industrial Estate Development and Management Company (FIEDMC) under China Pakistan Economic Corridor (CPEC). Moreover, Government of

Punjab is also developing SEZ at Bhalwal, Vehari, Bahawalpur and Rahim Yar Khan through Punjab Industrial Estate Development and Management Company (PIEDMC).

In view of GOP's Plan for the development of infrastructure for boosting Industrialization under CPEC, the GOP has identified Rashakai SEZ and Allama Iqbal Industrial Estate as early harvest projects and they intend to develop these SEZs on priority. SEZ Management Companies have demanded gas supply requirement of 30 MMCFD for Rashakai SEZ and 40 MMCFD for Allama Iqbal Industrial Estate SEZ.

In order to supply gas to above mentioned early harvest SEZ projects, following gas pipeline infrastructure has been planned by SNGPL:

- Transmission spur 16"dia x 29.2 Km starting from Ismail Kot to terminal point along with SMS cum CMS having Capacity of 30 MMCFD for Rashakai SEZ;
- Transmission spur 12"dia x 19.75 Km starting from Chinot to terminal point along with SMS cum CMS having Capacity of 40 MMCFD for Allama Iqbal SEZ; and
- Approval of Rashakai SEZ project has been granted by Departmental Development Working Party (DDWP) and Board of Directors approval has been arranged accordingly. However, Allama Iqbal Industrial City

SEZ project is at different stages of approval.

### 2. Augmentation / Bifurcation of Lahore Distribution Network

A comprehensive project for augmentation / bifurcation of gas network in Lahore city has been planned and approved in order to operate Gas Distribution network of Lahore City optimally by adding new feed points (SMSs / New transmission spurs) and Bifurcation of gas loads / network of Lahore City. Project details are given below:

- 24" dia x 48 KM Transmission Mainlines from Phoolnagar to Nabi Bakshwala (Ferozpur Road);
- 16" x 27 KM Transmission Mainlines from Ferozpur Road to Barki;
- 8" x 16 KM Transmission Mainlines from Barki to Dial; and
- 16" x 6.6 KM from Manga Mandi to Sunder

Survey, Engineering design and procurement of material has been completed. Construction work on this project shall be started soon.

### 3. Transmission Pipeline from A5 to Bahawalpur, 16" dia x 50 KM:

In order to address the acute low gas pressure / no gas issues of Bahawalpur city, Lodhran city and adjoining localities, Company has planned the laying of 16" dia x 50 Km transmission gas pipeline from A-5 (Khairpur Daha) to Bahawalpur. Project has been approved by Board



of Directors and in principle by OGRA. Survey, Engineering design and procurement of material has been completed. Construction work on this project shall be started soon.

#### 4. Pipeline from Charsadda-Khazana-Tangi, 10" dia x 72.55 Km

In order to address the acute low gas pressure issues during winter season in Mardan and Peshawar regions in view of system capacity constraints, Company has planned to undertake the system augmentation in two following phases:

##### Phase-I

- 10" dia x 27.75 Km Charsadda Offtake (Gulabad) - Charsada transmission loopline
- 10" dia x 20.80 KM Charsadda - Khazaaa transmission loopline

##### Phase-II

- 10" dia x 24 Km Charsadda -Tangi transmission loopline.

Work on this project is likely to be started soon as this project is at different stages of approval.

### BUSINESS DEVELOPMENT

The Company is engaged in various pipeline construction projects of national and multinational companies. Your Company 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 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. SNGPL has completed / commissioned Mardankhel-3 well to Mardankhel-1 flow line and Makori Deep-2 line. The completion of Mardankhel-3 & Makori Deep-2 projects has resulted in injection of additional 20-25 MMCFD gas into SNGPL's system that is quite instrumental in reducing the energy deficiency in the country. Lately, Company 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. PakArab Fertilizer (PFL) had awarded the construction services job of their 16"/12" dia x 27 KM pipelines on contract basis to be laid from Gas Processing Facility (GPF) at Mari Petroleum Field to tie in point near QV2 valve assembly of SNGPL. Pipeline project of PFL has been completed by SNGPL in all respect. The completion of this job has yielded profitability for the Company.

### UNACCOUNTED FOR GAS CONTROL

Unaccounted for Gas (UFG) control is a prime concern for the Company as the Company's profitability has direct relation with it. Guidelines are issued to Distribution regions in the light of directives/decisions of the Board of Directors, UFG Control Committee of Directors & Management Committee on UFG Control to reduce the UFG losses of the Company. UFG Reduction Targets are assigned to Distribution regions and monitoring of the same is carried out on regular basis. The Regional Heads of Distribution Department arrange physical execution of various UFG control activities to control UFG losses in their respective areas of operation. Progress of different Distribution regions with respect to implementation of Key Monitoring Indicator (KMIs) notified by OGRA and other UFG Control activities are also monitored by Head Office. The major UFG Control Programs implemented by your Company and progress made thereof during the ensuing year 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 & Special Domestic | Domestic | Total          |
|------------------------------|----------|-------------------------------|----------|----------------|
| Replacement of Meters (Nos.) | 4,753    | 20,134                        | 586,416  | <b>611,303</b> |
| Volume Booked (MMCF)         | 3,232    | 735                           | 2,533    | <b>6,500</b>   |

### 2. Leakage Control Program

Leakage Control Program comprises of the following activities:

- Above ground Leakage rectification at Domestic CMSs;
- Rectification of Underground Leakages detected through Laser Leak Detectors;
- Replacement of leaking underground network against System Rehabilitation Program; and
- Leakage rectification at TBSs/DRSs.

| Description   | Achievements   |
|---|----------------|
| Above ground leakage rectification at Domestic CMSs (Nos.)                            | <b>967,611</b> |
| Rectification of Underground Leakages detected through Laser Leak Detectors (Nos.)    | <b>40,450</b>  |
| Replacement of leaking underground network against System Rehabilitation Program (Km) | <b>627</b>     |
| Leakage rectification at TBSs/DRSs (Nos.)   | <b>690</b>     |

### 3. Theft Control Program:

Theft Control Program comprises of vigilance activities against Industrial, Commercial & Special Domestic, and Domestic consumers. As a result of effective vigilance activities carried out by the Company, 97,837 Nos. theft cases have been detected during the financial year 2019-20 resulting in booking of 2,016 MMCF theft volumes amounting to Rs. 1,919 Million. Category wise break up is as under:

| Category                      | Theft Cases Detected (Nos.) | Volume Booked (MMCF) | Amount Booked (Rs. Million) |
|-------------------------------|-----------------------------|----------------------|-----------------------------|
| Industry                      | 66                          | 393                  | 738.2                       |
| Commercial & Special Domestic | 3,087                       | 284                  | 415                         |
| Domestic                      | 94,684                      | 1,339                | 766                         |
| <b>Total</b>                  | <b>97,837</b>               | <b>2,016</b>         | <b>1,919</b>                |

In addition to above, 368 FIRs have been registered against theft cases (Consumers & Non-Consumers). 2,356 Illegal Taps have been removed from High Loss Areas (Karak etc.) of Khyber Pakhtunkhwa Province by Distribution and Transmission teams.

## LIQUEFIED PETROLEUM GAS

In the light of policy guidelines issued by Economic Coordination Committee (ECC) on LPG Air Mix projects, the Company is working on installation of LPG Air Mix projects to supply gas to approximately 40,000 consumers in the towns of Gilgit, Chitral, Drosh and Ayun.

The Government's intent to install LPG Air mix plants is to avoid rapid deforestation in the hilly areas where domestic and commercial consumers are burning wood to meet their domestic heating and cooking requirements. The rapid deforestation in the hilly areas is the main reason of climatic change in the country thus causing flash floods and land slide incidences. In LPG Air mix plant, LPG is supplied through bowsers at plant site where it is stored in above ground LPG storage tanks. LPG is then vaporized and mixed with air to match the properties equivalent to natural gas and then supplied to the consumers through pipeline distribution network. In Pakistan, LPG Air mix plants at Gwadar, Noshki, Kot Ghulam Muhammad and Sorab are operating successfully and supplying gas to the respective consumers through pipeline distribution network.

The Company has purchased LPG Air mix plants and land for Drosh, Ayun, Chitral and Gilgit. Civil construction activities have been started at Gilgit LPG Air mix project site and it is expected that supply of gas to Gilgit will be started in FY 2021-22. Your Company is also playing its important role in import of LNG transactions.

## COMPRESSION OF GAS

Your Company compressed 1,085 BCF RLNG & Indigenous gas during the reporting period at different Compressor Stations through 119,047 cumulative operating hours of gas

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turbine compressor packages, in order to transmit low & variable pressure gases from different sources, including depleting sources, into Company's Transmission network and maintain stability and uniform system operations amid large swings in demands & supplies.

During the FY 2019-20, the Company completed the system augmentation projects at Compressor Station AC-6 to cater for additional 150 MMCFD RLNG and Compressor Station CC-1 (Haranpur), which was planned due to consistently declining trend in gas input from existing northern sources, continuous expansion of distribution system in northern regions, and requirement of RLNG based new consumers on C-Leg / northern regions. The project encompassed relocation of three (3) Saturn Gas Turbine Compressor packages to CC-1 along with enhancement of gas filtration capacity of the station.

Your Company is also working on a five year plan (2016-21) for zero-overhauling of its turbine engines, which have completed more than

100,000 operating hours during current year, as per International Standards of API-616, to increase the life and fuel efficiency of these engines. During 2019-20, 3 Nos. Centaur Gas Turbine Engines and 1 No. Saturn Gas Turbine were overhauled in overhauling facility at Multan and installed in the field. Compression department is also self-reliant for field overhauling of centrifugal compressors used for gas pressure boosting. Typically, these compressors are overhauled after 50,000 – 60,000 operating hours. During the year, 04 Nos. centrifugal compressors of model C-304 and 2 Nos. compressor of mode C-160 were field-overhauled and re-staged for optimum performance.

Your Company has also implemented "Computerized Maintenance Management system" at its compressor stations, through Oracle Enterprise Asset Management Tool. This system has been made fully functional at Seven (7) compressor stations, whereas the implementation is in progress for remaining stations.

### CORROSION CONTROL

SNGPL is fully committed to the protection of underground precious steel pipeline network from attack of corrosion by applying Cathodic Protection (CP) technique through 1,815 CP Stations for MS Network being monitored through 32,281 and 6,493 test points in Distribution and Transmission Departments respectively. During the fiscal year 2019-20, 16 new CP Stations were added to the system while 58 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 ~289 Kms of Transmission Lines through Direct Assessment methodology is under progress as per National Association of Corrosion Engineers (NACE) Standards. Corrosion Control Department has also been able to successfully scan 26,812 Kms of gas network and detect / identify 40,755 Nos. of underground leaks by using laser based detection





equipment during the year against KMIs set by OGRA for UFG Reduction. Replacement of 860 Kms of various diameter pipeline was proposed after necessary surveys.

As part of Research & Development, GSM Based Remote Monitoring Units had been developed for monitoring the output of CP Stations and 1,279 Nos. Remote Monitoring Units (GSM Based) have been successfully installed at CP Stations throughout the network.

Furthermore, two (02) types of gas leak detectors were also designed and developed at Corrosion Control Centre by employing our in-house resources. The detail is as under:

- a) Gas leakage sensor and alarm system for domestic sector / household applications.
- b) Portable gas leak detector for detection of above ground leakages

Designing and fabrication has been completed and testing / implementation is under 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. Metering Department 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 year under review, Meter Shops have re-certified against Quality Management System (QMS) ISO 9001:2015. Audit has been conducted by third party M/S Advance Certification, Lahore to check implementation status of QMS and found in line with international Standards.

## QUALITY ASSURANCE

Your Company is ISO 9001:2015 certified for Quality Assurance. Company via Quality Assurance Department ensures implementation of international/ national codes of practices in construction, operation and maintenance of Transmission and Distribution piping system, train & qualifies personnel performing work and provides best inspection and NDT services. Quality Assurance Department comprises of a team of qualified Engineers coupled with trained staff working under their domains for the inspection of multiple activities.

During construction of Distribution lines and Transmission lines, the team of QA Department ensures stringent checks in line with applicable standards. During FY-2019-20 a total of 2185 KMs of Main line both MS and PE was inspected by Quality Assurance department.

The integrity of weld joints is checked by using Non-Destructive



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Testing techniques i.e. Radiography, Ultrasonic Testing & Dye Penetration Testing by Third Party NDT firms which are pre-qualified and contractually engaged by QA Department as per PPRA's rules. Moreover, 100% visual inspection of all the welded joints is also being carried out to ensure pipe line network's integrity. During FY 2019-20, 87094 Nos. of weld joints were inspected out of which 18570 weld joint of TBS along with mainline joints were checked by radiography.

The process of Three layer Polyethylene coating of Mild Steel line pipe conducted at Coating Plant Uch Sharif is strictly monitored and inspected by Quality Assurance Department along with application of heat shrinkable sleeves in the field. During the last fiscal year a total of 97,600 Nos. of bare pipes along with 97,828 Nos. of coated pipes were checked out of which 115 bare pipes and 343 coated pipes were rejected.

Punch list is a document which describes major and minor discrepancies pointed out by QA Department during the operational activities of laying of Transmission lines, Distribution mains and rehabilitation work. Punch list is prepared by QA Department to ensure rectification of anomalies before commissioning by all the stakeholders of the pipe line network. In FY 2019-20 a total of 1290 punch lists were prepared by Quality Assurance Department in both distribution and transmission.

Regional Quality Assurance teams are performing Special Inspection activities directly monitored by GM (QA) in which QA Engineers personally cross check the site activities and submit special inspection reports. These reports

reflect the pointed out anomalies of above ground and underground leakages and their consequent rectification and resultantly helping in reduction of Company's UFG losses.

Your Company is striving hard to create a quality conscious environment by inculcating and imparting the National and International Standards among the first line executives and field staff of respective departments. We are committed to change the mindset by creating a culture of defect free work to ensure safety, productivity and profitability of the Company.

### **BILLING**

During the year under review, your Company is exerting all out efforts to ensure provision of quality services with respect to availability of gas bills and resolution of grievances along with timely processing of all the activities related to Billing Department to safeguard interest of the Company. Different initiatives are being explored so that company business effectiveness could be enhanced with maximum recovery and output.

Your Company has achieved maximum progress against KMI based UFG benchmark introduced by OGRA related to disconnection/recovery from consumers involved in pilferage/ theft of gas. In addition to this, all out efforts are being carried out to ensure processing of Meter Inspection Reports and accordingly all the cases received during current Financial Year were finalized properly. All cases requiring charging of theft/non-theft volumes are processed expeditiously and same were incorporated in system so that timely recovery could be ensured. To contribute towards UFG reduction goal, meter readers are advised to ensure reporting of anomalies noted at site and forwarded to the concerned for necessary action.

Your Company is striving to ensure automation regarding different aspects of business process. Accordingly, as a first phase regarding automation of PFC consumers billing, balances of all PFC consumers have been updated in system along with other requirement for future development by IT/MIS and bills to these consumers are being issued through centralized system i.e. CC&B. Furthermore, for expeditious and prompt response, comprehensive OGRA complaints management system is in development phase. In addition to printing of meter counter snap on gas bills, mentioning of date & time of meter reading are initiated so that our valued consumers may authenticate their monthly readings and consumption.

Recovery of outstanding dues from defaulting consumers is another vital aspect and accordingly effective and extensive recovery campaign has been launched against active and litigant consumers to maximize recoveries against outstanding dues. Secondly, different avenues are being explored and approached under provision of Gas (Theft Control and Recovery) Act, 2016, specially seeking support from Land Revenue Authorities, SECP etc, under section 27(2) to ensure maximum Recovery.

Special focus has been given for clearance of non-billing and resolution of provisional billing cases to ensure error-free billing and quality of reporting regarding anomalies and discrepancies noted at site so that timely action can be initiated for their rectification. Your Company is committed for provision of quality services to our valued consumers regarding accuracy and transparency of meter reading, timely billing and resolution of grievances in effective manner to their entire satisfaction.



## DIGITIZING THE PROCESSES

Your Company is continuously improving its IT infrastructure and systems to deliver maximum flexibility and optimum benefits to its business users. The Company is unceasingly catering to the emerging requirements of its business users by implementing desired features in the enterprise systems in place. In this role, besides the implementation of Project Planning and EAM modules in ERP, the Company has automated the UFG calculation procedure as well as the Late Payment Surcharge (LPS) calculation for all categories of consumers has been automated through CC&B.

The Company has introduced innovative technologies to help reduce the UFG and improved customer experience:

- **Enterprise Dashboards using Business Intelligence**

To provide meaningful insight into enterprise data, IT/MIS department is using Business Intelligence to develop dashboards for business departments. These dashboards provide insights allowing Management to take strategic and tactical decisions. Dashboards provide visibility of business parameters to monitor and control UFG. SMS reconciliation as well as to meet OGRA KMs.

- **Mobile Application Development**

In pursuance of Management desire to transform the organization using innovative technologies such as smartphones, tablets, and handheld devices, mobile applications have been developed.



To facilitate customers, a mobile application has been developed allowing them to view their bill and make payment using their smart phones from anywhere. The consumer does not have to visit a bank or wait in queues for making a payment.

- **Enterprise Geographical Information System**

GIS technology has become an essential tool for effective utility planning by using network maps and representation of information such as topography, satellite imagery, and field data. IT/MIS Department is closely working with P&D department for the successful implementation of GIS system in the company.

Apart from integration of IT systems with SCADA and GIS system for real time monitoring of business operations.

- **Standards-based Enterprise IT Security**

Securing IT assets is a very important dimension of security for any organization. Your Company is using technology and controls to protect its information assets including data, systems, and infrastructure. Following the ISO27001:2013 standard, Your Company is preparing policies, procedures, and controls to strengthen and to fulfill the criteria.



### TELECOMMUNICATION

Your Company is maintaining a wireless backbone telecommunication network along Company's Transmission right-of-way (ROW) since the inception of the company in 1963. The Company is operating dedicated Digital Microwave Radio Communication System along high pressure gas pipeline network from Sui & Sawan to Peshawar for Voice, Data, Video and SCADA services.

An Application Interface between SCADA Host System and IT/MIS Database System for provision of Real-time Data of SCADA System for Central Dashboards developed for the Management & Regional Offices. In addition, Telecom Department provided the SCADA Workstations to all 15-nos. Regional Distribution Offices with the relevant Real-time Site-wise Displays, Data and SCADA-generated Alarms/Events.

Your Company has initiated special Projects for SCADA Communication of 22-nos. Transmission Flow Computer and EVCs in Karak Area for effective Monitoring and facilitation of UFGC efforts and

for SCADA System Installation at 3-nos. Custody Transfer Sites of

Transmission for provision of Gas to Rashakai Special Economic Zone.

### HEALTH SAFETY ENVIRONMENT INFRASTRUCTURE

An Integrated HSE Management System (IMS) based upon ISO 14001:2015 and OHSAS 18001:2007 standards is in place for systematic implementation of best practices for all operations of the Company.

We are all aware that there is resurgence of COVID-19 cases in neighboring countries of Pakistan. Although the challenges in implementation of COVID-19 SOP behavior change, risk developing other respiratory tract infections during approaching fall and winter months when people spend more time indoors, but the positive aspect is that we are not at the point where we were in March when this disease started in our part of the world. Now there is clarity on guiding principles of social distancing, hands hygiene and mask-wearing effectiveness, doctors have learnt more disease treating modalities, required health care equipment, lab sampling and diagnostics are available in hospitals. Following steps were taken to address the pandemic challenges:

- All staff was advised to remain vigilant with respect to implementation of COVID-19 SOP as Government of Pakistan, Ministry of National Health Services Regulation and Coordination has not yet announced that Pakistan is free of COVID-19 epidemic.
- All the guidance measures of social distancing, hands hygiene and mask-wearing, thermal checks at entrance gates, provision of face mask to visitors and installation of physical barriers at customer service centre as observed earlier during the period of epidemic in Pakistan are still being followed.
- We are in touch with information shared by Government of Pakistan, Ministry of National Health Services Regulation and Coordination as there is no intimation of second wave of COVID-19. The most recent guidelines issued on 26.09.2020 i.e. Home Quarantine during COVID 19 Out-break has been followed for our three cases reported in the month of September and till date.



- To avoid any behavior shift among employees related to physical distancing .Continuous monitoring by HSE Department and Admin Department with respect to wearing of face mask and social distancing behavior is being observed to avoid the number of COVID-19 cases.
- COVID-19 SOP Compliance is also checked during surprise HSE inspections by HSE Engineers and Executives from HSE Head Office.

Energy conservation initiative at SNGPL is in place with an approach to conserve energy not only in the Company but to extend it to our valued consumers by provision of energy efficient devices including Solar Water Heater (SWH), Geyser Timer Device (GTD) and Gas Saver Cones to the consumers on no profit basis and through easy installments.

Energy Conservation Policy is in place in the Company for gradually replacing the old and high energy consuming appliances with more efficient and low energy consuming appliances.

A partnership with UNIDO has been developed to carry out energy

audits of our selected sites leading to achieve certification against Energy Management System ISO 50001:2018.

A project for Solarization of SNGPL offices namely Green Office Initiative is being undertaken for power production using renewable resource.

Coordination with National Energy Efficiency & Conservation Authority (NEECA) is underway to develop standards and its implementation in regard to manufacturing of efficient and safe gas appliances for domestic and commercial consumers in line with the vision of the management.

Conserving environment is a major part of SNGPL policy and the requirement of ISO-14001 standard. Environmental Monitoring is carried out of all machines, stacks and vehicles to ensure that all exhaust remain within NEQS. SNGPL has developed in-house resources for monitoring of emissions with state-of-the-art portable equipment like LANCOM, TESTO, and IMR. A vehicle installed with Crypton emission analyzer equipment has been specially designed for emission monitoring in addition to portable devices. Environmental impacts

Assessment are carried out to ensure that SNGPL activities do not result in degradation of environment.

The Company is effectively running tree plantation campaign to foster the vision of the government for a clean and green Pakistan. SNGPL strives to plant 100,000/- trees each year with the support of forest departments of Punjab and Khyber Pakhtunkhwa.

HSE Week are celebrated each year to promote HSE awareness and to engage employees for implementation of HSE initiatives. Motivation of employees is appreciated and success of HSE Week is only possible with participation of all employees showing their commitment to work safely.



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Online Accident reporting gives access to every employee for timely reporting of accidents which results in early detection of hazards and its mitigation.

| Accident Statistics 2019-20 |                      |            |
|-----------------------------|----------------------|------------|
| Sr. No.                     | Category             | Nos.       |
| 1                           | Lost Time Injury     | 6          |
| 2                           | Fire                 | 9          |
| 3                           | Vehicle              | 31         |
| 4                           | Third party ruptures | 28         |
| 5                           | Near Miss            | 133        |
| <b>Total</b>                |                      | <b>207</b> |

### CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility function in the Company was formally started in 2013. CSR initiatives are mainly focused in the areas of Health, Education and Environment as per OGRA directive.

Some of the CSR projects which were successfully accomplished are given as under:

#### Health:

- Installation of 50 numbers of Reverse Osmosis Plants for the provision of potable drinking water in Punjab and Khyber Pakhtunkhwa.
- Support regarding the Blood Donation Camps and Blood Screening Kits
- Support to Red Crescent Society regarding the up-gradation of the Ambulance

#### Environment:

- Installation of Bio Gas plant at Sheikhpura
- Agrowaste Project with WWF-P
- Tree Plantation in Punjab and Khyber Pakhtunkhwa in collaboration with WWF and Forest Department
- International ECO Internship Program with WWF for students. Around 20,000 students were imparted Environmental awareness.

#### Education:

- Sponsorship of Gold Medals / Scholarships to GIKI, UET PSR, NFC ML and NFC FSD.
- Sponsorship of Chairs on Gas Engineering at UET Lahore, Punjab University Lahore and UET Peshawar.

#### Agro waste Project for Community:

Your Company is committed to conservation of environment and is a corporate partner of Worldwide Fund (WWF) for this purpose. Conservation of environment is a

major objective of SNGPL Corporate Social Responsibility policy.

SNGPL is partnering with WWF Pakistan regarding the Agro waste Project (Household and Semi Commercial gasifiers). 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 techniques.

#### ECO Internship Program at SNGPL:

Youth with age group of 12-22 are focused through this program. WWF engages 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.

Blood Donation Campaign is carried out across the Company in coordination with Fatimid Foundation and Sundas Foundation to help children with thalassemia. Employees participate enthusiastically and donate blood for the noble cause.

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.

## **HUMAN RESOURCE DEVELOPMENT**

Your Company continued to play its role as an enabler to achieve Company's strategic mission while also ensuring that its human resource remains engaged and motivated by reviewing its HR policies.

SNGPL strongly believes that gender diversity and equal employment opportunity are the keys to success of the Company, therefore, the Company has clearly defined policies and procedures to ensure that all decisions made in relation to appointments, promotions, transfers, training opportunities and performance assessments are made entirely on merit. Women at SNGPL

are provided equal opportunity for promotion at all levels including senior management positions to achieve competitive advantage through mixed leadership teams. To address the issues of harassment, a committee comprising three members has been constituted in compliance to provisions of Protection against Harassment of Women at Workplace Act, 2010. In addition, the Company has a zero tolerance policy towards harassment and victimization to protect rights of all employees.

Your Company ensures implementation of merit-based recruitment system with an aim to acquire the best talent. A total of 175 new inductees joined the Company in Executive Cadre, adding value to the existing human resource.

With an aim to ensure that employees have the desired level and combination of competencies required for the next grade, Potential Assessment Test (PAT) was conducted through third party to gauge their competency level. A total of 403 Executives in different grades appeared for PAT. During the period, a total of 409 Executives in Grades I-VII were promoted, while 21 were promoted in Grades VIII & IX.

As a part of Corporate Social Responsibility, the Company offered internships to 230 interns of different disciplines from prestigious institutions.

The utmost focus of your Company is to maximize employee satisfaction and minimize employee resistance to change thereby paving way for organizational growth. In line with this mission, an Organizational Development Section has been developed within HR Department to

plan and administer organizational design, re-organization and organizational development initiatives across the Company.

A total of 11 children of employees who died during service were appointed in the Company against Deceased Blood Relations Quota while 80 scholarships were awarded to children of serving employees for pursuing professional qualification.

## **INDUSTRIAL RELATIONS**

Your Company maintained cordial relationship with CBA to ensure industrial peace within the organization. Internal Elections of SNGPL were held On December 6, 2019 under the supervision of NIRC. During the period, the CBA Agreement for the period 2017-19 was finalized between the Management and CBA.

## **EMPLOYMENT OF SPECIAL PERSONS**

Being a socially responsible Company, SNGPL believes that every person with disability (PWD) should be provided due opportunity to integrate them into the mainstream society. The Company has defined 2% quota in compliance with Disabled Persons (Employment & Rehabilitation) Ordinance, 1981. During the period under review, 11 PWDs were inducted in the Company.

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

The Company follows highest standards of discipline, moral guidelines and good corporate governance policies & procedures to be complied with by all employees for an environment which is conducive to productivity. The Company has a well defined disciplinary framework and whistle blowing policy which serve

## Chairperson's Review and Directors' Report

as preventive and detective controls to eliminate corruption or any other form of misconduct. These policies help mitigate risks associated with misconduct and achieve high integrity standards. The Company continued to take stern action against all those who were involved in corrupt practices or any other misconduct, setting an example for others and to discourage corruption.

### TRAINING AND DEVELOPMENT

Your Company's training 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 2019-20, SNGTI conducted 275 training courses relevant to the organizational working, culture and Training needs of the employees in above mentioned categories and trained 2916 organizational employees. The mosaic of training modules included not only Class room lectures but also Technical workshops, Hands of Trainings, Case studies,

Assignments, Presentations, Interviews, Trade tests, Theoretical and Practical examinations. Practical Trainings on drilling machines and welding machines are also arranged.

### RISK MANAGEMENT

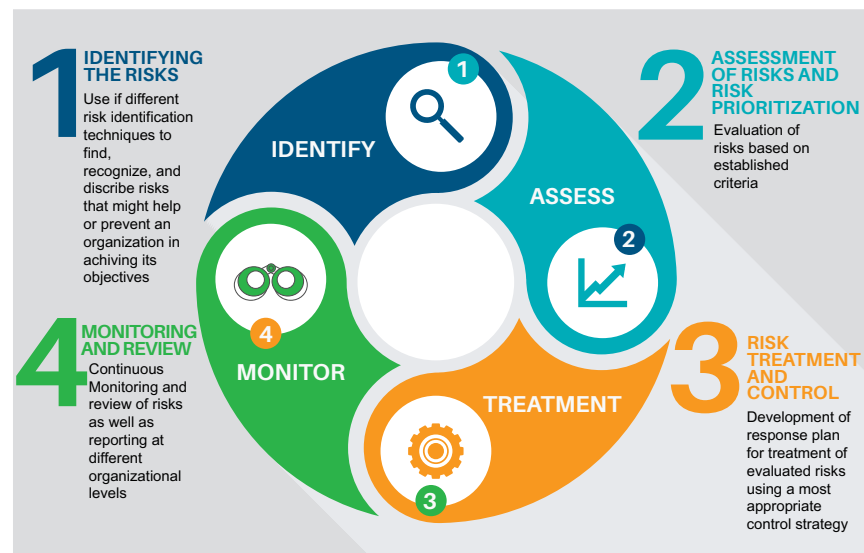
Risk Management is recognized as a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities.

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.

Risk Management in the Company, is managed through Risk Management department which is committed to incorporate Enterprise Risk Management (ERM) concepts at the center of the strategic decision-making process by assisting and supporting line departments through implementing activities planned and approved in Annual Risk Management Plan.

An effective ERM framework based on the best international practices and framework of Companies of Sponsored Organization (COSO) & ISO 31000 guidelines and duly approved by the Board, is in place to provide an organized and comprehensive risk management approach to manage risk for all activities across the Company with clear governance and reporting requirements.

- A risk register is being prepared, identifying key departmental and organizational level inherent risks and control systems are regularly evaluated and upgraded to mitigate these risks.
- Key risks are also separately identified and are shared with the line departments and the Management for their feedback and formulating a joint mitigation strategy.





- Development of Risk Management Information System (Software) is under discussion that shall facilitate and enhance the implementation of risk management activities across SNGPL.

### **Risk Management Framework**

Risk Management framework focuses on policies, procedures and practices and consists of four (04) phases; Risk Identification phase, Risk Assessment, Risk Mitigation, and Risk Monitoring and Review phase.

Risk awareness is a prerequisite of Risk Management framework and these awareness activities are extensively carried out across all the departments and functions of the organization.

SNGPL is facing number of challenges at strategic, operational and financial fronts including but not limited to Unaccounted for Gas (UFG), liquidity and financial challenges in terms of rationalization of consumer gas prices and circular debt in the LNG value chain, Health and safety of its employees amid COVID-19, and Customer Services issues. Your Company is making all out efforts to address these challenges.

### **INTERNAL CONTROL SYSTEM**

**Responsibility:** The Board assumes the overall responsibility to ensure that a system of sound internal control is in place, which is effectively implemented and maintained at all levels within the Company. Internal control processes are designed to safeguard the Company's assets and to appropriately address

and/or mitigate emerging risks being faced by the Company. The Board, whilst maintaining its overall responsibility through Board Audit Committee for governance, risks and controls, has delegated their detailed design, implementation and monitoring to the Management. The role of the Board Audit Committee is to assist the Board in fulfilling its oversight responsibilities regarding the integrity of internal controls, compliance with legal and regulatory requirements and the performance of the Internal Audit department.

**Framework:** The Company maintains an established control framework comprising clear structures, authority limits, well communicated and understood policies, procedures and review processes. These policies and procedures have been adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to rules & regulations and Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information.

**Internal Audit Function:** 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 Board Audit Committee. The Board Audit Committee approves the Annual Audit Plan, based on an annual risk assessment of the operating areas. 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 (Code of Corporate Governance) Regulations, 2019 as well as best practices envisaged by the Institute of Internal Auditors. The scope of Internal Audit function has been approved by the Board Audit Committee, which includes independent assessment and evaluation of the effectiveness and efficiency of internal control processes.

### **CHANGES IN THE BOARD**

During the year Mr. Amer Tufail, Mr. Sajid Mehmood Qazi, Mr. Muhammad Ayub Chaudhry, Mr. Shabbir Hussain Hashmi and Mr. Yousaf Naseem Khokhar were appointed as Directors in place of Mr. Mahmood Zia Ahmad, Qazi Mohammad Saleem Siddiqui, Late Syed Dilawar Abbas, Mr. Sher Afgan Khan and Sardar Ahmad Nawaz Sukhera respectively. Whereas, Mian Misbah ur Rehman was ceased to hold the office by the order of the Hon'ble Lahore High Court, Lahore. 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 Syed Dilawar Abbas (late), Ms. Roohi Raees Khan, Mr. Amer Tufail, Mr. Mahmood Zia Ahmad, Mr. Ahmad Aqeel, Mirza Mahmood Ahmad, Mr. Manzoor Ahmed, Mr. Mustafa Ahmad Khan, Mr. Himayat Ullah Khan, Dr. Sohail Razi Khan, Mr. Naveed Kamran Baloch, Mr. Sajid Mehmood Qazi, Mr. Muhammad Ayub Chaudhary, Mr. Shabbir Hussain Hashmi, Mr. Yousaf Naseem Khokhar, Qazi Mohammad Saleem Saddiqui, Mr. Sher Afgan Khan, Mian Misbah-ur-Rehman and Sardar Ahmad Nawaz Sukhera remained on the Board of the Company.



At present the Board consists of Ms. Roohi Raees Khan-Chairperson, Syed Ali J. Hamdani - Managing Director, Mr. Afan Aziz, Mr. Ahmad Aqeel, Syed Akhtar Ali, Mr. Manzoor Ahmed, Mr. Mohammad Haroon, Mr. Muhammad Haroon-ur-Rafique, Mr. Muhammad Sualeh Ahmed Faruqui, Dr. Sohail Razi Khan and Mr. Yusuf Khan.

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

In accordance with the requirements of the Public Sector Companies (Corporate Governance) Rules, 2013 and the Listed Companies (Code of Corporate Governance) Regulations, 2019, 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), an accredited institution by Securities & Commission of Pakistan (SECP) whereby an online questionnaire is disseminated amongst the Board members for the assessment of their performance. The evaluation exercise is undertaken on annual basis to enhance effectiveness and better understanding of the roles and responsibilities of the Board.

### DIRECTORS' REMUNERATION

The board of directors has a transparent procedure 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.

### POST BALANCE SHEET EVENTS

The Directors have not received, as at July 2, 2021 being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, other than those disclosed in the financial statements, which affects 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, 2019.

### STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors hereby declares that for the year ended June 30, 2020:

- 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.

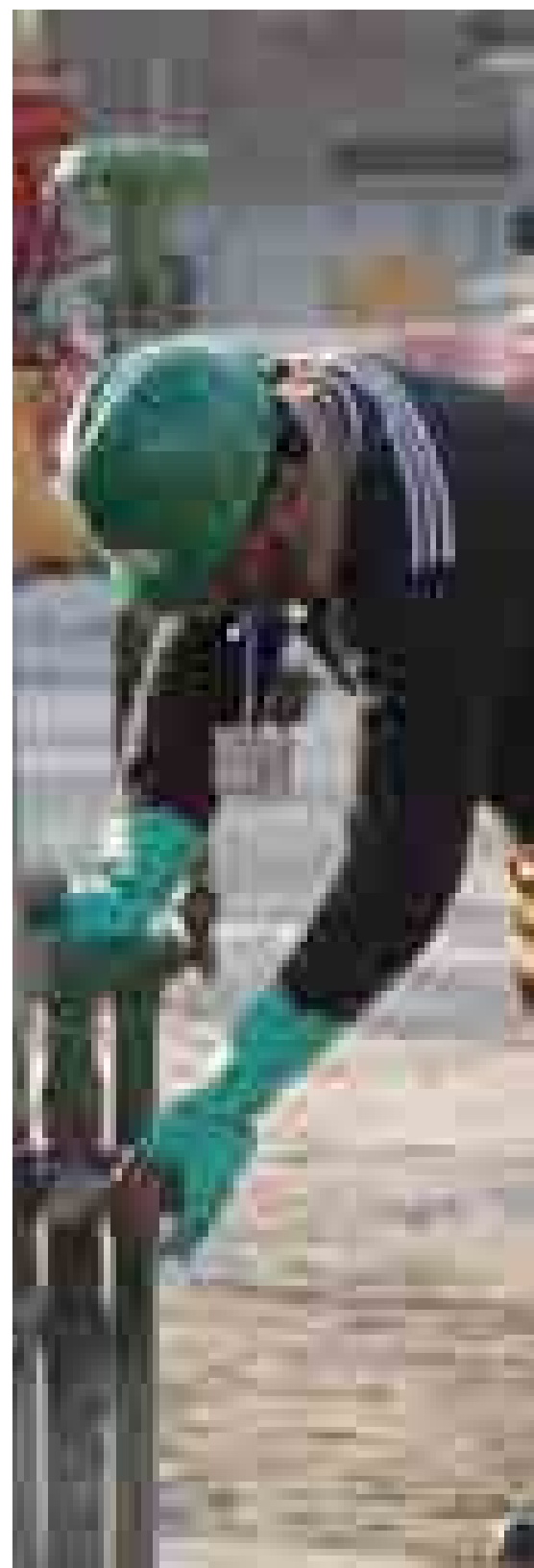


The Board of Directors has satisfied itself that the Company has adequate resources to continue its operations in the foreseeable future. The Company's Financial Statements have accordingly been prepared on a 'going concern' basis;

- 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, 2020 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, 2020 is as follows:

|   | (Rs. in '000)     |
|---|-------------------|
| 1. SN Senior Staff Pension Fund                                 | 3,798,936         |
| 2. SN Junior Staff Pension Fund                                 | 22,037,695        |
| 3. SN Executive Staff Gratuity Fund                             | 231,558           |
| 4. SN Non Executive Staff Gratuity Fund                         | 6,417,324         |
| 5. SNGPL Trustees Provident Fund                                | 15,610,986        |
| 6. SNGPL Superannuation Free Gas Executives Fund                | 152,473           |
| 7. SNGPL Superannuation Free Gas Subordinates Fund              | 6,332,547         |
| 8. SNGPL Superannuation Compensated Absences Executives Fund    | 809,215           |
| 9. SNGPL Superannuation Compensated Absences Subordinates Fund. | 1,579,673         |
| 10. SNGPL Superannuation Medical Executives Fund                | 4,934,971         |
| 11. SNGPL Superannuation Medical Subordinates Fund              | 9,343,087         |
| 12. SNGPL Employees Accidental Death Endowment Fund             | 10,420            |
| <b>Total</b>  | <b>71,258,885</b> |

- l.** The number of Board of Directors and Committees meetings held during the year and attendance by each has been disclosed in Corporate Governance section of this report;
- m.** The name of directors on the Board and its committees as well as 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 & Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding Directors Training Program.





- o.** The pattern and categories of share holding as on June 30, 2020 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, Executives (Chief & above), 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. Yousuf Adil, Chartered Accountants were appointed as External Auditors of the Company for conducting audit for Financial Year 2019-20 in the Annual General Meeting held on August 15, 2020. They have also given their consent to act as the Auditors of the Company for financial year 2020-21. The Board proposes the appointment of M/s. Yousuf Adil, Chartered Accountants as Auditors for the Financial Year 2020-21 on the recommendation of the Board Audit Committee.

### SHARE WATCH

The Company's share opened at Rs 71.25 on July 01, 2019 and closed at Rs. 54.60 on June 30, 2020. During the period under review, the highest price of the share was Rs. 85.39 and the lowest was Rs. 33.30. The market capitalization as on June 30, 2020 was Rs. 34,628 million.

### FUTURE OUTLOOK

Your Company is taking number of

steps to improve supply of gas to the consumers by taking appropriate steps as under:-

- Concerted efforts to bring down the UFG at an acceptable level by specifically targeting areas of high UFG both technically and functionally.
- Expedite augmentation of transmission network required to transport additional 1.2 BCFD imported gases in the network. This would enhance your Company's asset base yielding direct impact on return on assets / profitability of the Company.
- Actively pursue other avenues of profitability including pipeline engineering and construction work for E&P companies. Management of your Company is confident that with the action plan brief of which is set out above, your Company will be able to show promising results in the future.
- 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.

### 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 acknowledge 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,

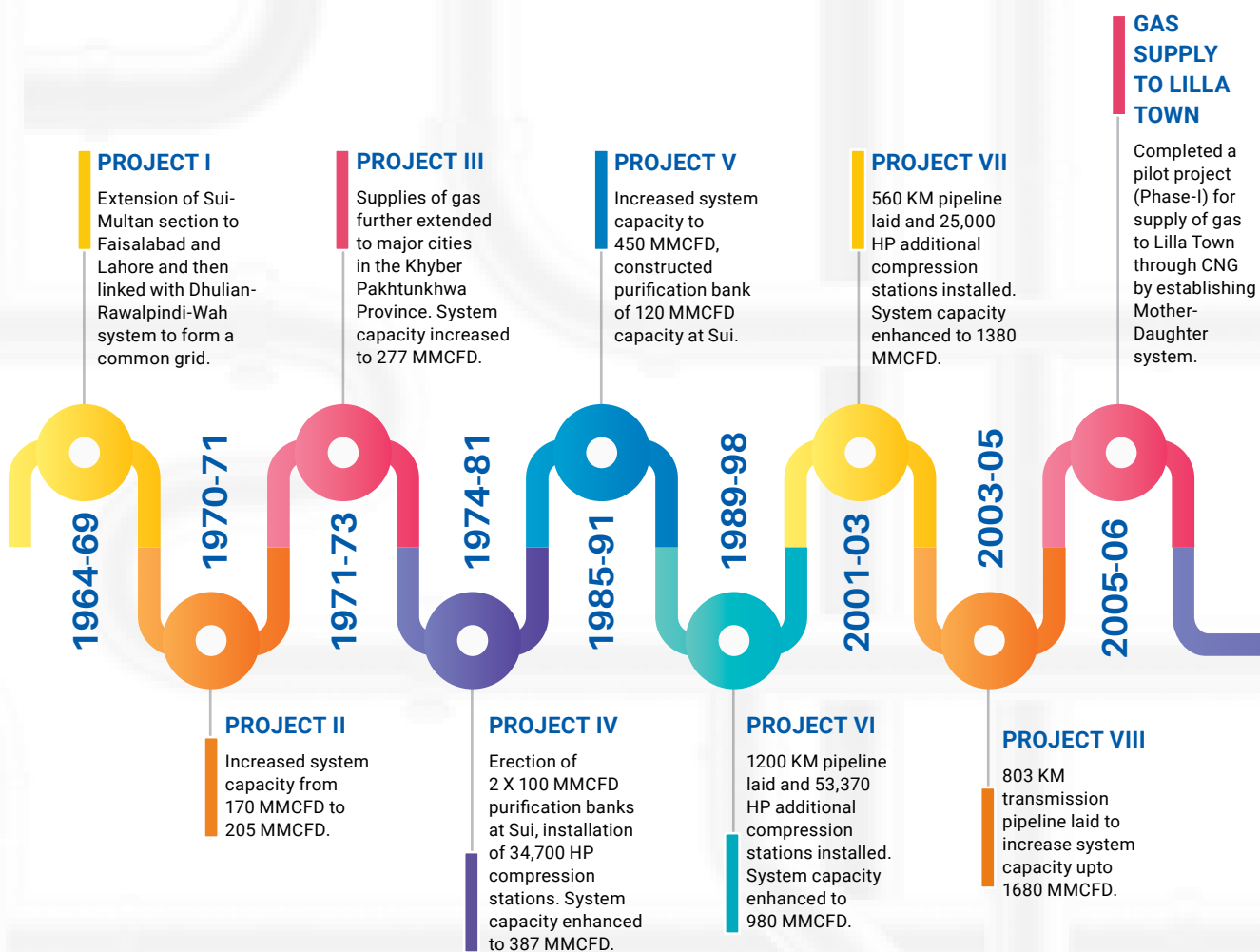
**Ali J. Hamdani**  
Managing Director/CEO

**Roohi Raees Khan**  
Chairperson-BOD

Islamabad.  
July 2, 2021



# Milestones





### GAS SUPPLY TO MURREE

COMPLETED A PROJECT FOR SUPPLY OF GAS TO MURREE. GAS SUPPLY TO SOUTHERN DISTRICT OF PUNJAB & KHYBER PAKHTUNKHWA Gas supply to 21 Nos. Southern district of Punjab & Khyber Pakhtunkhwa Provinces.

### PROJECT X (PHASE-I)

TRANSMISSION LOOP LINE BETWEEN SAWAN-QADIRPUR SEGMENT (FROM VALVE ASSEMBLY SV4 TO SV5) 42" dia x 21.45 KM loop line i.e. between valve assembly SV4 (Rehmat Injection point) near Subhanpur to valve assembly SV5 (near Lakhu Lanjari) was undertaken for augmentation of existing 24" dia Sawan – Qadirpur pipeline to transport future indigenous and imported gases.

### PROJECT X (PHASE II)

42" dia X 111 KM long Sawan – Qadirpur loop line (CTP to valve assembly SV4 and valve assembly SV5 to Qadirpur) along with 10,000 HP compression project was undertaken to transport additional 400 MMCFD RLNG downstream Sawan.

### PROJECT X (PHASE IV)

30" / 24" dia x 149 KM long spurs was laid for supply of RLNG to Power Plants i.e. Bhikki, Balloki, Haveli Bahadur Shah and Nandipur.

### 1. Daudkhel-Mianwali Augmentation Project

10" dia x 50.70 Km transmission pipeline from Daudkel-Mianwali has been successfully completed to achieve operational flexibility and to remove capacity constraints of Kotmomin - Mianwali line.

### 2. Adhi - Sukho Transmission Loopline Project

10" dia x 11.5 Km transmission pipeline has been successfully completed for transporting enhanced gas flow from Adhi Gas field to Sukho Valve Assembly.

2006-07

2006-13

2012-14

2012-15

2013-15

2015-17

2015-17

2018-19

2019-20

### PROJECT IX

Project undertaken for de-bottlenecking of pipeline system and to absorb additional gas from new and existing sources.

### INFRASTRUCTURE

DEVELOPMENT PROJECT (TO RECEIVE ADDITIONAL NORTHERN GASES) 24" dia X 145 KM long pipeline project between Kohat – Dakhni – Dhullian – Gali Jagir is being undertaken to pick up additional gas supplies of approved 160 MMCFD from Northern sources i.e. MOL Manzalai, Maramzai, Makori, Mamikhel fields etc.

### PROJECT X (PHASE III)

16" - 42" dia x 762 KM long Qadirpur – Lahore Pipeline along with installation of 25,000 HP Compression Project gas downstream Sawan up to Lahore.

### GAS SUPPLY TO PUNJAB POWER PLANT

24" dia x 93 KM long pipeline is being laid for supply of RLNG to Punjab Power Plant near Trimmu District Jhang.

# Pattern of Shareholding

As at June 30, 2020



| Name of Shareholders*  | No. of Shareholders | Shareholding Slab |         | Total Shares Held | %    |
|--|---------------------|-------------------|---------|-------------------|------|
|  |                     | From              | To      |                   |      |
|  | 3,461               | 1                 | 100     | 153,814           | 0.02 |
|  | 4,370               | 101               | 500     | 1,313,458         | 0.21 |
|  | 4,688               | 501               | 1,000   | 3,641,528         | 0.57 |
|  | 3,343               | 1,001             | 5,000   | 8,328,141         | 1.31 |
|  | 677                 | 5,001             | 10,000  | 5,230,397         | 0.82 |
|  | 217                 | 10,001            | 15,000  | 2,772,525         | 0.44 |
|  | 130                 | 15,001            | 20,000  | 2,338,960         | 0.37 |
|  | 87                  | 20,001            | 25,000  | 2,027,259         | 0.32 |
|  | 41                  | 25,001            | 30,000  | 1,162,618         | 0.18 |
|  | 39                  | 30,001            | 35,000  | 1,313,232         | 0.21 |
|  | 45                  | 35,001            | 40,000  | 1,723,619         | 0.27 |
|  | 24                  | 40,001            | 45,000  | 1,036,962         | 0.16 |
|  | 33                  | 45,001            | 50,000  | 1,617,663         | 0.26 |
|  | 16                  | 50,001            | 55,000  | 839,997           | 0.13 |
|  | 15                  | 55,001            | 60,000  | 875,754           | 0.14 |
|  | 9                   | 60,001            | 65,000  | 566,743           | 0.09 |
|  | 10                  | 65,001            | 70,000  | 676,659           | 0.11 |
|  | 6                   | 70,001            | 75,000  | 439,662           | 0.07 |
|  | 9                   | 75,001            | 80,000  | 702,364           | 0.11 |
|  | 5                   | 85,001            | 90,000  | 441,113           | 0.07 |
|  | 7                   | 90,001            | 95,000  | 662,500           | 0.10 |
|  | 19                  | 95,001            | 100,000 | 1,884,614         | 0.30 |
| J.P. Morgan Securities PLC                                       | 1                   | 100,001           | 105,000 | 102,170           | 0.02 |
|  | 6                   | 105,001           | 110,000 | 650,500           | 0.10 |
|  | 6                   | 110,001           | 115,000 | 673,852           | 0.11 |
|  | 7                   | 115,001           | 120,000 | 818,724           | 0.13 |
|  | 5                   | 120,001           | 125,000 | 620,300           | 0.10 |
| Vanguard Total World Stock Index Fund                            | 1                   | 125,001           | 130,000 | 129,900           | 0.02 |
|  | 3                   | 130,001           | 135,000 | 398,700           | 0.06 |
| Ishares II Public Limited Co-Ishares GL Infrastructure UCITS ETF | 1                   | 135,001           | 140,000 | 139,700           | 0.02 |
|  | 4                   | 140,001           | 145,000 | 570,300           | 0.09 |
|  | 6                   | 145,001           | 150,000 | 891,387           | 0.14 |
|  | 2                   | 150,001           | 155,000 | 302,500           | 0.05 |
| Mahnaz Amir Sheikh   | 1                   | 155,001           | 160,000 | 155,500           | 0.02 |
|  | 5                   | 160,001           | 165,000 | 819,600           | 0.13 |
|  | 3                   | 165,001           | 170,000 | 506,000           | 0.08 |
|  | 2                   | 170,001           | 175,000 | 343,697           | 0.05 |
|  | 3                   | 175,001           | 180,000 | 533,409           | 0.08 |
| Ayesha Naveed  | 1                   | 185,001           | 190,000 | 190,000           | 0.03 |
|  | 3                   | 190,001           | 195,000 | 576,700           | 0.09 |
|  | 7                   | 195,001           | 200,000 | 1,395,391         | 0.22 |
|  | 2                   | 200,001           | 205,000 | 406,500           | 0.06 |
|  | 4                   | 205,001           | 210,000 | 834,755           | 0.13 |
|  | 4                   | 210,001           | 215,000 | 852,500           | 0.13 |

| Name of Shareholders*  | No. of Shareholders | Shareholding Slab |         | Total Shares Held | %    |
|--|---------------------|-------------------|---------|-------------------|------|
|  |                     | From              | To      |                   |      |
|  | 2                   | 220,001           | 225,000 | 446,000           | 0.07 |
|  | 2                   | 225,001           | 230,000 | 459,000           | 0.07 |
| CDC - Trustee Faysal MTS Fund - MT                           | 1                   | 230,001           | 235,000 | 234,500           | 0.04 |
| Premier Fashions (Pvt) Limited                               | 1                   | 235,001           | 240,000 | 236,500           | 0.04 |
|  | 2                   | 245,001           | 250,000 | 497,300           | 0.08 |
|  | 4                   | 250,001           | 255,000 | 1,017,866         | 0.16 |
|  | 2                   | 255,001           | 260,000 | 519,000           | 0.08 |
| CDC - Trustee Alhamra Islamic Pension Fund - Equity Sub Fund | 1                   | 260,001           | 265,000 | 260,500           | 0.04 |
|  | 2                   | 265,001           | 270,000 | 536,000           | 0.08 |
| Adnan Abid   | 1                   | 275,001           | 280,000 | 276,100           | 0.04 |
|  | 2                   | 280,001           | 285,000 | 568,846           | 0.09 |
|  | 4                   | 295,001           | 300,000 | 1,189,600         | 0.19 |
| Laerernes Pension Forsikringsaktieselskab                    | 1                   | 300,001           | 305,000 | 305,000           | 0.05 |
| CDC - Trustee Alfalah GHP Stock Fund                         | 1                   | 305,001           | 310,000 | 306,400           | 0.05 |
|  | 2                   | 310,001           | 315,000 | 623,500           | 0.10 |
| CDC - Trustee Nafa Islamic Pension Fund Equity Account       | 1                   | 315,001           | 320,000 | 316,000           | 0.05 |
|  | 2                   | 320,001           | 325,000 | 644,847           | 0.10 |
| CDC - Trustee Meezan Energy Fund                             | 1                   | 325,001           | 330,000 | 328,800           | 0.05 |
| MC FSL - Trustee JS Growth Fund                              | 1                   | 335,001           | 340,000 | 339,500           | 0.05 |
| Adamjee Life Assurance Company Limited - NUIL Fund           | 1                   | 350,001           | 355,000 | 351,000           | 0.06 |
| Mr. Ghulam Reza Namlaiti                                     | 1                   | 365,001           | 370,000 | 367,978           | 0.06 |
|  | 3                   | 380,001           | 385,000 | 1,145,914         | 0.18 |
| Mohammad Munir Mohammad Ahmed Khanani Securities Limited     | 1                   | 390,001           | 395,000 | 391,000           | 0.06 |
|  | 2                   | 400,001           | 405,000 | 805,966           | 0.13 |
| Parametric Tax-Managed Emerging Markets Fund                 | 1                   | 405,001           | 410,000 | 406,275           | 0.06 |
| CDC - Trustee Meezan Asset Allocation Fund                   | 1                   | 420,001           | 425,000 | 423,400           | 0.07 |
| Mackenzie Emerging Markets Small Cap Fund                    | 1                   | 440,001           | 445,000 | 441,745           | 0.07 |
|  | 3                   | 445,001           | 450,000 | 1,346,000         | 0.21 |
| Nabi Buksh   | 1                   | 450,001           | 455,000 | 452,000           | 0.07 |
| NCC - Pre Settlement Delivery Account                        | 1                   | 460,001           | 465,000 | 462,800           | 0.07 |
| Sana Nadeem  | 1                   | 480,001           | 485,000 | 480,500           | 0.08 |
|  | 4                   | 495,001           | 500,000 | 2,000,000         | 0.32 |
| Habib Bank Limited - Treasury Division                       | 1                   | 505,001           | 510,000 | 506,500           | 0.08 |
|  | 2                   | 525,001           | 530,000 | 1,057,500         | 0.17 |
| Samba Bank Limited - MT                                      | 1                   | 535,001           | 540,000 | 540,000           | 0.09 |
| CDC - Trustee PICIC Investment Fund                          | 1                   | 540,001           | 545,000 | 545,000           | 0.09 |
| Adamjee Life Assurance Company Limited                       | 1                   | 545,001           | 550,000 | 549,600           | 0.09 |
| Imperial Developers & Builder (Private) Limited              | 1                   | 570,001           | 575,000 | 573,000           | 0.09 |
| CDC - Trustee MCB Pakistan Asset Allocation Fund             | 1                   | 625,001           | 630,000 | 628,300           | 0.10 |
|  | 3                   | 680,001           | 685,000 | 2,050,507         | 0.32 |
| CDC - Trustee Kse Meezan Index Fund                          | 1                   | 685,001           | 690,000 | 688,333           | 0.11 |
| CDC - Trustee PICIC Growth Fund                              | 1                   | 710,001           | 715,000 | 710,200           | 0.11 |
| The Bank of Punjab - Treasury Division                       | 1                   | 725,001           | 730,000 | 730,000           | 0.12 |
| Pak Brunei Investment Company Limited                        | 1                   | 740,001           | 745,000 | 745,000           | 0.12 |

## Pattern of Shareholding as at June 30, 2020



| Name of Shareholders*  | No. of Shareholders | Shareholding Slab |           | Total Shares Held | %    |
|--|---------------------|-------------------|-----------|-------------------|------|
|  |                     | From              | To        |                   |      |
| Pebbles (Pvt) Limited  | 1                   | 745,001           | 750,000   | 750,000           | 0.12 |
| CDC - Trustee NBP Islamic Energy Fund                        | 1                   | 750,001           | 755,000   | 754,700           | 0.12 |
|  | 2                   | 785,001           | 790,000   | 1,573,500         | 0.25 |
| CDC - Trustee HBL - Stock Fund                               | 1                   | 820,001           | 825,000   | 820,400           | 0.13 |
| SPDR S&P Emerging Markets Small Cap ETF                      | 1                   | 830,001           | 835,000   | 833,900           | 0.13 |
| CDC - Trustee Atlas Islamic Stock Fund                       | 1                   | 840,001           | 845,000   | 840,200           | 0.13 |
| California Public Employees Retirement System                | 1                   | 905,001           | 910,000   | 907,600           | 0.14 |
| Noman Abid & Co. Limited                                     | 1                   | 950,001           | 955,000   | 952,500           | 0.15 |
|  | 2                   | 995,001           | 1,000,000 | 2,000,000         | 0.32 |
| CDC - Trustee HBL Energy Fund                                | 1                   | 1,000,001         | 1,005,000 | 1,003,900         | 0.16 |
| CDC - Trustee NIT Islamic Equity Fund                        | 1                   | 1,055,001         | 1,060,000 | 1,059,100         | 0.17 |
| Faisal Jawed   | 1                   | 1,095,001         | 1,100,000 | 1,100,000         | 0.17 |
| Vanguard FTSE All-World EX-US Small Cap Index Fund           | 1                   | 1,115,001         | 1,120,000 | 1,115,300         | 0.18 |
| CDC - Trustee Alhamra Islamic Asset Allocation Fund          | 1                   | 1,230,001         | 1,235,000 | 1,234,500         | 0.19 |
| Pakistan Kuwait Investment Co. (Pvt) Limited                 | 1                   | 1,245,001         | 1,250,000 | 1,250,000         | 0.20 |
| Acadian Frontier Markets Equity Fund                         | 1                   | 1,280,001         | 1,285,000 | 1,283,000         | 0.20 |
| Global X Funds - Global X Msci Pakistan ETF                  | 1                   | 1,315,001         | 1,320,000 | 1,316,085         | 0.21 |
| CDC - Trustee Lakson Equity Fund                             | 1                   | 1,395,001         | 1,400,000 | 1,399,883         | 0.22 |
| Faysal Bank Limited  | 1                   | 1,445,001         | 1,450,000 | 1,446,000         | 0.23 |
| CDC - Trustee Alhamra Islamic Stock Fund                     | 1                   | 1,560,001         | 1,565,000 | 1,563,700         | 0.25 |
| CDC - Trustee Atlas Stock Market Fund                        | 1                   | 1,565,001         | 1,570,000 | 1,565,200         | 0.25 |
| MCB Islamic Bank Limited                                     | 1                   | 1,710,001         | 1,715,000 | 1,711,000         | 0.27 |
| Shahbaz Yasin Malik  | 1                   | 1,760,001         | 1,765,000 | 1,764,000         | 0.28 |
| Shahid Malik   | 1                   | 1,800,001         | 1,805,000 | 1,805,000         | 0.28 |
| Pak Qatar Family Takaful Limited                             | 1                   | 1,850,001         | 1,855,000 | 1,855,000         | 0.29 |
| CDC - Trustee Al Meezan Mutual Fund                          | 1                   | 1,875,001         | 1,880,000 | 1,879,000         | 0.30 |
| CDC - Trustee NIT - Equity Market Opportunity Fund           | 1                   | 1,985,001         | 1,990,000 | 1,987,449         | 0.31 |
| Cdc - Trustee Nbp Islamic Stock Fund                         | 1                   | 2,240,001         | 2,245,000 | 2,241,200         | 0.35 |
| Sui Southern Gas Company Limited                             | 1                   | 2,410,001         | 2,415,000 | 2,414,174         | 0.38 |
| CDC - Trustee Picic Investment Fund                          | 1                   | 2,485,001         | 2,490,000 | 2,488,024         | 0.39 |
| Bank Alfalah Limited   | 1                   | 2,495,001         | 2,500,000 | 2,500,000         | 0.39 |
| CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund | 1                   | 2,570,001         | 2,575,000 | 2,570,600         | 0.41 |
| Cyan Limited   | 1                   | 2,895,001         | 2,900,000 | 2,899,000         | 0.46 |
| Adamjee Life Assurance Company Limitd - IMF                  | 1                   | 3,125,001         | 3,130,000 | 3,126,000         | 0.49 |
| Sindh Bank Limited   | 1                   | 3,225,001         | 3,230,000 | 3,228,800         | 0.51 |
| POLUNIN Emerging Markets Small Cap Fund LLC                  | 1                   | 3,280,001         | 3,285,000 | 3,284,519         | 0.52 |
|  | 2                   | 3,305,001         | 3,310,000 | 6,615,845         | 1.04 |
| Pak Qatar Family Takaful Limited                             | 1                   | 3,610,001         | 3,615,000 | 3,610,500         | 0.57 |
| Soneri Bank Limited - Ordinary Shares                        | 1                   | 3,645,001         | 3,650,000 | 3,650,000         | 0.58 |
| CDC - Trustee NBP Stock Fund                                 | 1                   | 3,650,001         | 3,655,000 | 3,652,500         | 0.58 |
| CDC - Trustee MCB Pakistan Stock Market Fund                 | 1                   | 4,180,001         | 4,185,000 | 4,184,300         | 0.66 |
| Pak Qatar Family Takaful Limited                             | 1                   | 4,520,001         | 4,525,000 | 4,521,500         | 0.71 |
| Meezan Bank Limited  | 1                   | 5,250,001         | 5,255,000 | 5,251,300         | 0.83 |
| CDC - Trustee NIT State Enterprise Fund                      | 1                   | 5,310,001         | 5,315,000 | 5,313,067         | 0.84 |

| Name of Shareholders*                               | No. of Shareholders | Shareholding Slab |             | Total Shares Held  | %             |
|---|---------------------|-------------------|-------------|--------------------|---------------|
|   |                     | From              | To          |                    |               |
| Vanguard Total International Stock Index Fund       | 1                   | 5,450,001         | 5,455,000   | 5,450,904          | 0.86          |
| Vanguard Emerging Markets Stock Index Fund          | 1                   | 5,890,001         | 5,895,000   | 5,890,700          | 0.93          |
| Pakistan Reinsurance Company Limited                | 1                   | 8,695,001         | 8,700,000   | 8,698,203          | 1.37          |
| Efu Life Assurance Limited                          | 1                   | 8,815,001         | 8,820,000   | 8,817,500          | 1.39          |
| Adamjee Insurance Company Limited                   | 1                   | 9,145,001         | 9,150,000   | 9,145,095          | 1.44          |
| CDC - Trustee PICIC Growth Fund                     | 1                   | 9,910,001         | 9,915,000   | 9,911,246          | 1.56          |
| CDC - Trustee Meezan Islamic Fund                   | 1                   | 10,100,001        | 10,105,000  | 10,100,300         | 1.59          |
| MCB Bank Limited - Treasury                         | 1                   | 10,240,001        | 10,245,000  | 10,243,010         | 1.62          |
| State Life Insurance Corp. of Pakistan              | 1                   | 10,725,001        | 10,730,000  | 10,725,728         | 1.69          |
| Employees Old Age Benefits Institution              | 1                   | 13,760,001        | 13,765,000  | 13,762,753         | 2.17          |
| Trustee - MCB Employees Pension Fund                | 1                   | 15,425,001        | 15,430,000  | 15,429,000         | 2.43          |
| State Life Insurance Corp. of Pakistan              | 1                   | 16,755,001        | 16,760,000  | 16,757,409         | 2.64          |
| Jubilee Life Insurance Company Limited              | 1                   | 17,890,001        | 17,895,000  | 17,893,800         | 2.82          |
| Jubilee Life Insurance Company Limited              | 1                   | 21,000,001        | 21,005,000  | 21,002,552         | 3.31          |
| CDC - Trustee National Investment (Unit) Trust      | 1                   | 27,395,001        | 27,400,000  | 27,399,709         | 4.32          |
| National Bank of Pakistan                           | 1                   | 27,405,001        | 27,410,000  | 27,405,318         | 4.32          |
| Pakistan Industrial Development Corp. (Pvt) Limited | 1                   | 38,160,001        | 38,165,000  | 38,164,538         | 6.02          |
| The President of Islamic Republic of Pakistan       | 1                   | 200,930,001       | 200,935,000 | 200,931,210        | 31.68         |
| <b>Total</b>  | <b>17,462</b>       |                   |             | <b>634,216,665</b> | <b>100.00</b> |

## Categories of Shareholders

As at June 30, 2020

| 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>       |              |             |            |
| Mirza Mahmood Ahmad   | 2            | 3,077       | 0.00       |
| Mr. Mustafa Ahmad Khan  | 1            | 3,000       | 0.00       |
| Mr. Ahmad Aqeel   | 1            | 3,000       | 0.00       |
| Dr. Sohail Razi Khan  | 1            | 2,500       | 0.00       |
| Ms. Roohi Raees Khan  | 1            | 2,600       | 0.00       |
| <b>Associated Companies, undertakings and related parties</b> |              |             |            |
| Sui Southern Gas Company Limited                              | 1            | 2,414,174   | 0.38       |
| National Investment Trust Limited - Administration Fund       | 1            | 12,705      | 0.00       |
| CDC - Trustee NIT State Enterprise Fund                       | 1            | 5,313,067   | 0.84       |
| CDC - Trustee NIT-Equity Market Opportunity Fund              | 1            | 1,987,449   | 0.31       |
| CDC - Trustee National Investment (Unit) Trust                | 1            | 21,002,552  | 3.31       |
| CDC - Trustee NIT Islamic Equity Fund                         | 1            | 1,059,100   | 0.17       |
| CDC - Trustee NITIPF Equity Sub-Fund                          | 1            | 22,000      | 0.00       |
| CDC - Trustee NITPF Equity Sub-Fund                           | 1            | 18,500      | 0.00       |

## Categories of Shareholders as at June 30, 2020



| Categories of Shareholders   | Shareholders | Shares Held | Percentage |
|--|--------------|-------------|------------|
| <b>Executives</b>  |              |             |            |
|  | 6            | 2,558       | 0.00       |
| <b>Public Sector Companies and Corporations</b>  |              |             |            |
|  | 16           | 117,617,328 | 18.55      |
| <b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b> |              |             |            |
|  | 94           | 106,068,036 | 16.72      |
| <b>Mutual Funds</b>  |              |             |            |
| CDC - Trustee MCB Pakistan Stock Market Fund   | 1            | 4,184,300   | 0.66       |
| CDC - Trustee Pakistan Capital Market Fund   | 1            | 150,000     | 0.02       |
| CDC - Trustee PICIC Investment Fund  | 1            | 545,000     | 0.09       |
| CDC - Trustee PICIC Investment Fund  | 1            | 2,488,024   | 0.39       |
| CDC - Trustee PICIC Growth Fund  | 1            | 710,200     | 0.11       |
| CDC - Trustee PICIC Growth Fund  | 1            | 9,911,246   | 1.56       |
| CDC - Trustee Alhamra Islamic Stock Fund   | 1            | 1,563,700   | 0.25       |
| CDC - Trustee Atlas Stock Market Fund  | 1            | 1,565,200   | 0.25       |
| CDC - Trustee Meezan Balanced Fund   | 1            | 788,000     | 0.12       |
| CDC - Trustee JS Islamic Fund  | 1            | 142,000     | 0.02       |
| CDC - Trustee Alfalah GHP Value Fund   | 1            | 162,600     | 0.03       |
| CDC - Trustee Unit Trust of Pakistan   | 1            | 200         | 0.00       |
| CDC - Trustee AKD Index Tracker Fund   | 1            | 71,170      | 0.01       |
| CDC - Trustee HBL Energy Fund  | 1            | 1,003,900   | 0.16       |
| CDC - Trustee Alhamra Islamic Asset Allocation Fund  | 1            | 1,234,500   | 0.19       |
| CDC - Trustee Al Meezan Mutual Fund  | 1            | 1,879,000   | 0.30       |
| CDC - Trustee Meezan Islamic Fund  | 1            | 10,100,300  | 1.59       |
| CDC - Trustee Atlas Islamic Stock Fund   | 1            | 840,200     | 0.13       |
| CDC - Trustee NBP Stock Fund   | 1            | 3,652,500   | 0.58       |
| CDC - Trustee NBP Balanced Fund  | 1            | 96,000      | 0.02       |
| CDC - Trustee Alfalah Ghp Islamic Stock Fund   | 1            | 684,607     | 0.11       |
| CDC - Trustee HBL - Stock Fund   | 1            | 820,400     | 0.13       |
| CDC - Trustee NBP Islamic Sarmaya Izafa Fund   | 1            | 527,500     | 0.08       |
| CDC - Trustee APIF - Equity Sub Fund   | 1            | 113,200     | 0.02       |
| MC FSL - Trustee JS Growth Fund  | 1            | 339,500     | 0.05       |
| CDC - Trustee HBL Multi - Asset Fund   | 1            | 45,000      | 0.01       |
| CDC - Trustee MCB Pakistan Asset Allocation Fund   | 1            | 628,300     | 0.10       |
| CDC - Trustee Alfalah GHP Stock Fund   | 1            | 306,400     | 0.05       |
| CDC - Trustee Alfalah GHP Alpha Fund   | 1            | 204,500     | 0.03       |
| CDC - Trustee ABL Stock Fund   | 1            | 207,000     | 0.03       |
| CDC - Trustee First Habib Stock Fund   | 1            | 42,000      | 0.01       |
| CDC - Trustee Lakson Equity Fund   | 1            | 1,399,883   | 0.22       |
| CDC - Trustee NBP Sarmaya Izafa Fund   | 1            | 75,700      | 0.01       |
| CDC - Trustee HBL Islamic Stock Fund   | 1            | 247,300     | 0.04       |
| CDC - Trustee KSE Meezan Index Fund  | 1            | 688,333     | 0.11       |
| CDC - Trustee First Habib Islamic Stock Fund   | 1            | 32,500      | 0.01       |
| MCBFSL - Trustee ABL Islamic Stock Fund  | 1            | 21,000      | 0.00       |
| CDC - Trustee First Capital Mutual Fund  | 1            | 26,000      | 0.00       |

| Categories of Shareholders                               | Shareholders  | Shares Held        | Percentage    |
|--|---------------|--------------------|---------------|
| CDC - Trustee HBL Islamic Equity Fund                    | 1             | 124,300            | 0.02          |
| CDC - Trustee NAFA Islamic Principal Protected Fund - II | 1             | 7,500              | 0.00          |
| CDC - Trustee NBP Islamic Stock Fund                     | 1             | 2,241,200          | 0.35          |
| CDC - Trustee NBP Islamic Active Allocation Equity Fund  | 1             | 190,500            | 0.03          |
| CDC - Trustee HBL Islamic Asset Allocation Fund          | 1             | 34,800             | 0.01          |
| CDC - Trustee Faysal MTS Fund - MT                       | 1             | 234,500            | 0.04          |
| CDC - Trustee Meezan Asset Allocation Fund               | 1             | 423,400            | 0.07          |
| CDC - Trustee NBP Islamic Energy Fund                    | 1             | 754,700            | 0.12          |
| CDC - Trustee Lakson Tactical Fund                       | 1             | 171,197            | 0.03          |
| CDC - Trustee Lakson Islamic Tactical Fund               | 1             | 74,992             | 0.01          |
| CDC - Trustee Meezan Energy Fund                         | 1             | 328,800            | 0.05          |
| MCBFSL Trustee ABL Islamic Dedicated Stock Fund          | 1             | 22,000             | 0.00          |
| CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund  | 1             | 110,293            | 0.02          |
| CDC - Trustee Meezan Dedicated Equity Fund               | 1             | 213,600            | 0.03          |
| CDC - Trustee First Habib Asset Allocation Fund          | 1             | 16,000             | 0.00          |
| CDC - Trustee JS Islamic Dedicated Equity Fund (JSIDEF)  | 1             | 2,500              | 0.00          |
| CDC - Trustee Al-Ameen Islamic Energy Fund               | 1             | 500                | 0.00          |
| MCBFSL - Trustee HBL Islamic Dedicated Equity Fund       | 1             | 13,000             | 0.00          |
| CDC - Trustee NBP Islamic Regular Income Fund            | 1             | 15,500             | 0.00          |
| CDC - Trustee Allied Finergy Fund                        | 1             | 80,000             | 0.01          |
| CDC - Trustee Atlas Islamic Dedicated Stock Fund         | 1             | 96,000             | 0.02          |
| CDC - Trustee NIT Asset Allocation Fund                  | 1             | 165,000            | 0.03          |
| <b>General Public</b>                                    |               |                    |               |
| a. Local   | 16,529        | 54,925,602         | 8.66          |
| b. Foreign   | 479           | 1,114,891          | 0.18          |
| Foreign Companies  | 53            | 24,548,904         | 3.87          |
| <b>Others</b>  |               |                    |               |
| a. SNGPL Employees Empowerment Trust                     | 1             | 27,399,709         | 4.32          |
| b. Joint Stock Companies                                 | 117           | 6,488,421          | 1.02          |
| c. All others  | 92            | 10,458,837         | 1.65          |
| <b>Total</b>   | <b>17,462</b> | <b>634,216,665</b> | <b>100.00</b> |

| Share holders holding 10% or more  | Shares Held | Percentage       |
|--|-------------|------------------|
| The President of Islamic Republic of Pakistan  | 200,931,210 | 31.68            |
| <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> |
| Ms. Roohi Raees Khan   |             | 2,600            |
| Dr. Sohail Razi Khan   |             | 2,500            |

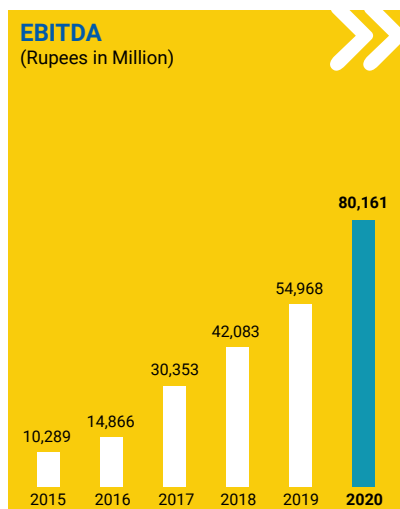
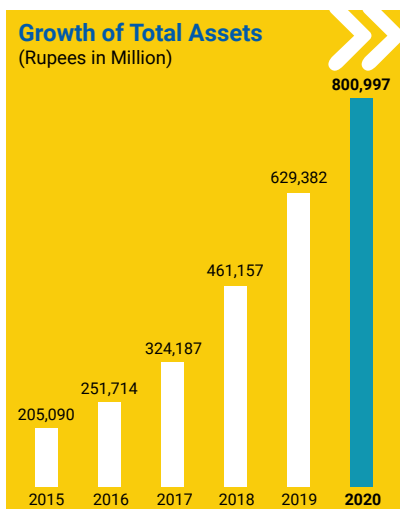
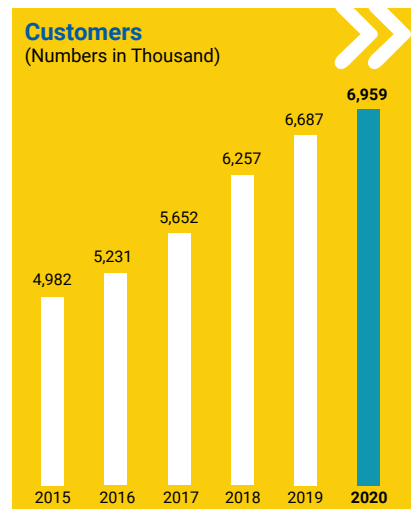
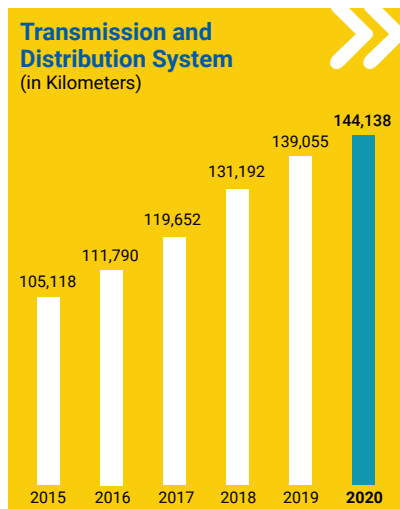
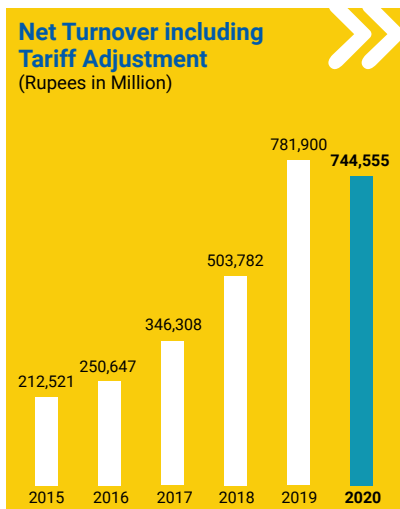
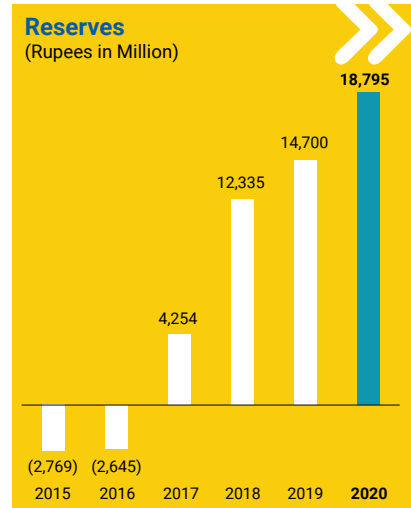
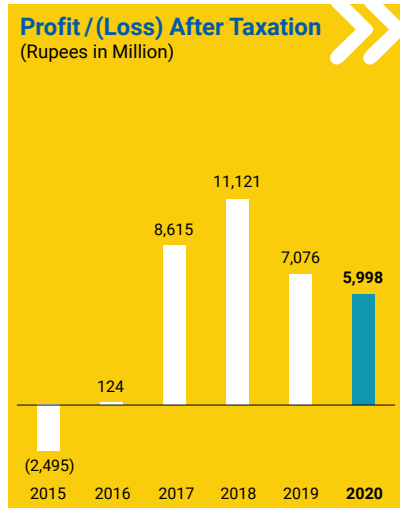
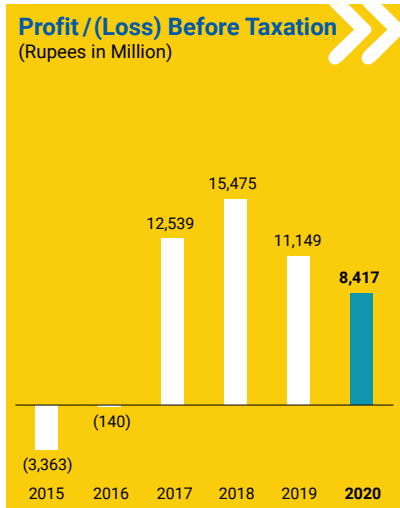
# Summary of Six Years

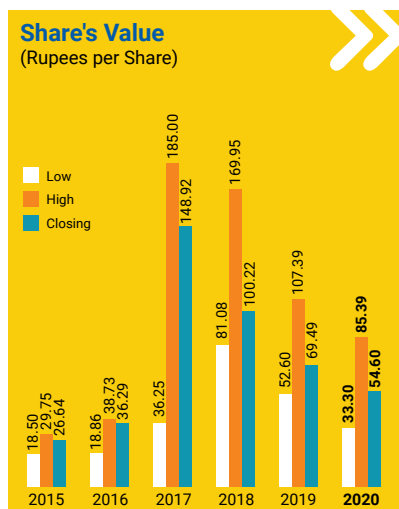
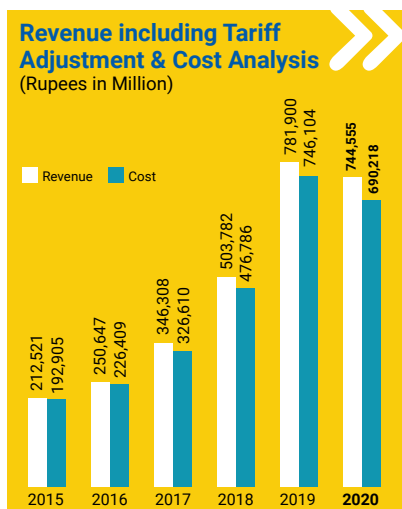
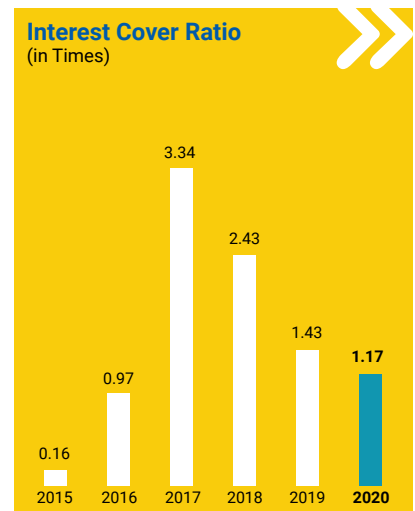
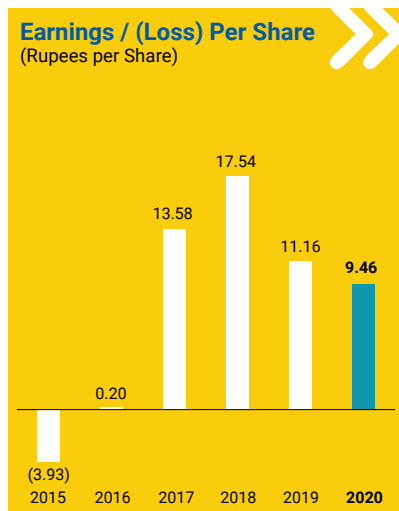
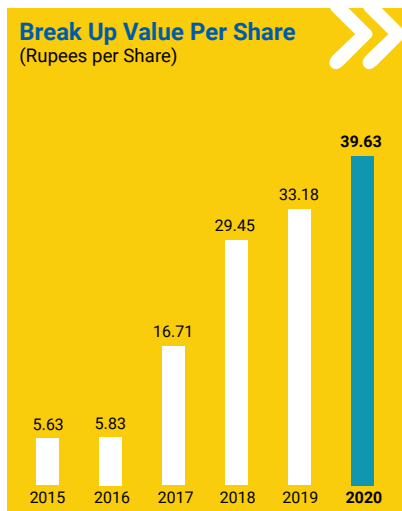
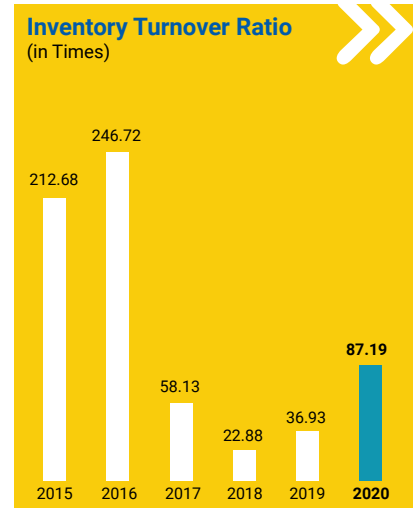
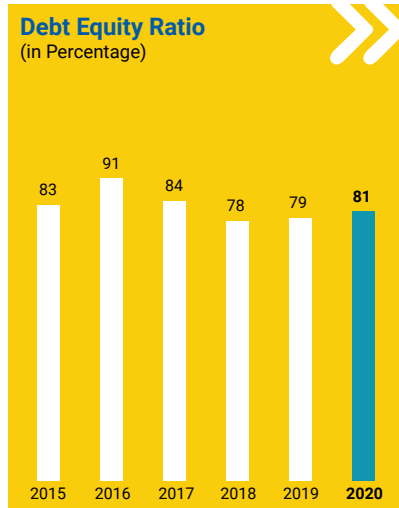
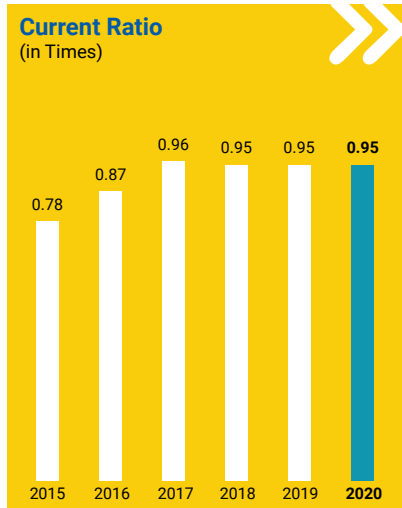


| Particulars   | Unit     | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|---|----------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Statement of Profit or Loss</b>                                      |          |              |              |              |              |              |              |
| Net turnover including tariff adjustment                                | Rs '000  | 744,555,413  | 781,899,964  | 503,782,390  | 346,308,284  | 250,646,588  | 212,520,573  |
| Gross profit  | Rs '000  | 54,336,916   | 35,796,009   | 26,996,739   | 19,698,652   | 4,222,419    | 2,146,341    |
| Operating profit  | Rs '000  | 57,392,621   | 36,926,064   | 26,281,556   | 17,889,719   | 4,263,133    | 619,719      |
| Profit / (loss) before tax  | Rs '000  | 8,416,931    | 11,149,217   | 15,475,401   | 12,539,199   | (139,608)    | (3,363,009)  |
| Profit / (loss) after tax   | Rs '000  | 5,997,709    | 7,075,834    | 11,121,475   | 8,614,500    | 124,013      | (2,494,500)  |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | Rs '000  | 80,161,381   | 54,968,097   | 42,083,377   | 30,352,804   | 14,865,666   | 10,288,894   |
| <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  | 18,794,692   | 14,700,046   | 12,334,514   | 4,253,626    | (2,644,836)  | (2,768,849)  |
| Property, plant and equipment   | Rs '000  | 205,997,782  | 200,837,557  | 190,609,690  | 164,102,403  | 136,000,051  | 114,476,508  |
| Net current liabilities   | Rs '000  | (32,122,169) | (20,896,506) | (13,619,994) | (6,205,190)  | (16,713,885) | (24,618,696) |
| Long term / deferred liabilities  | Rs '000  | 190,785,806  | 162,812,183  | 161,766,344  | 150,280,396  | 119,076,582  | 88,562,843   |
| <b>Summary of cash flows</b>  |          |              |              |              |              |              |              |
| Net cash from operating activities                                      | Rs '000  | 35,320,742   | 17,339,137   | 39,589,745   | 21,876,902   | 10,954,255   | 11,635,935   |
| Net cash used in investing activities                                   | Rs '000  | (23,546,553) | (27,832,011) | (41,582,308) | (38,476,828) | (30,218,519) | (18,540,378) |
| Net cash (used in) / from financing activities                          | Rs '000  | (11,651,418) | (14,929,727) | 2,432,526    | 18,463,857   | 19,635,863   | 7,814,602    |
| Net (decrease) / increase in cash and cash equivalents                  | Rs '000  | 122,771      | (25,422,601) | 439,963      | 1,863,931    | 371,599      | 910,159      |
| <b>Investor information for six years</b>                               |          |              |              |              |              |              |              |
| <b>Profitability ratios:</b>  |          |              |              |              |              |              |              |
| Gross profit ratio  | %        | 8.78         | 5.23         | 6.04         | 6.16         | 1.76         | 1.12         |
| Net profit to sales   | %        | 0.97         | 1.03         | 2.49         | 2.69         | 0.05         | (1.31)       |
| EBITDA margin   | %        | 12.96        | 8.03         | 9.42         | 9.49         | 6.20         | 5.39         |
| Return on equity  | %        | 25.98        | 35.63        | 75.99        | 120.54       | 3.41         | (51.75)      |
| Return on capital employed  | %        | 10.40        | 8.09         | 8.90         | 6.83         | 1.32         | (0.92)       |
| <b>Efficiency ratios:</b>   |          |              |              |              |              |              |              |
| Operating cycle   | Days     | 99           | 70           | 67           | 72           | 88           | 105          |
| Inventory turnover ratio  | Times    | 87.19        | 36.93        | 22.88        | 58.13        | 246.72       | 212.68       |
| Debtor turnover ratio   | Times    | 3.84         | 6.12         | 7.20         | 5.53         | 4.20         | 3.54         |
| Total asset turnover ratio  | Times    | 0.77         | 1.09         | 0.97         | 0.99         | 0.95         | 0.93         |
| Fixed asset turnover ratio  | Times    | 3.00         | 3.41         | 2.34         | 1.95         | 1.76         | 1.67         |
| Weighted average cost of debt   | %        | 9.74         | 6.96         | 3.40         | 2.63         | 2.67         | 3.09         |
| <b>Investment:</b>  |          |              |              |              |              |              |              |
| Earnings / (loss) per share (basic and diluted)                         | Rs/Share | 9.46         | 11.16        | 17.54        | 13.58        | 0.20         | (3.93)       |
| Market value per share  | Rs/Share | 54.60        | 69.49        | 100.22       | 148.92       | 36.29        | 26.64        |
| Share's highest value during the year                                   | Rs/Share | 85.39        | 107.39       | 169.95       | 185.00       | 38.73        | 29.75        |
| Share's lowest value during the year                                    | Rs/Share | 33.30        | 52.60        | 81.08        | 36.25        | 18.86        | 18.50        |
| Price earning ratio   | Times    | 5.77         | 6.23         | 5.72         | 10.96        | 185.59       | (6.77)       |
| Break up value per share  | Rs/Share | 39.63        | 33.18        | 29.45        | 16.71        | 5.83         | 5.63         |
| Cash dividend per share   | Rs/Share | 4.00         | 3.50         | 7.05         | 6            | -            | -            |
| <b>Leverage:</b>  |          |              |              |              |              |              |              |
| Debt: equity ratio  | %        | 81           | 79           | 78           | 84           | 91           | 83           |
| Dividend yield ratio  | %        | 7.33         | 5.04         | 7.03         | 4.03         | -            | -            |
| Dividend payout ratio   | %        | 42.30        | 31.37        | 40.20        | 44.17        | -            | -            |
| Interest cover ratio  | Times    | 1.17         | 1.43         | 2.43         | 3.34         | 0.97         | 0.16         |
| Dividend cover ratio  | Times    | 2.36         | 3.19         | 2.49         | 2.26         | -            | -            |
| Current ratio   | Times    | 0.95         | 0.95         | 0.95         | 0.96         | 0.87         | 0.78         |
| Quick / acid test ratio   | Times    | 0.92         | 0.92         | 0.83         | 0.88         | 0.84         | 0.75         |
| <b>Statement of value added &amp; how distributed</b>                   |          |              |              |              |              |              |              |
| Employees as remuneration   | Rs '000  | 18,985,842   | 17,565,293   | 17,021,819   | 15,758,036   | 11,209,040   | 9,894,515    |
| Government as taxes   | Rs '000  | 109,460,952  | 97,627,200   | 70,710,179   | 54,395,635   | 49,800,909   | 40,762,190   |
| Shareholders as dividends   | Rs '000  | 2,536,867    | 2,219,758    | 4,471,227    | 3,805,300    | -            | -            |
| Retained with the business  | Rs '000  | 10,381,711   | 8,823,931    | 3,967,856    | (4,159,356)  | (7,252,518)  | (7,376,531)  |
| Financial charges to providers of finance                               | Rs '000  | 48,975,690   | 25,776,847   | 10,806,155   | 5,350,520    | 4,402,741    | 3,982,728    |



# Graphical Presentation





# Horizontal Analysis



|   | Jun 30, 15 | Jun 30, 16 | Jun 30, 17 | Jun 30, 18 | Jun 30, 19 | Jun 30, 20 |
|---|------------|------------|------------|------------|------------|------------|
| <b>STATEMENT OF FINANCIAL POSITION ITEMS</b>                              |            |            |            |            |            |            |
| <b>ASSETS</b>   |            |            |            |            |            |            |
| <b>NON-CURRENT ASSETS</b>   |            |            |            |            |            |            |
| Property, plant and equipment   | 100        | 119        | 143        | 167        | 175        | 180        |
| Intangible assets   | 100        | 251        | 188        | 245        | 391        | 204        |
| Right of use assets   | 100        | -          | -          | -          | -          | 100        |
| Deferred taxation   | 100        | 120        | 70         | 0          | 0          | 0          |
| Long term investment  | 100        | 100        | 100        | 100        | 0          | 0          |
| Long term loans   | 100        | 115        | 132        | 227        | 230        | 236        |
| Employee benefits   | 100        | 100        | 100        | 100        | 100        | 100        |
| Long term deposits and prepayments  | 100        | 142        | 178        | 384        | 238        | 354        |
|   | 100        | 119        | 143        | 166        | 175        | 212        |
| <b>CURRENT ASSETS</b>   |            |            |            |            |            |            |
| Stores and spare parts  | 100        | 128        | 139        | 139        | 181        | 202        |
| Stock in trade-gas in pipelines   | 100        | 94         | 997        | 3048       | 874        | 662        |
| Trade debts   | 100        | 103        | 103        | 118        | 280        | 293        |
| Loans and advances  | 100        | 197        | 164        | 138        | 233        | 277        |
| Trade deposits and short term prepayments                                 | 100        | 95         | 135        | 190        | 203        | 137        |
| Interest accrued  | 100        | 105        | 75         | 118        | 226        | 175        |
| Other receivables   | 100        | 171        | 296        | 550        | 913        | 1495       |
| Contract assets   | 100        | -          | -          | -          | 100        | -          |
| Short term investments  | 100        | -          | -          | -          | 100        | 100        |
| Income tax recoverable - Net  | 100        | 120        | 94         | 40         | 116        | 96         |
| Sales tax recoverable   | 100        | 275        | 654        | 1928       | 2182       | 1735       |
| Cash and bank balances  | 100        | 321        | 657        | 1274       | 1108       | 1353       |
|   | 100        | 127        | 178        | 302        | 481        | 626        |
| <b>TOTAL ASSETS</b>   | 100        | 123        | 158        | 225        | 307        | 391        |
| <b>EQUITY AND LIABILITIES</b>   |            |            |            |            |            |            |
| <b>SHARE CAPITAL AND RESERVES</b>   |            |            |            |            |            |            |
| Authorized share capital<br>(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        | 96         | (154)      | (445)      | (531)      | (679)      |
| Total equity  | 100        | 103        | 297        | 523        | 589        | 703        |
| <b>NON-CURRENT LIABILITIES</b>  |            |            |            |            |            |            |
| Long term financing:  |            |            |            |            |            |            |
| - Secured   | 100        | 255        | 366        | 373        | 291        | 227        |
| - Unsecured   | 100        | 79         | 70         | 58         | 42         | 37         |
| Lease liability   | 100        | -          | -          | -          | -          | 100        |
| Security deposits   | 100        | 106        | 119        | 135        | 150        | 161        |
| Deferred credit   | 100        | 116        | 147        | 180        | 160        | 154        |
| Contract liabilities  | 100        | -          | -          | -          | 100        | 100        |
| Deferred tax  | 100        | 0          | 0          | 100        | 100        | 100        |
| Employee benefits   | 100        | 127        | 151        | 78         | 78         | 104        |
|   | 100        | 134        | 170        | 183        | 184        | 215        |
| <b>CURRENT LIABILITIES</b>  |            |            |            |            |            |            |
| Trade and other payables  | 100        | 114        | 145        | 257        | 390        | 498        |
| Contract liabilities  | 100        | -          | -          | -          | 100        | 100        |
| Unclaimed dividend  | 100        | -          | -          | 100        | 100        | 100        |
| Unpaid dividend   | 100        | -          | -          | -          | 100        | -          |
| Interest / Mark up accrued  | 100        | 116        | 132        | 165        | 265        | 442        |
| Short term borrowings   | 100        | 701        | 703        | 2,803      | 20,032     | 20,903     |
| Current portion of lease liabilities                                      | 100        | -          | -          | -          | -          | 100        |
| Current portion of long term financing                                    | 100        | 63         | 184        | 396        | 387        | 314        |
|   | 100        | 114        | 145        | 249        | 394        | 518        |
| Total liabilities   | 100        | 123        | 156        | 220        | 302        | 385        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                       | 100        | 123        | 158        | 225        | 307        | 391        |
| <b>PROFIT OR LOSS ITEMS</b>   |            |            |            |            |            |            |
| Gas Sales   | 100        | 126        | 168        | 234        | 359        | 324        |
| Add / Terriff adjustment  | 100        | 51         | 123        | 263        | 448        | 581        |
|   | 100        | 118        | 163        | 237        | 368        | 350        |
| Cost of gas sold  | 100        | 117        | 155        | 227        | 355        | 328        |
| Gross profit  | 100        | 197        | 918        | 1,258      | 1,668      | 2,532      |
| Other operating income  | 100        | 113        | 104        | 135        | 176        | 182        |
|   | 100        | 127        | 242        | 325        | 429        | 580        |
| Less: Operating expenses  |            |            |            |            |            |            |
| Selling cost  | 100        | 92         | 76         | 71         | 74         | 85         |
| Administrative expenses   | 100        | 114        | 153        | 166        | 174        | 173        |
|   | 100        | 100        | 104        | 105        | 110        | 116        |
|   | 100        | 431        | 1,789      | 2,777      | 3,984      | 5,759      |
| Other operating expenses  | 100        | 52         | 173        | 623        | 1,080      | 608        |
| Operating profit / (loss)   | 100        | 688        | 2,887      | 4,241      | 5,959      | 9,261      |
| Finance cost  | 100        | 111        | 134        | 271        | 647        | 1,230      |
| Profit / (loss) before taxation   | 100        | 4          | (373)      | (460)      | (332)      | (250)      |
| Taxation  | 100        | 30         | (452)      | (501)      | (469)      | (279)      |
| Profit / (loss) after taxation  | 100        | (5)        | (345)      | (446)      | (284)      | (240)      |
| Earnings / (loss) per share - Basic and diluted (Rupees)                  | 100        | (5)        | (345)      | (446)      | (284)      | (240)      |

# Vertical Analysis

|   | Jun 30, 15    | Jun 30, 16    | Jun 30, 17    | Jun 30, 18    | Jun 30, 19    | Jun 30, 20    |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>STATEMENT OF FINANCIAL POSITION ITEMS</b>                              |               |               |               |               |               |               |
| <b>ASSETS</b>   |               |               |               |               |               |               |
| <b>NON-CURRENT ASSETS</b>   |               |               |               |               |               |               |
| Property, plant and equipment   | 55.82         | 54.03         | 50.62         | 41.33         | 31.91         | 25.72         |
| Intangible assets   | 0.02          | 0.05          | 0.03          | 0.03          | 0.03          | 0.01          |
| Right of use assets   | -             | -             | -             | -             | -             | 4.61          |
| Deferred taxation   | 0.91          | 0.89          | 0.40          | 0.00          | 0.00          | 0.00          |
| Long term investment  | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Long term loans   | 0.18          | 0.17          | 0.15          | 0.18          | 0.13          | 0.11          |
| Employee benefits   | 0.00          | 0.28          | 0.34          | 0.54          | 0.46          | 0.52          |
| Long term deposits and prepayments  | 0.00          | 0.00          | 0.00          | 0.01          | 0.00          | 0.00          |
|   | 56.93         | 55.42         | 51.54         | 42.08         | 32.53         | 30.97         |
| <b>CURRENT ASSETS</b>   |               |               |               |               |               |               |
| Stores and spare parts  | 1.35          | 1.41          | 1.18          | 0.83          | 0.80          | 0.70          |
| Stock in trade-gas in pipelines   | 0.50          | 0.38          | 3.17          | 6.81          | 1.43          | 0.85          |
| Trade debts   | 27.40         | 22.99         | 17.83         | 14.38         | 25.04         | 20.57         |
| Loans and advances  | 0.44          | 0.71          | 0.46          | 0.27          | 0.34          | 0.32          |
| Trade deposits and short term prepayments                                 | 0.06          | 0.05          | 0.05          | 0.05          | 0.04          | 0.02          |
| Interest accrued  | 0.01          | 0.01          | 0.00          | 0.00          | 0.01          | 0.00          |
| Other receivables   | 10.85         | 15.11         | 20.33         | 26.53         | 32.30         | 41.54         |
| Contract assets   | 0.00          | 0.00          | 0.00          | 0.00          | 0.01          | 0.00          |
| Income tax recoverable - Net  | 1.34          | 1.32          | 0.80          | 0.24          | 0.51          | 0.33          |
| Sales tax recoverable   | 0.85          | 1.90          | 3.51          | 7.27          | 6.03          | 3.77          |
| Short term investments  | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Cash and bank balances  | 0.27          | 0.71          | 1.13          | 1.53          | 0.98          | 0.94          |
|   | 43.07         | 44.58         | 48.46         | 57.92         | 67.47         | 69.03         |
| <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<br>(1,500,000,000 ordinary shares of Rs 10 each) |               |               |               |               |               |               |
| Issued, subscribed and paid up share capital                              | 3.09          | 2.52          | 1.96          | 1.38          | 1.01          | 0.79          |
| Revenue reserves  | (1.35)        | (1.05)        | 1.31          | 2.67          | 2.34          | 2.35          |
| Total equity  | 1.74          | 1.47          | 3.27          | 4.05          | 3.34          | 3.14          |
| <b>NON-CURRENT LIABILITIES</b>  |               |               |               |               |               |               |
| Long term financing:  |               |               |               |               |               |               |
| - Secured   | 6.58          | 13.68         | 15.23         | 10.93         | 6.25          | 3.83          |
| - Unsecured   | 0.35          | 0.23          | 0.16          | 0.09          | 0.05          | 0.03          |
| Lease liability   | -             | -             | -             | -             | -             | 4.20          |
| Security deposits   | 15.82         | 13.64         | 11.90         | 9.49          | 7.72          | 6.53          |
| Deferred credit   | 15.67         | 14.86         | 14.55         | 12.55         | 8.17          | 6.19          |
| Contract liabilities  | -             | -             | -             | -             | 1.76          | 1.55          |
| Deferred tax  | 0.00          | 0.00          | 0.00          | 0.36          | 0.72          | 0.21          |
| Employee benefits   | 4.75          | 4.90          | 4.53          | 1.65          | 1.21          | 1.27          |
|   | 43.18         | 47.31         | 46.36         | 35.08         | 25.87         | 23.82         |
| <b>CURRENT LIABILITIES</b>  |               |               |               |               |               |               |
| Trade and other payables  | 44.30         | 41.30         | 40.64         | 50.67         | 56.27         | 56.48         |
| Contract liabilities  | -             | -             | -             | -             | 0.04          | 0.41          |
| Unclaimed dividend  | -             | -             | -             | 0.02          | 0.02          | 0.02          |
| Unpaid dividend   | -             | -             | -             | -             | 0.12          | 0.00          |
| Sales tax payable   | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Interest / Mark up accrued  | 9.29          | 8.80          | 7.78          | 6.80          | 8.02          | 10.50         |
| Short term borrowing  | 0.07          | 0.40          | 0.31          | 0.86          | 4.53          | 3.71          |
| Current portion of lease liabilities                                      | -             | -             | -             | -             | 0.00          | 0.77          |
| Current portion of long term financing                                    | 1.42          | 0.73          | 1.65          | 2.51          | 1.79          | 1.15          |
|   | 55.08         | 51.22         | 50.38         | 60.87         | 70.79         | 73.04         |
| Total liabilities   | 98.26         | 98.53         | 96.73         | 95.95         | 96.66         | 96.86         |
| <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 / Terrif adjustment   | 11.37         | 4.59          | 8.32          | 12.76         | 14.21         | 20.38         |
|   | 111.37        | 104.59        | 108.32        | 112.76        | 114.21        | 120.38        |
| Cost of gas sold  | 110.25        | 102.83        | 102.16        | 106.72        | 108.98        | 111.59        |
| Gross profit  | 1.12          | 1.76          | 6.16          | 6.04          | 5.23          | 8.78          |
| Other operating income  | 5.52          | 4.96          | 3.44          | 3.17          | 2.70          | 3.10          |
|   | 6.64          | 6.73          | 9.60          | 9.21          | 7.93          | 11.88         |
| Less: Operating expenses  |               |               |               |               |               |               |
| Selling cost  | 3.90          | 2.87          | 1.77          | 1.18          | 0.81          | 1.02          |
| Administrative expenses   | 2.20          | 1.99          | 2.01          | 1.56          | 1.07          | 1.17          |
|   | 6.10          | 4.86          | 3.78          | 2.74          | 1.87          | 2.19          |
| Other operating expenses  | 0.55          | 1.87          | 5.82          | 6.47          | 6.06          | 9.69          |
|   | 0.22          | 0.09          | 0.23          | 0.59          | 0.66          | 0.41          |
| Operating profit / (loss)   | 0.32          | 1.78          | 5.60          | 5.88          | 5.39          | 9.28          |
| Finance cost  | 2.09          | 1.84          | 1.67          | 2.42          | 3.77          | 7.92          |
| Profit / (loss) before taxation   | (1.76)        | (0.06)        | 3.92          | 3.46          | 1.63          | 1.36          |
| Taxation  | (0.46)        | (0.11)        | 1.23          | 0.97          | 0.59          | 0.39          |
| Profit / (loss) after taxation  | (1.31)        | 0.05          | 2.69          | 2.49          | 1.03          | 0.97          |

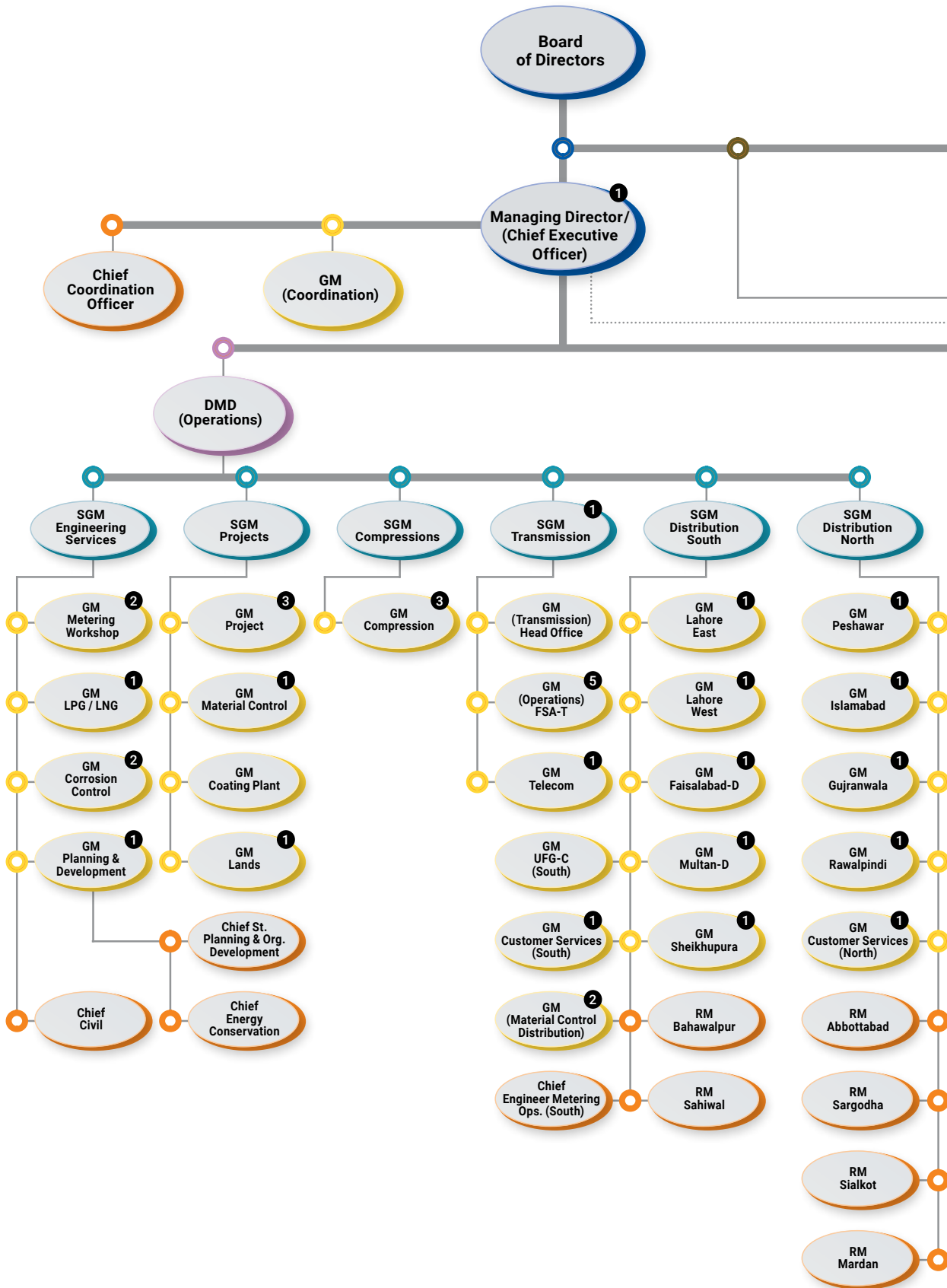
# Ten Years at a Glance

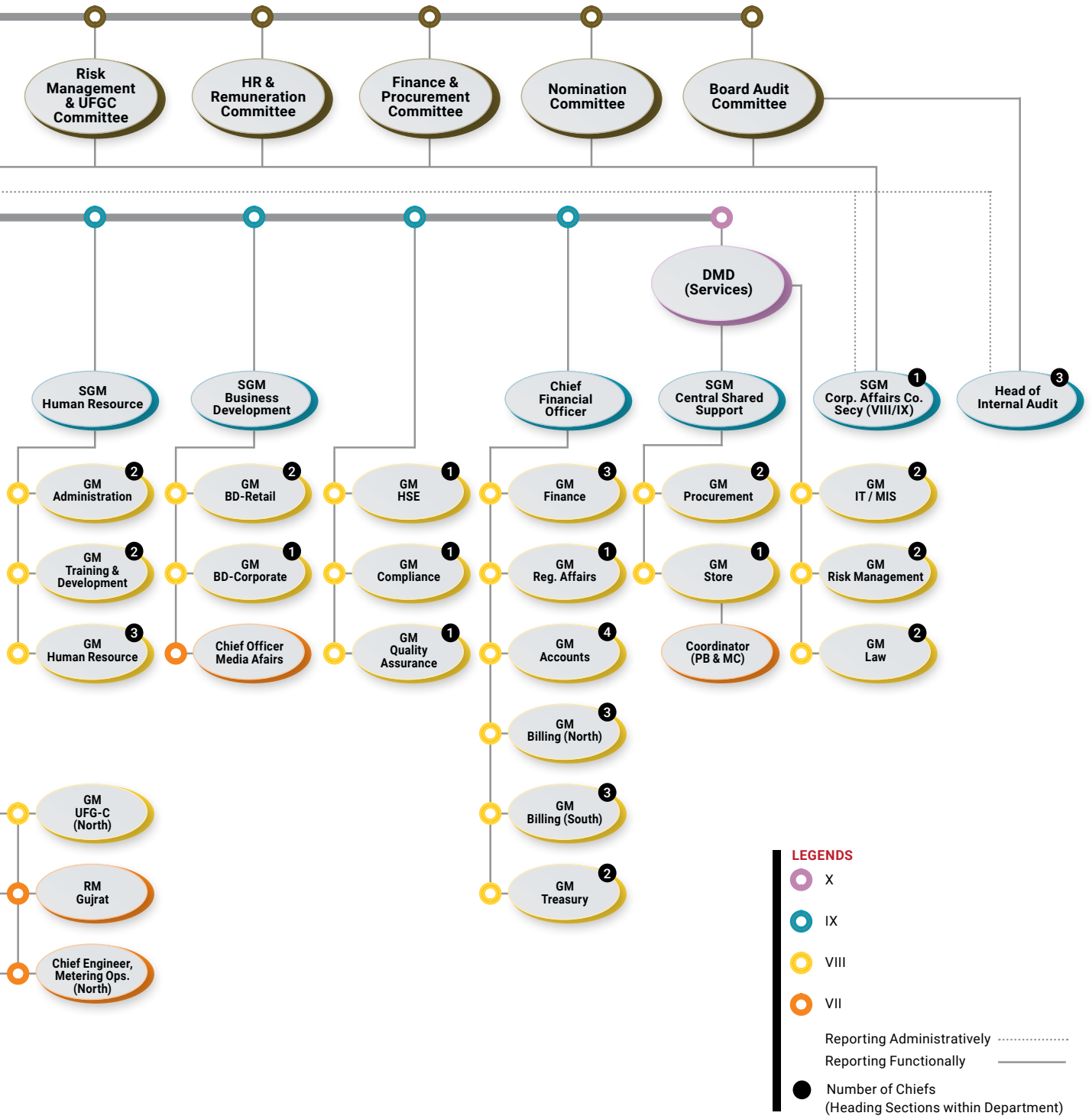
| (Rupees in thousand)  | 2020        | 2019        | 2018        |
|---|-------------|-------------|-------------|
| <b>STATEMENT OF FINANCIAL POSITION - SUMMARY</b>              |             |             |             |
| Paid up share capital   | 6,342,167   | 6,342,167   | 6,342,167   |
| Revenue reserves  | 18,794,692  | 14,700,046  | 12,334,514  |
| Deferred credit   | 49,568,007  | 51,390,541  | 57,854,554  |
| Contract liabilities  | 12,444,360  | 11,066,804  | -           |
| <b>Non-Current liabilities</b>                                |             |             |             |
| Long term loans outstanding                                   |             |             |             |
| - Local   | 263,485     | 303,229     | 415,232     |
| - Banking companies   | 30,700,519  | 39,330,000  | 50,420,000  |
| Lease liabilities   | 33,626,581  | -           | -           |
| Long term security deposits                                   | 52,335,405  | 48,578,096  | 43,782,459  |
| Deferred liabilities - taxation                               | 1,678,685   | 4,503,422   | 1,676,766   |
| Employee benefit  | 10,168,764  | 7,640,091   | 7,617,333   |
| <b>Current liabilities</b>                                    | 585,073,938 | 445,527,126 | 280,714,218 |
|   | 800,996,603 | 629,381,522 | 461,157,243 |
| <b>Non-Current assets</b>                                     | 248,044,834 | 204,750,902 | 194,063,019 |
| <b>Current assets</b>   | 552,951,769 | 424,630,620 | 267,094,224 |
|   | 800,996,603 | 629,381,522 | 461,157,243 |
| <b>STATEMENT OF PROFIT OR LOSS - SUMMARY</b>                  |             |             |             |
| Sales   | 618,527,964 | 684,625,881 | 446,765,837 |
| Add / (Less): Tariff adjustment / (Gas development surcharge) | 126,027,449 | 97,274,083  | 57,016,553  |
| <b>Net Sales</b>  | 744,555,413 | 781,899,964 | 503,782,390 |
| Cost of gas sold  | 690,218,497 | 746,103,955 | 476,785,651 |
| <b>Gross profit</b>   | 54,336,916  | 35,796,009  | 26,996,739  |
| Other operating income  | 19,163,723  | 18,512,175  | 14,159,487  |
|   | 73,500,639  | 54,308,184  | 41,156,226  |
| <b>Expenditure</b>  |             |             |             |
| Operating expenses  | 13,547,111  | 12,833,101  | 12,248,552  |
| Expected credit loss  | 1,853,633   | 1,505,879   | -           |
| Finance cost  | 48,975,690  | 25,776,847  | 10,806,155  |
| Other charges   | 707,274     | 3,043,140   | 2,626,118   |
|   | 65,083,708  | 43,158,967  | 25,680,825  |
| <b>Profit / (loss) before taxation</b>                        | 8,416,931   | 11,149,217  | 15,475,401  |
| <b>Provision for taxation</b>                                 | 2,419,222   | 4,073,383   | 4,353,926   |
| <b>Profit / (loss) after taxation</b>                         | 5,997,709   | 7,075,834   | 11,121,475  |
| Earnings / (Loss) per share (Basic) / (Rupees)                | 9.46        | 11.16       | 17.54       |
| Dividend (%)  | 40.00       | 35.00       | 70.50       |
| Bonus shares (%)  | -           | -           | -           |
| Number of employees - Operation                               | 8,569       | 8,567       | 8,654       |
| - Project   | 303         | 314         | 407         |
|   | 8,872       | 8,881       | 9,061       |
| <b>Gas sales (MMCF)</b>                                       | 649,946     | 755,098     | 670,644     |
| <b>Consumers (in Numbers)</b>                                 | 6,998,301   | 6,727,073   | 6,296,662   |
| <b>Customers (in Numbers)</b>                                 |             |             |             |
| Industrial  | 6,052       | 5,991       | 5,871       |
| Commercial  | 59,931      | 58,822      | 56,299      |
| Domestic  | 6,892,906   | 6,622,551   | 6,194,783   |
|   | 6,958,889   | 6,687,364   | 6,256,953   |
| <b>TRANSMISSION AND DISTRIBUTION SYSTEM (in Kilometers)</b>   |             |             |             |
| Transmission mains  | 9,138       | 8,948       | 8,867       |
| Distribution mains and services                               | 135,000     | 130,106     | 122,325     |
|   | 144,138     | 139,055     | 131,192     |



|  | 2017        | 2016        | 2015        | 2014        | 2013         | 2012         | 2011        |
|--|-------------|-------------|-------------|-------------|--------------|--------------|-------------|
|  | 6,342,167   | 6,342,167   | 6,342,167   | 6,342,167   | 6,342,167    | 5,765,606    | 5,491,053   |
|  | 4,253,626   | (2,644,836) | (2,768,849) | (274,130)   | 3,690,445    | 15,458,174   | 13,237,836  |
|  | 47,168,154  | 37,405,489  | 32,142,949  | 31,168,532  | 33,118,345   | 33,315,790   | 32,768,270  |
|  | -           | -           | -           | -           | -            | -            | -           |
|  | 504,067     | 569,903     | 718,778     | 932,097     | 1,103,835    | 1,086,313    | 1,324,177   |
|  | 49,359,799  | 34,425,000  | 13,500,000  | 5,500,000   | 5,000,000    | 7,500,000    | 9,500,000   |
|  | -           | -           | -           | -           | -            | -            | -           |
|  | 38,566,630  | 34,343,735  | 32,452,229  | 29,782,655  | 22,369,143   | 20,227,669   | 16,477,801  |
|  | -           | -           | -           | 107,968     | 2,677,154    | 9,066,835    | 8,369,991   |
|  | 14,681,746  | 12,332,455  | 9,748,887   | 6,469,389   | 5,048,980    | 3,176,820    | 1,130,074   |
|  | 163,310,619 | 128,939,602 | 112,953,347 | 87,110,028  | 84,849,817   | 78,420,597   | 50,431,414  |
|  | 324,186,808 | 251,713,515 | 205,089,508 | 167,138,706 | 164,199,886  | 174,017,804  | 138,730,616 |
|  | 167,081,379 | 139,487,798 | 116,754,857 | 106,832,239 | 100,920,469  | 95,063,639   | 91,263,252  |
|  | 157,105,429 | 112,225,717 | 88,334,651  | 60,306,467  | 63,279,417   | 78,954,165   | 47,467,364  |
|  | 324,186,808 | 251,713,515 | 205,089,508 | 167,138,706 | 164,199,886  | 174,017,804  | 138,730,616 |
|  | 319,696,374 | 239,636,172 | 190,819,014 | 206,237,565 | 224,063,823  | 230,267,469  | 185,060,783 |
|  | 26,611,910  | 11,010,416  | 21,701,559  | 14,523,313  | (18,401,776) | (13,615,152) | 2,776,818   |
|  | 346,308,284 | 250,646,588 | 212,520,573 | 220,760,878 | 205,662,047  | 216,652,317  | 187,837,601 |
|  | 326,609,632 | 246,424,169 | 210,374,232 | 220,127,339 | 221,012,785  | 209,422,514  | 184,237,173 |
|  | 19,698,652  | 4,222,419   | 2,146,341   | 633,539     | (15,350,738) | 7,229,803    | 3,600,428   |
|  | 10,992,947  | 11,896,988  | 10,525,247  | 9,752,046   | 15,541,298   | 9,104,253    | 8,664,184   |
|  | 30,691,599  | 16,119,407  | 12,671,588  | 10,385,585  | 190,560      | 16,334,056   | 12,264,612  |
|  | 12,072,161  | 11,635,404  | 11,630,537  | 10,774,289  | 9,324,383    | 7,243,523    | 6,490,053   |
|  | -           | -           | -           | -           | -            | -            | -           |
|  | 5,350,520   | 4,402,741   | 3,982,728   | 5,005,457   | 6,100,239    | 3,412,328    | 3,877,833   |
|  | 729,719     | 220,870     | 421,332     | 94,563      | 500,917      | 937,320      | 208,983     |
|  | 18,152,400  | 16,259,015  | 16,034,597  | 15,874,309  | 15,925,539   | 11,593,171   | 10,576,869  |
|  | 12,539,199  | (139,608)   | (3,363,009) | (5,488,724) | (15,734,979) | 4,740,885    | 1,687,743   |
|  | 3,924,699   | (263,621)   | (868,509)   | (1,524,149) | (5,985,890)  | 1,696,889    | 562,722     |
|  | 8,614,500   | 124,013     | (2,494,500) | (3,964,575) | (9,749,089)  | 3,043,996    | 1,125,021   |
|  | 13.58       | 0.20        | (3.93)      | (6.25)      | (15.37)      | 4.80         | 1.95        |
|  | 60          | -           | -           | -           | -            | 25           | 10          |
|  | -           | -           | -           | -           | -            | 10           | 5           |
|  | 8,764       | 8,819       | 8,772       | 8,696       | 8,991        | 8,509        | 7,800       |
|  | 420         | 384         | 290         | 288         | 303          | 291          | 282         |
|  | 9,184       | 9,203       | 9,062       | 8,984       | 9,294        | 8,800        | 8,082       |
|  | 615,003     | 534,922     | 463,393     | 506,355     | 552,272      | 597,056      | 581,935     |
|  | 5,691,743   | 5,271,039   | 5,021,956   | 4,766,715   | 4,486,189    | 4,174,342    | 3,964,350   |
|  | 5,755       | 5,754       | 6,453       | 6,453       | 6,559        | 6,628        | 6,606       |
|  | 53,553      | 53,271      | 54,047      | 53,957      | 56,212       | 55,906       | 55,877      |
|  | 5,592,726   | 5,172,305   | 4,921,747   | 4,666,596   | 4,383,709    | 4,151,518    | 3,867,359   |
|  | 5,652,034   | 5,231,330   | 4,982,247   | 4,727,006   | 4,446,480    | 4,214,052    | 3,929,842   |
|  | 8,637       | 7,941       | 7,818       | 7,738       | 7,675        | 7,653        | 7,613       |
|  | 111,015     | 103,849     | 97,300      | 95,855      | 93,646       | 87,796       | 81,828      |
|  | 119,652     | 111,790     | 105,118     | 103,593     | 101,321      | 95,449       | 89,441      |

# Organizational Structure





# SNGPL Head Office & Regional Offices



## Head Office

📍 21, Kashmir Road, Lahore 📞 042-99082000, 042-99082006 📠 042-99201369, 042-99201302 🌐 [www.sngpl.com.pk](http://www.sngpl.com.pk)

## Regional Offices

### Abbottabad

Jub Pul, P.O. Jhangi,  
Main Mansehra Road.

### Bahawalpur

6-A-D, Model Town-A.

### Faisalabad

Sargodha Road.

### Gujranwala

M. A. Jinnah Road.

### Gujrat

State Life Building,  
120 & 121, GT Road.

### Islamabad

Plot 28-30, Sector-I-9,  
Industrial Area.

### Lahore

21-Industrial Area,  
Gurumangat Road, Gulberg III.

### Mardan

Riffat Mahal, Main  
Nowshera Road, Near Mardan  
Industrial Estate.

### Multan

Piran Ghaib Road.

### Peshawar

Plot No-33, Sector B-2,  
Phase-V, Hayatabad.

### Rawalpindi

Al-Mansha Plaza, Main G.T Road,  
Opposite IESCO Office,  
Mohra Nagyal.

### Sahiwal

79-A, 79-B, Canal Colony,  
Farid Town Road.

### Sargodha

15 - Muslim Town.

### Shiekhupura

Rajput House,  
Main Sargodha Road,  
Near Punjab Collage, Nabi Pura.

### Sialkot

Wahid Road, Malkay Kalan,  
Off. Marala Road.

### Wah Cantt

Gudwal Link Road.



# Audited Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

# Independent Auditor's Review Report

TO THE MEMBERS OF SUI NORTHERN GAS PIPELINES LIMITED

## **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Public Sector Companies (Corporate Governance) Rules, 2013**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Regulations') and Public Sector Companies (Corporate Governance) Rules, 2013 ('Rules') prepared by the Board of Directors of **Sui Northern Gas Pipelines Limited** ('the Company') for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations and rule 24 of the Rules.

The responsibility for compliance with the Regulations and Rules 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 provisions of the Regulations and Rules and report if it does not and to highlight any non-compliance with the requirements of the Regulations and Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations and Rules.

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

The Regulations and the Rules 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. 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.

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 Regulations and Rules as applicable to the Company for the year ended June 30, 2020.



Chartered Accountants

Engagement Partner:  
Rana M. Usman Khan

Lahore.  
July 7, 2021

# Independent Auditor's Report

TO THE MEMBERS OF SUI NORTHERN GAS PIPELINES LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### 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, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, 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, 2020 and of the profit, comprehensive income, cash flows and changes in equity for the year then ended.

### Basis for Opinion

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

### Emphasis of Matters

We draw attention to the Note 28.3 to the financial statements which explains that the settlement of circular debt, including tariff adjustment (refer note 31 and note 36) is dependent upon the resolution of intercorporate balances by the Government of Pakistan, and increase in gas prices or subsidy by the Government of Pakistan to the Company.

We also draw attention to the Note 48.5 to the financial statements which explains that certain related party transactions pertaining to a director of the Company are under investigation internally as well as by external agency and the impact of such investigation, if any, will be accounted for in the period during which such investigation is completed.

Our opinion is not modified in respect of above matters.

## Independent Auditor's Report to the Members

### 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 year. 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.

Following are the Key audit matters:

| Key Audit Matters  | How the matter was addressed in our audit  |
|--|--|
| <p><b>1. Recognition of tariff adjustment on deferments / disallowances determined by the Oil and Gas Regulatory Authority (OGRA)</b></p> <p>As referred to in Note 31 to the financial statements, the Company recognized amounts of Rs. 81,329 million and Rs. 44,698 million in respect of tariff adjustment on indigenous gas and Re-gasified Liquefied Natural Gas (RLNG), respectively in the statement of profit or loss and Rs. 893 million in statement of comprehensive income.</p> <p>This tariff adjustment on indigenous gas also includes an amount of Rs. 34,449 million and tariff adjustment on RLNG includes an amount of Rs. 4,845 million consisting of various expenses which have either been deferred or disallowed by the OGRA on various grounds while issuing Final Revenue Requirement (FRR) for the year 2019-20. The aggregate amounts deferred / disallowed by OGRA in this respect is Rs. 52,327 million and Rs. 7,237 million for indigenous gas and RLNG respectively as at June 30, 2020. This aggregate balance includes Rs. 50,132 million on account of interest accrued on delayed payments to Government owned entities for gas purchases which has been pending by OGRA till the eventual payment / settlement of circular debt by Government of Pakistan.</p> <p>However, the Company has recognized tariff adjustment on such deferments / disallowances in the financial statements as the management believes that such deferments / disallowances are against the past practices 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 judgments taken by 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 decision of OGRA on FRR for the year 2019-20 and Motion for Review related to FRR 2018-19 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 deferments / disallowances in the tariff adjustment account and discussed 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 judgment; and</li> <li>• Reviewed the appropriateness of the disclosures made in respect of the aforesaid matter in the financial statements and matched / reconciled the figures of the disclosure with the FRR.</li> </ul> |

| Key Audit Matters  | How the matter was addressed in our audit  |
|--|--|
| <b>2. Revenue recognition under "Take or Pay" arrangements</b>   |  |
| <p>The Company has recognized revenue of Rs. 2,386 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, 2020 amounts to Rs 24,641 million. As explained in Note 35.1 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>After the Expert recommendation dated September 14, 2019 in favor of the Company, the two GPPs have disputed this matter and referred to "London Court of International Arbitration" ("LCIA"), and the matter is presently, pending adjudication.</p> <p>Due to the significance of amounts involved, element of uncertainty because of ongoing arbitration proceedings, we have considered revenue recognition under ToP arrangements as a Key Audit Matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained and reviewed the agreements entered with QATPL and NPPMCL with respect to take or pay and arbitration clauses.</li> <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 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 recommendation 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 defending the case in LCIA; and</li> <li>• Reviewed and assessed the adequacy of disclosures made in the financial statements.</li> </ul> |

## Independent Auditor's Report to the Members

| Key Audit Matters   | How the matter was addressed in our audit   |
|---|---|
| <b>3. Contingent taxation liabilities</b>   |   |
| <p>As discussed in Note 19.1.1 to the accompanying financial statements, the Company has significant 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 the 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 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 16 'Leases'</b>   |   |
| <p>IFRS 16 'Leases' became applicable to the Company for the first time for the preparation of these financial statements. IFRS 16 'Leases' replaced IAS 17 'Leases', the former lease accounting standard. Accordingly, the Company has applied the standard with effect from July 1, 2019.</p> <p>Under IFRS 16, right of use assets leased by the Company are recognised on the statement of financial position of the Company with corresponding liabilities. Accordingly, the Company has recorded right of use assets of Rs. 36,212 million and corresponding lease liabilities of Rs. 36,135 million as at July 1, 2019 under the allowed modified retrospective approach for the transition accounting.</p> <p>The application of the new standard requires management to identify and process all relevant data associated with the lease contracts entered into by the Company. The measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms, including termination, renewal options and modifications.</p> <p>We considered this as key audit matter due to the significant amounts involved and significant judgments made by management regarding the matter.</p> | <p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• Understood the management's process for identification of agreements which contain leasing arrangement;</li> <li>• Reviewed the updated accounting policy and policy elections made in accordance with IFRS 16;</li> <li>• Performed independent testing on a sample basis of the accuracy of the lease contracts and completeness of the identified lease contracts;</li> <li>• Reviewed the appropriateness of assumptions used by the management to determine the discount rates, lease terms and renewal options;</li> <li>• Recalculated the right-of-use assets and lease liabilities calculated by the management on sample basis; and</li> <li>• Assessed the adequacy of the Company's disclosures of the impact of the new standard in the financial statements.</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 do not express any form of assurance opinion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the 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 is 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 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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

## Independent Auditor's Report to the Members

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 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 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 year 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, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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 the Company for the year ended June 30, 2019, were audited by another firm of Chartered Accountants, who expressed a qualified opinion on those statements vide their report dated July 24, 2020, due to disagreement with the management over the requirements of transitional provisions of IFRS 15, Revenue from Contracts with Customers.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Lahore.  
July 7, 2021

# Statement of Financial Position

AS AT JUNE 30, 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019        |
|--|------|------------------------------|-------------|
| <b>EQUITY AND LIABILITIES</b>  |      |                              |             |
| <b>Share Capital and Reserves</b>  |      |                              |             |
| Authorized share capital<br>1,500,000,000 ordinary shares of Rs. 10 each<br>(2019: 1,500,000,000 ordinary shares<br>of Rs.10 each) |      | 15,000,000                   | 15,000,000  |
| Issued, subscribed and paid up share capital<br>634,216,665 (2019: 634,216,665) ordinary<br>shares of Rs. 10 each                  | 5    | 6,342,167                    | 6,342,167   |
| Revenue reserves   | 6    | 18,794,692                   | 14,700,046  |
|  |      | 25,136,859                   | 21,042,213  |
| <b>Non-current liabilities</b>   |      |                              |             |
| Long term financing:   |      |                              |             |
| - Secured  | 7    | 30,700,519                   | 39,330,000  |
| - Unsecured  | 8    | 263,485                      | 303,229     |
| Lease liabilities  | 9    | 33,626,581                   | -           |
| Security deposits  | 10   | 52,335,405                   | 48,578,096  |
| Deferred credit  | 11   | 49,568,007                   | 51,390,541  |
| Contract liabilities   | 12   | 12,444,360                   | 11,066,804  |
| Deferred taxation  | 13   | 1,678,685                    | 4,503,422   |
| Employee benefits  | 14   | 10,168,764                   | 7,640,091   |
|  |      | 190,785,806                  | 162,812,183 |
| <b>Current liabilities</b>   |      |                              |             |
| Trade and other payables   | 15   | 452,394,419                  | 351,430,265 |
| Contract liabilities   | 12   | 3,307,064                    | 3,004,935   |
| Unclaimed dividend   |      | 164,753                      | 109,039     |
| Unpaid dividend  |      | -                            | 731,995     |
| Interest / mark-up accrued on loans and other payables   | 16   | 84,130,770                   | 50,469,354  |
| Short term borrowings - secured  | 17   | 29,724,262                   | 28,486,666  |
| Current portion of lease liabilities   | 9    | 6,168,520                    | -           |
| Current portion of long term financing   | 18   | 9,184,150                    | 11,294,872  |
|  |      | 585,073,938                  | 445,527,126 |
| <b>Contingencies and commitments</b>   | 19   | -                            | -           |
|  |      | 800,996,603                  | 629,381,522 |

The annexed notes 1 to 56 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Ali J. Hamdani**  
Managing Director / CEO

|   | Note | 2020<br>(Rupees in thousand) | 2019        |
|---|------|------------------------------|-------------|
| <b>ASSETS</b>                             |      |                              |             |
| <b>Non-Current Assets</b>                 |      |                              |             |
| Property, plant and equipment             | 20   | 205,997,782                  | 200,837,557 |
| Intangible assets                         | 21   | 96,952                       | 185,727     |
| Right of use assets                       | 22   | 36,887,464                   | -           |
| Long term loans                           | 23   | 850,985                      | 828,757     |
| Employee benefits                         | 24   | 4,188,995                    | 2,883,659   |
| Long term deposits and prepayments        | 25   | 22,656                       | 15,202      |
|   |      | 248,044,834                  | 204,750,902 |
| <b>Current assets</b>                     |      |                              |             |
| Stores and spare parts                    | 26   | 5,590,637                    | 5,004,896   |
| Stock-in-trade                            | 27   | 6,824,823                    | 9,007,232   |
| Trade debts                               | 28   | 164,761,685                  | 157,573,161 |
| Loans and advances                        | 29   | 2,526,672                    | 2,119,986   |
| Trade deposits and short term prepayments | 30   | 163,007                      | 241,025     |
| Accrued interest                          |      | 24,643                       | 31,798      |
| Other receivables                         | 31   | 332,744,624                  | 203,279,967 |
| Contract assets                           | 32   | -                            | 72,758      |
| Sales tax recoverable                     |      | 30,166,534                   | 37,933,065  |
| Income tax receivable                     |      | 2,631,325                    | 3,209,280   |
| Investments                               | 33   | 4,900                        | 4,900       |
| Cash and bank balances                    | 34   | 7,512,919                    | 6,152,552   |
|   |      | 552,951,769                  | 424,630,620 |
|   |      | 800,996,603                  | 629,381,522 |



**Roohi Raees Khan**  
Chairperson

# Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019        |
|--|------|------------------------------|-------------|
| Revenue from contracts with customers - gas sales        | 35   | 618,527,964                  | 684,625,881 |
| Add: Tariff adjustment                                   | 36   | 126,027,449                  | 97,274,083  |
|  |      | 744,555,413                  | 781,899,964 |
| Less: Cost of gas sales                                  | 37   | 690,218,497                  | 746,103,955 |
| <b>Gross profit</b>                                      |      | 54,336,916                   | 35,796,009  |
| Add: Other operating income                              | 38   | 19,163,723                   | 18,512,175  |
|  |      | 73,500,639                   | 54,308,184  |
| Less: Operating expenses                                 |      |                              |             |
| Selling cost   | 39   | 6,293,393                    | 5,526,850   |
| Administrative expenses                                  | 40   | 7,253,718                    | 7,306,251   |
| Other operating expenses                                 | 41   | 707,274                      | 3,043,140   |
| Expected credit loss                                     |      | 1,853,633                    | 1,505,879   |
|  |      | 16,108,018                   | 17,382,120  |
| <b>Operating profit</b>                                  |      | 57,392,621                   | 36,926,064  |
| Less: Finance cost                                       | 42   | 48,975,690                   | 25,776,847  |
| <b>Profit before taxation</b>                            |      | 8,416,931                    | 11,149,217  |
| Less: Taxation   | 43   | 2,419,222                    | 4,073,383   |
| <b>Profit for the year</b>                               |      | 5,997,709                    | 7,075,834   |
| <b>Earnings per share - basic and diluted - (Rupees)</b> | 44   | 9.46                         | 11.16       |

The annexed notes 1 to 56 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Ali J. Hamdani**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson

# Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2020

|  | 2020                 | 2019      |
|--|----------------------|-----------|
|  | (Rupees in thousand) |           |
| <b>Profit for the year</b>   | 5,997,709            | 7,075,834 |
| <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                                 | (3,573,827)          | 648,736   |
| Tariff adjustment with respect to remeasurement of IAS-19 by the OGRA        | 893,457              | (648,736) |
|  | (2,680,370)          | -         |
| Tax effect   | 777,307              | -         |
|  | (1,903,063)          | -         |
| Items to be reclassified to profit or loss in subsequent periods             | -                    | -         |
| <b>Total other comprehensive income</b>                                      | (1,903,063)          | -         |
| <b>Total comprehensive income for the year</b>                               | 4,094,646            | 7,075,834 |

The annexed notes 1 to 56 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Ali J. Hamdani**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson

# Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2020

|  | Share Capital | Revenue Reserves |                               |                              | Total       | Total share holders' equity |
|--|---------------|------------------|-------------------------------|------------------------------|-------------|-----------------------------|
|  |               | General Reserve  | Dividend Equalization Reserve | Unappropriated Profit/(loss) |             |                             |
| (Rupees in thousand)   |               |                  |                               |                              |             |                             |
| <b>Balance as at July 01, 2018</b>   | 6,342,167     | 4,127,682        | 480,000                       | 7,487,757                    | 12,095,439  | 18,437,606                  |
| <b>Transactions with owners, recognised directly in equity:</b>                          |               |                  |                               |                              |             |                             |
| Final dividend for the year ended June 30, 2018 @ Rs. 5.55 per share                     | -             | -                | -                             | (3,519,902)                  | (3,519,902) | (3,519,902)                 |
| Interim cash dividend for the first quarter ended September 30, 2018 @ Rs. 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  | -             | -                | -                             | -                            | -           | -                           |
| Total comprehensive income for the year  | -             | -                | -                             | 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                  |
| Profit for the year  | -             | -                | -                             | 5,997,709                    | 5,997,709   | 5,997,709                   |
| Other comprehensive income for the year  | -             | -                | -                             | (1,903,063)                  | (1,903,063) | (1,903,063)                 |
| Total other comprehensive income for the year  | -             | -                | -                             | 4,094,646                    | 4,094,646   | 4,094,646                   |
| <b>Balance as at June 30, 2020</b>   | 6,342,167     | 4,127,682        | 480,000                       | 14,187,010                   | 18,794,692  | 25,136,859                  |

The annexed notes 1 to 56 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Ali J. Hamdani**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson

# Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019         |
|---|------|------------------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                              |              |
| <b>Cash generated from operations</b>                         | 45   | 47,919,433                   | 17,099,375   |
| Finance cost paid   |      | (10,094,315)                 | (6,706,085)  |
| Taxes paid  |      | (3,888,697)                  | (3,246,542)  |
| Employee benefits / contributions paid                        |      | (4,879,329)                  | (1,323,602)  |
| Increase in security deposits                                 |      | 3,757,309                    | 4,795,637    |
| Receipts against government grants and consumer contributions |      | 2,587,339                    | 6,739,523    |
| Increase in long term loans                                   |      | (73,544)                     | (28,494)     |
| (Increase) / decrease in long term deposits and prepayments   |      | (7,454)                      | 9,325        |
| <b>Net cash generated from operating activities</b>           |      | 35,320,742                   | 17,339,137   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                              |              |
| Capital expenditure on property, plant and equipment          |      | (24,118,340)                 | (28,043,325) |
| Expenditure on intangible assets                              |      | (4,454)                      | (163,332)    |
| Proceeds from sale of property, plant and equipment           |      | 51,186                       | 49,996       |
| Return on bank deposits                                       |      | 525,055                      | 324,650      |
| <b>Net cash used in investing activities</b>                  |      | (23,546,553)                 | (27,832,011) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                              |              |
| Proceeds from long term financing - secured                   |      | 380,692                      | -            |
| Repayment of long term financing - secured                    |      | (11,090,000)                 | (11,090,000) |
| Repayment of long term financing - unsecured                  |      | (91,476)                     | (98,072)     |
| Repayment of lease liabilities                                |      | (174,353)                    | -            |
| Dividend paid   |      | (676,281)                    | (3,741,655)  |
| <b>Net cash used in financing activities</b>                  |      | (11,651,418)                 | (14,929,727) |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |      | 122,771                      | (25,422,601) |
| <b>Cash and cash equivalents at the beginning of the year</b> |      | (22,334,114)                 | 3,088,487    |
| <b>Cash and cash equivalents at the end of the year</b>       | 45.2 | (22,211,343)                 | (22,334,114) |

The annexed notes 1 to 56 form an integral part of these financial statements.



**Faisal Iqbal**  
Chief Financial Officer



**Ali J. Hamdani**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## 1 THE COMPANY AND ITS OPERATIONS

Sui Northern Gas Pipelines Limited (the Company) is a public limited company incorporated in Pakistan on June 17, 1963 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 Mansehra 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 Standards') 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 Standards, 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 16 - Leases

The Company has adopted IFRS 16, 'Leases' with effect from July 01, 2019, which replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases - Incentive' 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-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains mainly similar to the IAS-17 standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities have been recognized at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 13.21%.

The Company has applied IFRS 16 for the first time as of July 1, 2019 using the cumulative catch-up approach in accordance with the transition provisions set out in IFRS 16. This approach allows the application of IFRS 16 retrospectively without restating the prior-year figures while accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous rules.

The following summary reconciles the Company's operating lease commitments to the lease liabilities recognized on initial application of IFRS 16 at July 1, 2019.

|   | <b>Rupees in thousand</b> |
|---|---------------------------|
| Operating lease commitments as at June 30, 2019   | 67,517,915                |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 36,134,618                |
| <b>Lease liabilities recognized as at July 1, 2019</b>                                      | <b>36,134,618</b>         |

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at June 30, 2019.

|  | <b>July 01, 2019<br/>(Rupees in thousand)</b> |
|--|---|
| <b>Impact on the statement of financial position</b> |   |
| Increase in right-of-use assets                      | 36,211,727                                    |
| Decrease in prepayments - prepaid rent               | (77,109)                                      |
| Increase in total assets                             | 36,134,618                                    |
| Increase in lease liability                          | (36,134,618)                                  |
| Decrease in net assets                               | -   |

#### **Impact on profit or loss**

The Company operates under fixed tariff regime, therefore, adoption of IFRS 16 has no impact on the Company's profitability as the impact is considered as a pass through item.

#### **2.2.2 Standards or Interpretations with no significant impact**

Amendments to IFRS 9 'Financial Instruments' (effective from annual period beginning on or after January 01, 2019) prepayment features with negative compensation

Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective from annual period beginning on or after January 01, 2019) Long-term interests in associates and joint ventures

Amendments to IAS 19 'Employee Benefits' (effective from annual period beginning on or after January 01, 2019) Plan amendment, curtailment or settlement

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective from annual period beginning on or after January 01, 2019) clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Annual improvements to IFRS standards 2015-2017 cycle amendments to: 'IFRS 3 Business Combinations, 'IFRS 11 Joint Arrangements, 'IAS 12 Income Taxes, 'IAS 23 Borrowing Costs. (effective from annual period beginning on or after January 01, 2019).

## 2.2.3 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:

- 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, 2020) on Interest Rate Benchmark Reform. The 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 (IBOR) 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 the Company's financial statements.
- Amendments to IFRS 16 'Leases' (effective for annual periods beginning on or after June 01, 2020) on Covid-19-Related Rent Concessions. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.
- 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 standards. 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 standards. The amendments are not likely to have any significant impact on the Company's financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 01, 2022). These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those

amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

- Amendments to IAS 16 'Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 01, 2022). These amendments amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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 standards 2018-2020 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10%' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

The above amendments are effective from annual period beginning on or after January 01, 2020 and are not likely to have any significant impact on the Company's financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

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

## 2.2.4 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 (SECP) 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. 353,190 thousand (2019: lower by Rs. 728,913 thousand) and reserves would have been higher by Rs. 1,295,108 thousand (2019: higher by Rs. 1,648,298 thousand). However, there will be no impact on profit after taxation, EPS and retained earning as the Company's management believes that this impact is a pass through item which will be eventually adjusted against gas development surcharge or tariff adjustment as explained in note 4.20 to these financial statements.

- 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).

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 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 ECL 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.

- IFRS 14 'Regulatory Deferral Accounts' effective for annual periods 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. Further, the Standard also requires to disclose multiple earnings per share. The Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/PRDD/2(316)/2021/105 dated June 15, 2021 has granted exemption to the Company for a period of upto three years i.e. upto financial year ended June 30, 2022 from the application of IFRS 14. Had the Company applied IFRS 14, the effects on the financial statements would have been as follows:

|  | 2020                 | 2019          |
|--|----------------------|---------------|
|  | (Rupees in thousand) |               |
| <b>Effect on statement of profit or loss</b>   |                      |               |
| (Decrease) / Increase in   |                      |               |
| Tariff adjustment  | (126,027,449)        | (97,274,083)  |
| Net movement in regulatory deferral account balances                                 | 126,027,449          | 97,274,083    |
| Loss for the year before net movement in regulatory deferral account would have been | (120,029,740)        | (90,198,249)  |
| <b>Effect on the earnings / (Loss) per share - (Rs.)</b>                             |                      |               |
| <b>basic and diluted</b>   | (189.26)             | (142.22)      |
| <b>basic and diluted including net movement in regulatory deferral account</b>       | 9.46                 | 11.16         |
| <b>Effect on statement of financial position</b>                                     |                      |               |
| (Decrease) / increase in:  | -                    |               |
| Other receivable   | (332,692,232)        | (203,153,310) |
| Regulatory deferral account  | 332,692,232          | 203,153,310   |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## 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, 14.7 and 24.7
- ii) Provision for taxation - note 4.4 and 43
- iii) Useful life and residual values of property, plant and equipment - note 4.8 and 20.1
- iv) Right-of-use assets and corresponding lease liability - note 4.10, 9 and 22
- v) Impairment of financial assets - note 4.19, 28 and 32
- vi) Impairment of non-financial assets - note 4.8, 4.9, 20 and 21
- vii) Tariff adjustment - recognition of disallowances determined by the OGRA - note 4.20, 31 and 36.

#### 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, 14.7 and 24.7.

#### 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 is calculated at the rates that are expected to apply to the period when the difference reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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) Right-of-use assets and corresponding lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate ('IBR'). The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value of the right-of-use asset in a similar economic environment.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term is determined at the date of inception of lease. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The Company reviews the useful life of the right-of-use assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of right-of-use assets and lease liabilities with a corresponding effect on the depreciation charge and interest expense.

**v) Impairment of financial assets**

The Company recognizes an allowance for Expected Credit Losses (ECL) 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 2.2.4 above. ECL 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.

ECL are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL 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 ECL 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.

ECL 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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

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

- Development of ECL model, 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;
- 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 model; 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 there against on annual basis. As referred in note 2.2.4 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.

## vi) **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**

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 of 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

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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, 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 and statement of comprehensive income 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, 2020 using the projected unit credit method. Significant assumptions used for valuation of these schemes are mentioned in note 14.7 and 24.7. 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 14.7 and 24.7.

#### **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 14.7 and 24.7.

#### **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% (2019: 7.5%) for the executives and 10% (2019: 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, leasehold land and capital work in progress 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 4.11.

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 20.1 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, 2020 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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.

## 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 21 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 Right-of-use assets and corresponding lease liability

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

The lease liability is initially measured at the present value of the expected lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

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

The Right-of-use assets is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The Right of use assets is adjusted for certain remeasurements of the lease liability.

## 4.11 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.

## 4.12 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.

#### **4.13 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.

#### **4.14 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 (v). Debts considered irrecoverable are written off.

#### **4.15 Contract assets**

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 (v). Amounts considered irrecoverable are written off.

#### **4.16 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.

#### **4.17 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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.
- 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.
- vii) Income on gas transportation in respect of firm transportation agreement is recognized when the committed contracted capacity is made available for the shipper. Income on the gas transportation in respect of interruptible transportation agreements is recognized when the gas is transported from the network at the rates notified by the Oil and Gas Regulatory Authority (OGRA). Revenue for the Company in this category, is recognized on point over time basis.

#### **4.18 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.

#### **4.19 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## **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.

## **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 designated at fair value through OCI (equity instruments).

## **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, instruments that are not measured at amortised cost 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 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.

## **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 (ECL) for all debt instruments not held at fair value through profit or loss as explained in note 3.2 (v) 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 2.2.4 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, Financial liabilities at amortized cost, 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 financial liabilities at amortized cost, net of directly attributable transaction costs.

**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

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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 does not have 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 effective interest rate (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.

#### **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.

#### **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.

#### **4.20 Gas development surcharge / Tariff adjustment**

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) 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 surplus or deficit on account of this is recoverable from Government of Pakistan directly or indirectly inter alia including increase in future gas prices and / or subsidy or payable to the Government of Pakistan (GOP) as tariff adjustment or gas development surcharge.

#### **4.21 RLNG tariff adjustment 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 (FRR) decision of the Company for financial year 2017-18, for swapping of natural gas and RLNG for the purpose of gas load management. However, subsequent to the year end, Federal Cabinet has approved the adjustment mechanism in respect of cost of diversion through future RLNG price adjustments. The difference of average cost of RLNG and the average sale price of system gas of the diverted volumes is recognized in the

statement of profit or loss as an adjustment to the tariff adjustment with the corresponding credit or debit balance being included in "trade and other payables" or "other receivables" as the case may be.

#### 4.22 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

| 2020<br>(Number of shares) | 2019        |   | 2020<br>(Rupees in thousand) | 2019      |
|----------------------------|-------------|---|------------------------------|-----------|
| 121,146,000                | 121,146,000 | Ordinary shares of Rs 10 each                                     |                              |           |
|                            |             | issued as fully paid for cash                                     | 1,211,460                    | 1,211,460 |
| 3,329,000                  | 3,329,000   | Ordinary shares of Rs 10 each                                     |                              |           |
|                            |             | issued as fully paid for consideration other than cash (note 5.2) | 33,290                       | 33,290    |
| 509,741,665                | 509,741,665 | Ordinary shares of Rs 10 each                                     |                              |           |
|                            |             | 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.

|  | 2020<br>(Number of shares) | 2019       |
|--|----------------------------|------------|
| Sui Southern Gas Company Limited       | 2,414,174                  | 2,414,174  |
| Adamjee Life Assurance Company Limited | 4,026,600                  | 3,291,100  |
| National Investment Trust Limited      | 29,580,373                 | 28,762,847 |
|  | 36,021,147                 | 34,468,121 |

5.2 During the years 1964 and 1965, Company purchased transmission system and allied assets from West Pakistan Industrial Development Corporation and issued shares for consideration other than cash.

5.3 These fully paid ordinary shares carry one vote per share and right to dividend.

|                               | 2020<br>(Rupees in thousand) | 2019       |
|-------------------------------|------------------------------|------------|
| <b>6 REVENUE RESERVES</b>     |                              |            |
| General reserve               | 4,127,682                    | 4,127,682  |
| Dividend equalization reserve | 480,000                      | 480,000    |
| Unappropriated profit         | 14,187,010                   | 10,092,364 |
|                               | 18,794,692                   | 14,700,046 |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note                                 | 2020<br>(Rupees in thousand) | 2019       |
|---|--------------------------------------|------------------------------|------------|
| <b>7</b>  | <b>LONG TERM FINANCING - SECURED</b> |                              |            |
| Local currency - syndicate term finance:                            |                                      |                              |            |
| Syndicate term finance I  | 7.1.1                                | 4,680,000                    | 7,020,000  |
| Syndicate term finance II   | 7.1.2                                | 21,159,823                   | 24,686,460 |
|   |                                      | 25,839,823                   | 31,706,460 |
| Islamic mode of financing:  |                                      |                              |            |
| Islamic finance under musharaka arrangement                         | 7.2.1                                | -                            | 1,375,000  |
| Islamic finance under musharaka arrangement for LNG Project Phase I | 7.2.2                                | 2,400,000                    | 3,600,000  |
| Islamic finance arrangement for LNG Project Phase II                | 7.2.3                                | 11,090,177                   | 12,938,540 |
| Islamic finance under musharaka arrangement                         | 7.2.4                                | -                            | 800,000    |
| Islamic finance under musharaka arrangement                         | 7.2.5                                | 380,692                      | -          |
|   |                                      | 13,870,869                   | 18,713,540 |
| Less: Current portion shown under current liabilities               | 18                                   | 9,010,173                    | 11,090,000 |
|   |                                      | 30,700,519                   | 39,330,000 |

## 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 created by way of hypothecation over all present and future movable fixed assets of the Company (excluding land and building) to the extent of Rs. 15,600,000 thousand (2019: Rs.15,600,000 thousand). The effective mark-up charged during the period ranges from 8.79% to 14.23% per annum (2019: 7.21% to 12.77% 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, 2019            | 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 (2019: 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 period ranges from 9.07% to 14.60% per annum (2019: 8.04% to 14.13% 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 | 2 half yearly installments  | March 28, 2019              | September 28, 2019 |
| Allied Bank Limited | 7.2.5 | Six month KIBOR + 0.08% per annum | 6 half yearly installments  | September 29, 2020          | September 29, 2022 |

- 7.2.1** This loan of Rs. 5,500,000 thousand has been obtained from a syndicate of banks (with Al Baraka Bank Limited 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 (2019: Rs. 7,333,333 thousand). The effective mark-up charged during the period from 13.66% to 14.03% per annum (2019: 7.59% to 13.66% 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 (2019: Rs. 8,000,000 thousand), as given in note 20.1.4. The effective mark-up charged during the year ranges from 8.79% to 14.23% per annum (2019: 7.21% to 12.77% 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 (2019: Rs. 18,800,000 thousand) relating to the project and the sovereign guarantee of GOP. The effective mark-up charged during the year ranges from 9.07% to 14.60% per annum (2019: 8.04% to 14.13% 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 (2019: Rs. 3,094,667) as given in note 20.1.5. The effective mark-up charged during the year is 10.89% per annum (2019: 6.44% to 10.89% per annum). The 4 half yearly installments included the interest payments only for the first two installments.
- 7.2.5** This loan of Rs. 380,692 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 Assets of RLNG Project) to the extent of Rs. 3,094,667 thousand. The effective mark-up charged during the year ranges from 11.33% to 13.98% per annum.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note                                   | 2020<br>(Rupees in thousand) | 2019      |
|---|--|------------------------------|-----------|
| <b>8</b>  | <b>LONG TERM FINANCING - UNSECURED</b> |                              |           |
| Local currency loans                            | 8.1                                    | 437,462                      | 508,101   |
| Current portion shown under current liabilities | 18                                     | (173,977)                    | (204,872) |
|   |  | 263,485                      | 303,229   |
| <b>8.1</b>                                      | <b>Local currency loans</b>            |                              |           |
| From government - development loans             | 8.1.1                                  | 314,105                      | 362,744   |
| From industrial consumers                       | 8.1.2                                  | 123,357                      | 145,357   |
|   |  | 437,462                      | 508,101   |

**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. 247,564 thousand (2019: Rs 233,600 thousand) carry mark-up at the rate of 5% (2019: 5%) per annum and Rs. 66,541 thousand (2019: Rs. 129,144 thousand) carry mark-up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2019: 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% (2019: 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% (2019: 1.1%) above State Bank of Pakistan's cut off yield rates prevailing at the time of initial recognition of these loans.

|                                     | 2020  | 2019          |
|-------------------------------------|---|---------------|
|                                     | %   |               |
| <b>8.1.3</b>                        | <b>The effective interest rates are as follows:</b> |               |
| 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                     | 2020<br>(Rupees in thousand) | 2019 |
|--|--------------------------|------------------------------|------|
| <b>9</b>                                   | <b>LEASE LIABILITIES</b> |                              |      |
| Present value of minimum lease liabilities | 9.1 & 9.3                | 39,795,101                   | -    |
| Less: current maturity                     |                          | (6,168,520)                  | -    |
|  |                          | 33,626,581                   | -    |

**9.1** The Company has recognised charge of Rs. 63,122 thousand (2019: Nil) to those variable lease payments, which do not form a part of leases.

9.2 The expected maturity analysis of undiscounted lease payment is as follows:

|                       | 2020                 | 2019 |
|-----------------------|----------------------|------|
|                       | (Rupees in thousand) |      |
| - within one year     | 7,544,962            | -    |
| - between 2 to 5 year | 27,249,710           | -    |
| - after 5 years       | 34,174,223           | -    |
|                       | 68,968,895           | -    |

9.3 It includes Rupees 38,017,941 thousand against the lease of transmission lines from Sui Southern Gas Company Limited.

|                             | Note        | 2020                 | 2019       |
|-----------------------------|-------------|----------------------|------------|
|                             |             | (Rupees in thousand) |            |
| <b>10 SECURITY DEPOSITS</b> |             |                      |            |
| Consumers                   | 10.1 & 10.2 | 52,165,907           | 48,429,798 |
| Contractors - Houseline     | 10.3        | 169,498              | 148,298    |
|                             | 10.4        | 52,335,405           | 48,578,096 |

10.1 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% or 5% whichever is less but not below 2% (2019: KIBOR minus 3%) per annum on deposits from all consumers, other than domestic, which aggregate to Rs. 27,801,518 thousand (2019: Rs 25,673,715 thousand). However, for one consumer with a deposit of Rs. 1,197,247 thousand (2019: Rs. 1,091,995 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2019: 3 months SBP treasury bills cut off rate subject to a floor of 7%) per annum.

|   | 2020                 | 2019   |
|---|----------------------|--------|
|   | (Rupees in thousand) |        |
| <b>10.2</b> These include security deposits from following related parties: |                      |        |
| Fauji Fertilizer Company Limited  | 12,366               | 12,366 |
| State Life Insurance Corporation of Pakistan                                | 984                  | 877    |
| Oil and Gas Development Company Limited                                     | 7                    | 7      |
| Sheikh CNG  | 2,267                | 1,514  |
| City CNG  | -                    | 2,844  |
| Nishat Mills Limited  | 2,294                | -      |
|   | 17,918               | 17,608 |

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

10.4 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note   | 2020<br>(Rupees in thousand) | 2019       |
|---|--------|------------------------------|------------|
| <b>11 DEFERRED CREDIT</b>                                   |        |                              |            |
| Government grants against:                                  |        |                              |            |
| - Completed jobs  |        | 35,709,739                   | 29,618,336 |
| - Jobs-in-progress  |        | 26,581,819                   | 32,402,672 |
|   |        | 62,291,558                   | 62,021,008 |
| Less: Accumulated amortization:                             |        |                              |            |
| Opening balance   |        | 10,630,467                   | 8,912,152  |
| Loan from Provincial Government                             |        | 7,264                        | 35,682     |
| Amortization for the year                                   | 38     | 2,085,820                    | 1,682,633  |
|   |        | 12,723,551                   | 10,630,467 |
|   |        | 49,568,007                   | 51,390,541 |
| <b>12 CONTRACT LIABILITIES</b>                              |        |                              |            |
| Consumer contribution                                       | 12.1   | 12,444,360                   | 11,066,804 |
| Due to customers against construction contract              |        | 3,027,700                    | 2,748,149  |
| Advances from customers against gas bill and new connection |        | 279,364                      | 256,786    |
| Total contract liabilities                                  | 12.2   | 15,751,424                   | 14,071,739 |
| <b>12.1 Consumer contribution against:</b>                  |        |                              |            |
| - Completed jobs  |        | 31,044,767                   | 29,581,569 |
| - Jobs-in-progress  |        | 5,403,515                    | 4,549,923  |
|   |        | 36,448,282                   | 34,131,492 |
| Less: Accumulated amortization:                             |        |                              |            |
| Opening balance   |        | 23,064,688                   | 22,330,057 |
| Amortization for the year                                   | 38     | 939,234                      | 734,631    |
|   |        | 24,003,922                   | 23,064,688 |
|   | 12.1.1 | 12,444,360                   | 11,066,804 |
| <b>12.1.1 Movement of consumer contribution</b>             |        |                              |            |
| Opening balance   |        | 11,066,804                   | 8,348,879  |
| Addition during the year                                    |        | 2,316,790                    | 3,452,556  |
| Amortization for the year                                   |        | (939,234)                    | (734,631)  |
|   | 12.1.2 | 12,444,360                   | 11,066,804 |

**12.1.2** The Company 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 interpretation of IFRIC 18. However, the similar contributions from customers prior to the year ended June 30, 2010 and from July 01, 2018 onwards are being amortized over 16 years (i.e. the useful lives of the assets).

|   | Note | 2020<br>(Rupees in thousand) | 2019         |
|---|------|------------------------------|--------------|
| <b>12.2 Classification into current and non-current</b>                         |      |                              |              |
| Current   |      | 3,307,064                    | 3,004,935    |
| Non-current   |      | 12,444,360                   | 11,066,804   |
| <b>13 DEFERRED TAXATION</b>   |      |                              |              |
| The deferred taxation liability comprises timing differences relating to:       |      |                              |              |
| <b>Taxable temporary differences</b>  |      |                              |              |
| Accelerated tax depreciation  |      | 20,704,162                   | 20,208,024   |
| <b>Deductible temporary differences</b>   |      |                              |              |
| Expected credit losses  |      | (7,260,087)                  | (6,722,534)  |
| Unpaid trading liabilities  |      | (8,681,397)                  | (7,078,476)  |
| Minimum and alternate corporate tax available for carry forward                 |      | (3,013,674)                  | (1,847,384)  |
| Others  |      | (70,319)                     | (56,208)     |
|   |      | (19,025,477)                 | (15,704,602) |
|   |      | 1,678,685                    | 4,503,422    |
| The gross movement in net deferred tax liability during the year is as follows: |      |                              |              |
| Opening balance   |      | 4,503,422                    | 1,676,766    |
| Tax impact due to adoption of IFRS 9 directly recognized                        |      |                              |              |
| in retained earnings  |      | -                            | (97,651)     |
| Charge to statement of comprehensive income                                     |      | (777,307)                    | -            |
| Charged to profit or loss   | 43   | (2,047,430)                  | 2,924,307    |
| Closing balance   |      | 1,678,685                    | 4,503,422    |
| <b>14 EMPLOYEE BENEFITS</b>   |      |                              |              |
| Pension fund - Non Executive staff  |      | 4,870,383                    | 1,703,277    |
| Medical fund - Executive staff  |      | -                            | 241,677      |
| Gratuity fund - Executive staff   |      | 4,495,708                    | 4,060,690    |
| Gratuity fund - Non Executive staff   |      | 390,177                      | 1,543,265    |
| Free gas facility fund - Non Executive staff                                    |      | 361,636                      | -            |
| Accumulated compensated absences - Non Executive staff                          |      | 50,860                       | 91,182       |
|   | 14.1 | 10,168,764                   | 7,640,091    |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## 14.1

### 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 |             |
|--|------|------------------------------------|--------------|--------------------------------|-------------|---------------------------------|-----------|-------------------------------------|-------------|
|  |      | 2020                               | 2019         | 2020                           | 2019        | 2020                            | 2019      | 2020                                | 2019        |
|  |      | (Rupees in thousand)               |              |                                |             |                                 |           |                                     |             |
| Present value of defined benefit obligations | 14.4 | 26,844,879                         | 20,487,865   | -                              | 5,122,277   | 4,716,353                       | 4,270,102 | 6,780,891                           | 6,138,596   |
| Fair value of plan assets                    | 14.5 | (21,974,496)                       | (18,784,588) | -                              | (4,880,600) | (220,645)                       | (209,412) | (6,390,714)                         | (4,595,331) |
| Net liabilities                              | 14.2 | 4,870,383                          | 1,703,277    | -                              | 241,677     | 4,495,708                       | 4,060,690 | 390,177                             | 1,543,265   |

|  | Note | Free gas facility fund - Non Executive staff |      | Accumulating compensated absences - Non Executive staff |             | Total        |              |
|--|------|--|------|---|-------------|--------------|--------------|
|  |      | 2020   | 2019 | 2020  | 2019        | 2020         | 2019         |
|  |      | (Rupees in thousand)                         |      |   |             |              |              |
| Present value of defined benefit obligations | 14.4 | 6,321,627                                    | -    | 1,579,144   | 1,468,461   | 46,242,894   | 37,487,301   |
| Fair value of plan assets                    | 14.5 | (5,959,991)                                  | -    | (1,528,284)   | (1,377,279) | (36,074,130) | (29,847,210) |
| Net liabilities                              | 14.2 | 361,636                                      | -    | 50,860  | 91,182      | 10,168,764   | 7,640,091    |

## 14.2

### Movement in net liability

|                               | Note | Pension fund - Non executive staff |             | Medical fund - Executive staff |           | Gratuity fund - Executive staff |           | Gratuity fund - Non Executive staff |           |
|-------------------------------|------|------------------------------------|-------------|--------------------------------|-----------|---------------------------------|-----------|-------------------------------------|-----------|
|                               |      | 2020                               | 2019        | 2020                           | 2019      | 2020                            | 2019      | 2020                                | 2019      |
|                               |      | (Rupees in thousand)               |             |                                |           |                                 |           |                                     |           |
| Opening liability             |      | 1,703,277                          | 2,765,262   | -                              | 225,125   | 4,060,690                       | 3,475,484 | 1,543,265                           | 955,354   |
| Charge for the year           | 14.3 | 740,341                            | 906,799     | -                              | 238,920   | 859,123                         | 636,125   | 413,938                             | 374,694   |
| Remeasurements charged In OCI |      | 4,369,155                          | (1,330,679) | -                              | 107,366   | (188,871)                       | 125,407   | 191,849                             | 446,043   |
| Contribution paid             |      | (1,942,390)                        | (638,105)   | -                              | (329,734) | (235,234)                       | (176,326) | (1,758,875)                         | (232,826) |
|                               |      | 4,870,383                          | 1,703,277   | -                              | 241,677   | 4,495,708                       | 4,060,690 | 390,177                             | 1,543,265 |

|                               | Free gas facility fund - Non Executive staff |      | Accumulating compensated absences - Non Executive staff |           | Total       |             |
|-------------------------------|--|------|---|-----------|-------------|-------------|
|                               | 2020   | 2019 | 2020  | 2019      | 2020        | 2019        |
|                               | (Rupees in thousand)                         |      |   |           |             |             |
| Opening liability             | (44,300)                                     | -    | 91,182  | 58,947    | 7,354,114   | 7,480,172   |
| Charge for the year           | 192,097                                      | -    | 2,384   | 143,074   | 2,207,883   | 2,299,612   |
| Remeasurements charged In OCI | 358,399                                      | -    | -   | -         | 4,730,532   | (651,863)   |
| Contribution paid             | (144,560)                                    | -    | (42,706)  | (110,839) | (4,123,765) | (1,487,830) |
|                               | 361,636                                      | -    | 50,860  | 91,182    | 10,168,764  | 7,640,091   |

**Note**

14.3

**14.3 Amounts recognized in profit or loss**

|   | Pension fund - Non executive staff |             | Medical fund - Executive staff |           | Gratuity fund - Executive staff |          | Gratuity fund - Non Executive staff |           |
|---|------------------------------------|-------------|--------------------------------|-----------|---------------------------------|----------|-------------------------------------|-----------|
|   | 2020                               | 2019        | 2020                           | 2019      | 2020                            | 2019     | 2020                                | 2019      |
|   | (Rupees in thousand)               |             |                                |           |                                 |          |                                     |           |
| Current service cost                        | 634,189                            | 631,600     | -                              | 232,141   | 287,377                         | 255,051  | 317,683                             | 280,313   |
| Interest on obligation                      | 2,916,375                          | 2,264,407   | -                              | 496,894   | 593,357                         | 399,510  | 875,578                             | 590,449   |
| Expected return on plan assets              | (2,810,223)                        | (1,989,208) | -                              | (490,115) | (21,611)                        | (18,436) | (779,323)                           | (496,068) |
| Net actuarial losses recognized in the year | -                                  | -           | -                              | -         | -                               | -        | -                                   | -         |
| Total included in employee benefit expense  | 14.11                              | 740,341     | 906,799                        | 238,920   | 859,123                         | 636,125  | 413,938                             | 374,694   |
| Actual return on plan assets                | 1,997,392                          | 1,176,781   | -                              | 411,464   | 131,975                         | 49,614   | 236,765                             | 218,101   |

|   | Free gas facility fund - Non Executive staff |         | Accumulating compensated absences - Non Executive staff |           | Total       |             |
|---|--|---------|---|-----------|-------------|-------------|
|   | 2020   | 2019    | 2020  | 2019      | 2020        | 2019        |
|   | (Rupees in thousand)                         |         |   |           |             |             |
| Current service cost                        | 209,001                                      | -       | 20,210  | 20,632    | 1,468,460   | 1,419,737   |
| Interest on obligation                      | 756,660                                      | -       | 209,831   | 146,253   | 5,351,801   | 3,897,513   |
| Expected return on plan assets              | (773,564)                                    | -       | (199,705)   | (145,856) | (4,584,426) | (3,139,683) |
| Net actuarial losses recognized in the year | -  | -       | (27,952)  | 122,045   | (27,952)    | 122,045     |
| Total included in employee benefit expense  | 14.11  | 192,097 | -   | 2,384     | 143,074     | 2,207,883   |
| Actual return on plan assets                | 625,064                                      | -       | 151,005   | 51,310    | 3,142,201   | 1,907,270   |

# Notes to the Financial Statements

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## 14.4 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 |           |
|------------------------------------|------------------------------------|-------------|--------------------------------|-----------|---------------------------------|-----------|-------------------------------------|-----------|
|                                    | 2020                               | 2019        | 2020                           | 2019      | 2020                            | 2019      | 2020                                | 2019      |
|                                    | (Rupees in thousand)               |             |                                |           |                                 |           |                                     |           |
| Opening defined benefit obligation | 20,487,865                         | 20,521,161  | -                              | 4,469,136 | 4,270,102                       | 3,643,444 | 6,138,596                           | 5,397,116 |
| Current service cost               | 634,189                            | 631,601     | -                              | 232,141   | 287,377                         | 255,052   | 317,683                             | 280,313   |
| Interest cost                      | 2,916,375                          | 2,264,407   | -                              | 496,894   | 593,357                         | 399,510   | 875,578                             | 590,449   |
| Remeasurements charged to OCI      | 3,556,324                          | (2,143,105) | -                              | 28,715    | (78,507)                        | 156,584   | (350,709)                           | 168,076   |
| Actuarial losses                   | -                                  | -           | -                              | -         | -                               | -         | -                                   | -         |
| Benefits paid                      | (749,874)                          | (786,199)   | -                              | (104,609) | (355,976)                       | (184,488) | (200,257)                           | (297,358) |
| Closing defined benefit obligation | 26,844,879                         | 20,487,865  | -                              | 5,122,277 | 4,716,353                       | 4,270,102 | 6,780,891                           | 6,138,596 |

|                                    | Free gas facility fund - Non Executive staff |      | Accumulating compensated absences - Non Executive staff |           | Total       |             |
|------------------------------------|--|------|---|-----------|-------------|-------------|
|                                    | 2020   | 2019 | 2020  | 2019      | 2020        | 2019        |
|                                    | (Rupees in thousand)                         |      |   |           |             |             |
| Opening defined benefit obligation | 5,290,627                                    | -    | 1,468,461   | 1,325,969 | 37,655,651  | 35,356,826  |
| Current service cost               | 209,001                                      | -    | 20,210  | 20,632    | 1,468,460   | 1,419,739   |
| Interest cost                      | 756,660                                      | -    | 209,831   | 146,253   | 5,351,801   | 3,897,513   |
| Remeasurements charged to OCI      | 209,899                                      | -    | -   | -         | 3,337,007   | (1,789,730) |
| Actuarial losses                   | -  | -    | (76,652)  | 27,499    | (76,652)    | 27,499      |
| Benefits paid                      | (144,560)                                    | -    | (42,706)  | (51,892)  | (1,493,373) | (1,424,546) |
| Closing defined benefit obligation | 6,321,627                                    | -    | 1,579,144   | 1,468,461 | 46,242,894  | 37,487,301  |

14.5

Changes in the fair value of plan assets

|                                   | Pension fund - Non executive staff |            |      |           |         |         | Medical fund - Executive staff |           |           |           |      |           | Gratuity fund - Executive staff |           |           |           |  |  |
|-----------------------------------|------------------------------------|------------|------|-----------|---------|---------|--------------------------------|-----------|-----------|-----------|------|-----------|---------------------------------|-----------|-----------|-----------|--|--|
|                                   | 2020                               |            | 2019 |           | 2020    |         | 2019                           |           | 2020      |           | 2019 |           | 2020                            |           | 2019      |           |  |  |
|                                   | (Rupees in thousand)               |            |      |           |         |         |                                |           |           |           |      |           |                                 |           |           |           |  |  |
| Opening fair value of plan assets | 18,784,588                         | 17,755,899 | -    | 4,244,011 | 209,412 | 167,960 | 4,595,331                      | 4,441,762 | 2,810,223 | 1,989,208 | -    | 490,115   | 21,611                          | 18,436    | 779,323   | 496,068   |  |  |
| Expected return                   | (812,831)                          | (812,427)  | -    | (78,651)  | 110,364 | 31,178  | (542,558)                      | (277,967) | -         | -         | -    | -         | -                               | -         | -         | -         |  |  |
| Remeasurements charged to OCI     | 1,942,390                          | 638,107    | -    | 329,734   | 235,234 | 176,326 | 1,758,875                      | 232,826   | (749,874) | (786,199) | -    | (104,609) | (355,976)                       | (184,488) | (200,257) | (297,358) |  |  |
| Actuarial losses                  | 21,974,496                         | 18,784,588 | -    | 4,880,600 | 220,645 | 209,412 | 6,390,714                      | 4,595,331 | 14.6      |           |      |           |                                 |           |           |           |  |  |
| Contributions by employer         |                                    |            |      |           |         |         |                                |           |           |           |      |           |                                 |           |           |           |  |  |
| Benefits paid                     |                                    |            |      |           |         |         |                                |           |           |           |      |           |                                 |           |           |           |  |  |

|                                   | Free gas facility fund - Non Executive staff |   |           |           |            |            | Accumulating compensated absences - Non Executive staff |   |          |          |             |             | Total     |   |             |             |  |  |
|-----------------------------------|--|---|-----------|-----------|------------|------------|---|---|----------|----------|-------------|-------------|-----------|---|-------------|-------------|--|--|
|                                   | 2020   |   | 2019      |           | 2020       |            | 2019  |   | 2020     |          | 2019        |             | 2020      |   | 2019        |             |  |  |
|                                   | (Rupees in thousand)                         |   |           |           |            |            |   |   |          |          |             |             |           |   |             |             |  |  |
| Opening fair value of plan assets | 5,334,927                                    | - | 1,377,279 | 1,267,022 | 30,301,537 | 27,876,654 | 773,564   | - | 199,705  | 145,856  | 4,584,426   | 3,139,683   | (148,500) | - | (1,393,525) | (1,137,867) |  |  |
| Expected return                   | -  | - | (48,700)  | (94,546)  | (48,700)   | (94,546)   | -   | - | -        | -        | -           | -           | -         | - | -           | -           |  |  |
| Remeasurements charged to OCI     | 144,560                                      | - | 42,706    | 110,839   | 4,123,765  | 1,487,832  | (144,560)   | - | (42,706) | (51,892) | (1,493,373) | (1,424,546) | 5,959,991 | - | 1,528,284   | 1,377,279   |  |  |
| Actuarial losses                  |  |   |           |           |            |            |   |   |          |          |             |             |           |   |             |             |  |  |
| Contributions by employer         |  |   |           |           |            |            |   |   |          |          |             |             |           |   |             |             |  |  |
| Benefits paid                     |  |   |           |           |            |            |   |   |          |          |             |             |           |   |             |             |  |  |
|                                   | 14.6   |   |           |           |            |            |   |   |          |          |             |             |           |   |             |             |  |  |

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## 14.6 Plan assets comprise:

|                           | Pension fund - Non executive staff |        |                      |        |
|---------------------------|------------------------------------|--------|----------------------|--------|
|                           | 2020                               |        | 2019                 |        |
|                           | Fair value                         |        | Fair value           |        |
|                           | (Rupees in thousand)               | %      | (Rupees in thousand) | %      |
| Certificates of deposits  | 16,241,851                         | 73.91  | 15,834,902           | 84.30  |
| NIT units                 | 426,323                            | 1.94   | 398,073              | 2.12   |
| Pakistan Investment Bonds | 5,037,588                          | 22.92  | 2,336,546            | 12.44  |
| Cash at bank              | 181,784                            | 0.83   | 133,489              | 0.71   |
| Others                    | 86,950                             | 0.40   | 81,578               | 0.43   |
|                           | 21,974,496                         | 100.00 | 18,784,588           | 100.00 |

|                           | Medical fund - Executive staff |   |                      |        |
|---------------------------|--------------------------------|---|----------------------|--------|
|                           | 2020                           |   | 2019                 |        |
|                           | Fair value                     |   | Fair value           |        |
|                           | (Rupees in thousand)           | % | (Rupees in thousand) | %      |
| Certificates of deposits  | -                              | - | 3,983,851            | 81.63  |
| NIT units                 | -                              | - | 22,183               | 0.45   |
| Pakistan Investment Bonds | -                              | - | 832,399              | 17.06  |
| Cash at bank              | -                              | - | 42,167               | 0.86   |
|                           | -                              | - | 4,880,600            | 100.00 |

|                           | Gratuity fund - Executive staff |        |                      |        |
|---------------------------|---------------------------------|--------|----------------------|--------|
|                           | 2020                            |        | 2019                 |        |
|                           | Fair value                      |        | Fair value           |        |
|                           | (Rupees in thousand)            | %      | (Rupees in thousand) | %      |
| Certificates of deposits  | 164,875                         | 74.72  | 133,313              | 63.66  |
| Pakistan Investment Bonds | 30,190                          | 13.68  | -                    | 0.00   |
| Cash at bank              | 25,580                          | 11.60  | 76,099               | 36.34  |
|                           | 220,645                         | 100.00 | 209,412              | 100.00 |

|                           | Gratuity fund - Non executive staff |        |                      |        |
|---------------------------|-------------------------------------|--------|----------------------|--------|
|                           | 2020                                |        | 2019                 |        |
|                           | Fair value                          |        | Fair value           |        |
|                           | (Rupees in thousand)                | %      | (Rupees in thousand) | %      |
| Certificates of deposits  | 4,087,867                           | 63.97  | 3,804,922            | 82.80  |
| NIT Units                 | 419,860                             | 6.57   | 396,871              | 8.64   |
| Pakistan Investment Bonds | 1,409,415                           | 22.05  | 333,766              | 7.26   |
| Cash at bank              | 458,051                             | 7.17   | 44,855               | 0.98   |
| Others                    | 15,521                              | 0.24   | 14,917               | 0.32   |
|                           | 6,390,714                           | 100.00 | 4,595,331            | 100.00 |

|                           | Free gas facility fund - Non Executive staff |        |                      |   |
|---------------------------|--|--------|----------------------|---|
|                           | 2020   |        | 2019                 |   |
|                           | Fair value                                   |        | Fair value           |   |
|                           | (Rupees in thousand)                         | %      | (Rupees in thousand) | % |
| Certificates of deposits  | 4,496,080                                    | 75.44  | -                    | - |
| Pakistan Investment Bonds | 619,132                                      | 10.39  | -                    | - |
| NIT Units                 | 60,933                                       | 1.02   | -                    | - |
| Cash at bank              | 783,846                                      | 13.15  | -                    | - |
|                           | 5,959,991                                    | 100.00 | -                    | - |

|                           | Accumulating compensated absences - Non executive staff |        |                      |        |
|---------------------------|---|--------|----------------------|--------|
|                           | 2020  |        | 2019                 |        |
|                           | Fair value  |        | Fair value           |        |
|                           | (Rupees in thousand)                                    | %      | (Rupees in thousand) | %      |
| Certificates of deposits  | 1,031,974   | 67.53  | 1,108,593            | 80.49  |
| Pakistan Investment Bonds | 485,869   | 31.79  | 245,558              | 17.83  |
| Cash at bank              | 10,441  | 0.68   | 23,128               | 1.68   |
|                           | 1,528,284   | 100.00 | 1,377,279            | 100.00 |

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

|   | Pension fund |               |           |               |
|---|--------------|---------------|-----------|---------------|
|   | 2020         |               | 2019      |               |
|   | Executive    | Non-executive | Executive | Non-executive |
| Expected increase in salaries                       | 9.25%        | 9.25%         | 14.50%    | 14.50%        |
| Discount rate                                       | 9.25%        | 9.25%         | 14.50%    | 14.50%        |
| Expected rate of return per annum on plan assets    | 9.25%        | 9.25%         | 14.50%    | 14.50%        |
| Rate of growth in pensions                          |              |               |           |               |
| - Employees with retirement up to November 11, 2017 | 5.00%        | 5.00%         | 11.50%    | 11.50%        |
| - Employees with retirement after November 11, 2017 | 5.00%        | 5.00%         | 5.00%     | 5.00%         |

During the financial year 2017-18, 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.

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|   | Medical fund |               |           |               |
|---|--------------|---------------|-----------|---------------|
|   | 2020         |               | 2019      |               |
|   | Executive    | Non-executive | Executive | Non-executive |
| Discount rate   | 9.25%        | 9.25%         | 14.50%    | 14.50%        |
| Expected rate of growth per annum in average cost of facility | 9.25%        | 9.25%         | 13.50%    | 13.50%        |
| Increase in average cost of post retirement medical facility  | 9.25%        | 9.25%         | 14.50%    | 14.50%        |
| Expected rate of return per annum on plan assets              | 9.25%        | 9.25%         | 14.50%    | 14.50%        |

|  | Gratuity fund |               |           |               |
|--|---------------|---------------|-----------|---------------|
|  | 2020          |               | 2019      |               |
|  | Executive     | Non-executive | Executive | Non-executive |
| Expected increase in salaries                    | 9.25%         | 9.25%         | 14.50%    | 14.50%        |
| Discount rate                                    | 9.25%         | 9.25%         | 14.50%    | 14.50%        |
| Expected rate of return per annum on plan assets | 9.25%         | 9.25%         | 14.50%    | 14.50%        |

|  | Accumulating compensated absences |               |           |               |
|--|-----------------------------------|---------------|-----------|---------------|
|  | 2020                              |               | 2019      |               |
|  | Executive                         | Non-executive | Executive | Non-executive |
| Expected increase in salaries                    | 9.25%                             | 9.25%         | 14.50%    | 14.50%        |
| Discount rate                                    | 9.25%                             | 9.25%         | 14.50%    | 14.50%        |
| Expected rate of return per annum on plan assets | 9.25%                             | 9.25%         | 14.50%    | 14.50%        |

|   | Free gas facility fund |               |           |               |
|---|------------------------|---------------|-----------|---------------|
|   | 2020                   |               | 2019      |               |
|   | Executive              | Non-executive | Executive | Non-executive |
| Discount rate   | 9.25%                  | 9.25%         | 14.50%    | 14.50%        |
| Expected rate of growth per annum in average cost of facility | 9.25%                  | 9.25%         | 13.50%    | 13.50%        |
| Expected rate of return per annum on plan assets              | 9.25%                  | 9.25%         | 14.50%    | 14.50%        |

- 14.8** 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.

14.9 The effect of 1% movement in assumed medical cost trend rates would have the following effects:

|   | 2020                 |               | 2019        |               |
|---|----------------------|---------------|-------------|---------------|
|   | 1% increase          | 1% (decrease) | 1% increase | 1% (decrease) |
|   | (Rupees in thousand) |               |             |               |
| Effect on the aggregate of the service cost and interest cost | 106,209              | (85,346)      | 112,055     | (91,038)      |
| Effect on defined benefit obligation                          | 2,309,125            | (1,891,567)   | 2,192,668   | (1,809,697)   |

|   | 2020                 | 2019      |
|---|----------------------|-----------|
|   | (Rupees in thousand) |           |
| <b>14.10 Estimated future contributions</b>                         |                      |           |
| Pension fund - Non Executive staff                                  | 1,195,266            | 834,898   |
| Medical fund - Executive staff                                      | -                    | 241,677   |
| Gratuity fund-Executive staff                                       | 702,777              | 863,390   |
| Gratuity fund-Non Executive staff                                   | 279,051              | 524,578   |
| Free gas facility fund - Non Executive staff                        | 361,636              | -         |
| Accumulating compensated absences-Non Executive staff               | 50,860               | 91,182    |
|   | 2,589,590            | 2,555,725 |
| <b>14.11</b> The charge for the year has been allocated as follows: |                      |           |
| Distribution cost   | 1,005,888            | 1,055,064 |
| Selling costs   | 535,353              | 544,766   |
| Administrative expenses   | 619,778              | 659,939   |
| Project work in progress  | 46,864               | 39,843    |
|   | 2,207,883            | 2,299,612 |

**14.12 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 macro economic 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.

# Notes to the Financial Statements

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|  | Note                            | 2020<br>(Rupees in thousand) | 2019        |
|--|---------------------------------|------------------------------|-------------|
| <b>15</b>                                  | <b>TRADE AND OTHER PAYABLES</b> |                              |             |
| Creditors for:                             |                                 |                              |             |
| - gas                                      | 15.1 & 15.2                     | 436,089,976                  | 336,526,966 |
| - supplies                                 | 15.3                            | 1,666,121                    | 1,173,968   |
| Accrued liabilities                        |                                 | 10,192,679                   | 10,608,718  |
| Provident Fund payable                     | 15.4                            | -                            | 114,968     |
| Gas Infrastructure Development Cess (GIDC) | 15.5                            | 561,673                      | -           |
| Interest free deposits repayable on demand | 15.6                            | 645,090                      | 369,155     |
| Earnest money received from contractors    |                                 | 144,705                      | 157,081     |
| Mobilization and other advances            |                                 | -                            | -           |
| Workers' Profit Participation Fund (WPPF)  | 15.7                            | 2,922,405                    | 2,479,409   |
| Workers' welfare fund                      |                                 | 171,770                      | -           |
|  |                                 | 452,394,419                  | 351,430,265 |

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

|   |             |             |
|---|-------------|-------------|
| Sui Southern Gas Company Limited        | 14,717,521  | 14,640,151  |
| Pakistan State Oil Company Limited      | 68,078,723  | 61,883,087  |
| Pakistan LNG Limited                    | 27,353,658  | 32,030,048  |
| Government Holdings (Pvt). Ltd          | 30,710,712  | 19,813,189  |
| Pakistan Petroleum Limited              | 150,981,354 | 106,177,034 |
| Oil and Gas Development Company Limited | 125,009,368 | 83,137,967  |
| Mari Petroleum Company Limited          | 2,110,753   | 1,108,126   |
|   | 418,962,089 | 318,789,602 |

**15.2** Included in trade payables is an amount of Rs. 68,078,723 thousand (2019: Rs. 61,883,087 thousand) and Rs. 27,353,658 thousand (2019: Rs. 32,030,048 thousand) due to Pakistan State Oil Company Limited (PSO) and Pakistan LNG Limited (PLL), respectively, represent payable against Liquefied Natural Gas (LNG) and/or Regassified Liquefied Natural Gas (RLNG) supplied by them. In this regard, the agreement for the supply of LNG/RLNG between the parties have not yet been finalized and is under negotiation. Additional liability or adjustment, if any, that may arise would be recorded accordingly on the finalization of the agreement.

|   | 2020<br>(Rupees in thousand) | 2019    |
|---|------------------------------|---------|
| <b>15.3</b>   |                              |         |
| These include amounts payable to the following related parties: |                              |         |
| The General Tyre & Rubber Company of Pakistan limited           | 363                          | 492     |
| Pakistan Cables Limited   | 8                            | 8       |
| International Industries Limited                                | 295,189                      | 89,327  |
| Sui Southern Gas Company Limited                                | 22,137                       | 24,475  |
|   | 317,697                      | 114,302 |

**15.4** Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017.

|  | 2020                 | 2019         |
|--|----------------------|--------------|
|  | (Rupees in thousand) |              |
| <b>15.5 Gas Infrastructure Development Cess (GIDC)</b> |                      |              |
| Opening balance  | -                    | 439,868      |
| Add: GIDC Collected during the year                    | 3,708,801            | 12,365,023   |
| Less: Payment made to Government Treasury              | (3,147,128)          | (12,804,891) |
| Closing balance  | 561,673              | -            |

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 superceded by GIDC Act, 2015 (GIDC Act) 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 orders from various courts against recovery of GIDC. During the year, 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.

Subsequent to the period ended June 30, 2020 the Honorable Supreme Court of Pakistan has ordered the recovery of previous year GIDC in 24 monthly installments and till the recovery of outstanding GIDC no further GIDC will be charged / recovered from the consumers.

Furthermore, principal amount of GIDC amounting to Rs. 153,823,927 thousand (2019: Rs. 138,303,671 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, some 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.

**15.6** 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

FOR THE YEAR ENDED JUNE 30, 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>15.7 Workers' Profit Participation Fund</b> |      |                              |           |
| Balance at the beginning of the year           |      | 2,479,409                    | 1,892,608 |
| Allocation for the year                        | 41   | 442,996                      | 586,801   |
|  |      | 2,922,405                    | 2,479,409 |

**15.7.1** 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 labour laws. The Company on the advice of their legal counsel withheld payment to Federal Government on account of WPPF since the related labour laws governing matters related to WPPF have not yet been framed by the Provincial Government. Accordingly, no provision for interest on delayed payment has been created in these financial statements. Subsequent to the year ended June 30, 2020, the Company has formed a separate Fund and deposited the amount outstanding at the end of June 30, 2019.

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

|   | Note | 2020<br>(Rupees in thousand) | 2019       |
|---|------|------------------------------|------------|
| Accrued mark-up / interest on:  |      |                              |            |
| Long term financing - secured   |      | 267,892                      | 518,204    |
| Long term financing - unsecured   |      | 201,693                      | 212,708    |
| Short term borrowings - secured   |      | 724,349                      | 693,895    |
| Deposits from customers   |      | 3,092,413                    | 1,725,277  |
| Late payment of gas creditors and gas devolpment surcharge                  |      | 79,844,423                   | 47,319,270 |
|   | 16.1 | 84,130,770                   | 50,469,354 |
| <b>16.1</b> These include amounts payable to the following related parties: |      |                              |            |
| Sui Southern Gas Company Limited  |      | 8,115,557                    | 7,076,153  |
| Government Holdings (Private) Limited                                       |      | 5,615,461                    | 2,571,517  |
| Pakistan Petroleum Limited  |      | 34,146,446                   | 18,601,324 |
| Oil and Gas Development Company Limited                                     |      | 26,747,172                   | 14,121,248 |
| Mari Petroleum Company Limited  |      | 74,434                       | 29,968     |
|   |      | 74,699,070                   | 42,400,210 |

## 17 SHORT TERM BORROWINGS - SECURED

|  |      |            |            |
|--|------|------------|------------|
| Allied Bank Limited                        | 17.1 | 8,960,300  | 8,242,365  |
| Bank Alfalah Limited                       | 17.2 | 3,767,890  | 2,255,234  |
| Standard Chartered Bank (Pakistan) Limited |      | -          | 2,990,000  |
| Askari Bank Limited                        | 17.3 | 2,499,988  | 2,500,000  |
| Habib Bank Limited                         | 17.4 | 6,499,222  | 6,499,918  |
| National Bank of Pakistan                  | 17.5 | 5,996,862  | 5,999,149  |
| Bank Islami Pakistan Limited               | 17.6 | 2,000,000  | -          |
|  |      | 29,724,262 | 28,486,666 |

**17.1** This represents short term running finance facility of Rs. 4,000,000 thousand (2019: Rs. 4,000,000 thousand) which carries mark-up at the rate of 3 months KIBOR (2019: 3 months KIBOR) on the balance outstanding and the short term running finance facility of Rs. 5,000,000 thousand (2019: 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 (2019: Rs. 1,333,330 thousand) and ranking charge over current assets of the Company to the extent of Rs. 10,666,667 thousand (2019: Rs. 10,666,667 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 11.67% to 14.35% per annum (2019: 6.92% to 11.49%) per annum.

- 17.2** This is a short term running finance facility from Bank Alfalah Limited amounting to Rs. 4,000,000 thousand (2019: Rs. 2,500,000 thousand). This facility carries mark-up at the rate of 3 months KIBOR per annum (2019: 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. 5,333,334 thousand (2019: Rs. 3,333,334 thousand). The effective interest rate charged during the year ranges from 8.78% to 14.26% per annum (2019: 6.93% to 11.13% per annum).
- 17.3** This is a short term running finance facility of Rs. 2,500,000 thousand (2019: 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 (2019: 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 (2019: Rs. 3,333,334 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 7.76% per annum (2019: 11.72% to 14.35% per annum).
- 17.4** This is a short term running finance facility of Rs. 6,500,000 thousand (2019: 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 (2019: 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 (2019: Rs. 8,666,667 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 8.86% to 14.31% per annum (2019: 11.21% to 13.29% per annum).
- 17.5** This is a short term running finance facility of Rs. 6,000,000 thousand (2019: 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 (2019: 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 (2019: Rs. 8,000,000 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranges from 11.72% to 14.35% per annum (2019: 11.23% to 11.49% per annum).
- 17.6** This is a short term running finance facility of Rs. 2,000,000 thousand from Bank Islami Pakistan Limited. This facility carries mark-up at the rate of 3 months KIBOR + 0.25% 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. 2,666,667 thousand. Mark-up is payable on quarterly basis. The effective interest rate during the year is 10.83% per annum.

|   | Note | 2020<br>(Rupees in thousand) | 2019       |
|---|------|------------------------------|------------|
| <b>18</b>                                     |      |                              |            |
| <b>CURRENT PORTION OF LONG TERM FINANCING</b> |      |                              |            |
| Long term financing - secured                 | 7    | 9,010,173                    | 11,090,000 |
| Long term financing - unsecured               | 8    | 173,977                      | 204,872    |
|   |      | 9,184,150                    | 11,294,872 |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

#### 19.1.1 Taxation

- a) A demand of Rs. 67,998 thousand (2019: 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 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 favourable 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 favour 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 favour. 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 favour 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 favour. 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. 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 favour 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 favour 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 favour 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 favourable 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 favour 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 favour 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 (SCP) on December 18, 2017 which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favourable outcome of the appeal based on the opinion of legal counsel of the Company.
- f) During 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 favourable 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 (2019: 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 favour. 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 (2019: Rs. 406,650 thousand) and Rs. 736,000 thousand (2019: 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 was 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

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

High Court on September 15, 2016, which is pending adjudication. No provision has been made in these financial statements as Company is confident of favourable 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 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 favourable 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 favour 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 favourable outcome against the appeal based on the opinion of legal counsel of the Company.
- k) During the year ended June 30, 2015, 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 January 02, 2015. 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 favourable 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 had raised a demand of Rs. 2,688,912 thousand on August 09, 2017. The Company filed an appeal on March 28, 2018 with CIR(A) against this demand and CIR(A) has decided all points in favor of Company except advance tax deduction from CNG companies and non-withholding of income tax on hajj expense. Resultantly the demand has reduced to Rs. 176,328 thousand the Company has filed appeal with ATIR in respect of the issues decided against the Company which is pending adjudication. No provision has been made in these financial statements as the Company is confident of a favourable outcome against the appeal based on the opinion of legal counsel of the Company.
- m) During the year ended June 30, 2019, 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 favour, 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 favourable outcome based on the opinion of legal counsel of the Company.
- n) During the year ended June 30, 2019, 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 February 28, 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 favour 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 favourable outcome based on the opinion of legal counsel of the Company.

- o) During the year ended June 30, 2019, 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 favourable outcome based on the opinion of legal counsel of the Company.
- p) During the year ended June 30, 2019, 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 favourable outcome based on the opinion of legal counsel of the Company.
- q) 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 favour 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 favourable outcome based on the opinion of legal counsel of the Company.
- r) 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 of GST on repair work on July 12, 2007. In this regard, an appeal filed by the Company with CIR(A) was decided in favour 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 Authorities. Subsequently, the Sales Tax Authorities 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 favourable outcome based on the opinion of legal counsel of the Company.
- s) During the year ended June 30, 2018, Punjab Revenue Authority raised a demand of Rs. 1,819,000 thousand on account of withholding tax audit for the Tax Year 2015, 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 favourable outcome based on the opinion of legal counsel of the Company.
- t) During the Tax Year 2020, Income Tax Authorities raised a demand of Rs. 3,389,112 thousand for tax year 2019 by disallowing tax credit under section 65B, tax deposited under section 147 and tax deducted under section 148 of Income Tax Ordinance, 2001. The Company has filed an appeal with CIR (Appeals), which is pending adjudication except for disallowance of tax credit under section 65B of Rs. 2,187,287 thousand. No provision has been made in these financial statements as Company's management is confident of favourable outcome of the appeals.
- u) Subsequent to the year end, Income Tax Authorities raised a demand of Rs. 6,747,533 thousand for tax year 2018 by disallowing cost equalization adjustment, brought forward business losses, Worker's Profit Participation Fund on various grounds. Moreover, Income tax authorities disallowed Minimum tax pertaining to tax year 2014, 2015, tax deducted under section 148 of Income Tax Ordinance, 2001 and tax paid by/deducted from the Company under various provisions of Income Tax Ordinance, 2001. The Company has filed an appeal with CIR (A), which is pending adjudication, no provision has been made in these financial statements as Company's management is confident of favourable outcome of the appeals.

# Notes to the Financial Statements

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- v) Subsequent to the year end, Income Tax Authorities raised a demand of Rs. 44,433 thousand for tax year 2016 & 2017 on account of disallowance of WPPF. The Company has filed an appeal with CIR (A), which is pending adjudication. No provision has been made in these financial statements as Company's management is confident of favourable outcome of the appeals.
- w) Tax Authorities raised a demand of Rs 3,245,429 thousand for period July 2012 to May 2014 with respect to non-deduction of withholding tax from payment of permanent establishment of E& P Companies. The matter was decided by Honourable Lahore High court in Company's favour however, tax department has filed appeal against this decision with Honourable Supreme Court of Pakistan which is pending adjudication.

## 19.1.2 Others

Claims against the Company not acknowledged as debts amount to Rs 1,625,831 thousand (2019: Rs 1,491,978 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 (2019: Rs. 84,313 thousand). This also includes a penalty of Rs. 1,000 thousand (2019: Rs. 1,000 thousand) imposed by SECP for delay in dissemination of price sensitive information to KSE. 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 favourable 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 (2019: 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 favour of the Company. However, in case if the decision is not in favour 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 (2019: Rs. 83,708 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.

871,491 thousand (2019: 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 favour 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.

## 19.2 Commitments

### 19.2.1 Capital commitments

Commitments for capital expenditures contracted:

|                               | 2020                 | 2019       |
|-------------------------------|----------------------|------------|
|                               | (Rupees in thousand) |            |
| Property, plant and equipment | 276,987              | 1,240,142  |
| Intangible assets             | 30,983               | 29,634     |
| Stores and spares             | 7,031,108            | 17,845,953 |
|                               | 7,339,078            | 19,115,729 |
| Other commitments             | 705,332              | 641,473    |

### 19.2.2 Letters of credit and bank guarantees

Facilities of Rs. 100,000 thousand (2019: Rs. 100,000 thousand) for opening letters of credit and Rs. 100,000 thousand (2019: Rs. 100,000 thousand) for guarantees are available with the Company as a sub-limit of facilities referred in note 17. Both facilities have not been availed during the years ended June 30, 2020 and June 30, 2019. 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 (2019: Rs. 666,670 thousand).

The Company has additional facilities for opening letters of credit amounting to Rs. 16,000,000 thousand (2019: Rs. 16,000,000 thousand) out of which Rs. 10,794,500 thousand (2019: Rs. 12,969,350 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.

|           | Note                                 | 2020                 | 2019        |
|-----------|--------------------------------------|----------------------|-------------|
|           |                                      | (Rupees in thousand) |             |
| <b>20</b> | <b>PROPERTY, PLANT AND EQUIPMENT</b> |                      |             |
|           | Operating fixed assets               | 182,674,503          | 175,465,092 |
|           | Capital work-in-progress             | 23,323,279           | 25,372,465  |
|           |                                      | 205,997,782          | 200,837,557 |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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

|   | Operating Fixed Assets |                |   |                             |                     |                     |   |   |                                   |                     |                         | Total       |                   |                       |                                   |
|---|------------------------|----------------|---|-----------------------------|---------------------|---------------------|---|---|-----------------------------------|---------------------|-------------------------|-------------|-------------------|-----------------------|-----------------------------------|
|   | Freehold land          | Leasehold land | Buildings and civil construction on freehold land | Buildings on leasehold land | Transmission system | Distribution system | Consumer meter and town border 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 at 30 June 2020</b>   | (Rupees in thousand)   |                |   |                             |                     |                     |   |   |                                   |                     |                         |             |                   |                       |                                   |
| Opening 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                       |
| Additions   | 77,579                 | -              | 78,952  | 15,690                      | 6,470,794           | 11,057,936          | 7,304,312                               | 13,698                                  | 1,032,279                         | 60,7164             | 36,578                  | 339,935     | 29,065            | 183,016               | 27,246,998                        |
| Disposals   | -                      | -              | -   | -                           | -                   | -                   | -                                       | -                                       | -                                 | -                   | -                       | -           | -                 | -                     | (640,625)                         |
| Cost  | -                      | -              | -   | -                           | -                   | -                   | (546,166)                               | -                                       | -                                 | (18,009)            | -                       | (76,450)    | -                 | -                     | 635,961                           |
| Accumulated depreciation                          | -                      | -              | -   | -                           | -                   | -                   | 546,166                                 | -                                       | -                                 | 18,009              | -                       | 71,786      | -                 | -                     | -                                 |
| Depreciation charge                               | -                      | -              | (97,824)  | (5,448)                     | (5,884,758)         | (6,764,508)         | (4,236,825)                             | (113,113)                               | (784,446)                         | (1,391,337)         | (115,211)               | (371,353)   | (31,815)          | (236,285)             | (20,032,923)                      |
| Closing net book value                            | 2,803,916              | 392            | 953,471   | 18,745                      | 62,655,519          | 75,601,327          | 28,257,978                              | 291,174                                 | 7,727,046                         | 2,793,762           | 174,301                 | 725,408     | 52,446            | 619,018               | 182,674,503                       |
| <b>Gross carrying value basis at 30 June 2020</b> |                        |                |   |                             |                     |                     |   |   |                                   |                     |                         |             |                   |                       |                                   |
| Cost  | 2,803,916              | 392            | 2,380,091   | 35,006                      | 120,350,177         | 131,170,347         | 60,732,151                              | 2,736,794                               | 16,998,188                        | 13,188,088          | 937,304                 | 3,837,981   | 394,535           | 2,247,443             | 357,812,413                       |
| Accumulated depreciation                          | -                      | -              | (1,426,620)                                       | (16,261)                    | (57,694,658)        | (55,569,020)        | (32,474,173)                            | (2,445,620)                             | (9,271,142)                       | (10,394,326)        | (763,003)               | (3,112,573) | (342,089)         | (1,628,425)           | (175,137,910)                     |
| Net book value                                    | 2,803,916              | 392            | 953,471   | 18,745                      | 62,655,519          | 75,601,327          | 28,257,978                              | 291,174                                 | 7,727,046                         | 2,793,762           | 174,301                 | 725,408     | 52,446            | 619,018               | 182,674,503                       |
| Depreciation rate                                 | -                      | -              | 6%  | 6-33%                       | 6-10%               | 6%                  | 6-10%                                   | 15%                                     | 6-20%                             | 10-20%              | 15-20%                  | 25%         | 33.3%             | 15-33.33%             |                                   |
| <b>Net Carrying Value basis 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          | 5,241,802                               | 55,613                                  | 333,821                           | 536,526             | 68,417                  | 271,366     | 28,351            | 244,336               | 23,093,021                        |
| Disposals   | -                      | -              | -   | -                           | -                   | -                   | -                                       | -                                       | -                                 | -                   | -                       | -           | -                 | -                     | -                                 |
| Cost  | -                      | -              | -   | -                           | (512)               | -                   | (32,5102)                               | -                                       | -                                 | (134,269)           | (5,731)                 | (66,131)    | (22,260)          | (73,874)              | (963,409)                         |
| Accumulated depreciation                          | -                      | -              | -   | -                           | 512                 | -                   | 32,5102                                 | -                                       | -                                 | 134,255             | 5,731                   | 64,213      | 22,260            | 73,874                | 961,477                           |
| Depreciation charge                               | -                      | -              | (75,814)  | (2,171)                     | (5,761,911)         | (6,002,549)         | (4,034,131)                             | (114,253)                               | (748,954)                         | (1,418,211)         | (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 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%             |                                   |

**20.1.1** Freehold land at cost of Rs. 1,856,858 thousand (2019: Rs. 1,825,974 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.

**20.1.2** The cost of assets as at June 30, 2020, include fully depreciated assets amounting to Rs. 66,803,802 thousand (2019: Rs. 57,539,435 thousand).

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

|                         | Note | 2020<br>(Rupees in thousand) | 2019       |
|-------------------------|------|------------------------------|------------|
| Distribution cost       | 37.3 | 18,638,949                   | 17,589,036 |
| Administrative expenses | 40   | 380,387                      | 358,960    |
|                         | 45   | 19,019,336                   | 17,947,996 |
| Transmission system     |      | 252,195                      | 509,811    |
| Construction contracts  |      | 30,139                       | 47,467     |
| Distribution system     |      | 731,253                      | 527,301    |
|                         |      | 1,013,587                    | 1,084,579  |
|                         | 20.1 | 20,032,923                   | 19,032,575 |

**20.1.4** Transmission lines includes 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 arrangements are as follows:

|   | 2020                        |            | 2019       |            |
|---|-----------------------------|------------|------------|------------|
|   | 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<br>Sahiwal Line  | 1,621,741                   | 543,283    | 1,621,741  | 640,588    |
| 24" Dia 81.42 Miles Sawan - Qadirpur Line                       | 997,609                     | -          | 997,609    | 34,916     |
| 36" Dia 43.49 Miles Qadirpur - Bhong Line                       | 989,327                     | -          | 989,327    | 34,626     |
| 24" Dia 67.77 Km Sahiwal - Phool Nagar (1st Segment)            | 830,062                     | 228,267    | 830,062    | 278,071    |
| 24" Dia 23.30 Km Kohat - Dakhni Line (1st Segment)              | 1,256,278                   | 797,737    | 1,256,278  | 873,113    |
| 24" Dia 39.01 Km Manzalai - Kohat Line                          | 655,227                     | 203,120    | 655,227    | 242,434    |
| 30" Dia 31.5 Miles MP6 - AV30 (P6) Kabirwala / Ali Pur          | 609,570                     | -          | 609,570    | -          |
| 24" Dia 52.00 Km Down Stream Balloki to<br>Dawood Hercules Line | 599,898                     | 227,961    | 599,898    | 263,955    |
| 36" Dia 22.78 Miles AV7 A3 (P-7)                                | 537,929                     | -          | 537,929    | -          |
| 30" Dia 35.40 Km All - Chanab Crossing                          | 513,753                     | 48,807     | 513,753    | 79,632     |
| 36" Dia 20.66 Miles Sidhani - AC 7 D/S                          | 486,421                     | 17,025     | 486,421    | 46,210     |
| 36" Dia 31.93 Km AV20-AC6                                       | 481,939                     | 33,704     | 481,939    | 62,620     |
| 36" Dia 25.48 Km AC4 - AV15                                     | 407,217                     | 38,686     | 407,217    | 63,119     |
| 36" Dia 18.60 Miles A4 AC4 (P-7)                                | 450,064                     | -          | 450,064    | -          |
| 24" Dia 23.71 Km D/H Offtake (MP 59.9) - B - 3 Loopline         | 451,646                     | 178,400    | 451,644    | 205,499    |
| 36" Dia 16.75 Miles Q AC1X-AC7                                  | 439,664                     | 15,388     | 439,664    | 41,768     |
| 24" Dia 10.10 Km Dakhni - FC - 1 Line (1st Segment)             | 1,104,516                   | 701,368    | 1,104,516  | 767,639    |
| Balance brought forward   | 12,432,861                  | 3,033,746  | 12,432,859 | 3,634,190  |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

| Musharaka Arrangements                          | 2020                 |            | 2019       |            |
|---|----------------------|------------|------------|------------|
|   | Cost                 | Book value | Cost       | Book value |
|   | (Rupees in thousand) |            |            |            |
| Balance carried forward                         | 12,432,861           | 3,033,746  | 12,432,859 | 3,634,190  |
| 30" Dia 29.16 Km CC1 - CC4                      | 432,300              | 41,069     | 432,300    | 67,007     |
| 36" Dia 25.93 Km AV29 - A8 - AV30               | 450,632              | 42,810     | 450,632    | 69,848     |
| 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    | -          |
| 36" Dia 16.42 Miles AV 40 - AC 8 Line           | 371,390              | -          | 371,390    | 3,689      |
| 36" Dia 13.04 Miles A3 AV10 (P-7)               | 368,308              | -          | 368,308    | -          |
| 30" Dia 21.24 Miles CS - CV25                   | 357,557              | -          | 357,557    | -          |
| 36" Dia 14.66 Miles A6 AV - 22                  | 351,991              | 12,320     | 351,991    | 33,439     |
| 36" Dia 13.11 Miles AV - 20 - MP130 (P-7)       | 327,276              | -          | 327,276    | -          |
| 30" Dia 19.61 Miles CS - CV10                   | 317,078              | -          | 317,078    | -          |
| 24" Dia 20.48 Km All - BV - 3                   | 255,920              | 17,898     | 255,920    | 33,253     |
| 36" Dia 8.76 Miles AV 10MP 11.57 (P-7)          | 250,067              | -          | 250,067    | -          |
| 30" Dia 12.76 Miles A8 - AV31 Add Loop          | 248,085              | -          | 248,085    | -          |
| 30" Dia 14.15 Miles CV74 - CV9                  | 240,483              | -          | 240,483    | 2,389      |
| 30" Dia 15.95 Miles A10                         | 240,089              | -          | 240,089    | -          |
| 24" Dia 25.63 Km Kohat Darra Adam Khel Line     | 235,406              | 80,038     | 235,399    | 94,162     |
| 36" Dia 9.93 Miles MP 173 - A6                  | 222,876              | -          | 222,876    | 2,214      |
| 24" Dia 10.31 Km Kohat - D/S Dara Adamkhel Line | 219,507              | 69,145     | 219,507    | 82,315     |
| 24" 92" 16" Dia Kamra Noshir                    | 196,057              | -          | 196,057    | -          |
| 24" Dia 18.46 Km BC1 - B2                       | 193,743              | 18,406     | 193,743    | 30,030     |
| 24" Dia 10.38 Km Phool Nagar - Baloki Line      | 182,430              | 47,432     | 182,430    | 58,378     |
| 36" Dia 9.44 Miles MP 112.54 - A4               | 176,862              | -          | 176,862    | 1,757      |
| 36" Dia 4.78 Miles Q MP - 173 A6 AV20           | 155,737              | 5,451      | 155,737    | 14,795     |
| 24" Dia 3.08 Km River Ravi Crossing At Balloki  | 137,612              | 57,797     | 137,612    | 66,054     |
| 30" Dia 6.80 Km MP 160 - CC3 Line               | 97,760               | 6,837      | 97,760     | 12,702     |
| 24" Dia 6.21 Miles Sui MP6 (NT)                 | 83,633               | -          | 83,633     | -          |
| 24" Dia 16 Km MP28.33 - BC1                     | 79,079               | 14,234     | 79,079     | 18,979     |
| 24" Dia 1.12 Km Attock Crossing                 | 39,319               | 9,830      | 39,319     | 12,189     |
| 30" Dia Construction of AC - A11                | 11,315               | -          | 11,315     | -          |
| 24" Dia 24.48 Km AC4 - AV15 Line                | 6,762                | 1,183      | 6,762      | 1,589      |
|   | 19,461,727           | 3,458,196  | 19,461,718 | 4,238,979  |

**20.1.5** 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. Asset held under these musharaka arrangement is as follows:

| Musharaka Arrangements                  | 2020                 |            | 2019      |            |
|---|----------------------|------------|-----------|------------|
|   | Cost                 | Book value | Cost      | Book value |
|   | (Rupees in thousand) |            |           |            |
| 36" Dia 68.14 Km AV 29 Mian Channu Line | 2,125,933            | 584,632    | 2,125,933 | 712,188    |

**20.1.6** 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                   | Attok          | 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                        | Attok          | 2                | 7     | 13     |
| Ahmad Nagar C-1 Station                               | Chinot         | 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     | -      |
| Office Mess Lahore Cantt                              | Lahore         | 800 square yards |       |        |
| Distribution Office Peshawar                          | Peshwar        | -                | 6     | -      |
| Distribution Office Abbottabad                        | Abbottabad     | 1                | 4     | 17     |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note    | 2020<br>(Rupees in thousand) | 2019              |
|---|---------|------------------------------|-------------------|
| <b>20.2 Capital work-in-progress</b>  |         |                              |                   |
| Transmission system   | 20.2.1  | 3,071,687                    | 6,169,476         |
| Distribution system   | 20.2.2  | 10,836,235                   | 9,895,328         |
| Stores and spare parts held for capital expenditure   | 20.2.3  | 9,171,195                    | 8,980,006         |
| Advances for land and other capital expenditure   |         | 244,162                      | 327,655           |
|   |         | <b>23,323,279</b>            | <b>25,372,465</b> |
| <b>20.2.1 Transmission system</b>   |         |                              |                   |
| Opening Balance   |         | 6,169,476                    | 2,076,420         |
| Addition during the year  |         | 4,630,513                    | 6,795,272         |
| Transfer to the operating assets  |         | (7,728,302)                  | (2,702,216)       |
| Closing Balance   |         | 3,071,687                    | 6,169,476         |
| <b>20.2.2 Distribution system</b>   |         |                              |                   |
| Opening Balance   |         | 9,895,328                    | 8,718,932         |
| Addition during the year  |         | 20,464,057                   | 21,730,531        |
| Transfer to the operating assets  |         | (19,523,150)                 | (20,554,135)      |
| Closing Balance   |         | 10,836,235                   | 9,895,328         |
| <b>20.2.3 Stores and spare parts held for capital expenditure</b>                                     |         |                              |                   |
| Stores and spare parts [including in-transit Rs 1,176,002 thousand<br>(2019: Rs. 1,114,170 thousand)] |         | 9,228,195                    | 9,047,494         |
| Less: Provision for obsolescence  |         | (57,000)                     | (67,488)          |
|   |         | <b>9,171,195</b>             | <b>8,980,006</b>  |
| <b>21 INTANGIBLE ASSETS</b>   |         |                              |                   |
| These represent computer softwares and ERP system.  |         |                              |                   |
| <b>Balance as at beginning of the year</b>  |         |                              |                   |
| Cost  |         | 937,298                      | 773,966           |
| Accumulated amortization  |         | (751,571)                    | (657,534)         |
| Net book value  |         | 185,727                      | 116,432           |
| <b>Movement during the year</b>   |         |                              |                   |
| Additions   |         | 4,454                        | 163,332           |
| Amortization charge for the year  | 40 & 45 | (93,229)                     | (94,037)          |
| <b>Balance as at year end</b>   |         |                              |                   |
| Cost  |         | 941,752                      | 937,298           |
| Accumulated amortization  |         | (844,800)                    | (751,571)         |
| Net book value  |         | 96,952                       | 185,727           |
| <b>Rate of amortization</b>   |         | <b>33.33%</b>                | <b>33.33%</b>     |

**21.1** The cost of intangible assets as at June 30, 2020, include fully amortized assets amounting to Rs. 702,307 thousand (2019: Rs. 647,943 thousand).

## 22 RIGHT-OF-USE ASSETS

|   | Transmission system  | Building  | Total       |
|---|----------------------|-----------|-------------|
|   | (Rupees in thousand) |           |             |
| <b>As at July 01, 2019</b>                      |                      |           |             |
| Cost (Impact of initial application of IFRS 16) | 35,829,734           | 381,993   | 36,211,727  |
| Accumulated depreciation                        | -                    | -         | -           |
| Net book value                                  | 35,829,734           | 381,993   | 36,211,727  |
| <b>Movement during the year</b>                 |                      |           |             |
| Additions                                       | 4,317,546            | 14,386    | 4,331,932   |
| Less: Depreciation charge for the year          | (3,480,650)          | (175,545) | (3,656,195) |
| <b>Balance at the end of the year</b>           |                      |           |             |
| Cost  | 40,147,280           | 396,379   | 40,543,659  |
| Accumulated depreciation                        | (3,480,650)          | (175,545) | (3,656,195) |
| Net book value                                  | 36,666,630           | 220,834   | 36,887,464  |

22.1 The rate of depreciation is based on the term of the respective agreement and ranges from 8% to 33% per annum.

|  | Note | 2020<br>(Rupees in thousand) | 2019 |
|--|------|------------------------------|------|
| 22.2 Depreciation charge for the year has been allocated as follows: |      |                              |      |
| Distribution cost  | 37.3 | 3,613,461                    | -    |
| Administrative expenses  | 40   | 42,734                       | -    |
|  |      | 3,656,195                    | -    |

22.3 Building premises represents the right-of-use assets acquired on lease by the Company for its operations.

22.4 Transimission system (pipelines) represents the right of use assets acquired on lease by the Company from Sui Southern Gas Company Limited.

## 23 LONG TERM LOANS - CONSIDERED GOOD

|  | Note | Employee welfare     |         | House building |       | Motorcycle / Scooter |        | Total     |           |
|--|------|----------------------|---------|----------------|-------|----------------------|--------|-----------|-----------|
|  |      | 2020                 | 2019    | 2020           | 2019  | 2020                 | 2019   | 2020      | 2019      |
|  |      | (Rupees in thousand) |         |                |       |                      |        |           |           |
| Due from:                                      |      |                      |         |                |       |                      |        |           |           |
| Executives                                     | 23.1 | -                    | -       | 2,311          | 3,325 | -                    | -      | 2,311     | 3,325     |
| Other employees                                |      | 1,026,259            | 975,470 | 4,041          | 3,858 | 23,023               | 34,517 | 1,053,323 | 1,013,845 |
|  |      | 1,026,259            | 975,470 | 6,352          | 7,183 | 23,023               | 34,517 | 1,055,634 | 1,017,170 |
| Current portion shown under loans and advances |      |                      |         |                |       |                      |        |           |           |
| Executives                                     | 29   | -                    | -       | 875            | 1,009 | -                    | -      | 875       | 1,009     |
| Other employees                                | 29   | 185,136              | 166,675 | 1,252          | 1,054 | 17,386               | 19,675 | 203,774   | 187,404   |
|  |      | 185,136              | 166,675 | 2,127          | 2,063 | 17,386               | 19,675 | 204,649   | 188,413   |
|  |      | 841,123              | 808,795 | 4,225          | 5,120 | 5,637                | 14,842 | 850,985   | 828,757   |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|  | Employee welfare |      | House building |         | Motorcycle / Scooter |      | Total   |         |
|--|------------------|------|----------------|---------|----------------------|------|---------|---------|
|  | 2020             | 2019 | 2020           | 2019    | 2020                 | 2019 | 2020    | 2019    |
| (Rupees in thousand)                                       |                  |      |                |         |                      |      |         |         |
| <b>23.1 Reconciliation of balance due from executives:</b> |                  |      |                |         |                      |      |         |         |
| Opening balance  | -                | -    | 3,325          | 4,384   | -                    | -    | 3,325   | 4,384   |
| Disbursements / reclassification                           | -                | -    | -              | -       | -                    | -    | -       | -       |
|  | -                | -    | 3,325          | 4,384   | -                    | -    | 3,325   | 4,384   |
| Repayments / adjustments                                   | -                | -    | (1,014)        | (1,059) | -                    | -    | (1,014) | (1,059) |
| Closing balance  | -                | -    | 2,311          | 3,325   | -                    | -    | 2,311   | 3,325   |

**23.2** 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% (2019: 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.

**23.3** The maximum amount due from the Chief Executive and Executives at any month end during the year was Nil (2019: Nil) and Rs. 3,242 thousand (2019: Rs. 4,291 thousand), respectively.

**23.4** 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.

**23.5** Effective interest rates on the above loans range between 6.54% to 13.44% (2019: 6.54% to 13.44%) per annum.

|   | Note | 2020                 | 2019      |
|---|------|----------------------|-----------|
|   |      | (Rupees in thousand) |           |
| <b>24 EMPLOYEE BENEFITS</b>                         |      |                      |           |
| Pension fund - Executive staff                      |      | 1,381,387            | 1,314,177 |
| Free gas facility fund - Executives                 |      | 89,482               | 105,129   |
| Free gas facility fund - Non Executive staff        |      | -                    | 44,305    |
| Medical fund - Non Executive Staff                  |      | 2,122,398            | 1,338,554 |
| Medical fund - Executive Staff                      |      | 499,046              | -         |
| Accumulating compensated absences - Executive staff |      | 96,682               | 81,494    |
|   | 24.1 | 4,188,995            | 2,883,659 |

## 24.1 Reconciliation of receivable from employee benefit plans:

|                                     | Note | Pension fund - Executive staff |             | Free gas facility fund - Executives |           | Free gas facility fund - Non executives |             |
|-------------------------------------|------|--------------------------------|-------------|-------------------------------------|-----------|---|-------------|
|                                     |      | 2020                           | 2019        | 2020                                | 2019      | 2020                                    | 2019        |
|                                     |      | (Rupees in thousand)           |             |                                     |           |   |             |
| Fair value of plan assets           | 24.5 | 3,751,064                      | 3,118,825   | 251,469                             | 213,115   | -                                       | 5,334,927   |
| Present value of funded obligations | 24.4 | (2,369,677)                    | (1,804,648) | (161,987)                           | (107,986) | -                                       | (5,290,622) |
| Net assets                          | 24.2 | 1,381,387                      | 1,314,177   | 89,482                              | 105,129   | -                                       | 44,305      |

|                                     | Note | Medical fund - Non Executive Staff |             | Medical fund - Executive Staff |      | Accumulating compensated absences - Executive staff |           | Total        |              |
|-------------------------------------|------|------------------------------------|-------------|--------------------------------|------|---|-----------|--------------|--------------|
|                                     |      | 2020                               | 2019        | 2020                           | 2019 | 2020  | 2019      | 2020         | 2019         |
|                                     |      | (Rupees in thousand)               |             |                                |      |   |           |              |              |
| Fair value of plan assets           | 24.5 | 11,465,428                         | 10,301,319  | 5,433,262                      | -    | 890,441   | 812,278   | 21,791,664   | 19,780,464   |
| Present value of funded obligations | 24.4 | (9,343,030)                        | (8,962,765) | (4,934,216)                    | -    | (793,759)   | (730,784) | (17,602,669) | (16,896,805) |
| Net assets                          | 24.2 | 2,122,398                          | 1,338,554   | 499,046                        | -    | 96,682  | 81,494    | 4,188,995    | 2,883,659    |

## 24.2 Movement in net assets

|                                  | Note | Pension fund - Executive staff |           | Free gas facility fund - Executives |          | Free gas facility fund - Non executives |           |
|----------------------------------|------|--------------------------------|-----------|-------------------------------------|----------|---|-----------|
|                                  |      | 2020                           | 2019      | 2020                                | 2019     | 2020                                    | 2019      |
|                                  |      | (Rupees in thousand)           |           |                                     |          |   |           |
| Opening asset                    |      | 1,314,177                      | 913,120   | 105,129                             | 114,877  | -                                       | 720,444   |
| Credit / (charge) for the year   | 24.3 | 158,416                        | 58,207    | 15,921                              | 13,445   | -                                       | (79,181)  |
| Remeasurements chargeable in OCI |      | (576,360)                      | (29,508)  | (40,927)                            | (32,458) | -                                       | (727,533) |
| Contribution paid                |      | 485,154                        | 372,358   | 9,359                               | 9,265    | -                                       | 130,575   |
|                                  |      | 1,381,387                      | 1,314,177 | 89,482                              | 105,129  | -                                       | 44,305    |

|                                  | Note | Medical fund - Non Executive Staff |           | Medical fund - Executive Staff |      | Accumulating compensated absences - Executive staff |           | Total     |           |
|----------------------------------|------|------------------------------------|-----------|--------------------------------|------|---|-----------|-----------|-----------|
|                                  |      | 2020                               | 2019      | 2020                           | 2019 | 2020  | 2019      | 2020      | 2019      |
|                                  |      | (Rupees in thousand)               |           |                                |      |   |           |           |           |
| Opening asset                    |      | 1,338,554                          | 740,197   | (241,677)                      | -    | 81,494  | (137,161) | 2,597,677 | 2,351,477 |
| (Charge) / credit for the year   | 24.3 | (198,791)                          | (311,842) | (280,798)                      | -    | (15,699)  | 54,783    | (320,951) | (264,588) |
| Remeasurements chargeable in OCI |      | 855,577                            | 786,372   | 918,415                        | -    | -   | -         | 1,156,705 | (3,127)   |
| Contribution paid                |      | 127,058                            | 123,827   | 103,106                        | -    | 30,887  | 163,872   | 755,564   | 799,897   |
|                                  |      | 2,122,398                          | 1,338,554 | 499,046                        | -    | 96,682  | 81,494    | 4,188,995 | 2,883,659 |

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## 24.3 Amounts recognized in profit and loss account are as follows:

|   | Note | Pension fund - Executive staff |           | Free gas facility fund - Executives |          | Free gas facility fund - Non executives |           |
|---|------|--------------------------------|-----------|-------------------------------------|----------|---|-----------|
|   |      | 2020                           | 2019      | 2020                                | 2019     | 2020                                    | 2019      |
|   |      | (Rupees in thousand)           |           |                                     |          |   |           |
| Current service cost                                  |      | 67,313                         | 65,465    | -                                   | -        | -                                       | 167,578   |
| Interest on obligation                                |      | 256,080                        | 192,751   | 14,981                              | 9,405    | -                                       | 463,141   |
| Expected return on plan assets                        |      | (481,809)                      | (316,423) | (30,902)                            | (22,850) | -                                       | (551,538) |
| Net actuarial losses recognized in the year           |      | -                              | -         | -                                   | -        | -                                       | -         |
| Total included in employee benefit (income) / expense | 24.2 | (158,416)                      | (58,207)  | (15,921)                            | (13,445) | -                                       | 79,181    |
| Actual return on plan assets                          |      | 224,244                        | 161,188   | 38,354                              | 10,003   | -                                       | 432,369   |

|   | Note | Medical fund - Non Executive Staff |             | Medical fund - Executive Staff |      | Accumulating compensated absences - Executive staff |          | Total       |             |
|---|------|------------------------------------|-------------|--------------------------------|------|---|----------|-------------|-------------|
|   |      | 2020                               | 2019        | 2020                           | 2019 | 2020  | 2019     | 2020        | 2019        |
|   |      | (Rupees in thousand)               |             |                                |      |   |          |             |             |
| Current service cost                                  |      | 402,091                            | 402,081     | 253,230                        | -    | 11,624  | 13,023   | 734,258     | 648,147     |
| Interest on obligation                                |      | 1,290,391                          | 975,749     | 735,255                        | -    | 103,725   | 72,236   | 2,400,432   | 1,713,282   |
| Expected return on plan assets                        |      | (1,493,691)                        | (1,065,988) | (707,687)                      | -    | (117,780)   | (66,023) | (2,831,869) | (2,022,822) |
| Net actuarial losses recognized in the year           |      | -                                  | -           | -                              | -    | 18,130  | (74,019) | 18,130      | (74,019)    |
| Total included in employee benefit expense / (income) | 24.2 | 198,791                            | 311,842     | 280,798                        | -    | 15,699  | (54,783) | 320,951     | 264,588     |
| Actual return on plan assets                          |      | 1,164,109                          | 825,866     | 552,662                        | -    | 78,163  | 156,822  | 2,057,532   | 1,586,248   |

## 24.4 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 |           |
|------------------------------------|------|--------------------------------|-----------|-------------------------------------|---------|---|-----------|
|                                    |      | 2020                           | 2019      | 2020                                | 2019    | 2020                                    | 2019      |
|                                    |      | (Rupees in thousand)           |           |                                     |         |   |           |
| Opening defined benefit obligation |      | 1,804,648                      | 1,754,530 | 107,986                             | 88,235  | -                                       | 4,182,114 |
| Service cost                       |      | 67,313                         | 65,465    | -                                   | -       | -                                       | 167,578   |
| Interest cost                      |      | 256,080                        | 192,751   | 14,981                              | 9,405   | -                                       | 463,141   |
| Remeasurements charged to OCI      |      | 318,795                        | (125,727) | 48,379                              | 19,611  | -                                       | 608,364   |
| Actuarial losses                   |      | -                              | -         | -                                   | -       | -                                       | -         |
| Benefits paid                      |      | (77,159)                       | (82,371)  | (9,359)                             | (9,265) | -                                       | (130,575) |
| Closing defined benefit obligation | 24.1 | 2,369,677                      | 1,804,648 | 161,987                             | 107,986 | -                                       | 5,290,622 |

|                                    | Note | Medical fund - Non Executive Staff |             | Medical fund - Executive Staff |      | Accumulating compensated absences - Executive staff |          | Total       |            |
|------------------------------------|------|------------------------------------|-------------|--------------------------------|------|---|----------|-------------|------------|
|                                    |      | 2020                               | 2019        | 2020                           | 2019 | 2020  | 2019     | 2020        | 2019       |
|                                    |      | (Rupees in thousand)               |             |                                |      |   |          |             |            |
| Opening defined benefit obligation |      | 8,962,765                          | 8,735,256   | 5,122,277                      | -    | 730,784   | 655,456  | 16,728,460  | 15,415,591 |
| Service cost                       |      | 402,091                            | 402,081     | 253,230                        | -    | 11,624  | 13,023   | 734,258     | 648,147    |
| Interest cost                      |      | 1,290,391                          | 975,749     | 735,255                        | -    | 103,725   | 72,236   | 2,400,432   | 1,713,282  |
| Remeasurements charged to OCI      |      | (1,185,159)                        | (1,026,494) | (1,073,440)                    | -    | -   | -        | (1,891,425) | (524,246)  |
| Actuarial losses                   |      | -                                  | -           | -                              | -    | (21,487)  | 16,780   | (21,487)    | 16,780     |
| Benefits paid                      |      | (127,058)                          | (123,827)   | (103,106)                      | -    | (30,887)  | (26,711) | (347,569)   | (372,749)  |
| Closing defined benefit obligation | 24.1 | 9,343,030                          | 8,962,765   | 4,934,216                      | -    | 793,759   | 730,784  | 17,602,669  | 16,896,805 |

## 24.5 Changes in the fair value of plan assets

| Note                              | Pension fund - Executive staff |           | Free gas facility fund - Executives |          | Free gas facility fund - Non executives |           |
|-----------------------------------|--------------------------------|-----------|-------------------------------------|----------|---|-----------|
|                                   | 2020                           | 2019      | 2020                                | 2019     | 2020                                    | 2019      |
|                                   | (Rupees in thousand)           |           |                                     |          |   |           |
| Opening fair value of plan assets | 3,118,825                      | 2,667,650 | 213,115                             | 203,112  | -                                       | 4,902,558 |
| Expected return                   | 481,809                        | 316,423   | 30,902                              | 22,850   | -                                       | 551,538   |
| Remeasurements charged to OCI     | (257,565)                      | (155,235) | 7,452                               | (12,847) | -                                       | (119,169) |
| Actuarial losses                  | -                              | -         | -                                   | -        | -                                       | -         |
| Contributions by employer         | 485,154                        | 372,358   | 9,359                               | 9,265    | -                                       | 130,575   |
| Benefits paid                     | (77,159)                       | (82,371)  | (9,359)                             | (9,265)  | -                                       | (130,575) |
| 24.6                              | 3,751,064                      | 3,118,825 | 251,469                             | 213,115  | -                                       | 5,334,927 |

| Note                              | Medical fund - Non Executive Staff |            | Medical fund - Executive Staff |      | Accumulating compensated absences - Executive staff |          | Total      |            |
|-----------------------------------|------------------------------------|------------|--------------------------------|------|---|----------|------------|------------|
|                                   | 2020                               | 2019       | 2020                           | 2019 | 2020  | 2019     | 2020       | 2019       |
|                                   | (Rupees in thousand)               |            |                                |      |   |          |            |            |
| Opening fair value of plan assets | 10,301,319                         | 9,475,453  | 4,880,600                      | -    | 812,278   | 518,295  | 19,326,137 | 17,767,068 |
| Expected return                   | 1,493,691                          | 1,065,988  | 707,687                        | -    | 117,780   | 66,023   | 2,831,869  | 2,022,822  |
| Remeasurements charged to OCI     | (329,582)                          | (240,122)  | (155,025)                      | -    | -   | -        | (734,720)  | (527,373)  |
| Actuarial losses                  | -                                  | -          | -                              | -    | (39,617)  | 90,799   | (39,617)   | 90,799     |
| Contributions by employer         | 127,058                            | 123,827    | 103,106                        | -    | 25,640  | 163,872  | 750,317    | 799,897    |
| Benefits paid                     | (127,058)                          | (123,827)  | (103,106)                      | -    | (25,640)  | (26,711) | (342,322)  | (372,749)  |
| 24.6                              | 11,465,428                         | 10,301,319 | 5,433,262                      | -    | 890,441   | 812,278  | 21,791,664 | 19,780,464 |

## 24.6 Plan assets comprise of:

|                           | Pension fund - Executive staff |        |                      |        |
|---------------------------|--------------------------------|--------|----------------------|--------|
|                           | 2020                           |        | 2019                 |        |
|                           | Fair value                     |        | Fair value           |        |
|                           | (Rupees in thousand)           | %      | (Rupees in thousand) | %      |
| Certificates of deposit   | 3,036,558                      | 80.95  | 2,409,217            | 77.25  |
| Pakistan Investment Bonds | 480,761                        | 12.82  | 496,588              | 15.92  |
| NIT Units                 | 155,583                        | 4.15   | 147,064              | 4.72   |
| Cash at Bank              | 78,162                         | 2.08   | 65,956               | 2.11   |
|                           | 3,751,064                      | 100.00 | 3,118,825            | 100.00 |

|                           | Free gas facility fund - Executives |        |                      |        |
|---------------------------|-------------------------------------|--------|----------------------|--------|
|                           | 2020                                |        | 2019                 |        |
|                           | Fair value                          |        | Fair value           |        |
|                           | (Rupees in thousand)                | %      | (Rupees in thousand) | %      |
| Certificates of deposit   | 231,951                             | 92.24  | 201,469              | 94.54  |
| Pakistan Investment Bonds | 11,696                              | 4.65   | -                    | -      |
| Cash at Bank              | 7,822                               | 3.11   | 11,646               | 5.46   |
|                           | 251,469                             | 100.00 | 213,115              | 100.00 |

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|                           | Free gas facility fund - Non executives |   |                      |        |
|---------------------------|---|---|----------------------|--------|
|                           | 2020                                    |   | 2019                 |        |
|                           | Fair value                              |   | Fair value           |        |
|                           | (Rupees in thousand)                    | % | (Rupees in thousand) | %      |
| Certificates of deposit   | -                                       | - | 4,815,719            | 90.27  |
| NIT Units                 | -                                       | - | 57,596               | 1.08   |
| Pakistan Investment Bonds | -                                       | - | 436,896              | 8.19   |
| Cash at Bank              | -                                       | - | 24,716               | 0.46   |
|                           | -                                       | - | 5,334,927            | 100.00 |

|                           | Medical fund - Non executive staff |        |                      |        |
|---------------------------|------------------------------------|--------|----------------------|--------|
|                           | 2020                               |        | 2019                 |        |
|                           | Fair value                         |        | Fair value           |        |
|                           | (Rupees in thousand)               | %      | (Rupees in thousand) | %      |
| Certificates of deposit   | 8,227,004                          | 71.75  | 8,809,426            | 85.51  |
| NIT Units                 | 175,218                            | 1.53   | 165,625              | 1.61   |
| Pakistan Investment Bonds | 2,941,503                          | 25.66  | 1,204,951            | 11.70  |
| Cash at Bank              | 121,703                            | 1.06   | 121,317              | 1.18   |
|                           | 11,465,428                         | 100.00 | 10,301,319           | 100.00 |

|                           | Medical fund - Executive staff |        |                      |   |
|---------------------------|--------------------------------|--------|----------------------|---|
|                           | 2020                           |        | 2019                 |   |
|                           | Fair value                     |        | Fair value           |   |
|                           | (Rupees in thousand)           | %      | (Rupees in thousand) | % |
| Certificates of deposit   | 3,412,282                      | 62.80  | -                    | - |
| NIT Units                 | 23,468                         | 0.43   | -                    | - |
| Pakistan Investment Bonds | 1,216,344                      | 22.39  | -                    | - |
| Cash at Bank              | 781,168                        | 14.38  | -                    | - |
|                           | 5,433,262                      | 100.00 | -                    | - |

|                           | Accumulating compensated absences - Executive staff |        |                      |        |
|---------------------------|---|--------|----------------------|--------|
|                           | 2020  |        | 2019                 |        |
|                           | Fair value  |        | Fair value           |        |
|                           | (Rupees in thousand)                                | %      | (Rupees in thousand) | %      |
| Certificates of deposit   | 539,763   | 60.62  | 486,982              | 59.96  |
| Pakistan Investment Bonds | 334,280   | 37.54  | 307,561              | 37.86  |
| Cash at bank              | 16,398  | 1.84   | 17,735               | 2.18   |
|                           | 890,441   | 100.00 | 812,278              | 100.00 |

**24.7 Principal actuarial assumptions used  
(expressed as weighted average)**

|   | Pension fund - Executive staff |        |
|---|--------------------------------|--------|
|   | 2020                           | 2019   |
| Expected increase in salaries                       | 9.25%                          | 14.50% |
| Discount rate                                       | 9.25%                          | 14.50% |
| Expected rate of return per annum on plan assets    | 9.25%                          | 14.50% |
| Rate of growth in pensions                          |                                |        |
| - Employees with retirement up to November 11, 2017 | 5.0%                           | 11.50% |
| - Employees with retirement after November 11, 2017 | 5.0%                           | 5.0%   |

During the financial year 2017-18, 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 5% 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 |        |
|---|--|--------|
|   | 2020                                     | 2019   |
| Discount rate   | 9.25%                                    | 14.50% |
| Expected return of growth per annum in average cost of facility | 9.25%                                    | 13.50% |
| Expected rate of return per annum on plan assets                | 9.25%                                    | 14.50% |

|   | Free Gas facility fund - Non executive staff |        |
|---|--|--------|
|   | 2020   | 2019   |
| Discount rate   | 9.25%  | 14.50% |
| Expected return of growth per annum in average cost of facility | 9.25%  | 13.50% |
| Expected rate of return per annum on plan assets                | 9.25%  | 14.50% |

|   | Medical fund Non-executive |        |
|---|----------------------------|--------|
|   | 2020                       | 2019   |
| Discount rate   | 9.25%                      | 14.50% |
| Expected rate of growth per annum in average cost of facility | 9.25%                      | 13.50% |
| Increase in average cost of post retirement medical facility  | 9.25%                      | 14.50% |
| Expected rate of return per annum on plan assets              | 9.25%                      | 14.50% |

**24.8** 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|  | Note  | 2020<br>(Rupees in thousand) | 2019      |
|--|---|------------------------------|-----------|
| <b>24.9</b>  | <b>The charge for the year has been allocated as follows:</b> |                              |           |
| Distribution cost  |   | 151,126                      | 143,569   |
| Selling cost   |   | 84,109                       | 54,265    |
| Administrative expenses  |   | 66,695                       | 40,493    |
| Capital work-in-progress   |   | 19,021                       | 26,261    |
|  |   | 320,951                      | 264,588   |
| <b>25</b>  | <b>LONG TERM DEPOSITS AND PREPAYMENTS</b>                     |                              |           |
| Security and other deposits  |   | 22,656                       | 15,020    |
| Prepayments  |   | 1,232                        | 105,941   |
|  |   | 23,888                       | 120,961   |
| Less: Current portion of prepayments   | 30  | -                            | 104,527   |
| Provision against prepayments  |   | 1,232                        | 1,232     |
|  |   | 1,232                        | 105,759   |
|  |   | 22,656                       | 15,202    |
| <b>26</b>  | <b>STORES AND SPARE PARTS</b>                                 |                              |           |
| Stores [including in-transit Rs 427,418 thousand<br>(2019: Rs 427,108 thousand)] |   | 4,435,131                    | 4,000,487 |
| Spares [including in-transit Rs 298,680 thousand<br>(2019: Rs 128,120 thousand)] |   | 1,191,861                    | 1,032,537 |
|  |   | 5,626,992                    | 5,033,024 |
| Less: Provision for obsolescence   | 26.1  | 36,355                       | 28,128    |
|  |   | 5,590,637                    | 5,004,896 |
| <b>26.1</b>  | <b>Provision for obsolescence</b>                             |                              |           |
| Balance as on July 1   |   | 28,128                       | 22,635    |
| Charge for the year  |   | 8,227                        | 5,493     |
| Balance as on June 30  |   | 36,355                       | 28,128    |
| <b>27</b>  | <b>STOCK-IN-TRADE</b>   |                              |           |
| - Gas in pipelines   |   | 3,792,112                    | 4,616,328 |
| - Gas in floating storage regassification unit                                   | 27.1  | 3,032,711                    | 4,390,904 |
|  |   | 6,824,823                    | 9,007,232 |

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

**27.2** 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 4.20 to the financial statements.

|               | Note  | 2020<br>(Rupees in thousand) | 2019         |              |
|---------------|---|------------------------------|--------------|--------------|
| <b>28</b>     | <b>TRADE DEBTS</b>  |                              |              |              |
|               | Considered good:  |                              |              |              |
|               | Secured   | 28.1 & 28.3                  | 59,968,336   | 62,142,912   |
|               | Unsecured   | 15.5, 28.1 & 28.3            | 105,422,301  | 95,645,371   |
|               | Deferred gas sales  |                              | (628,952)    | (215,122)    |
|               |   |                              | 164,761,685  | 157,573,161  |
|               | Considered doubtful   |                              | 24,899,088   | 23,045,455   |
|               |   |                              | 189,660,773  | 180,618,616  |
|               | Less: Allowance for expected credit losses                    | 28.2                         | (24,899,088) | (23,045,455) |
|               |   |                              | 164,761,685  | 157,573,161  |
| <b>28.1</b>   | These include amounts due from the following related parties: |                              |              |              |
|               | Oil and Gas Development Company Limited                       |                              | 5            | 5            |
|               | Sui Southern Gas Company Limited                              |                              | 51,964,842   | 32,801,683   |
|               | State Life Insurance Corporation of Pakistan                  |                              | 301          | 101          |
|               | The Bank of Punjab  |                              | -            | 2            |
|               | Pak Arab Refinery Limited                                     |                              | 17,963       | 40,753       |
|               | Sheikh CNG  |                              | 820          | 1,356        |
|               | City CNG  |                              | -            | 1,306        |
|               | National Power Parks Management Company (Private) Limited     |                              | 6,685,419    | 6,018,355    |
|               | Quaid-e-Azam Thermal Power (Private) Limited                  |                              | 13,773,066   | 12,844,872   |
|               | Fauji Fertilizers Company Limited                             |                              | 1,430        | 1,399        |
|               | Engro Powergen Qadirpur Limited                               |                              | 2,580,172    | -            |
|               | Water and Power Development Authority                         |                              | 24,209,678   | 22,800,916   |
|               | Nishat Mills Limited  |                              | 5,057,463    | -            |
|               |   |                              | 104,291,159  | 74,510,748   |
| <b>28.1.1</b> | <b>Ageing of related party balance</b>                        |                              |              |              |
|               | One to six months   |                              | 58,273,983   | 47,839,161   |
|               | More than six months  |                              | 46,017,176   | 26,671,587   |
|               |   |                              | 104,291,159  | 74,510,748   |
| <b>28.2</b>   | <b>Allowance for expected credit loss</b>                     |                              |              |              |
|               | Balance as at July 01   |                              | 23,045,455   | 21,202,850   |
|               | Effect of adoption of IFRS 9                                  |                              | -            | 336,726      |
|               | Provision for expected credit losses                          | 45                           | 1,853,633    | 1,505,879    |
|               | Balance as on June 30   |                              | 24,899,088   | 23,045,455   |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

**28.2.1** For amounts due directly or ultimately from the Government of Pakistan, exemption is allowed by the SECP as more fully explained in note 2.2.4 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.

**28.3** 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. 90,244,948 thousand (2019: Rs. 93,892,862 thousand) along with interest thereon of Rs. 23,672,081 thousand (2019: Rs. 17,482,640 thousand) due to delayed payments. While trade and other payables as referred to in note 15 include an amount of Rs. 416,851,336 thousand (2019: Rs. 317,681,475 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 accrued on delayed payments of Rs. 74,699,070 thousand (2019: Rs. 42,370,242 thousand) and interest accrued on delayed payment of Gas Development Surcharge of Rs. 4,101,732 thousand (2019: Rs. 4,101,732 thousand) payable to Government of Pakistan. OGRA while deciding FRR of the Company for the years 2018-19 and 2019-20, have though acknowledged these liabilities but has not included aforesaid accrued interest in the determined shortfall and has pended unpaid Rs. 50,131,702 thousand being the interest on delayed payments payable to Government owned entities till the eventual payment / settlement of circular debt by Government of Pakistan. The settlement of principal and interest on delayed payments is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan. Furthermore, recoverability of amounts of Rs. 267,598,642 thousand (2019: Rs. 185,376,149 thousand) and Rs. 65,093,591 thousand (2019: payable Rs. 17,777,161 thousand) as referred to in note 31 is dependent upon settlement by the Government of Pakistan directly or indirectly inter alia including increase in future gas prices and / or subsidy or through some alternate mechanism.

|   | Note  | 2020<br>(Rupees in thousand) | 2019      |
|---|---|------------------------------|-----------|
| <b>29</b>   | <b>LOANS AND ADVANCES</b>                                     |                              |           |
| Current portion of loans to employees - considered good:    |   |                              |           |
| Executives  | 23  | 875                          | 1,009     |
| Other employees   | 23  | 203,774                      | 187,404   |
|   |   | 204,649                      | 188,413   |
| Advances - considered good:                                 |   |                              |           |
| - Employees   |   | 2,096,077                    | 1,706,144 |
| - Suppliers and contractors                                 | 29.1  | 225,946                      | 225,429   |
| Advances to suppliers and contractors - considered impaired |   | 3,227                        | 3,227     |
| Less: Allowance for expected credit loss                    |   | 3,227                        | 3,227     |
|   |   | -                            | -         |
|   |   | 2,526,672                    | 2,119,986 |
| <b>29.1</b>   | These include amounts due from the following related parties: |                              |           |
| The General Tyre & Rubber Company of Pakistan limited       |   | 1,028                        | 6,353     |
| Pakistan Cables Limited                                     |   | 611                          | 611       |
| Sui Southern Gas Company Limited                            |   | 1,299                        | 1,299     |
|   |   | 2,938                        | 8,263     |

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

|   | Note        | 2020<br>(Rupees in thousand) | 2019        |
|---|-------------|------------------------------|-------------|
| <b>29.1.2 Ageing of related party balance</b>         |             |                              |             |
| One to six months                                     |             | 716                          | 6,133       |
| More than six months                                  |             | 2,222                        | 2,130       |
|   |             | 2,938                        | 8,263       |
| <b>30 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>   |             |                              |             |
| Trade deposits and short term prepayments             |             | 185,297                      | 158,788     |
| Provision for doubtful deposits                       |             | (22,290)                     | (22,290)    |
|   |             | 163,007                      | 136,498     |
| Current portion of long term prepayments              | 25          | -                            | 104,527     |
|   |             | 163,007                      | 241,025     |
| <b>31 OTHER RECEIVABLES</b>                           |             |                              |             |
| Excise duty recoverable                               |             | 108,945                      | 108,945     |
| Less: Expected credit losses                          |             | (108,945)                    | (108,945)   |
|   |             | -                            | -           |
| Tariff adjustment (indigeneous)                       | 28.3 & 31.1 | 267,598,642                  | 185,376,149 |
| Tariff adjustment (RLNG)                              | 28.3 & 31.2 | 65,093,590                   | 17,777,161  |
| Current account with Sui Southern Gas Company Limited |             | 20,189                       | 17,893      |
| Others  |             | 32,203                       | 108,764     |
|   |             | 332,744,624                  | 203,279,967 |
| <b>31.1 Tariff adjustment (indigeneous)</b>           |             |                              |             |
| Opening balance                                       |             | 185,376,149                  | 122,176,517 |
| Tariff adjustment determined for the year:            |             |                              |             |
| - Recognized in statement of profit or loss           | 36          | 81,329,036                   | 63,848,368  |
| - Recognized in OCI                                   |             | 893,457                      | (648,736)   |
| Closing balance                                       |             | 267,598,642                  | 185,376,149 |
| <b>31.2 Tariff adjustment (RLNG)</b>                  |             |                              |             |
| Opening balance                                       |             | 17,777,161                   | (6,653,574) |
| Recognised for the year                               | 36          | 44,698,413                   | 33,425,715  |
|   |             | 62,475,574                   | 26,772,141  |
| RLNG margin on sale of stock to SSGCL                 | 31.2.2      | 2,618,016                    | (8,994,980) |
| Closing balance                                       | 31.2.1      | 65,093,590                   | 17,777,161  |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

**31.2.1** The balance of RLNG tariff adjustment 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, 2020. The settlement of this amount is expected to materialize in the shape of adjustment to future sale price of RLNG by 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. However, subsequent to the year end, Federal Cabinet has approved the adjustment mechanism in respect of cost of diversion through future RLNG price adjustments. 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 / RLNG diversion deferral account represents the difference of average cost of RLNG and the average sale price of system gas of the diverted volumes. During the year, 39,550,834 MMBTUs (2019: 29,029,501 MMBTUs) of RLNG were diverted and sold as indigenous gas. The tariff adjustment receivable resulting from RLNG diverted and sold as indigenous gas amounting to Rupees 34,080,497 thousand (2019: Rupees 27,361,640 thousand) will be adjusted upon directional changes in tariff adjustments in future periods to be determined by the OGRA.

**31.2.2** 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 them 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   | 2020<br>(Rupees in thousand) | 2019   |
|-----------|--|------------------------------|--------|
| <b>32</b> | <b>CONTRACT ASSETS</b>                                 |                              |        |
|           | Due from customers against construction contracts:     |                              |        |
|           | Balance as at July 01                                  | 72,758                       | 1,438  |
|           | Additions during the year                              | -                            | 71,320 |
|           | Progress billing during the year                       | (72,758)                     | -      |
|           | Balance as at June 30                                  | -                            | 72,758 |
|           | 47   |                              |        |
| <b>33</b> | <b>INVESTMENTS</b>                                     |                              |        |
|           | <b>At fair value through profit or loss:</b>           |                              |        |
|           | Inter State Gas Systems (Private) Limited              |                              |        |
|           | 490,000 (2019: 490,000) ordinary shares of Rs. 10 each | 4,900                        | 4,900  |

The Company holds 0.21% share capital of Interstate Gas Systems (Private) Limited. This investment is classified as FVTPL under IFRS 9. In 2019, the Board of Directors has approved the sale of these shares to Government Holding (Private) Limited at par value / cost. Subsequent to the year end, this investment has been sold at a price of Rs. 4,900 thousand.

|           |                               | 2020                 | 2019      |
|-----------|-------------------------------|----------------------|-----------|
|           | Note                          | (Rupees in thousand) |           |
| <b>34</b> | <b>CASH AND BANK BALANCES</b> |                      |           |
|           | At banks:                     |                      |           |
|           | On deposits accounts          | 7,337,471            | 5,921,385 |
|           | On current accounts           | 175,241              | 229,543   |
|           |                               | 7,512,712            | 6,150,928 |
|           | In hand                       | 207                  | 1,624     |
|           |                               | 7,512,919            | 6,152,552 |

**34.1** Rate of return on bank deposits ranges between 4.50% to 12.50% (2019: 4.50% to 11.50%) per annum.

|             |                                     | 2020                 | 2019      |
|-------------|-------------------------------------|----------------------|-----------|
|             |                                     | (Rupees in thousand) |           |
| <b>34.2</b> | <b>Balance with related parties</b> |                      |           |
|             | Askari Bank Limited                 | 4,261,708            | 2,332,466 |
|             | The Bank of Punjab                  | -                    | 54,936    |
|             | Soneri Bank Limited                 | 2,918                | 2,478     |
|             |                                     | 4,264,626            | 2,389,880 |

**34.2.1** These represents balances with related parties due to common directorship.

**34.3** 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. 7,027,374 thousand (2019: Rs. 4,877,457 thousand) are not used for the normal treasury operations of the Company. Any profit earned thereon is credited to the funds instead of accounting for as Company's income.

**34.4** This includes Rs. 164,753 thousand (2019: Rs. 841,034 thousand) restricted for outstanding dividend payments.

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

|                              |      | 2020                 | 2019         |
|------------------------------|------|----------------------|--------------|
|                              | Note | (Rupees in thousand) |              |
| Gross sales - Indigenous gas |      | 211,858,520          | 202,182,545  |
| Gross sales - RLNG           | 35.1 | 500,906,462          | 577,820,206  |
|                              |      | 712,764,982          | 780,002,751  |
| Sales tax - Indigenous gas   |      | (27,601,630)         | (28,055,072) |
| Sales tax - RLNG             |      | (66,635,388)         | (67,321,798) |
|                              |      | (94,237,018)         | (95,376,870) |
|                              |      | 618,527,964          | 684,625,881  |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

**35.1** In aggregate, the Company has recognized revenue of Rs. 24,641 million under Take or Pay ("ToP") arrangements from July 01, 2017 to June, 2020 out of which Rs. 2,386 million has been recognized during the year. This comprises of Rs. 10,494 million from M/s Quaid-e-Azam Thermal Power (Private) Limited ("QATPL") and Rs. 14,147 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. 24,641 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 period end amounts to Rs. 10,992 million (2019: Rs. 6,571 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 during September 2019. The determination of the Expert was issued in favour 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 favour and it expects a favourable 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 favour of the Company or is partially in favour 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.

|   | 2020                 | 2019        |
|---|----------------------|-------------|
|   | (Rupees in thousand) |             |
| <b>35.2 Disaggregated revenue information</b> |                      |             |
| <b>Type of goods:</b>                         |                      |             |
| - Indigenous gas                              | 184,256,890          | 174,127,473 |
| - RLNG  | 434,271,074          | 510,498,408 |
|   | 618,527,964          | 684,625,881 |
| <b>Timing of revenue recognition:</b>         |                      |             |
| - Revenue recognized at point in time         | 618,527,964          | 684,625,881 |
| - Revenue recognized over time                | -                    | -           |
| Region wise revenue:                          |                      |             |
| - Multan                                      | 66,723,378           | 87,509,110  |
| - Bahawalpur                                  | 33,243,405           | 40,063,189  |
| - Sargodha                                    | 13,309,218           | 14,902,832  |
| - Faisalabad                                  | 110,956,142          | 104,378,918 |
| - Sahiwal                                     | 3,990,174            | 3,033,208   |
| - Sheikhpura                                  | 95,816,414           | 104,813,190 |
| - Lahore                                      | 115,011,720          | 129,247,428 |
| - Sialkot                                     | 4,805,484            | 3,939,379   |
| - Gujranwala                                  | 33,545,689           | 35,578,930  |
| - Gujrat                                      | 3,067,845            | 2,730,384   |
| - Islamabad and Rawalpindi                    | 40,016,412           | 40,990,102  |
| - Mardan                                      | 17,167,476           | 14,990,598  |
| - Peshawar                                    | 24,926,488           | 22,493,471  |
| - Abbottabad                                  | 15,049,603           | 12,295,692  |
| - Head office                                 | 40,898,516           | 67,659,450  |
|   | 618,527,964          | 684,625,881 |
| Category wise revenue:                        |                      |             |
| - Domestic                                    | 81,746,933           | 63,657,029  |
| - Commercial                                  | 22,334,557           | 20,409,303  |
| - General industry                            | 71,190,398           | 56,077,487  |
| - Fertilizers                                 | 23,171,699           | 27,110,940  |
| - WAPDA                                       | 6,151,745            | 14,077,254  |
| - Power sector                                | 248,125,133          | 310,986,104 |
| - CNG   | 47,558,156           | 51,829,858  |
| - Cement sector                               | 177,249              | 144,133     |
| - SSGCL                                       | 40,898,517           | 67,659,450  |
| - Captive power                               | 64,486,559           | 58,225,144  |
| - Textile                                     | 12,687,018           | 14,449,179  |
|   | 618,527,964          | 684,625,881 |
| <b>Contract balances</b>                      |                      |             |
| Trade debts                                   | 164,761,685          | 157,573,161 |
| Contract assets                               | -                    | 72,758      |
| Contract liabilities                          | 15,751,424           | 14,071,739  |

The main reason for increase in trade debts is due to increased circular debt as more fully explained in note 28 to these financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

The transaction price allocated to the remaining unsatisfied performance obligations as on June 30, 2020 is as follows:

|                 | 2020<br>(Rupees in thousand) | 2019       |
|-----------------|------------------------------|------------|
| Within one year | 3,307,064                    | 3,004,935  |
| Over one year   | 12,444,360                   | 11,066,804 |

The performance obligation with respect to each category of revenue is disclosed in note 4.17 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                     | 2020<br>(Rupees in thousand) | 2019       |
|----------------|--------------------------|------------------------------|------------|
| <b>36</b>      | <b>TARIFF ADJUSTMENT</b> |                              |            |
| Indigenous gas | 36.1 & 36.2              | 81,329,036                   | 63,848,368 |
| RLNG           | 36.3                     | 44,698,413                   | 33,425,715 |
|                |                          | 126,027,449                  | 97,274,083 |

**36.1** 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 OGRA.

During the year, the Company could not meet the benchmarks prescribed by the OGRA and as a result the return for the year on the aforesaid basis works out to be 9.50% (2019: 10.10%). 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 11,323,653 thousand (2019: Rs 10,527,715 thousand), which is in excess of the UFG benchmark of 6.98% (2019: 6.9238%) as determined by the OGRA.

**36.2** This includes an amount of Rs 34,449,394 thousand (2019: 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 tariff adjustment 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 has filed a review appeal against the Final Revenue Requirements (FRR) decision by the OGRA and is confident of favourable outcome. Detailed break up of the deferred and / or disallowed expenses is as follows:

|  | Note   | 2020<br>(Rupees in thousand) | 2019       |
|--|--------|------------------------------|------------|
| Late payment surcharge to gas creditors      | 36.2.1 | 32,254,394                   | 17,877,308 |
| Impact of rupture/sabotage volume disallowed |        | -                            | 170,348    |
| Return on assets                             |        | -                            | 784,000    |
| Human resource cost                          |        | -                            | 3,029,033  |
| Operating cost other than HR                 | 36.2.2 | 2,195,000                    | 821,000    |
|  |        | 34,449,394                   | 22,681,689 |

- 36.2.1** 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.
- 36.2.2** 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.
- 36.3** This includes an amount of Rs 4,837,000 thousand (2019: 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 36.2 above, the Company is in the process of filing a review appeal against the motion for review of FRR 2018-19 and FRR 2019-20 decision by the OGRA and is confident of favourable outcome. Moreover, an amount of Rs. 8,000 thousand related to ROA on RLNG assets has also inadvertently disallowed by OGAR, against which the Company is in the process of filing a review appeal and is confident of favourable outcome. Detailed break up of the amount is as follows:

|   | Note                        | 2020<br>(Rupees in thousand) | 2019        |
|---|-----------------------------|------------------------------|-------------|
| Return on assets and depreciation                         |                             | 3,583,000                    | 1,721,000   |
| Gas internally consumed                                   |                             | 1,254,000                    | 671,000     |
|   |                             | 4,837,000                    | 2,392,000   |
| Other   |                             | 8,000                        | -           |
|   |                             | 4,845,000                    | 2,392,000   |
| <b>37</b>   | <b>COST OF GAS SALES</b>    |                              |             |
| Opening stock of gas in pipelines / held with third party |                             | 9,007,232                    | 31,404,569  |
| Gas purchases:  |                             |                              |             |
| Southern system   |                             | 104,474,789                  | 98,888,845  |
| Northern system   |                             | 93,306,079                   | 86,953,804  |
| RLNG  | 37.1                        | 456,502,689                  | 509,046,749 |
|   |                             | 654,283,557                  | 694,889,398 |
|   |                             | 663,290,789                  | 726,293,967 |
| Less:   |                             |                              |             |
| - Gas internally consumed                                 |                             | 5,266,554                    | 5,880,402   |
| - Gas in pipelines  | 27                          | 3,792,112                    | 4,616,328   |
| - Gas in floating storage & regassification Unit          | 27                          | 3,032,711                    | 4,390,904   |
|   |                             | 12,091,377                   | 14,887,634  |
| Distribution cost   | 37.3                        | 39,019,085                   | 34,697,622  |
|   |                             | 690,218,497                  | 746,103,955 |
| <b>37.1</b>   | <b>Gas purchases - RLNG</b> |                              |             |
| Cost of RLNG  |                             | 439,547,360                  | 486,941,928 |
| Cost of regasification                                    |                             | 16,041,750                   | 15,071,702  |
| Service cost and margin                                   |                             | 913,579                      | 7,033,119   |
|   |                             | 456,502,689                  | 509,046,749 |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

**37.2** 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 comprise 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 areas' 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.

| Sr. No.                          | Region                   | Number of consumers | UFG    |        |
|----------------------------------|--------------------------|---------------------|--------|--------|
|                                  |                          |                     | MMCF   | %      |
| 1                                | Multan                   | 588,700             | 2,778  | 9.57   |
| 2                                | Bahawalpur               | 282,110             | 1,218  | 1.54   |
| 3                                | Sargodha                 | 266,449             | 602    | 6.76   |
| 4                                | Faisalabad               | 774,339             | 1,579  | 8.77   |
| 5                                | Sahiwal                  | 254,348             | 434    | 5.58   |
| 6                                | Sheikhupura              | 342,420             | (626)  | (6.79) |
| 7                                | Lahore                   | 1,174,417           | 7,547  | 15.25  |
| 8                                | Sialkot                  | 316,482             | 945    | 8.39   |
| 9                                | Gujranwala               | 561,154             | 1,437  | 7.62   |
| 10                               | Gujrat                   | 276,577             | 764    | 9.62   |
| 11                               | Islamabad and Rawalpindi | 1,130,418           | 6,608  | 12.15  |
| 12                               | Mardan                   | 259,954             | 3,431  | 13.47  |
| 13                               | Peshawar                 | 465,061             | 15,828 | 32.85  |
| 14                               | Abbottabad               | 184,446             | 218    | 1.26   |
| <b>Total distribution system</b> |                          | 6,876,875           | 42,763 | 11.53  |
| Transmission system              |                          | -                   | 5,492  | 0.79   |
| <b>Total</b>                     |                          | 6,876,875           | 48,255 | 12.32  |

|  | Note   | 2020<br>(Rupees in thousand) | 2019        |
|--|--------|------------------------------|-------------|
| <b>37.3 DISTRIBUTION COST</b>          |        |                              |             |
| Salaries, wages and benefits           | 37.3.1 | 9,040,394                    | 8,153,211   |
| Employees' medical and welfare         |        | 605,854                      | 650,951     |
| Stores and spare parts consumed        |        | 424,280                      | 648,717     |
| Fuel and power                         |        | 5,043,270                    | 5,733,066   |
| Repairs and maintenance                |        | 1,893,981                    | 1,874,903   |
| Rent, rates, electricity and telephone |        | 222,510                      | 508,516     |
| Insurance                              |        | 222,846                      | 197,829     |
| Travelling and conveyance              |        | 94,330                       | 105,351     |
| Stationery and postage                 |        | 23,036                       | 24,621      |
| Transportation charges                 |        | 703,138                      | 764,686     |
| Professional services                  |        | 2,179                        | 22,707      |
| Security expenses                      |        | 951,670                      | 692,366     |
| Advertisement                          |        | 23,364                       | 41,151      |
| Depreciation                           | 20.1.3 | 18,638,949                   | 17,589,036  |
| Depreciation on right-of-use assets    | 22.2   | 3,613,461                    | -           |
| Others                                 |        | 395,653                      | 345,374     |
|  |        | 41,898,915                   | 37,352,485  |
| Allocated to fixed capital expenditure |        | (2,879,830)                  | (2,654,863) |
|  |        | 39,019,085                   | 34,697,622  |

**37.3.1** Included in salaries, wages and benefits are Rs. 254,537 thousand (2019: Rs. 229,343 thousand) in respect of the Company's contribution to the employees provident fund.

|  | Note   | 2020<br>(Rupees in thousand) | 2019       |
|--|--------|------------------------------|------------|
| <b>38 OTHER OPERATING INCOME</b>                                   |        |                              |            |
| <b>Income from financial assets</b>                                |        |                              |            |
| Interest on staff loans and advances                               |        | 74,503                       | 79,316     |
| Return on bank deposits  |        | 517,900                      | 339,863    |
| Gain on initial recognition of financial liabilities at fair value |        | 7,264                        | 35,682     |
|  |        | 599,667                      | 454,861    |
| Interest income on late payment of gas bills                       |        |                              |            |
| - Government owned and other power generation companies            | 28.3   | 4,697,599                    | 2,333,575  |
| - Fertilizer and cement companies                                  |        | 1,250,514                    | 401,781    |
| - other consumers  | 38.1   | 5,318,292                    | 8,836,926  |
|  |        | 11,266,405                   | 11,572,282 |
| <b>Income from assets other than financial assets</b>              |        |                              |            |
| Net gain on sale of property, plant and equipment                  |        | 46,522                       | 48,064     |
| Meter rentals and repair charges                                   |        | 2,140,015                    | 2,021,513  |
| Amortization of deferred credit                                    | 11, 12 | 3,025,054                    | 2,417,264  |
| Insurance claim  | 38.4   | 5,488                        | 4,333      |
|  |        | 5,217,079                    | 4,491,174  |

Continued...

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|                                      | Note | 2020<br>(Rupees in thousand) | 2019       |
|--------------------------------------|------|------------------------------|------------|
| <b>Others</b>                        |      |                              |            |
| Sale of tender documents             |      | 6,828                        | 8,483      |
| Sale of scrap                        |      | 128,972                      | 78,493     |
| Liquidated damages recovered         |      | 137,112                      | 694,221    |
| Gain on construction contracts       |      | 157,231                      | 505,163    |
| Bad debt recovered                   |      | 3,663                        | 2,800      |
| Gas transportation income            |      | 455,878                      | -          |
| Urgent fee for new meter connections |      | 1,171,905                    | 679,045    |
| Miscellaneous                        |      | 18,983                       | 25,653     |
|                                      |      | 2,080,572                    | 1,993,858  |
|                                      |      | 19,163,723                   | 18,512,175 |

## 38.1 Interest Income on late payment of gas bills - other consumers

|                               |      |           |           |
|-------------------------------|------|-----------|-----------|
| Interest on gas sales arrears | 38.2 | 3,650,292 | 7,339,769 |
| Surcharge on late payments    | 38.3 | 1,668,000 | 1,497,157 |
|                               |      | 5,318,292 | 8,836,926 |

**38.2** This represents interest charged on gas sales arrears at the rate of 1.5% (2019: 1.5%) per month up to one year and thereafter 2% (2019: 2%) per month from other than domestic consumers.

**38.3** Late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2019: 10%) charged once.

**38.4** This represents claims received on account of rupture of gas pipelines.

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>39 SELLING COST</b>                         |      |                              |           |
| Salaries, wages and benefits                   | 39.1 | 4,904,065                    | 4,275,960 |
| Employees medical and welfare                  |      | 320,385                      | 311,032   |
| Stores and spare parts consumed                |      | 1,608                        | 1,894     |
| Repairs and maintenance                        |      | 413,760                      | 299,512   |
| Rent, rates, electricity and telephone         |      | 43,933                       | 47,163    |
| Travelling and conveyance                      |      | 37,053                       | 42,740    |
| Stationery and postage                         |      | 126,952                      | 86,600    |
| Dispatch of gas bills                          |      | 132,794                      | 124,115   |
| Transportation charges                         |      | 111,341                      | 122,643   |
| Professional services                          |      | -                            | 3,417     |
| Gathering charges of gas bills collection data |      | 40,632                       | 50,000    |
| Gas bills collection charges                   |      | 533,252                      | 460,000   |
| Security expenses                              |      | -                            | 30,890    |
| Advertisement                                  |      | 18                           | -         |
| Others   |      | 57,338                       | 53,166    |
|  |      | 6,723,131                    | 5,909,132 |
| Allocated to fixed capital expenditure         |      | (429,738)                    | (382,282) |
|  |      | 6,293,393                    | 5,526,850 |

**39.1** Included in salaries, wages and benefits is Rs. 138,971 thousand (2019: Rs. 119,131 thousand) in respect of the Company's contribution to the employees provident fund.

|  | Note   | 2020<br>(Rupees in thousand) | 2019      |
|--|--------|------------------------------|-----------|
| <b>40 ADMINISTRATIVE EXPENSES</b>      |        |                              |           |
| Salaries, wages and benefits           | 40.1   | 5,041,383                    | 5,136,122 |
| Employees medical and welfare          |        | 318,262                      | 314,960   |
| Stores and spare parts consumed        |        | 58,401                       | 67,980    |
| Fuel and power                         |        | 79,945                       | 49,214    |
| Repairs and maintenance                |        | 157,942                      | 173,055   |
| Rent, rates, electricity and telephone |        | 117,404                      | 146,850   |
| Insurance                              |        | 22,106                       | 23,021    |
| Travelling and conveyance              |        | 30,684                       | 45,847    |
| Stationery and postage                 |        | 40,078                       | 48,406    |
| Transportation charges                 |        | 105,722                      | 120,393   |
| Professional services                  | 40.3   | 246,633                      | 270,817   |
| Security expenses                      |        | 311,865                      | 175,165   |
| OGRA fee and expenses                  |        | 290,292                      | 253,734   |
| Advertisement                          |        | 211,552                      | 204,471   |
| Depreciation                           | 20.1.3 | 380,387                      | 358,960   |
| Depreciation on right of use assets    | 22.2   | 42,734                       | -         |
| Amortization of intangible assets      | 21     | 93,229                       | 94,037    |
| Others                                 |        | 258,096                      | 326,323   |
|  |        | 7,806,715                    | 7,809,355 |
| Allocated to fixed capital expenditure |        | (552,997)                    | (503,104) |
|  |        | 7,253,718                    | 7,306,251 |

**40.1** Included in salaries, wages and benefits is Rs. 153,323 thousand (2019: Rs. 151,353 thousand) in respect of the Company's contribution to the employees provident fund.

|                                 | 2020          |                         | 2019          |                         |
|---------------------------------|---------------|-------------------------|---------------|-------------------------|
|                                 | As at June 30 | Average during the year | As at June 30 | Average during the year |
| <b>40.2 Number of employees</b> |               |                         |               |                         |
| Operations                      | 8,569         | 8,570                   | 8,567         | 8,636                   |
| Projects                        | 303           | 313                     | 314           | 324                     |
| Total                           | 8,872         | 8,883                   | 8,881         | 8,960                   |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019        |
|---|------|------------------------------|-------------|
| <b>40.3 Professional services</b>   |      |                              |             |
| The charges for professional services include the following in respect of auditors' services for: |      |                              |             |
| Statutory audit   |      |                              |             |
| -Yousuf Adil  |      | 3,930                        | -           |
| -EY Ford Rhodes   |      | -                            | 3,762       |
|   |      | 3,930                        | 3,762       |
| Half yearly review and other certifications   |      |                              |             |
| -Yousuf Adil  |      | 3,920                        | -           |
| -EY Ford Rhodes   |      | -                            | 4,020       |
|   |      | 3,920                        | 4,020       |
| Out of pocket expenses  |      |                              |             |
| -Yousuf Adil  |      | 700                          | -           |
| -EY Ford Rhodes   |      | -                            | 700         |
|   |      | 700                          | 700         |
|   |      | 8,550                        | 8,482       |
| <b>41 OTHER OPERATING EXPENSES</b>  |      |                              |             |
| Exchange loss - net   |      | 12,927                       | 2,414,762   |
| Workers' Profit Participation Fund  | 15.7 | 442,996                      | 586,801     |
| Workers' Welfare Fund   |      | 171,769                      | -           |
| Loss on initial recognition of financial assets at fair value                                     |      | 79,582                       | 41,577      |
|   |      | 707,274                      | 3,043,140   |
| <b>42 FINANCE COST</b>  |      |                              |             |
| Interest and mark up including commitment charges on  |      |                              |             |
| - Long term finances - secured  |      | 6,489,724                    | 5,733,360   |
| - Long term finances - unsecured  |      | 18,797                       | 54,614      |
| - Short term borrowings   |      | 3,243,221                    | 1,026,532   |
| - Late payment to gas suppliers   |      | 32,525,154                   | 17,987,254  |
| - Lease liability   |      | 5,199,122                    | -           |
| - Security deposits   |      | 1,492,327                    | 1,024,395   |
| Bank charges  |      | 7,345                        | 9,805       |
|   |      | 48,975,690                   | 25,835,960  |
| Allocated to fixed capital expenditure  |      | -                            | (59,113)    |
|   |      | 48,975,690                   | 25,776,847  |
| <b>43 TAXATION</b>  |      |                              |             |
| <b>Current Tax</b>  |      |                              |             |
| Current year  |      | 4,664,766                    | 3,756,383   |
| Prior year  |      | (198,114)                    | (2,607,308) |
|   |      | 4,466,652                    | 1,149,075   |
| <b>Deferred tax</b>   |      |                              |             |
|   |      | (2,047,430)                  | 2,924,308   |
|   |      | 2,419,222                    | 4,073,383   |

|   | Note | 2020<br>(%) | 2019    |
|---|------|-------------|---------|
| <b>43.2 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       | 29.00   |
| Super tax   |      | 0.00        | 2.82    |
| Tax effect of amounts that are:   |      |             |         |
| - Effect of changes in current tax of prior years   |      | (2.35)      | (22.61) |
| - Change in tax rate  |      | 0.00        | 4.51    |
| - Others  |      | 2.10        | 22.82   |
|   |      | (0.25)      | 4.72    |
| Average effective tax rate charged to statement of profit or loss                           |      | 28.75       | 36.54   |

#### 44 EARNINGS PER SHARE - BASIC AND DILUTED

|                                  |                    |   |             |             |
|----------------------------------|--------------------|---|-------------|-------------|
| Profit for the year              | Rupees in thousand |   | 5,997,709   | 7,075,834   |
| Average ordinary shares in issue | Numbers of shares  | 5 | 634,216,665 | 634,216,665 |
| Basic earnings per share         | Rupees             |   | 9.46        | 11.16       |

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          | 2020<br>(Rupees in thousand) | 2019         |
|---|---------------|------------------------------|--------------|
| <b>45 CASH GENERATED FROM OPERATIONS</b>  |               |                              |              |
| Profit before taxation  |               | 8,416,931                    | 11,149,217   |
| <b>Adjustment for non-cash charges and other items:</b>                               |               |                              |              |
| Depreciation on owned assets  | 20.1.3        | 19,019,336                   | 17,947,996   |
| Depreciation on right of use assets   | 22            | 3,656,195                    | -            |
| Amortization on intangible assets   | 21            | 93,229                       | 94,037       |
| Employee benefits   | 24.10 & 14.12 | 2,462,949                    | 1,524,717    |
| Amortization of deferred credit   | 38            | (3,025,054)                  | (2,417,264)  |
| Net gain on sale of fixed assets  | 38            | (46,522)                     | (48,064)     |
| Finance cost  | 42            | 48,975,690                   | 25,776,847   |
| Return on bank deposits   | 38            | (517,900)                    | (339,863)    |
| Provision for obsolescence on store and spares  |               | 8,227                        | 5,493        |
| Allowance for expected credit losses  | 28.2          | 1,853,633                    | 1,505,879    |
| Loss on initial recognition of financial assets at fair value                         | 41            | 79,582                       | 41,577       |
| Gain on initial recognition of financial liabilities at fair value                    | 38            | (7,264)                      | (35,682)     |
| Loss on initial recognition of financial assets / financial liabilities at fair value |               | 72,318                       | 5,895        |
| Net interest expense due to the impact of IFRS-9                                      |               | (44,495)                     | (42,396)     |
| Working capital changes   | 45.1          | (33,005,104)                 | (38,063,119) |
|   |               | 47,919,433                   | 17,099,375   |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019          |
|---|------|------------------------------|---------------|
| <b>45.1 Working capital changes</b>             |      |                              |               |
| <b>(Increase) / decrease in current assets:</b> |      |                              |               |
| Stores and spare parts                          |      | (593,968)                    | (1,177,864)   |
| Stock-in-trade                                  |      | 2,182,409                    | 22,397,337    |
| Trade debts                                     |      | (14,738,337)                 | (93,101,166)  |
| Loans and advances                              |      | (390,450)                    | (839,652)     |
| Trade deposits and short term prepayments       |      | 870                          | (14,813)      |
| Other receivables                               |      | (120,731,911)                | (86,082,584)  |
|   |      | (134,271,387)                | (158,818,742) |
| <b>Increase in current liabilities:</b>         |      |                              |               |
| Trade and other payables                        |      | 100,964,154                  | 120,492,274   |
| Contract liabilities                            |      | 302,129                      | 263,349       |
|   |      | (33,005,104)                 | (38,063,119)  |
| <b>45.2 Cash and cash equivalents</b>           |      |                              |               |
| Cash and bank balances                          | 34   | 7,512,919                    | 6,152,552     |
| Short term borrowings                           |      | (29,724,262)                 | (28,486,666)  |
|   |      | (22,211,343)                 | (22,334,114)  |

|  |        | Long term financing  |            |
|--|--------|----------------------|------------|
|  |        | Secured              | Un-secured |
|  |        | (Rupees in thousand) |            |
| <b>45.3 Reconciliation of liabilities arising from financing activities</b>              |        |                      |            |
| Net debt as at July 1, 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   | 45.3.1 | -                    | 24,509     |
| Net debt as at June 30, 2019 (including current portion shown under current liabilities) |        | 50,420,000           | 508,101    |
| Cash flows   |        | (10,709,308)         | (91,476)   |
| Others   | 45.3.1 | -                    | 20,837     |
| Net debt as at June 30, 2020 (including current portion shown under current liabilities) |        | 39,710,692           | 437,462    |

**45.3.1** Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.

#### 46 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 /<br>Chief Executive |        | Executives |           |
|---|--|--------|------------|-----------|
|   | 2020                                   | 2019   | 2020       | 2019      |
|   | (Rupees in thousand)                   |        |            |           |
| Remuneration  | 22,282                                 | 21,990 | 2,158,455  | 1,713,236 |
| Contribution to provident, pension and<br>Gratuity fund | 7,355                                  | 6,135  | 718,298    | 563,379   |
| Housing and utilities                                   | 12,255                                 | 12,095 | 1,197,881  | 878,179   |
| Medical reimbursement                                   | 67                                     | 514    | 117,118    | 84,687    |
| Conveyance and other allowances                         | -                                      | 12,272 | 304,295    | 147,310   |
| Special allowance                                       | 5,991                                  | 4,963  | -          | 500       |
| Leave encashment  | 6,250                                  | 4,954  | 20,896     | 17,445    |
| Club subscription                                       | 107                                    | 4      | 1,924      | 4,755     |
|   | 54,307                                 | 62,927 | 4,518,867  | 3,409,491 |
| Number of persons                                       | 1                                      | 1      | 788        | 623       |

In addition, the Managing Director and certain executives are provided with Company maintained vehicle 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 eighteen (2019: twenty one) non executive directors was Rs. 59,000 thousand (2019: Rs. 52,200 thousand) including the casual vacancies created. Total number of Directors as at year end are fourteen (2019: fourteen).

The aggregate amount charged in the financial statements in respect of honorarium paid to Chairperson / Chairman was Rs 1,297 thousand (2019: Rs. 900 thousand).

The aggregate amount charged in the financial statements in respect of medical reimbursement to One (2019: two) directors was Rs 93 thousand (2019: Rs. 253 thousand).

#### 47 LONG-TERM CONSTRUCTION CONTRACTS

|  | Note | 2020<br>(Rupees in thousand) | 2019                  |
|--|------|------------------------------|-----------------------|
| Contract revenue for the year                            |      | 151,134                      | 389,371               |
| Method used to determine revenue                         |      |                              | Fixed price Contract  |
| Method used to determine stage of completion             |      |                              | Cost incurred to date |
| Contract cost incurred to date                           |      | 2,686,743                    | 2,477,943             |
| Contract cost incurred during the period                 |      | 208,801                      | 392,486               |
| Gross profit realized to date                            |      | 903,073                      | 981,635               |
| Gross (loss) / profit realized                           |      | (78,562)                     | 173,649               |
| Retention money receivable                               |      | 137,323                      | 120,280               |
| Contract assets  | 32   | -                            | 72,758                |
| Contract liabilities                                     | 12   | 3,027,700                    | 2,748,149             |
| Estimated future costs to complete projects in progress. |      | -                            | 53,049                |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## 48 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 46 to these financial statements. Other significant transactions with related parties are as follows:

|   | 2020                 | 2019        |
|---|----------------------|-------------|
|   | (Rupees in thousand) |             |
| <b>Gas sales</b>  |                      |             |
| Sui Southern Gas Company Limited                                | 42,164,826           | 68,896,826  |
| Fauji Fertilizer Company Limited                                | 18,513               | 8,995       |
| Pak-Arab Refinery Limited (PARCO)                               | 1,743,298            | 1,668,468   |
| Oil and Gas Development Company Limited                         | 51                   | 57          |
| Pakistan Water and Power Development Authority                  | 12,361,234           | 14,064,247  |
| Quaid-e-Azam Thermal Power (Private) Limited                    | 46,335,328           | 54,886,865  |
| National Power Parks Management Company Limited                 | 115,089,418          | 112,629,303 |
| State Life Insurance Corporation of Pakistan                    | 3,453                | 2,385       |
| Engro Powergen Qadirpur Limited                                 | 490,297              | -           |
| City CNG  | -                    | 17,181      |
| Sheikh CNG  | 15,724               | 28,938      |
| Nishat Mills Limited  | 557,463              | -           |
| Residential gas sales to directors and key management personnel | 696                  | 639         |
|   | 218,780,301          | 252,203,904 |
| <b>Purchase of gas</b>  |                      |             |
| Sui Southern Gas Company Limited                                | 16,998,171           | 23,117,500  |
| Government Holdings (Private) Limited                           | 13,269,929           | 12,134,237  |
| Pakistan Petroleum Limited                                      | 63,021,514           | 62,890,101  |
| Oil and Gas Development Company Limited                         | 57,053,011           | 54,650,471  |
| Mari Petroleum Company Limited                                  | 7,786,605            | 6,089,965   |
| Pakistan State Oil Company Limited                              | 309,615,224          | 320,521,440 |
| Pakistan LNG Limited  | 150,886,960          | 179,477,667 |
|   | 618,631,414          | 658,881,381 |
| <b>Purchase of materials</b>                                    |                      |             |
| The General Tyre & Rubber Company of Pakistan Limited           | 12,627               | 16,724      |
| International Industries Limited                                | -                    | 3,310,079   |
| Sui Southern Gas Company Limited                                | 7,743                | 300,394     |
| Pakistan Cables Limited   | -                    | 6,374       |
|   | 20,370               | 3,633,571   |
| <b>Purchase of services</b>                                     |                      |             |
| Pakistan Telecommunication Company Limited                      | 28,264               | 18,572      |
| Minto and Mirza   | -                    | 33,200      |
| Pakistan Cricket Board  | -                    | 810         |
| Petroleum Institute of Pakistan                                 | 3,580                | 900         |
|   | 31,844               | 53,482      |

|  | 2020                 | 2019              |
|--|----------------------|-------------------|
|  | (Rupees in thousand) |                   |
| <b>Finance cost - LPS gas creditors</b>                            |                      |                   |
| Sui Southern Gas Company Limited                                   | 1,039,404            | 1,029,521         |
| Government Holdings (Private) Limitedtd                            | 3,044,024            | 1,307,028         |
| Pakistan Petroleum Limited   | 15,545,123           | 9,031,557         |
| Oil and Gas Development Company Limited                            | 12,625,924           | 6,231,450         |
| Mari Petroleum Company Limited                                     | 44,466               | 24,067            |
|  | <b>32,298,941</b>    | <b>17,623,623</b> |
| <b>Profit received on bank deposits.</b>                           |                      |                   |
| Askari Bank Limited  | 14,765               | 6,144             |
| Soneri Bank Limited  | 7,709                | 3,235             |
| The Bank of Punjab   | -                    | 8,873             |
|  | <b>22,474</b>        | <b>18,252</b>     |
| <b>Dividend paid</b>   |                      |                   |
| National Investment Trust Limited                                  | -                    | 148,581           |
| The General Tyre & Rubber Company of Pakistan limited              | -                    | 1,857             |
| State Life Insurance Corporation of Pakistan                       | -                    | 75,616            |
| National Insurance Company Limited                                 | -                    | 1,707             |
| The President Of Islamic Republic Of Pakistan                      | -                    | 1,416,565         |
| SNGPL Employees Empowerment Trust                                  | -                    | 164,193           |
|  | -                    | <b>1,808,519</b>  |
| <b>Insurance expenses</b>  |                      |                   |
| National Insurance Company Limited                                 | 278,047              | 240,148           |
| State Life Insurance Corporation of Pakistan                       | 40,957               | 26,761            |
|  | <b>319,004</b>       | <b>266,909</b>    |
| <b>Insurance claimed received</b>                                  |                      |                   |
| National Insurance Company Limited                                 | 16,577               | 10,937            |
| Postal Life Corporation  | -                    | 800               |
| State Life Insurance Corporation of Pakistan                       | 6,327                | 9,315             |
|  | <b>22,904</b>        | <b>21,052</b>     |
| Contribution to defined contribution plan                          | 567,336              | 499,827           |
| Contribution to defined benefit plans                              | 2,528,835            | 2,564,219         |
| Transportation charges - Sui Southern Gas Company Limited          | -                    | 251,820           |
| Transmission charges - Pakistan Petroleum Limited                  | 5,734                | 5,339             |
| Depreciation on right of use - Sui Southern Gas Company Limited    | 3,480,650            | -                 |
| Finance cost on lease liability - Sui Southern Gas Company Limited | 5,161,744            | -                 |
| Finance cost on loan - Askari Bank Limited                         | 987,944              | 642,840           |

Transaction with related parties are carried out on mutually agreed terms and conditions.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

**48.1** Maximum aggregate outstanding balance from related parties at the end of any month is as below:

|   | 2020                 | 2019       |
|---|----------------------|------------|
|   | (Rupees in thousand) |            |
| <b>Included in trade debts (refer note 28.1)</b>          |                      |            |
| Oil and Gas Development Company Limited                   | 13                   | 12         |
| Sui Southern Gas Company Limited                          | 51,964,842           | 32,801,683 |
| State Life Insurance Corporation of Pakistan              | 849                  | 526        |
| Pak Arab Refinery Limited                                 | 291,566              | 200,736    |
| Sheikh CNG  | 4,850                | 3,370      |
| City CNG  | -                    | 1,626      |
| The Bank of Punjab  | -                    | 2          |
| National Power Parks Management Company (Private) Limited | 18,202,145           | 17,118,615 |
| Quaid-e-Azam Thermal Power (Private) Limited              | 19,563,523           | 16,575,296 |
| Fauji Fertilizers Company Limited                         | 4,775                | 1,610      |
| Engro Powergen Qadirpur Limited                           | 2,580,172            | -          |
| Water and Power Development Authority                     | 26,393,770           | 23,914,486 |
| Nishat Mills Limited                                      | 5,259,385            | -          |
| <b>Included in loans and advances (refer note 29.1)</b>   |                      |            |
| The General Tyre & Rubber Company of Pakistan limited     | 5,903                | 10,249     |
| Pakistan Cables Limited                                   | 1,626                | 611        |
| Sui Southern Gas Company Limited                          | 4,589                | 1,299      |

**48.2** Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and / or actuarial advice.

**48.3** 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           | Government of Pakistan (GoP) holdings | Not applicable             |
| Pakistan State Oil Company Limited              | GoP holdings                          | Not applicable             |
| WAPDA   | GoP holdings                          | Not applicable             |
| National Insurance Company Limited              | GoP holdings                          | Not applicable             |
| Postal Life Corporation                         | GoP holdings                          | Not applicable             |
| State Life Insurance Corporation of Pakistan    | GoP holdings                          | Not applicable             |
| Quaid-e-Azam Thermal Power (Pvt) Limited        | GoP holdings                          | Not applicable             |
| National Power Parks Management Company Limited | GoP holdings                          | Not applicable             |
| National Investment (Trust) Limited             | GoP holdings & common directorship    | Not applicable             |
| Oil and Gas Development Company Limited         | GoP holdings & common directorship    | Not applicable             |
| Pakistan Petroleum Limited                      | GoP holdings & common directorship    | Not applicable             |
| Sui Southern Gas Company Limited                | GoP holdings & common directorship    | Not applicable             |
| Pak-Arab Refinery Limited (PARCO)               | GoP holdings & common directorship    | Not applicable             |
| Askari Bank Limited                             | Common directorship                   | Not applicable             |
| Fauji Fertilizer Company Limited                | Common directorship                   | Not applicable             |

| Name of the related party                             | Basis of relationship | Percentage of shareholding |
|---|-----------------------|----------------------------|
| The General Tyre & Rubber Company of Pakistan Limited | Common directorship   | Not applicable             |
| Soneri Bank Limited                                   | 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             |
| City CNG  | Common directorship   | Not applicable             |
| Shekih CNG  | Common directorship   | Not applicable             |

**48.4** 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.

**48.5** Included in the related party transactions are certain transactions amounting to Rs 573,187 thousand related to Mr. Ahmad Aqeel, Director, which are under investigation internally as well as by external agency. The impact of such investigation, if any, will be accounted for in the period during which such investigation is completed.

## **49 CAPACITY AND ACTUAL PERFORMANCE**

The average daily gas transmitted during the year was 588,833 HM3 (2019: 613,908 HM3) against the designed capacity of 715,616 HM3 (2019: 752,242 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.

## **50 FINANCIAL RISK MANAGEMENT**

### **50.1 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 4.20 to the financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

|  | 2020                   | 2019   |
|--|------------------------|--------|
|  | (Rupees per US Dollar) |        |
| The following significant exchange rates were applied during the year: |                        |        |
| Average rate   | 158.22                 | 137.61 |
| Reporting date rate  | 168.75                 | 164.50 |

## 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 borrowings. 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.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

|                                  | 2020                 | 2019       |
|----------------------------------|----------------------|------------|
|                                  | (Rupees in thousand) |            |
| <b>Fixed rate instruments</b>    |                      |            |
| <b>Financial assets</b>          |                      |            |
| Loans to employees               | 1,055,634            | 1,017,170  |
| <b>Financial liabilities</b>     |                      |            |
| Long term financing              | 370,921              | 378,957    |
| <b>Floating rate instruments</b> |                      |            |
| <b>Financial assets</b>          |                      |            |
| Bank balances - deposit accounts | 7,337,471            | 5,921,385  |
| <b>Financial liabilities</b>     |                      |            |
| Long term financing              | 39,777,233           | 50,549,144 |
| Security deposit                 | 28,998,765           | 26,765,709 |
| Short term borrowings            | 29,724,262           | 28,486,666 |
| Lease liabilities                | 39,795,101           | -          |

### 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. 647,256 thousand (2019: Rs. 709,149 thousand), mainly as a result of higher / lower interest expense in the year ended June 30, 2020. 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:

|                    | 2020                 | 2019        |
|--------------------|----------------------|-------------|
|                    | (Rupees in thousand) |             |
| Loans and advances | 3,151,711            | 2,723,314   |
| Deposits           | 184,154              | 146,886     |
| Trade debts        | 164,761,685          | 157,573,161 |
| Interest accrued   | 24,643               | 31,798      |
| Other receivables  | 52,392               | 126,657     |
| Contract assets    | -                    | 72,758      |
| Investment         | 4,900                | 4,900       |
| Bank balances      | 7,512,712            | 6,150,928   |
|                    | 175,692,197          | 166,830,402 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based 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:

|                    | 2020                 | 2019        |
|--------------------|----------------------|-------------|
|                    | (Rupees in thousand) |             |
| Not yet due        | 33,549,330           | 31,970,642  |
| 1 to 6 months      | 68,404,610           | 78,672,128  |
| More than 6 months | 62,807,745           | 46,930,391  |
|                    | 131,212,355          | 125,602,519 |
|                    | 164,761,685          | 157,573,161 |

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

As at June 30, 2020, trade debts of Rs. 99,300,989 thousand (2019: Rs. 67,228,663 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:

|                    | 2020                 | 2019       |
|--------------------|----------------------|------------|
|                    | (Rupees in thousand) |            |
| Not yet due        | 4,990,170            | 7,282,085  |
| 1 to 6 months      | 5,243,222            | 40,557,076 |
| More than 6 months | 94,057,767           | 26,671,587 |
|                    | 99,300,989           | 67,228,663 |
|                    | 104,291,159          | 74,510,748 |

|  | Total trade debts<br>(Rupees in thousand) | Expected credit loss   | Expected credit loss rate<br>% |
|--|---|------------------------|--------------------------------|
| <b>As at June 30, 2020</b>   |   |                        |                                |
| <b>Category</b>  |   |                        |                                |
| Fertilizer   | 2,627,852                                 | 81,706                 | 3%                             |
| General industry   | 41,189,631                                | 12,772,373             | 31%                            |
| Commercial   | 6,994,093                                 | 4,583,753              | 66%                            |
| Domestic   | 17,269,138                                | 5,497,635              | 32%                            |
| Bulk domestic  | 9,823,730                                 | 1,963,621              | 20%                            |
| Receivable from entities under<br>circular debt (refer note 2.2.4) | 112,738,454                               | Not applicable for ECL |                                |
|  | 190,642,898                               | 24,899,088             |                                |

#### As at June 30, 2019

|  |             |                        |     |
|--|-------------|------------------------|-----|
| <b>Category</b>  |             |                        |     |
| 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<br>circular debt (refer note 2.2.4) | 111,375,502 | Not applicable for ECL |     |
|  | 180,618,616 | 23,045,455             |     |

As at June 30, 2020, expected credit loss amounts to Rs. 24,899,088 thousand (2019: Rs. 23,045,455 thousand) against trade debts. The ageing analysis of these trade debts is as follows:

|                    | 2020                 | 2019       |
|--------------------|----------------------|------------|
|                    | (Rupees in thousand) |            |
| Up to 1 month      | 57,601               | 40,590     |
| 1 to 6 months      | 559,713              | 147,650    |
| More than 6 months | 24,281,774           | 22,857,215 |
|                    | 24,899,088           | 23,045,455 |

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       | VIS     |
| United Bank Limited                        | A-1+          | AAA       | 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        | 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) Limited | A1+           | AAA       | PACRA   |
| Al Baraka Bank (Pakistan) Limited          | A-1           | A         | PACRA   |
| Summit bank Limited                        | A-1           | BBB-      | VIS     |
| JS Bank Limited                            | A-1+          | AA-       | PACRA   |
| Bank Islami Pakistan Limited               | A-1           | A+        | PACRA   |
| Samba Bank Limited                         | A-1           | AA        | VIS     |
| The Bank of Khyber                         | A-1           | A         | PACRA   |
| Punjab Provincial Co-operative Bank        | Not available |           |         |
| Sindh Bank Limited                         | A-1+          | A+        | VIS     |
| Silk Bank Limited                          | A-2           | A-        | VIS     |
| Meezan Bank Limited                        | A-1+          | AA+       | 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 at the date of SOFP 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.

# Notes to the Financial Statements

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|                             | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |
|-----------------------------|-----------------|------------------------|------------------|-----------------------|--------------|
| (Rupees in thousand)        |                 |                        |                  |                       |              |
| <b>June 30, 2020</b>        |                 |                        |                  |                       |              |
| Security deposits           | 52,335,405      | 52,335,405             | -                | 52,335,405            | -            |
| Unclaimed dividend          | 164,753         | 164,753                | 164,753          | -                     | -            |
| Interest / mark-up accrued  |                 |                        |                  |                       |              |
| on loans and other payables | 84,130,770      | 84,130,770             | 84,130,770       | -                     | -            |
| Long term financing         | 40,148,154      | 50,659,259             | 12,645,884       | 32,190,044            | 5,823,331    |
| Trade and other payables    | 448,999,877     | 448,999,877            | 448,999,877      | -                     | -            |
| Short term borrowings       | 29,724,262      | 30,745,223             | 30,745,223       | -                     | -            |
| Lease liabilities           | 39,795,101      | 68,968,896             | 7,544,962        | 27,249,710            | 34,174,223   |
|                             | 695,298,322     | 736,004,183            | 584,231,469      | 111,775,159           | 39,997,554   |
| <b>June 30, 2019</b>        |                 |                        |                  |                       |              |
| Security deposits           | 48,578,096      | 48,578,096             | -                | 48,578,096            | -            |
| 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       | -                     | -            |
| Lease liabilities           | -               | -                      | -                | -                     | -            |
|                             | 527,700,641     | 553,509,805            | 449,054,420      | 91,663,474            | 12,791,911   |

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, 2020 and 2019. The rates of mark-up have been disclosed in respective notes to the financial statements.

## 50.2 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).

As explained in note 33 to these financial statements, the Company only has an investment in unquoted equity instruments amounting to Rs. 4,900 thousand (2019: Rs. 4,900 thousand) 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. Subsequent to the year end, this investment has been sold at a price of Rs. 4,900 thousand.

|   | 2020                 | 2019        |
|---|----------------------|-------------|
|   | (Rupees in thousand) |             |
| <b>50.3 Financial instruments by categories</b> |                      |             |
| <b>As at 30 June</b>                            |                      |             |
| <b>Debt instruments at amortized cost</b>       |                      |             |
| Loans and advances                              | 3,151,711            | 2,723,314   |
| Trade deposits and short term prepayments       | 184,154              | 146,886     |
| Trade debts                                     | 164,761,685          | 157,573,161 |
| Interest accrued                                | 24,643               | 31,798      |
| Other receivables                               | 52,392               | 126,657     |
| Cash and bank balances                          | 7,512,919            | 6,152,552   |
|   | 175,687,504          | 166,754,368 |
| <b>Equity instruments at FVTPL</b>              |                      |             |
| Investments                                     | 4,900                | 4,900       |
| <b>Total current</b>                            | 174,614,114          | 165,727,078 |
| <b>Total non current</b>                        | 1,078,290            | 1,032,190   |
| <b>Financial liabilities at amortized cost</b>  |                      |             |
| Long term financing                             | 40,148,154           | 50,928,101  |
| Security deposit                                | 52,335,405           | 48,578,096  |
| Accrued mark-up                                 | 84,130,770           | 50,469,354  |
| Short term borrowings                           | 29,724,262           | 28,486,666  |
| Unpaid dividend                                 | -                    | 731,995     |
| Lease liabilities                               | 39,795,101           | -           |
| Unclaimed dividend                              | 164,753              | 109,039     |
| Trade and other payables                        | 448,999,877          | 348,397,390 |
|   | 695,298,322          | 527,700,641 |
| <b>Total current</b>                            | 578,372,332          | 439,489,316 |
| <b>Total non current</b>                        | 116,925,990          | 88,211,325  |

## 51 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

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

(including current portion) plus short term borrowings obtained by the Company as referred to in note 7, 8, 9, 17 and 18. 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, 2020 and June 30, 2019 were as follows:

|                        | Note             | 2020<br>(Rupees in thousand) | 2019        |
|------------------------|------------------|------------------------------|-------------|
| Debt                   | 7, 8, 9, 17 & 18 | 109,667,517                  | 79,414,767  |
| Equity                 |                  | 25,136,859                   | 21,042,213  |
| Total capital employed |                  | 134,804,376                  | 100,456,980 |
| Gearing ratio          |                  | 81.35%                       | 79.05%      |

## a) 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.

## 52 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On 11 March 2020, the World Health Organization (WHO) 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 (GOP), 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.

The pandemic saw its peak in Pakistan in June 2020 with the situation gradually improving thereafter. Although the Company's operations, financial position and results have not been materially affected by COVID-19 as the company operates under the fixed tariff regime.

## 53 EVENTS AFTER THE REPORTING PERIOD

**53.1** 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 (AGM). 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.

**53.2** The Board of Directors have proposed a final dividend for the year ended June 30, 2020 of Rs 4.00 per share (2019: Rs 2.00 per share), amounting to Rs 2,536,866,660 (2019: Rs 1,268,433,330) at their meeting held on July 02, 2021 for approval of the members at the forthcoming Annual General Meeting (AGM). 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.

#### 54 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

| Description   | Reclassified   |                                | (Rupees in thousand) |
|---|--|--------------------------------|----------------------|
|   | From   | To                             |                      |
| Tariff adjustment                                       | Cost of gas sales  | Tariff adjustment              | 27,361,640           |
| Advances received from customers - contract liabilities | Mobilization and other advances - Trade and other payables | Contract liabilities - current | 2,741,586            |

#### 55 GENERAL

The figures have been rounded off to the nearest thousand rupees.

#### 56 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on July 02, 2021 by the Board of Directors of the Company.



**Faisal Iqbal**  
Chief Financial Officer



**Ali J. Hamdani**  
Managing Director / CEO



**Roohi Raees Khan**  
Chairperson















در این راستا، با توجه به اهمیت نقش معلمان در فرآیند یادگیری و پرورش نسل آینده، ضروری است تا با اتخاذ رویکردهای نوین آموزشی و تربیتی، به ارتقای کیفیت تدریس و یادگیری در مدارس پرداخته شود.

در ادامه، با توجه به نیازهای روزافزون دانش‌آموزان و تغییرات اجتماعی و فرهنگی، به دنبال روش‌های نوین آموزشی هستیم که بتواند به پرورش دانش‌آموزانی با مهارت‌های تفکر انتقادی، خلاقیت و توانایی حل مسئله منتهی شود.

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### روش‌های نوین آموزشی

در این راستا، با توجه به اهمیت نقش معلمان در فرآیند یادگیری و پرورش نسل آینده، ضروری است تا با اتخاذ رویکردهای نوین آموزشی و تربیتی، به ارتقای کیفیت تدریس و یادگیری در مدارس پرداخته شود.

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در این دوره، تمدن ایران باستان به اوج خود رسید و در سراسر جهان پخش شد.

این دوره با ظهور امپراتوری هخامنشی در سال ۵۵۰ پیش از میلاد آغاز شد. داریوش بزرگ با فتح مصر و یونان، سرزمین ایران را به بزرگترین امپراتوری جهان تبدیل کرد. او با ایجاد سیستم ساتراپی، مدیریت این سرزمین عظیم را آسان کرد. داریوش همچنین با ساختن تخت جمشید و راه شاهی، زیرساخت‌های این امپراتوری را تقویت کرد.

داریوش بزرگ با ایجاد سیستم ساتراپی، مدیریت این سرزمین عظیم را آسان کرد. داریوش همچنین با ساختن تخت جمشید و راه شاهی، زیرساخت‌های این امپراتوری را تقویت کرد.

### داریوش بزرگ

داریوش بزرگ، پسر هخامنش، در سال ۵۲۲ پیش از میلاد به تخت پادشاهی نشست. او با سرکوب کردن شورش‌های محلی و فتح یونان و مصر، سرزمین ایران را به بزرگترین امپراتوری جهان تبدیل کرد. داریوش با ایجاد سیستم ساتراپی، مدیریت این سرزمین عظیم را آسان کرد.

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### تخت جمشید

تخت جمشید، یکی از شاهکارهای معماری ایران باستان است. این شهر مقدس در سال ۵۵۰ پیش از میلاد توسط داریوش بزرگ ساخته شد. این شهر با ۱۲۰ دروازه و ۱۲۰۰۰ ستون، بزرگترین شهر جهان در آن زمان بود.

تخت جمشید، یکی از شاهکارهای معماری ایران باستان است. این شهر مقدس در سال ۵۵۰ پیش از میلاد توسط داریوش بزرگ ساخته شد. این شهر با ۱۲۰ دروازه و ۱۲۰۰۰ ستون، بزرگترین شهر جهان در آن زمان بود.

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## Business Investment: FDI and

FDI is the investment of funds from one country into the business enterprises of another country. It is a long-term investment, typically lasting more than one year. FDI is a key indicator of a country's economic growth and development. It is a source of capital, technology, and management expertise. FDI can also create jobs and increase productivity. However, FDI can also have negative effects, such as the loss of jobs and the exploitation of workers. FDI is a complex issue that requires careful consideration. This article will explore the benefits and risks of FDI and provide some tips for investors.

### Benefits of FDI

FDI can bring many benefits to a host country. It can provide a source of capital, technology, and management expertise. FDI can also create jobs and increase productivity. FDI can help to improve the infrastructure of a country and to attract more investment. FDI can also help to reduce poverty and improve living standards. FDI can be a powerful tool for economic development. However, FDI can also have negative effects, such as the loss of jobs and the exploitation of workers. FDI is a complex issue that requires careful consideration.

### Risks of FDI

FDI can also have negative effects. It can lead to the loss of jobs and the exploitation of workers. FDI can also lead to the loss of control over a country's economy. FDI can also lead to the loss of cultural heritage. FDI is a complex issue that requires careful consideration.

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### How to Attract FDI

There are several ways to attract FDI. One way is to improve the infrastructure of a country. Another way is to provide incentives to investors. A third way is to improve the legal and regulatory environment. FDI is a complex issue that requires careful consideration.

### Conclusion

FDI is a complex issue that requires careful consideration. It can bring many benefits to a host country, but it can also have negative effects. FDI is a key indicator of a country's economic growth and development. FDI can be a powerful tool for economic development.

### References

World Bank. (2018). *World Development Report 2018: Learning to Realize Education's Promise*. Washington, DC: World Bank.

### Further Reading

UNCTAD. (2018). *World Investment Report 2018: Investment Flows and Development*. Geneva: UNCTAD.

المعلمين والطلاب في المدارس والجامعات الفلسطينية، وذلك من خلال توفير بيئة تعليمية آمنة وفعالة، وتعزيز القيم الوطنية والدينية، والعمل على تطوير المهارات الشخصية والأكاديمية للطلاب.

تتمثل أهداف الوزارة في:

- تحسين جودة التعليم ورفع مستوى التحصيل العلمي للطلاب.
- تعزيز القيم الوطنية والدينية، والعمل على تطوير الشخصية المتكاملة للطلاب.
- توفير بيئة تعليمية آمنة وفعالة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية.
- تعزيز التعاون بين المؤسسات التعليمية، والعمل على تطوير المناهج الدراسية.

تتعاون الوزارة مع المؤسسات التعليمية المختلفة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية، والعمل على توفير البيئة المناسبة للطلاب، وذلك من خلال توفير الخدمات التعليمية المختلفة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية.

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- 1- توفير بيئة تعليمية آمنة وفعالة.
- 2- تعزيز القيم الوطنية والدينية.
- 3- تطوير المهارات الشخصية والأكاديمية للطلاب.
- 4- تحسين جودة التعليم ورفع مستوى التحصيل العلمي.
- 5- توفير البنية التحتية للمؤسسات التعليمية.
- 6- تعزيز التعاون بين المؤسسات التعليمية.
- 7- تطوير المناهج الدراسية.
- 8- توفير الخدمات التعليمية المختلفة.
- 9- العمل على تطوير البنية التحتية للمؤسسات التعليمية.
- 10- توفير البيئة المناسبة للطلاب.

تتعاون الوزارة مع المؤسسات التعليمية المختلفة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية، والعمل على توفير البيئة المناسبة للطلاب، وذلك من خلال توفير الخدمات التعليمية المختلفة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية.

تتعاون الوزارة مع المؤسسات التعليمية المختلفة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية، والعمل على توفير البيئة المناسبة للطلاب، وذلك من خلال توفير الخدمات التعليمية المختلفة، والعمل على تطوير البنية التحتية للمؤسسات التعليمية.



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# Form of Proxy

(FOR NONHOLDERS OF REGISTERED SHARES)

Name of the shareholder: \_\_\_\_\_

Address: \_\_\_\_\_

Designation of the shareholder: \_\_\_\_\_

Number of shares held: \_\_\_\_\_

Signature of the shareholder: \_\_\_\_\_

Date: \_\_\_\_\_

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

Signature of the shareholder: \_\_\_\_\_

Date: \_\_\_\_\_

## Witnessing

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

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Address: \_\_\_\_\_



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MICHIGAN  
DEPARTMENT OF CHEMISTRY  
401 TAPSCOTT DRIVE  
ANN ARBOR, MI 48106-1069

UNIVERSITY OF MICHIGAN  
ANN ARBOR, MI 48106-1069

الاسم: \_\_\_\_\_

الرقم: \_\_\_\_\_

المادة: \_\_\_\_\_

التاريخ: \_\_\_\_\_

المعلم: \_\_\_\_\_

المدرسة: \_\_\_\_\_

الصف: \_\_\_\_\_

الوقت: \_\_\_\_\_

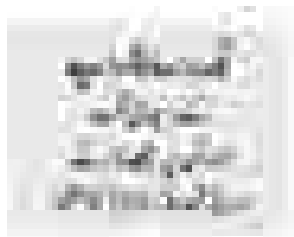
الدرجة: \_\_\_\_\_

العلامة: \_\_\_\_\_

التعليق: \_\_\_\_\_

التوقيع: \_\_\_\_\_

التاريخ: \_\_\_\_\_



الاسم: \_\_\_\_\_

الرقم: \_\_\_\_\_

المادة: \_\_\_\_\_

التاريخ: \_\_\_\_\_

المعلم: \_\_\_\_\_

المدرسة: \_\_\_\_\_

الصف: \_\_\_\_\_

الوقت: \_\_\_\_\_

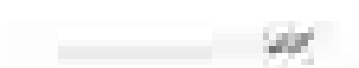
الدرجة: \_\_\_\_\_

العلامة: \_\_\_\_\_

التعليق: \_\_\_\_\_

التوقيع: \_\_\_\_\_

التاريخ: \_\_\_\_\_



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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



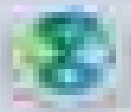
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