Pakistan LNG Limited

ANNUAL AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Deloitte.

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AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan LNG Limited** (the "Company") as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "financial statements"), for the year then ended 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 purpose of our audit.

It is the responsibility of Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance,1984;

b. in our opinion :

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

   ii. the expenditure incurred during the period was for the purpose of the Company's business; and

   the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company.

c. in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by Companies Ordinance, 1984, in the manner so required and respectively give true and fair view of the state of the Company's affairs as at June 30, 2017 and of the loss, total comprehensive income, its cash flows and changes in equity for the year ended June 30, 2017; and

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

We draw attention to note 1.5 to the financial statements in respect of principle approval of the Company's merger with Pakistan LNG Terminals Limited, an associated company. Our opinion is not qualified in respect of this matter.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner: Shahzad Ali
Islamabad
Date: April 19, 2018

PAKISTAN LNG LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Notes	2017 (Rupees)	2016 (Rupees)
ASSETS			
Non Current Assets			
Property and Equipment	5	16,417,780	-
Current Assets			
Advances to suppliers		3,989,056	-
Accrued interest		1,801,927	175,614
Advance tax		470,803	-
Cash and bank balance	6	68,559,497	15,000,030
		74,821,283	15,175,644
TOTAL ASSETS		91,239,063	15,175,644
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital (100,000,000 ordinary shares of Rs. 10 each)		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	7	15,000,030	15,000,030
Accumulated losses		(89,935,553)	(10,026,367)
Total Equity		(74,935,523)	4,973,663
Non Current Liabilities			
Deferred employees' benefit		3,233,150	-
		3,233,150	-
Current Liabilities			
Payables and accrued liabilities	8	162,941,436	10,201,981
Total Equity and Liabilities		91,239,063	15,175,644
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN LNG LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees)	From Dec 11, 2015 to Jun 30, 2016 (Rupees)
Administrative expenses	10	**(83,033,680)**	(10,201,981)
Other income	11	**3,124,494**	175,614
Loss before tax		**(79,909,186)**	(10,026,367)
Taxation		**-**	-
Loss after tax		**(79,909,186)**	(10,026,367)

The annexed notes 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PAKISTAN LNG LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees)	From Dec 11, 2015 to Jun 30, 2016 (Rupees)
Loss after tax		**(79,909,186)**	(10,026,367)
Other comprehensive income - net of taxation		-	-
Total comprehensive income		**(79,909,186)**	(10,026,367)

The annexed notes 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN LNG LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees)	From Dec 11, 2015 to Jun 30, 2016 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		**(79,909,186)**	(10,026,367)
Adjustment for non-cash items			
Depreciation		**381,728**	-
Provision for gratuity		**3,233,150**	-
Working Capital Changes			
Increase in current assets			
Advances to suppliers		**(3,989,056)**	-
Accrued interest		**(1,626,313)**	(175,614)
Increase in current liabilities			
Payable and accrued liability		**152,739,455**	10,201,981
Cash generated from operations		**70,829,778**	-
Income taxes paid		**(470,803)**	-
Net cash flow from operating activities		**70,358,975**	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixes assets		**(16,799,508)**	-
Net cash flows from investing activities		**(16,799,508)**	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash against issuance of share capital		-	15,000,030
Net cash flow from financing activities		-	15,000,030
Net increase in cash and cash equivalent		**53,559,467**	15,000,030
Cash and cash equivalents at the beginning of the year / period		**15,000,030**	-
Cash and cash equivalents at the end of the year / period		**68,559,497**	15,000,030

The annexed notes 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN LNG LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Share Capital	Accumulated Losses	Total
	...........................Rupees...........................		
Transactions with owners			
Issue of Share Capital	15,000,030	-	15,000,030
Total comprehensive income for the period			
Loss for the period ended June 30, 2016	-	(10,026,367)	(10,026,367)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(10,026,367)	(10,026,367)
Balance as at June 30, 2016	**15,000,030**	**(10,026,367)**	**4,973,663**
Transactions with owners	-	-	-
Total comprehensive income for the year			
Loss for the year ended June 30, 2017	-	(79,909,186)	(79,909,186)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(79,909,186)	(79,909,186)
Balance as at June 30, 2017	**15,000,030**	**(89,935,553)**	**(74,935,523)**

The annexed notes 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN LNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

1.1 Pakistan LNG Limited (the Company) was incorporated in Pakistan as a public company on December 11, 2015 under the Companies Ordinance, 1984. The principle activity of the Company is to import, transport, market and distribute Liquified Natural Gas (LNG). The Company's registered office is located at 3rd floor, Block A, Pak Secretariat, Islamabad, Pakistan. The Company has achieved its commercial operations date on January 04, 2018. The Company is wholly owned by Government Holdings (Private) Limited (the Ultimate Parent Company).

1.2 In current year, the Company has awarded contracts to M/s. Gunvor and M/s ENI SPI (the Sellers) for purchase and import of LNG for the period of five years and fifteen years respectively. Under the award, the Company shall purchase and import total two hundred and forty (240) cargos (one cargo each from both Sellers per month).

1.3 The imported LNG will be re-gasified at LNG Terminal to be operated by Pakistan LNG Terminals Limited (PLTL), an associated company. PLTL has Operation and Service Agreement (OSA) with Pakistan Gas Port Consortium Limited (PGPCL) as Terminal Operator. In the meanwhile, the Company has agreed the terms of Terminal Use and Regassification Agreement (TURA) with PLTL for getting the re-gasification capacity of terminal however, formal execution of TURA is pending between both companies. Under the said agreement, the Company has committed to purchase 600 MMSCFD per day subject to 96% availability factor.

1.4 The Company has also agreed the terms of Gas Sales and Purchase Agreement with the Sui Northern Gas Pipelines Limited (SNGPL) (the Buyer) for sale of Re-gasified LNG (RLNG). However, formal execution of Gas Sales and Purchase Agreement with the Buyer is pending. Further, final sales price determination in this regard is subject to OGRA approval which is pending.

1.5 Subsequent to the balance sheet date i.e. on February 06, 2018, Ministry of Energy (Petroleum Division) Government of Pakistan has directed to merge the Company with PLTL. However, curently it is a principle approval for which scheme of merger and effective date of merger has not yet been finalized. Necessary approval of the regulators shall be sought in due course. In the meanwhile, the Company continues to be operational and these financial statements have been prepared on going concern basis.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 23 of October 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the Companies Ordinance 1984.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except financial instruments which are stated at fair value. The methods used to measure fair values are discussed further in their respective policy notes.

2.3 COMPARATIVE INFORMATION

As mentioned in above paragraph, the Company was incorporated on December 11, 2015 therefore, comparative figures in these financial statements represent activities from the date of incorporation i.e. December 11, 2015 to June 30, 2016 (financial year end). Hence, the comparative financial information presented in profit and loss account, statement of comprehensive income and cash flow statement are not comparable in these financial statements.

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR) which is the Company's functional currency.

3. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Significant estimates used by the management in preparation of these financial statements are disclosed in notes 4.1, 4.3,4.5,4.6,4.7 and 4.8

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are initially recognized at fair value which is the invoice value. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment (if any). Any change in their value is recognized in profit and loss. Trade and other receivables are assessed on regular basis for impairment.

4.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of cash balances and bank deposits. Cash equivalents are short term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.3 PROPERTY AND EQUIPMENT

These are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses, if any.

The cost includes the cost of replacing parts of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged using the straight line method at the rates specified in note 5.1 when assets are available for use. No depreciation is charged on the assets in the month of sale/disposal, while full depreciation is charged in the month of acquisition. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

The carrying amounts of the Company's assets are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income for the year. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in profit and loss in the year the asset is derecognized. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

4.4 TRADE AND OTHER PAYABLES

Liabilities for trade and other amounts payables are carried at cost which is the fair value considered to be paid in the future for goods and services received, whether or not billed to the Company. Subsequent to initial recognition trade and other payables are measured at amortized cost using the effective interest method.

4.5 PROVISIONS AND CONTINGENT LIABILITIES

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

4.6 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel. All transactions with related parties are made at agreed terms.

4.7 FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted by transaction cost.

Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to statement of comprehensive income currently.

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.8 TAXATION

4.8.1 CURRENT

Provision for current taxation is based on taxable income at current tax rates after taking in to account applicable tax rebates and credits, if any.

4.8.2 DEFERRED

Deferred income tax is accounted for using the balance sheet liability method in respect of all significant temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the corresponding tax bases of such assets and liabilities. Deferred income tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

Deffered tax asset amounting to Rs. 25,583,331 on account of deductible temporary differences has not been recognized as at June 30, 2017 as the recognition criteria prescribed by IAS 12 "Income Taxes" has not been met.

4.9 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions during the year are recorded at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Exchange differences are taken to the profit and loss for the year.

4.10 DIVIDENDS

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

4.11 GRATUITY

The Company operates unfunded gratuity scheme for its eligible employees completing the minimum qualifying period of six month as specified in the scheme. Gratuity shall be equivalent to one month last drawn gross salary for each year of service.

4.12 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

4.12.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2017.These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' Investment Entities: Applying the consolidation exception.	January 1, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations.	January 1, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative.	January 1, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization.	January 1, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants.	January 1, 2016
Amendments to IAS 27 'Separate Financial Statements' - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.	January 1, 2016

Certain annual improvements have also been made to a number of IFRSs.

4.12.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after);
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 1, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Date to be determined. Earliar adoption is permiteed
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 1, 2017

	Effective date (annual periods beginning on or after);
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 1, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 1, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

4.12.2 During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 23 of October 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company shall prepare the financial statements for periods closing after December 31, 2017 in accordance with the provisions of the new Companies Act, which is not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

5 PROPERTY AND EQUIPMENT

Particulars	Computer Equipment	Furniture and fixture	Office Equipment	Total
	--------------------Rupees--------------------			
Cost				
At inception	-	-	-	-
Additions during the period	-	-	-	-
As at June 30, 2016	-	-	-	-
Additions during the year	10,790,238	148,954	5,860,316	16,799,508
As at June 30, 2017	10,790,238	148,954	5,860,316	16,799,508
Depreciation				
At inception	-	-	-	-
Charge for the period	-	-	-	-
As at June 30, 2016	-	-	-	-
Charge for the year	260,366	9,974	111,388	381,728
As at June 30, 2017	260,366	9,974	111,388	381,728
Net book value				
As at June 30, 2016	-	-	-	-
As at June 30, 2017	**10,529,872**	**138,980**	**5,748,928**	**16,417,780**
Depreciation rate %	30%	15%	15%	

6 CASH AND BANK BALANCE

	Notes	2017 Rupees	2016 Rupees
Cash at bank - Saving account	6.1	**68,541,202**	15,000,030
Cash in hand		**18,295**	-
		68,559,497	15,000,030

6.1 These are in local currency and carry profit at the rate 3.75% per annum.

		Notes	2017 Rupees	2016 Rupees
7	**ISSUED, SUBSCRIBED AND PAI-UP CAPITAL**			
	Authorized capital:			
	100,000,000 ordinary shares of Rs. 10/- each		**1,000,000,000**	1,000,000,000
	Issued, subscribed and paid up capital:			
	1,500,003 ordinary shares of Rs. 10/- each	7.1	**15,000,030**	15,000,030

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

		Notes	2017 Rupees	2016 Rupees
8	**PAYABLES AND ACCRUED LIABILITIES**			
	Advance from Related Parties:			
	- Government Holdings (Private) Limited	8.1	**131,184,475**	8,047,475
	- Inter State Gas Systems (Private) Limited		**-**	17,006
			131,184,475	8,064,481
	Creditors and accrued liabilities:			
	Accounts Payable	8.2	**29,132,654**	2,137,500
	Accrued liabilities		**1,507,676**	-
	Withholding income tax payable		**957,223**	-
	Withholding sales tax payable		**159,408**	-
			162,941,436	10,201,981

8.1 The Government Holdings Private Limited (Parent Company) has provided the advance, solely to meet the operational activities related to LNG imports and to meet the guarantee requirements under the contract for LNG imports. On November 22, 2017, the Company has entered in to a loan agreement with the parent company for the conversion of entire advances into interest bearing loan. Loan along with the interest is repayable in four quarterly installments, within one year after the start of commercial operations. Rate of interest on loan shall be six months KIBOR plus 2 percent.

9 CONTINGENCIES AND COMMITMENTS

9.1 CONTINGENCIES

The Company has awarded contracts to M/s. Gunvor and M/s ENI SPA (the Sellers) for purchase and import of LNG for the period of five years and fifteen years at a price of $11.6247% of Brent and $12.046% (on average) of Brent respectively. The Company has provided the Sellers with the credit support in the form of irrevocable Standby Letter of Credit (SBLC) for an amount equal US$ 21,482,496 and US$ 22,229,424 to M/s Gunover and M/s ENI respectively. The parent company on behalf of the Company has provided the security for issuance of SBLC in favor of the Sellers.

9.2 COMMITMENTS

9.2.1 In accordance with the provisions of the TURA, the Company shall pay to the PLTL a capacity charge of USD 245,220 per day at an availability rate of 96% during each calender year, and a flexibility charge at the rate of 25% of the applicable capacity fee, provided that the flexibility is availed, from the commencment of commercial start date.

9.2.2 The Company has a commitment in respect of office renovation and purchase of furniture and fixtures of amounting to Rs 7,813,201 as of June 30, 2017.

10 ADMINISTRATIVE EXPENSES	Notes	2017 Rupees	From Dec 11, 2015 to Jun 30, 2016 Rupees
Salaries and allowances	10.1	**41,914,547**	-
Preliminary expenses		-	7,596,305
Fee and consultancy charges	10.2	**25,336,366**	
Board meetings		**5,450,000**	2,062,500
Business promotion		**2,315,895**	451,170
Travelling		**3,274,467**	-
Rent		**1,714,132**	-
Depreciation		**381,728**	-
Utilities		**727,302**	-
Miscellaneous		**613,195**	-
Repair and maintenance		**505,780**	-
Entertainment		**383,981**	17,006
Printing and Stationary		**316,287**	-
Auditors' Remuneration		**100,000**	75,000
		83,033,680	10,201,981

10.1 It includes gratuity expense of amounting to Rs.3,233,150 for eligible employees as per company policy.

11 OTHER INCOME	Notes	2017 Rupees	From Dec 11, 2015 to Jun 30, 2016 Rupees
Income from financial assets			
- Profit on bank deposit		**2,769,614**	175,614
Income from non-financial assets			
- others		**354,880**	-
		3,124,494	175,614

12 TRANSACTIONS WITH RELATED PARTIES

The Company is wholly owned subsidiary of Government Holdings (Private) Limited. Other related parties comprise associated company (Inter State Gas Systems (Private) Limited) and Pakistan LNG Terminal Limited, directors, companies with common directorship, key management personnel. Balances of related parties are disclosed in the relevant notes to these financial statements , please refer to note 8. Significant transactions with related parties are as follows :

	2017 Rupees	2016 Rupees
Balance with related parties		
Balances with the parent company:		
- Advance from Government Holdings (Pvt.) Limited	**131,184,475**	8,047,475
Balances with associated company:		
Inter State Gas System (Private) limited		
- Expenses incurred on behalf of Pakistan LNG Limited	-	17,006
'- Repayment of expenses incurred on behalf of Pakistan LNG Limited	**(17,006)**	-
Transactions with related parties		
Transactions with parent company		
Advance from parent company	**123,137,000**	8,047,475
Transaction with associated company:		
Inter State Gas System (Private) limited		
- Expenses incurred on behalf of Pakistan LNG Limited	-	17,006
Ministry of Energy (Petroleum Division)		
- Rent	**1,714,132**	-

13 REMUNERATION OF CHIEF EXECUTIVE

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to Chief Executive (Managing Director) and Director is as follows:

	2017		2016	
	Chief Executive	Directors	Chief Executive	Directors
	------------Rupees----------		-----------Rupees----------	
Meeting Fee	-	**5,450,000**	-	2,062,500
	-	**5,450,000**	-	2,062,500
Number of persons	1	6	1	7

14 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

The senior management of the Company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders. Further, senior management under the guidance of Board of Directors (the Board) ensures that the Company's financial risk-taking activities are governed through resolution passed by the Board and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The capital structure of the Company consists of equity (comprising issued capital and unappropriated loss as detailed in notes 7). The Company is not subject to any externally imposed capital requirements.

The Board reviews and agrees the policies for measuring each of their risks which are summarised below:

FINANCIAL INSTRUMENTS BY CATEGORIES

The Company's activities are exposed to a variety of financial risks namely credit risk, interest rate risk, foreign exchange risk and liquidity risk. Overall, risks arising from the Company's financial instruments are limited. The Company manages its exposure to financial risk in the following manner:

June 30, 2017

Description	INTEREST / MARK UP BEARING			NON INTEREST / MARK-UP BEARING			
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	Total
				---Rupees---			
FINANCIAL ASSETS							
Loans and Receivables							
Accrued Interest	1,801,927	-	1,801,927	-	-	-	1,801,927
Bank balances	68,541,202	-	68,541,202	18,295	-	18,295	68,559,497
	70,343,129	-	70,343,129	18,295	-	18,295	70,361,424
FINANCIAL LIABILITIES							
Financial Liabilities Measured at Amortised Cost							
Advance from parent company	-	-	-	131,184,475	-	131,184,475	131,184,475
Trade and other payables	-	-	-	31,756,961	-	31,756,961	31,756,961
Provision for gratuity	-	-	-	-	3,233,150	3,233,150	3,233,150
	-	-	-	162,941,436	3,233,150	166,174,586	166,174,586

June 30, 2016

Description	INTEREST / MARK UP BEARING			NON INTEREST / MARK-UP BEARING			
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	Total
	-----Rupees-----						
FINANCIAL ASSETS							
Loans and Receivables							
Accrued Interest	175,614	-	175,614	-	-	-	175,614
Bank balances	15,000,030	-	15,000,030	-	-	-	15,000,030
	15,175,644	-	15,175,644	-	-	-	15,175,644
FINANCIAL LIABILITIES							
Financial Liabilities Measured at Amortised Cost							
Trade and other payables	-	-	-	10,201,981	-	10,201,981	10,201,981
	-	-	-	10,201,981	-	10,201,981	10,201,981

14.1 Credit Risk

Credit risk represents that risk that one party to a financial instruments will cause a financial loss for the another party by failing to discharge an obligation. The carrying amount of financial assets represent the maximum credit exporsure.

The maximum exposure to credit risk at the reporting date was as follow:

	2017 Rupees	2016 Rupees
Bank balances	68,541,202	15,000,030
	68,541,202	15,000,030

The Company's credit risk is primarily attributes to its short term investments and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The name and Credit Ratings of major banks where the company maintains its bank balances are as follows:

Name of Bank	Rating	Credit Rating	
		Short Term	Long Term
National Bank of Pakistan	JCR - VIS	A-1+	AAA

14.2 Market Risk:

14.2.1 Interest Rate Risk

Interest Rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. As the company has fixed interest bearing assets, the Company's income and operating cash flows are substantially independent of market interest rates.

14.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or recievables and payables that exist due to transactions in foreign currency.

At the balance sheet date, Company is not exposed to any foreign exchange risk.

14.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities.

Financial liabilities in accordance with their contractual maturities are presented below:

June 30, 2017	**Rupees**		
	Carrying amount	**Contractual cash flows**	**Less than 1 Year**
Trade and other payables	162,941,436	162,941,436	162,941,436
	162,941,436	162,941,436	162,941,436

June 30, 2016	**Rupees**		
	Carrying amount	**Contractual cash flows**	**Less than 1 Year**
Trade and other payables	10,201,981	10,201,981	10,201,981
	10,201,981	10,201,981	10,201,981

14.4 Fair value of financial Instruments

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 the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The Company has no financial instruments under the fair value hierarchy. As at balance sheet date, the carrying values of the financial assets and financial liabilities approximate their fair values.

14.4.1 Fair value hierarchy

The carrying values of the financial assets and financial liabilities approximate their fair values. 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 the measurement date.

Fair value hierarchy:

- **Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities

- **Level 2** 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 3** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Company does not have any financial instruments which are required to be classifed under aforsaid fair value hierarchies.

14.5 Capital risk management

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

The Company manages its capital to ensure that it will be able to continue as a going concern. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements. Further, the Company is not subject to any externally imposed capital requirements

15 NUMBER OF EMPLOYEES

	2017	2016
Total number of employees at end of the year	14	-
Average number of employees during the year	15	-

16 NON - ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Company is reporting loan agreement with the parent company as non-adjusting event after balance sheet date as menioned in note 8.1 of these financial statements.

17 DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue by the Board of Directors on 19 APR 2018

18 GENERAL

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

CHIEF EXECUTIVE **DIRECTOR**