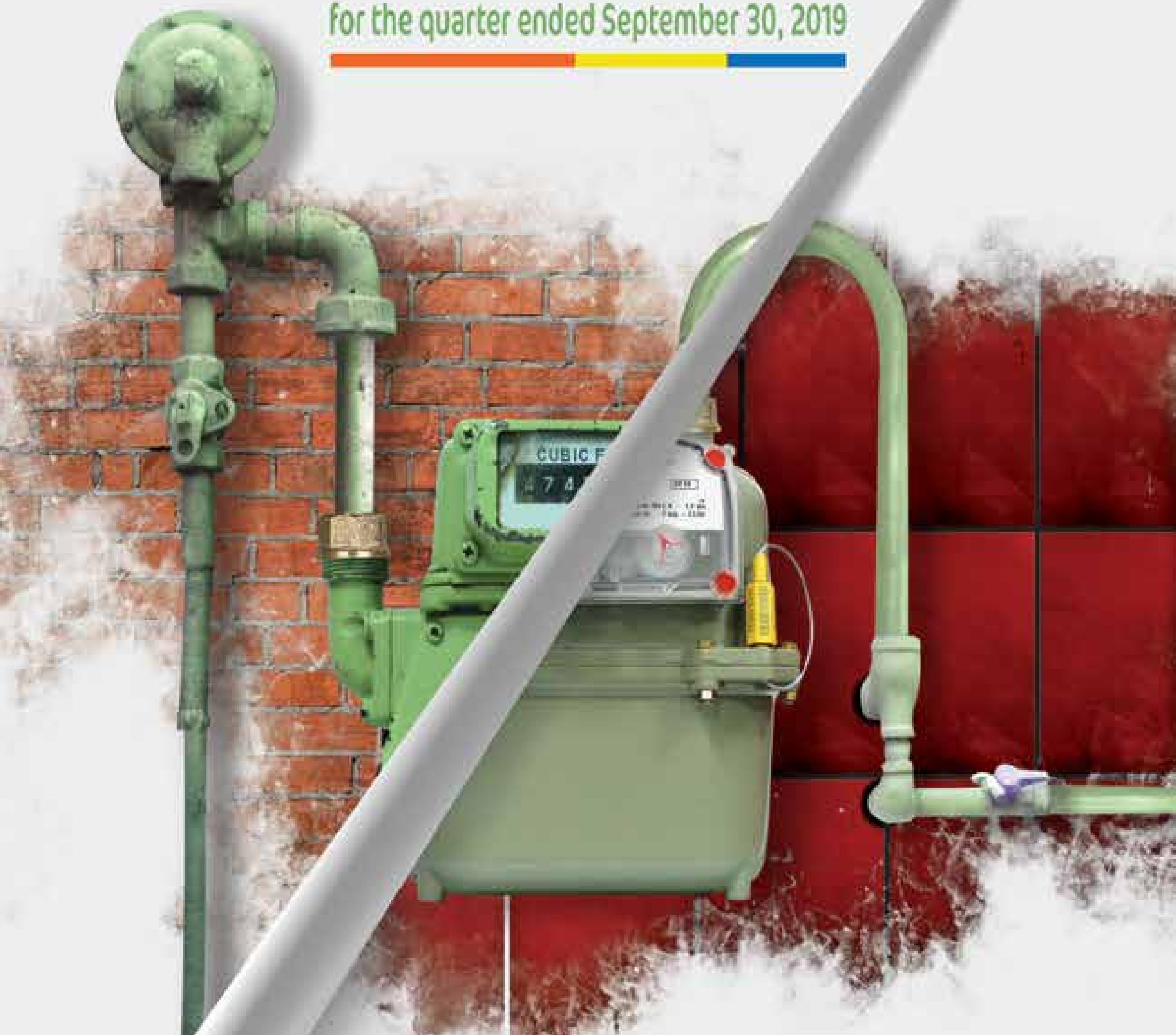
SSGC | Sui Southern Gas Company Limited

Condensed Interim Financial Statements for the quarter ended September 30, 2019



RICH LEGACY
VIBRANT FUTURE

Sui Southern Gas Company Limited

Unconsolidated Condensed Interim Financial Information (Un-Audited)
for the quarter ended September 30, 2019

CORPORATE PROFILE

As on September 30, 2019

Boad of Directors

Dr. Shamshad Akhtar	Chairperson (Non-Executive Director)
Ms. Nida Rizwan Farid	Director (Independent, Non-Executive Director)
Mr. Muhammad Raziuddin Monem	Director (Independent, Non-Executive Director)
Mr. Faisal Bengali	Director (Independent, Non-Executive Director)
Mirza Mahmood Ahmad	Director (Non-Executive Director)
Mr. Sher Afgan Khan	Director (Non-Executive Director)
Mr. Sajid Mehmood Qazi	Director (Non-Executive Director)
Dr. Ahmed Mujtaba Memon	Director (Non-Executive Director)
Syed Akhtar Ali	Director (Independent, Non-Executive Director)
Qazi Azmat Isa	Director (Non-Executive Director)
Mr. Manzoor Ali Shaikh	Director (Non-Executive Director)

Board of Director's Committees

Board Human Resource and Remuneration Committee

• Dr. Shamshad Akhtar	Chairperson
• Mr. Muhammad Raziuddin Monem	Member
• Mr. Manzoor Ali Shaikh	Member
• Mr. Sher Afgan Khan	Member
• Mirza Mahmood Ahmad	Member
• Mr. Mohammad Wasim	AMD

Board Finance and Procurement Committee

• Mirza Mahmood Ahmad	Chairman
• Ms. Nida Rizwan Farid	Member
• Syed Akhtar Ali	Member
• Dr. Ahmed Mujtaba Memon	Member
• Mr. Sher Afgan Khan	Member
• Mr. Mohammad Wasim	AMD

Board Audit Committee

• Mr. Faisal Bengali	Chairman
• Dr. Ahmed Mujtaba Memon	Member
• Mr. Sajid Mehmood Qazi	Member
• Mirza Mahmood Ahmad	Member
• Mr. Manzoor Ali Shaikh	Member
• Qazi Azmat Isa	Member

Board Risk Management, Litigation and HSE&QA Committee

• Mr. Muhammad Raziuddin Monem	Chairman
• Ms. Nida Rizwan Farid	Member
• Mr. Faisal Bengali	Member
• Syed Akhtar Ali	Member
• Mr. Manzoor Ali Shaikh	Member
• Qazi Azmat Isa	Member
• Mr. Mohammad Wasim	MD

Board Special Committee on UFG

• Dr. Shamshad Akhtar	Chairperson
• Ms. Nida Rizwan Farid	Member
• Mirza Mahmood Ahmad	Member
• Syed Akhtar Ali	Member
• Mr. Sajid Mehmood Qazi	Member
• Mr. Sher Afgan Khan	Member
• Mr. Faisal Bengali	Member
• Mr. Mohammad Wasim	AMD

Board Nomination Committee

• Dr. Shamshad Akhtar	Chairperson
• Mr. Muhammad Raziuddin Monem	Member
• Dr. Ahmed Mujtaba Memon	Member
• Mr. Sajid Mehmood Qazi	Member
• Mr. Faisal Bengali	Member

Acting Managing Director (AMD)

Mr. Mohammad Wasim

Company Secretary

Mr. Shoaib Ahmed

Auditors

M/s. Yousuf Adil, Chartered Accountants

Legal Advisor

M/s. Orr, Dignam & Co. Advocates

Registered Office

SSGC House
Sir Shah Suleman Road
Gulshan-e-Iqbal, Block 14
Karachi – 75300, Pakistan

Contact Details

Ph: 92-21-99021000
Fax: 92-21-9923-1702
Email: info@ssgc.com.pk
Web: www.ssgc.com.pk

Shares Registrar

CDC Share Registrar Services Limited,
CDC House, 99-B, Block B, SMCHS,
Main Sharah-e-Faisal, Karachi.
Ph: 021-111-111-500
Fax: 021-34326034

The total number of Directors are 12 including Chief Executive Officer (Acting) being a deemed Director, as per the following:
i) Male: 10 members
ii) Female: 2 members

DIRECTORS' REVIEW
For Three Months Period Ended September 30, 2019

We are pleased to share the Company's unaudited results for three months ended September 30, 2019.

The Company continued to face serious challenges during the period under review, some of which are critical for the Company's growth and viability.

Financial Overview
The Company recorded net after tax loss of Rs. 4,592 million after incorporating major disallowances by OGRA.

The summary of financial highlights of the period is given below:

	Three Months ended September 30, 2019 (Rupees in Million)
Loss before taxation	(4,005)
Taxation	(587)
Loss after taxation	(4,592)

SSGC Profitability is derived from Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed 17.43% return on its average net operating fixed assets before financial charges and taxes. However, OGRA makes adjustments while determining the revenue requirements based on efficiency related benchmarks vis a vis Unaccounted for Gas (UFG), Human Resource Benchmark Cost and Provision for Doubtful Debts and some other expenses. These adjustments affect the bottom line of the Company, which is primarily based on guaranteed return of 17.43% net of financial charges and taxes.

The main reasons for reporting after tax loss during the period were as under:

In line with OGRA Determination on Final Revenue Requirement (DFRR) for FY 2018-19 issued on May 25, 2021, total disallowances absorbed in these three months financial results amounted to Rs. 5.3 billion against Rs. 3.9 billion return on assets. However, in these unconsolidated financial statements information exceptional UFG disallowances made in DFRR for FY 2018-19 have not been followed which have been re-claimed in the Motion for Review (MFR) Petition already filed.

High UFG Disallowance
The extremely high UFG disallowance is due to the fact that OGRA is not accepting RLNG Volume Handling benefit allowed to SSGC vide a summary approved by Economic Coordination Committee (ECC) dated May 11, 2018. Had this benefit been allowed to SSGC the net UFG disallowance would have been reduced by Rs. 3.9 billion.

All the stakeholders in RLNG supply chain are getting compensation for incidental cost / losses on actual basis in the process of RLNG Supply. Similar benefit was allowed to SSGC through above referred ECC summary in the form of Volume Handling benefit in UFG Benchmark determination. However, OGRA has refused to implement the same causing huge financial loss to SSGC in the form of UFG disallowance. Latest update on the matter is that OGRA has hired external consultant to study the issue and submit its report.

Resolution of the above said issue is significant even for future periods, in the absence of which further deterioration in the financial position would be unabated which will cast serious doubt on the sustainable and efficient operations of the Company in the manner expected by its stakeholders including GoP.

Absorption of Past Staggered Losses
Absorption of Rs. 1.8 billion (September 30, 2018; Rs. 0.9 billion) of staggered losses pertaining Sindh High Court decision dated November 25, 2016 wherein SSGC claim on UFG Benchmark and on the treatment of certain Non-Operating Incomes have been rejected. As a consequence of this decision, SSGC had to absorb losses of Rs. 36.7 billion pertaining to FY 2011 to FY 2015. With the approval of competent authorities, SSGC can stagger these losses six years in maximum, however, it is intended to absorb these losses in 5 years i.e. by the end FY 2019-20 thus till September 30, 2019 SSGC has absorbed Rs. 31.2 billion.

High Financial Cost

Financial charges of Rs. 1.1 billion which is mainly on Long Term Loan obtained to finance Pipeline Infrastructure for transmission of RLNG from Karachi Port to Sawan for delivering RLNG to SNGPL network.

Future Outlook

Moving forward, reduction in UFG is the key to keeping the Company operationally and financially viable. Further, it is critical that the Company be allowed to calculate UFG allowance based on RLNG handling on Volumetric basis based on the decision of ECC of the Cabinet.

Acknowledgements

The Board wish to express their appreciation for the continued support received from the shareholders and its valued customers. The Board also acknowledges the dedication of all the employees who soldiered on, despite number of challenges confronting the Company. The Board also thanks the Government of Pakistan, the Ministry of Energy and the Oil and Gas Regulatory Authority, for their continued guidance and support.

On behalf of the Board

Dr. Shahmshad Akhtar
Chairperson

Imran Maniar
Managing Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at September 30, 2019

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**130,628,860**	129,720,492
Intangible assets		**14,940**	21,413
Right of use assets	8	**315,684**	-
Long term investments	9	**1,206,818**	1,236,149
Net investment in finance lease		**174,495**	188,949
Long term loans and advances		**181,597**	184,039
Long term deposits		**18,801**	18,801
Total non-current assets		**132,541,195**	131,369,843
Current assets			
Stores, spares and loose tools		**2,221,726**	2,363,680
Stock-in-trade		**1,879,944**	1,799,292
Current maturity of net investment in finance lease		**57,814**	57,814
Customers' installation work-in-progress		**218,498**	211,349
Trade debts	10	**90,507,185**	84,156,885
Loans and advances		**2,271,949**	2,184,117
Advances, deposits and short term prepayments		**262,885**	202,441
Interest accrued	11	**13,606,752**	13,110,415
Other receivables	12	**281,325,985**	272,693,110
Taxation - net		**18,996,623**	19,536,007
Cash and bank balances		**522,716**	338,294
Total current assets		**411,872,077**	396,653,404
Total assets		**544,413,272**	528,023,247

The annexed notes 1 to 34 form an integral part of this unconsolidated condensed interim financial information.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at September 30, 2019

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of FVTOCI securities		170,290	199,621
Surplus on revaluation of property plant and equipment		21,043,031	21,043,031
Accumulated losses		(47,573,094)	(42,981,531)
Total equity		(12,643,209)	(8,022,315)
LIABILITIES			
Non-current liabilities			
Long term finance	13	36,769,645	36,919,543
Long term deposits		18,057,487	17,559,361
Employee benefits		6,051,462	5,847,259
Obligation against pipeline		865,054	879,331
Deferred credit	14	4,761,846	4,844,471
Contract liabilities	15	4,708,327	4,402,391
Lease liability		153,942	-
Long term advances		3,058,954	3,070,033
Total non-current liabilities		74,426,717	73,522,389
Current liabilities			
Current portion of long term finance	13	8,607,116	9,837,805
Short term borrowings	16	12,801,155	16,294,237
Trade and other payables	17	442,013,839	417,608,590
Current portion of obligation against pipeline		55,237	54,014
Current portion of deferred credit	14	384,415	394,735
Current portion of contract liabilities	15	169,567	166,933
Current portion lease liability		114,244	-
Unclaimed dividend		285,434	285,434
Interest accrued	18	18,198,757	17,881,425
Total current liabilities		482,629,764	462,523,173
Total liabilities		557,056,481	536,045,562
Contingencies and commitments	19		
Total equity and liabilities		544,413,272	528,023,247

The annexed notes 1 to 34 form an integral part of this unconsolidated condensed interim financial information.

Dr. Shamshad Akhtar **Chairperson**	**Imran Maniar** **Managing Director**	**Muhammad Amin Rajput** **Chief Financial Officer**

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
For the quarter ended September 30, 2019

	Note	Quarter ended September 30, 2019	Quarter ended September 30, 2018
		(Un-Audited)	
		------------(Rupees in '000)------------	
Sales	20	**82,184,702**	55,808,644
Sales tax	20	**(12,233,736)**	(7,127,756)
		69,950,966	48,680,888
Gas development surcharge	21	**742,311**	15,487,237
RLNG differential margins	22	**(272,479)**	(4,212,852)
		469,832	11,274,385
Net sales		**70,420,798**	59,955,273
Cost of sales	23	**(79,005,383)**	(61,699,808)
Gross Loss		**(8,584,585)**	(1,744,535)
Administrative and selling expenses		**(1,170,656)**	(1,123,320)
Other operating expenses	24	**(32,078)**	(1,410,597)
Impairment loss against financial assets		**(325,439)**	-
		(1,528,173)	(2,533,917)
		(10,112,758)	(4,278,452)
Other operating income	25	**7,269,684**	3,124,170
Operating Loss		**(2,843,074)**	(1,154,282)
Finance cost		**(1,161,555)**	(1,756,950)
Loss before taxation		**(4,004,629)**	(2,911,232)
Taxation	26	**(586,934)**	(312,488)
Loss for the period		**(4,591,563)**	(3,223,720)
Basic and diluted loss per share (Rupees)		**(5.21)**	(3.66)

The annexed notes 1 to 34 form an integral part of this unconsolidated condensed interim financial information.

Dr. Shamshad Akhtar	**Imran Maniar**	**Muhammad Amin Rajput**
Chairperson	**Managing Director**	**Chief Financial Officer**

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the quarter ended September 30, 2019

	Quarter ended September 30, 2019	Quarter ended 'September 30, 2018
	(Un-Audited)	
	---------(Rupees in '000)---------	
Loss for the period	**(4,591,563)**	(3,223,720)
Other comprehensive income		
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss		
Unrealised loss on re-measurement of FVTOCI securities	**(29,331)**	(34,561)
Total comprehensive loss for the period	**(4,620,894)**	(3,258,281)

The annexed notes 1 to 34 form an integral part of this unconsolidated condensed interim financial information

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW

For the quarter ended September 30, 2019

	Note	September 30, 2019	September 30, 2018
		Quarter ended	
		(Un-Audited)	
		--------(Rupees in '000)--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		**(4,004,629)**	(2,911,232)
Adjustments for non-cash and other items	27	**3,583,304**	4,006,949
Working capital changes	28	**9,281,773**	624,933
Financial charges paid		**(884,205)**	(1,215,472)
Employee benefits paid		**(25,551)**	(28,283)
Payment for retirement benefits		**(487,542)**	(298,579)
Long term deposits received - net		**498,126**	710,818
Loans and advances to employees - net		**(85,390)**	(297,880)
Interest income and return on term deposits received		**25,263**	14,671
Income taxes paid		**(47,551)**	(71,625)
Net cash generated from operating activities		**7,853,598**	534,300
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(2,763,687)**	(1,942,643)
Payments for intangible assets		**(288)**	(120)
Payment for obligation against pipeline		**(33,933)**	(33,933)
Proceeds from sale of property, plant and equipment		**52,603**	33,366
Lease rental from net investment in finance lease		**23,517**	26,106
Dividend received		**1,849**	-
Net cash used in investing activities		**(2,719,939)**	(1,917,224)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of local currency loans		**(1,374,334)**	(1,013,534)
Repayment of customer finance		**(6,253)**	(3,265)
Repayment of lease liability		**(75,568)**	-
Net cash used in financing activities		**(1,456,155)**	(1,016,799)
Net decrease in cash and cash equivalents		**3,677,504**	(2,399,723)
Cash and cash equivalents at beginning of the period		**(15,955,943)**	(9,349,548)
Cash and cash equivalents at end of the period		**(12,278,439)**	(11,749,271)
Cash and cash equivalent comprises:			
Cash and bank balances		**522,716**	243,730
Short term borrowings		**(12,801,155)**	(11,993,001)
		(12,278,439)	(11,749,271)

The annexed notes 1 to 34 form an integral part of this unconsolidated condensed interim financial information.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the quarter ended September 30, 2019

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	---(Rupees in '000)---						
Balance as at July 1, 2018 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**334,805**	**13,673,415**	**(24,586,763)**	**3,138,021**
Total comprehensive loss for the quarter ended September 30, 2018							
Loss for the period	-	-	-	-	-	(3,223,720)	(3,223,720)
Other comprehensive loss for the period	-	-	-	(34,561)	-	-	(34,561)
Total comprehensive loss for the period	-	-	-	(34,561)	-	(3,223,720)	(3,258,281)
Balance as at September 30, 2018	8,809,163	234,868	4,672,533	300,244	13,673,415	(27,810,483)	(120,260)
Balance as at June 30, 2019 (Audited)	8,809,163	234,868	4,672,533	199,621	21,043,031	(42,981,531)	(8,022,315)
Total comprehensive loss for the quarter ended September 30, 2019							
Loss for the period	-	-	-		-	(4,591,563)	(4,591,563)
Other comprehensive loss for the period	-	-	-	(29,331)	-	-	(29,331)
Total comprehensive loss for the period	-	-	-	(29,331)	-	(4,591,563)	(4,620,894)
Balance as at September 30, 2019	**8,809,163**	**234,868**	**4,672,533**	**170,290**	**21,043,031**	**(47,573,094)**	**(12,643,209)**

The annexed notes 1 to 34 form an integral part of this unconsolidated condensed interim financial information.

Dr. Shamshad Akhtar
Chairperson

Imran Maniar
Managing Director

Muhammad Amin Rajput
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the quarter ended September 30, 2019

1. STATUS AND NATURE OF BUSINESS

1.1 Sui Southern Gas Company Limited ("the Company") is a public limited Company incorporated in Pakistan and is listed on Pakistan Stock Exchange. The main activity of the Company is transmission and distribution of natural gas in Sindh and Balochistan. The Company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

The registered office of the Company is situated at SSGC House, Sir Shah Suleman Road, Block 14, Gulshan e Iqbal, Karachi. The Company's pipe coating plant is situated at Plot No. F-76 SITE Avenue Karachi (Here 3/4", 1" & 2" pipe is coated for Distribution South Karachi) and the Company Khadeji P&C Base Camp M-9 Motorway Karachi.

The addresses of other regional offices of the Company are as follows:

Region	Address
Karachi West	SITE Office, Karachi. Plot No. F/36 & F/37 SITE Area Karachi.
Karachi East	Plot # 21/1, Sector 22, Korangi Industrial Area, Karachi.
Karachi Central	Azad Trade Center Near Civic Center Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway Qasimabad, Hyderabad.
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing Society, Nawabshah.
Sukkur	SSGC Regional Office, Golimar Road, SITE Area Sukkur.
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital, Larkana.
Quetta	SSGC Office, Samungli Road, Quetta.

1.2 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17.43% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating expenses and non-operating income. The determination of annual required return is reviewed by OGRA, under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess or short of the above guaranteed return is payable to or recoverable from the Government of Pakistan (GoP) and is adjusted from or to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Financial Performance

During the quarter, the Company has incurred a loss after tax of Rs. 4,592 million resulting in increase in its accumulated losses to Rs. 47,573 million and diminishing equity to Rs. 12,643 million after including the impact of staggering as disclosed in note 2.2 to this unconsolidated condensed interim financial information. As at period end, current liabilities exceed its current asset by Rs. 70,758 million.

The Company's financial performance for the quarter has deteriorated mainly because of higher UFG, certain additional disallowances by OGRA on account of UFG, continued non-implementation / disallowances by OGRA of the impact of UFG due to RLNG Volume Handling already approved by the ECC and staggering of losses due to dismissal of Company's petitions by Sindh High Court (refer note 1.4).

In order to improve the financial position and performance of the Company, the management / Board of Directors (Board) have taken / planned following steps:

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue requirement for FY 2018-19 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Company has reiterated its earlier position of higher UFG due to RLNG and as a result OGRA has initiated a process of hiring of services of International Technical, Commercial and Management Auditors for determining actual UFG of Gas Companies in respect of Indigenous gas as well as imported RLNG. ECC also constituted a Committee comprising Secretaries, Petroleum & Finance to sort out the issue between the Company & Sui Nothern Gas Pipelines limited (SNGPL).

- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, GoP being majority shareholder has acknowledged the funding requirements of the Company and has shown commitment to extend all support to maintain the going concern status of the Company.

- The Company has devised a Board approved Strategy to control UFG in coming years and the same is under implementation.

- Under new tariff regime, the company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next two years.

- Banks have also waived the debt to equity covenant for financial years 2018-19 and 2019-20. However, the Company has never defaulted in payment of any installment of principal and interest thereon and some of the loans have been totally paid off to date.

Board / management believes that in view of above mentioned steps / plans, the Company's profitability and financial position will improve in the next few years.

1.4 Determination of revenue requirement

The Oil and Gas Regulatory Authority (OGRA) in its order dated December 02, 2010, and May 24, 2011, treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income, which OGRA had previously allowed as non-operating income in its decision dated September 24, 2010, for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25% - 5%.

Being aggrieved by the above decision, the Company had filed an appeal against the decision of OGRA in the High Court of Sindh ("the Court"), on which the Court provided interim relief, whereby, OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, pertaining to FY 2010 till final decision of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Afterwards, management estimated the revenue requirement of the Company for the financial years 2011 to 2015 based on the interim relief of the Court, and OGRA also accepted position taken up by the Company for the said financial years, subject to the final decision of the Court.

On November 25, 2016, the Sindh High Court dismissed the Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge, and Sale of Gas Condensate as operating income. The Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgement. But the management has considered OGRA's decision in preparation of this unconsolidated condensed interim financial information for the quarter ended September 30, 2019.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in this unconsolidated condensed interim financial information is based on FRR determined by OGRA for the financial year ended June 30, 2019. However, in this unconsolidated condensed interim financial information, exceptional UFG disallowances made in DFRR for FY 2018-19 pertaining to internal consumption, UFG on transmission and distribution (RLNG), OGRA disallowed Line pack as well as Loss due to sabotage have not been followed which have been re-claimed and expected to be allowed in the decision on Motion for Review (MFR) Petition already filed and also reclaimed in FRR petition for FY 2019-20.

This unconsolidated condensed interim financial information does not include all information required for annual audited unconsolidated financial statements and should be read in conjunction with the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2019.

2.2 Staggering of Losses arising due to Sindh High Court decision

As disclosed in note 1.4, OGRA has disallowed certain expenses for the years ended 2011 to 2015. Consequently, management had approached Securities and Exchange Commission of Pakistan (SECP) through its letter dated December 14, 2016 to allow staggered recognition of the disallowed expenses of Rs. 36,718 million in 3 years. The permission from SECP was sought based on the grounds that recognition of such disallowances in one year will reflect very adverse results and financial position of the Company, considering that OGRA's determination of some significant aspects of revenue requirements are provisional and are likely to be revised.

Accordingly, SECP through its letter dated December 20, 2016 has granted permission to stagger disallowed expense in the audited unconsolidated financial statements for the years ended June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis, facts and circumstances are adequately disclosed and compliance with the disclosure requirement of IFRSs for departing with IFRSs.

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for financial years 2011 to 2015 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) for allowing staggering of Rs. 18,359 million in five years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years (FY 2016-17 to FY 2020-21) and the same practice was carried out till FY 2018-19. However management has decided to record remaining balance of staggering i.e Rs 7,344 million in FY 2019-20 which has been proportionally (Rs.1,836 million) accounted for in this unconsolidated condensed interim financial information.

Further, the OGRA, in its decision dated December 24, 2018 also directed the Company to review its dividend payout policy for future year till such time the above adjustment impact is dispelled.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual unconsolidated audited financial statements of the Company for the year ended June 30, 2019 except for the following:

IFRS 16 : "Leases"

The Company has adopted IFRS 16: "Leases", which replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains Lease', SIC-15 'Operating Lease - Incentive 'and SIC-27 'Evaluating the substance of transaction involving the legal form of Lease'.

IFRS 16 introduced a single, on balance sheet lease accounting model for leases. 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 similar to IAS -17 standard i.e. lessors continue to classify leases as finance or operating lease.

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to leases which had previously been classified as 'Operating Lease' under the principles of IAS-17 'Leases'. These liabilities have been recognized at the present value of 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 01, 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-years 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 liability recognized on initial application of IFRS 16 at July 01, 2019.

	(Rs '000)
Lease liability recognized at July 01, 2019	**334,617**

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 statements of financial position as at September 30, 2019

	(Rs '000)
Increase in right of use assets	**347,263**
Decrease in prepayments - prepaid rent	**(12,646)**
Increase in total assets	**334,617**
Increase in lease liability	**(334,617)**
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.

IFRS 14: "Regulatory Deferral Account"

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. However, considering Company's Regulator Deferral amount as part of Circular Debt an application for exemption from implementation of International Financial Reporting Standard (IFRS) 14- Regulatory Deferral Accounts has been submitted with SECP. Accordingly, no such requirements of IFRS 14 has been followed in the preparation of this unconsolidated condensed interim financial information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unconsolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited unconsolidated financial statements for the year ended June 30, 2019. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this unconsolidated condensed interim financial information except certain additional disclosures as given in note 31 to this unconsolidated condensed interim financial information.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited unconsolidted financial statements as at and for the year ended June 30, 2019.

6. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Operating assets	117,922,570	118,193,544
Capital work-in-progress	12,706,290	11,526,948
	130,628,860	129,720,492

Details of additions and disposals of property, plant and equipment are as follows:

	September 30, 2019		September 30, 2018	
	(Un-audited)			
	---------------(Rupees in '000)---------------			
	Cost of additions / transfers from CWIP	Written down value of (transfers / disposals)	Cost of additions / transfers from CWIP	Written down value of (transfers / disposals)
Operating assets				
Buildings on leasehold land	76,904	-	5,415	-
Gas distribution system	898,903	-	1,329,934	-
Gas transmission pipelines	546,601	-	1,644,679	-
Telecommunication	-	-	2,957	-
Plant and machinery	42,776	(348)	15,337	-
Tools and equipment	3,828	-	7,524	-
Motor vehicles	42,689	(11,216)	83,650	(9,969)
Furniture and fixtures	12,088	-	1,000	-
Office equipment	1,138	-	12,824	-
Computers and ancillary equipments	49,926	(17)	-	-
Construction equipment	-	(51)	595	-
Compressor	113,295	-	14,067	-
	1,788,148	(11,632)	3,117,981	(9,969)
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	1,428,241	(898,903)	1,394,003	(1,329,933)
- Gas transmission system	94,224	(546,601)	190,417	(1,644,679)
- Cost of buildings under construction and others	14,067	(76,904)	11,737	(5,415)
	1,536,532	(1,522,408)	1,596,157	(2,980,027)

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 1,152 million (September 30, 2018: Decrease of Rs. 163 million).

7 As at September 30, 2019, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 29,988 million (June 30, 2019: Rs. 29,312 million) out of which deferred tax asset amounting to Rs.15,121 million has been recognised and remaining balance of Rs 14,867 million is unrecognised. As at period end, the Company's minimum tax credit amounted to Rs.2,968 million (June 30, 2019: Rs. 2,813 million) having expiry period ranging between 2022 and 2024.

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
8 RIGHT OF USE ASSETS		-----------(Rupees in '000)-----------	
Opening balance		-	-
Impact on application of IFRS 16		**347,263**	-
Additions during the year		-	-
		347,263	-
Movement during the year			
Additions		-	-
Less: depreciation charge for the year	8.1	**31,579**	-
Ending balance		**31,579**	
Cost		**347,263**	-
Accumulated depreciation		**(31,579)**	-
Net book value		**315,684**	-

8.1 The rate of depreciation is based on the term of the respective agreement and ranges from 33% to 40% per annum.

9 LONG TERM INVESTMENTS

Investment in related parties		**1,148,714**	1,167,762
Other investments		**58,104**	68,387
		1,206,818	1,236,149

10. TRADE DEBTS

secured		**24,775,425**	26,903,030
unsecured		**81,689,800**	72,886,457
	10.1&10.2	**106,465,225**	99,789,487
Provision against financial assets		**(15,958,040)**	(15,632,602)
		90,507,185	84,156,885

10.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 33,344 million (June 30, 2019: Rs. 32,888 million) as at September 30, 2019 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2019: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 104,546 million (June 30, 2019: Rs. 100,319 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

Considering that the Company has valid legal claim for recovery of LPS together with outstanding principal amount, the Company filed the aforementioned suit against KE amounting to Rs. 55,705 million. The above suit has been filed based on the following grounds:

- As per the agreement dated June 30, 2009 which was entered between the Company and KE for making outstanding payment in 18 installments, the Company was entitled to charge LPS on outstanding principal amount at rate of:

  a. Highest OD rate being paid by the Company or;
  b. Highest rate at which interest is payable on gas producer bills.

- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

KE also filed case against the Company in the High Court of Sindh for recovery of damages / losses of Rs. 61,614 million as KE claimed that the Company had not supplied the committed quantity of natural gas to KE. However, the legal counsel of the Company is of the view that claim of KE is not valid and is not as per terms of the agreement where it was agreed that the Company would make excess supply of natural gas if KE would make timely payments. As KE defaulted on many instances in making payments on due dates, the Company was not bound to supply excess quantity of natural gas as per terms of the agreement.

Management has consulted with its legal counsel, who is of the view that the Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel is also of the opinion that the Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017. Currently, management is in a process to negotiate payment plan, which has not been finalised till the issue of this unconsolidated condensed interim financial information but the supply of gas and payment is continuing as per old plan.

It has been agreed during various meetings with KE and the Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending. Subsequent to period end, term of reference has been signed and shared with KE however no response has been received from KE.

10.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per IFRS 15 "Revenue from Contract with Customers" based on opinion from Firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 23,912 million (June 30, 2019: Rs. 23,661 million) including overdue balance of Rs. 22,999 million (June 30, 2019: Rs. 23,598 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 62,868 million (June 30, 2019: Rs. 61,217 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

The Company filed a suit in the High Court of Sindh in April 2016, for recovery of its aggregate claim amounting to Rs. 41,354 million balance upto February 2016, along with LPS. On April 6, 2016, the High Court of Sindh passed an order restraining PSML from creating any third party interest in relation to its assets including but not limited to immovable assets owned by it.

PSML has filed its counter claim approximately of Rs. 38,660 million on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal counsel of the Company is of the view that due to vagaries of litigation nothing could be expressed with any degree of certainty in the contested matters.

Although PSML's financial position is adverse, and it has no capacity to repay its obligations on its own, management is confident that the entire amount will be ultimately recovered because PSML is a Government-owned entity and is continuously being supported by the Government of Pakistan.

11. INTEREST ACCRUED

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Interest accrued on late payment of bills / invoices from:			
- Water & Power Development Authority (WAPDA)		**3,912,818**	3,741,367
- Sui Northern Gas Pipelines Limited (SNGPL)		**7,832,802**	7,546,501
- Jamshoro Joint Venture Limited (JJVL)		**578,798**	578,798
		12,324,418	11,866,666
Interest accrued on sales tax refund		**487,739**	487,739
Interest accrued on loan to related party	11.1	**906,995**	868,410
		13,719,152	13,222,815
Provision against impaired accrued income		**(112,400)**	(112,400)
		13,606,752	13,110,415

11.1 This amount represents interest accrued on amount due from SSGC LPG (Private) Limited (a wholly owned subsidiary). The amount includes interest accrued on a short term loan amounting to Rs. 871 million (June 30, 2019: Rs. 832 million) and interest accrued on late payment of bills against sale of LPG amounting to Rs. 36 million (June 30,2019: Rs. 36 million).

		Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
12.	**OTHER RECEIVABLES**		--------(Rupees in '000)--------	
	Gas development surcharge receivable from GoP	12.1	**141,035,385**	140,160,555
	Receivable from SNGPL for differential tariff		**322,207**	-
	Receivable from HCPCL	12.2	**4,157,839**	4,157,839
	Staff pension fund		**-**	7,133
	Receivable for sale of gas condensate		**42,949**	42,107
	Sui Northern Gas Pipelines Limited	12.3	**78,863,496**	71,884,848
	Jamshoro Joint Venture Limited	12.4&12.5	**11,616,486**	11,530,044
	SSGC LPG (Private) Limited		**30,328**	30,129
	Sales tax receivable	12.6	**47,202,653**	46,812,396
	Sindh sales tax receivable		**112,976**	112,976
	Receivable against asset contribution	12.7	**433,389**	451,011
	Miscellaneous receivable		**95,151**	90,946
			283,912,859	275,279,984
	Provision against other receivables		**(2,586,874)**	(2,586,874)
			281,325,985	272,693,110

12.1 Gas Development Surcharge

Opening balance	**140,160,555**	53,499,313
Recognized during the period	**742,311**	84,884,740
Recognized in OCI claim under IAS 19	**-**	1,311,533
Subsidy for LPG air mix operations	**132,519**	464,969
Ending balance	**141,035,385**	140,160,555

12.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)

Amount of LD Charges as per Arbitration Award	**3,938,382**	3,938,382
Subsequent LDs raised by HCPCL on Award Principle	**219,457**	219,457
Total Receivable	**4,157,839**	4,157,839

12.2.1 HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Company on account of short / non-supply of contractual gas volumes and disputed compounding of interest i.e. Late Payment Surcharge on gas bills thereon for the period from January 2009 to March 2017.

On April 30, 2018, ICC issued decision in favor of HCPCL and the Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, liquidated damages (LD), interest on LD and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Company.

Earlier in January 2018, the Company approached Ministry of Energy (Petroleum Division) regarding waiver of LDs claimed by WAPDA / CCPA-G from HCPCL against non-supply of Electricity to WAPDA which was being passed to the Company by HCPCL.

The matter was submitted to Economic Coordination Committee of the Cabinet (ECC) for consideration and ECC in its meeting held on February 07, 2018 approved in principle, the proposal regarding waiver of LDs with the direction to Petroleum Division to work out modalities in consultation with stakeholders.

LDs adjusted by HCPCL against running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award Period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

The 20 years GSA with HCPCL expired in September 2019. Prior to the expiry of GSA, MOE communicated the Company to continue supplying gas to HCPCL in order to avoid suspension of electricity to national grid. In the month of October 2019, HCPCL carried out a set off of Rs. 586.5 million from the Company's outstanding bills on account of LDs imposed by WAPDA after the expiry of gas allocation on December 31, 2018. The Company disconnected gas supply to HCPCL on October 3, 2019. Subsequently the Company opted for encashment of HCPCL Bank Guarantees to recover outstanding recoverables. In response, HCPCL filed Suit 1570 of 2019 against the Company and obtained stay from the honorable High Court of Sindh against encashment of Bank Guarantees. HCPCL is in negotiations with the Company to finalize the modalities under ECC decision for waiver of LDs and sign a new GSA to resume gas supply.

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
12.3 Receivable balance from SNGPL comprises of the following:		--------(Rupees in '000)--------	
Uniform cost of gas		**15,818,845**	15,818,845
Lease rentals		**306,447**	224,440
Contingent rent		**3,535**	3,535
LSA Margins		**2,141,778**	1,897,684
Capacity and utilisation charges of RLNG	12.3.1	**38,131,587**	33,298,113
RLNG transportation income		**22,461,304**	20,642,231
		78,863,496	71,884,848

12.3.1 The Company has invoiced an amount of Rs. 76,342 million, including Sindh Sales Tax of Rs. 8,926 million, till September 30, 2019 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

SNGPL has disputed the terminal charges that have not been allowed to it by OGRA, terminal charges of a third party i.e. Pak-Arab Fertilizer Company Limited (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Company. For quantity supplied to PAFCL, PAFCL is making payment directly to the Company according to the payment plan finalized in which PAFCL was required to make eight equal monthly installments of Rs. 201 million per month. Till July 2019, the Company has received all eight installments.

In June 2016, the Economic Coordination Committee (ECC) approved the policy guidelines that all charges under LSA including, but not limited to capacity and utilization charges as well as retainage are to be included at actual. OGRA in its decision dated October 7, 2016 regarding determination of RLNG price, has allowed the terminal charges at actual.

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume to the Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these volumes when dedicated pipeline is available.

OGRA, in its letter dated November 20, 2018, in pursuance of decision of the ECC, with the consent of SNGPL and the Company, has determined the price mechanism for purchase and sale of allocated RLNG volumes.

Based on initialed agreement between the Company and SNGPL dated January 25, 2021, SNGPL is raising invoice for RLNG volumes retained by the Company from June 01, 2020 based on RLNG reconciliation statement mutually agreed. The rate is based on OGRA decision dated November 20, 2018. SNGPL has started payments of such invoices issued by the Company from June 2020 onwards on monthly basis.

12.4 This include amount receivable in respect of royalty income, sale of liquefied petroleum gas, sale of natural gas liquids, Federal Excise Duty and Sindh Sales Tax on Franchise Services.

As at period end, amount payable to JJVL is Rs. 8,528 million (June 30, 2019: Rs. 8,528 million) in respect of processing charges is disclosed in note 17 in this unconsolidated condensed interim financial information.

12.5 During the year 2013-14, the Supreme Court of Pakistan (SCP) passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Company and Jamshoro Joint Venture Limited (JJVL) was declared void from the date of its inception. The SCP constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the “Reference Price” for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the SCP has appointed an Advocate Supreme Court to determine the matter and accordingly the same has been submitted by him.

As per SCP order dated June 13, 2018 a firm of Chartered Accountants was appointed to determine the receivable / payable from / to JJVL wherein freight matter was also included and the report has been submitted by the firm. However the freight matter is still pending and the SCP will settle the same and an appropriate order shall be passed in this respect. As per SCP order dated January 9, 2019, in respect of freight matter charges, SCP directed JJVL to deposit Rs. 249 million as JJVL’s admitted liability for freight charges for the period 2005-2013. The Company has received such amount as directed by SCP on February 24, 2020 and further amount in this respect will be determined / settled by SCP in due course.

12.6 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales Tax refunds are processed through FBR’s Sales Tax Automated

Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR through a letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012. After withdrawal of said dispensation, the deferred refunds are issued to the Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds. Subsequent to the period end, the Company has made extensive efforts and accordingly refunds of around Rs. 11,900 million were released.

12.7 This represents receivable from Mari Petroleum Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cashflow technique.

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
		-----------(Rupees in '000)-----------	
13. LONG-TERM FINANCE			
Secured			
Loans from banking companies	13.1&13.2	**44,408,355**	45,786,848
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Customer finance		**188,211**	194,464
Government of Sindh loans		**756,245**	752,086
		968,406	970,500
Subtotal		**45,376,761**	46,757,348
Less: curent portion shown under current liabilities			
Loans from banking companies		**(8,395,000)**	(9,625,000)
Customer finance		**(25,449)**	(26,138)
Government of Sindh loans		**(186,667)**	(186,667)
		(8,607,116)	(9,837,805)
		36,769,645	36,919,543

13.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. During the period, repayment of Rs. 1500 million has been made.

13.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at September 30, 2019 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 275 million has been made. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

14. DEFERRED CREDIT

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		-----------(Rupees in '000)-----------	
Government of Pakistan contributions / grants			
Opening Balance		**3,064,028**	3,285,092
Additions / adjustments during the year		**3,182**	89,596
Transferred to unconsolidated statement of profit or loss		**(62,186)**	(310,660)
Ending balance		**3,005,024**	3,064,028
Government of Sindh (Conversion of loan into grant)			
Opening Balance		**2,025,211**	2,133,559
Additions during the year		**(23)**	6,367
Transferred to unconsolidated statement of profit or loss		**(28,690)**	(114,715)
Ending balance		**1,996,498**	2,025,211
Government of Sindh grants			
Opening Balance		**149,967**	173,218
Transferred to unconsolidated statement of profit or loss	14.1&14.2	**(5,228)**	(23,251)
Ending balance		**144,739**	149,967
		5,146,261	5,239,206
Less: Current portion of deferred credit		**(384,415)**	(394,735)
		4,761,846	4,844,471

14.1. This represents amount received from the Government of Pakistan for supply of gas to new towns and villages and is recognised as grant when the conditions specified by the Government are met and is amortised over the useful life of related projects.

14.2. Pipelines constructed / built under deferred credit arrangement are not given 17.43% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of the Company's guaranteed return.

15. CONTRACT LIABILITIES

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
Contribution from customers	15.1&15.2	**1,414,187**	1,406,461
Advance received from customers for laying of mains, etc.		**3,294,140**	2,995,930
		4,708,327	4,402,391
15.1. Contribution from customers			
Opening balance		**1,573,394**	1,016,899
Additions / adjustments during the year		**52,752**	721,747
Transferred to unconsolidated statement of profit or loss		**(42,392)**	(165,252)
		1,583,754	1,573,394
Less: Current portion of contributions from customers		**(169,567)**	(166,933)
Ending balance		**1,414,187**	1,406,461

15.2 The Company has recognised the contract liabilities in respect of the amount received from the customer as contribution towards the cost of supplying and laying transmission, service and main lines.

16. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 25,000 million (June 30, 2019: Rs. 25,000 million) and carry mark-up ranging from 0.00% to 0.20% (June 30, 2019: 0.20%) above the average one month KIBOR. These facilities are secured by first pari passu second amendment to the joint hypothecation agreement and ranking charge over present and future stock in trade and book debts of the Company.

The aggregate unavailed short term borrowing facilities amounted to Rs.12,199 million (June 30, 2019: Rs. 8,706 million).

17. TRADE AND OTHER PAYABLES

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
- Indegenious gas	17.1	**345,294,486**	332,632,340
- RLNG		**56,610,274**	44,018,023
		401,904,760	376,650,363
Payable to SNGPL for differential tariff		**-**	1,681,019
RLNG differential margin payable to GoP		**11,580,836**	9,305,131
Engro Elengy Terminal (Private) Limited		**1,710,189**	1,984,729
Accrued liabilities		**3,438,225**	4,240,256
Provision for compensated absences - non executives		**303,441**	303,441
Payable to pension		**83,043**	-
Payable to staff gratuity fund		**4,791,663**	5,091,663
Deposits / retention money		**665,749**	668,656
Advance for sharing right of way		**18,088**	18,088
Withholding tax payable		**171,257**	186,402
Sales tax & Federal excise duty payable		**258,679**	311,293
Sindh sales tax payable		**109,536**	131,616
Processing Charges payable to JJVL		**8,528,447**	8,528,447
Gas infrastructure development cess payable		**7,291,564**	7,338,595
Unclaimed Term Finance Certificate redemption profit		**1,800**	1,800
Workers's profit participation fund		**174,515**	174,515
Others		**982,047**	992,576
		442,013,839	417,608,590

17.1 As at September 30, 2019, amount of Rs. 262,678 million (June 30, 2019: Rs. 241,478 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2019: Rs. 15,832 million) on their balances which have been presented in note 18.1 to this unconsolidated condensed interim financial information.

18. INTEREST ACCRUED	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Long term financing - loans from banking companies		**1,433,390**	760,139
Long term deposits from customers		**113,861**	440,115
Short term borrowings		**375,878**	405,542
Late payment surcharge on processing charges		**438,392**	438,392
Late payment surcharge on gas development surcharge		**4,826**	4,826
Late payment surcharge on gas supplies	18.1	**15,832,411**	15,832,411
		18,198,758	17,881,425

18.1 As disclosed in note 10.1 and 10.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.. However, the Company continued recognition of the LPS expense payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt.The Company's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

In response to the Company’s above request, the MP & NR vide their letter dated January 3, 2017 has supported the contention of the Company that it will not recognize LPS expense payable to the Government Controlled E & P Companies (OGDCL, PPL and GHPL), effective from July 1, 2012, till the time Company receives payment for LPS income from KE and PSML and it would be settled simultaneously subject to fulfillment of all the codal formalities. Based on the letter received from MP & NR, and the legal opinion, the Company has reversed the LPS expense on delayed payments on gas supplies effective from July 1, 2012. Further it has been decided that the Company will record and pay such expense in the period only when it receives LPS income from KE and PSML.

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017; June 30, 2018; June 30, 2019 and for the period ended September 30, 2019 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 and Rs. 4,265 million respectively on outstanding payables to Government Controlled E&P

Companies, the effect on this unconsolidated condensed interim financial information would be as follows:

	(Rupees in million)
- Increase in loss before tax	**4,265**
- Increase in loss after tax / accumulated loss	**3,028**
- Increase in loss per share - rupees	**3.44**
- increase in accumulated losses	**56,058**
- Increase trade payables	**56,058**
- Increase deferred tax liability	**17,270**

19. CONTINGENCIES AND COMMITMENTS

		September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		-------- (Rupees in '000)--------	
19.1	Commitments for capital and other expenditures	**5,354,448**	5,279,534
19.2	Guarantees issued on behalf of the Company	**5,409,337**	5,377,792

19.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 144,120 million (June 30, 2019: Rs. Rs. 144,120 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Company and JPCL. JPCL has raised another claim of Rs. 5.793 million (June 30, 2019: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

In respect of JPCL major claim i.e. on account of short supply of gas following clause of the agreement is important which does not support JPCL claim.

“Subject to availability and the terms and conditions specified herein the Company agrees to sell and deliver to the customer and the customer agrees to buy and accept a quantity of not less than 62 MMCF of Quality Natural Gas per day at its power station at Jamshoro”.

It is evident from foregoing clause of the agreement, that JPCL has raised a claim not supported by the agreement and that the supply of gas to the customer was subject to the availability and it is / was not any firm commitment on the part of the Company.

No provision has been made against the said claims, as management is confident that ultimately these claims will not be payable. Further, management believes that in case matter is decided against the Company, the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Company.

19.4 As disclosed in note 18.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019 and for the quarter ended September 30, 2019 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million and Rs.4,265 million in this unconsolidated condensed interim financial information. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

19.5 Arbitration proceedings between JJVL and the Company has been initiated under the Pakistan Arbitration Act 1940 to settle the outstanding disputes between the parties. Accordingly, both the parties have appointed their respective arbitrators and filed their respective claims.

Supreme Court of Pakistan (SCP) through its decision dated June 13, 2018 upheld the termination by the Company and stated that the termination was validly done and the Company was within its legal and contractual right to do so and appointed a firm of Chartered Accountant to conduct a complete audit of JJVL within a period of two months to ascertain and determine the amount to be paid by JJVL to the Company. Based on the Court order, the Company shut down the supply of gas to JJVL plant accordingly.

Subsequently, SCP through its order dated November 16, 2018, based on the report by a firm of Chartered Accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL, which has been accordingly received by the Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

After cancellation of MoUs by SCP on June 13, 2018, JJVL submitted a proposal based on profit sharing to SCP which was forwarded to the Company by SCP. The SCP was also informed that the Company is in the process of hiring a consultant for providing professional advice on the best option available with respect to the LPG / NGL Extraction business.

The Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties. After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the Court and would supervise the Project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the firm of Chartered Accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Company and 43% to JJVL on ad-hoc basis and an agreement was signed between the Company and JJVL and submitted to SCP for its approval and the same was validated by SCPin its order dated December 29, 2018. SCP also directed the Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement is valid for 1.5 years from the date of agreement and unless renewed by the parties through mutual written consent it shall stand terminated automatically. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

Moreover, the firm has to submit the 'Determination Report' as per the agreement in order to finalize the revenue sharing percentage. Accordingly, the same has been submitted by the firm to SCP in December 2020 after having inputs / working from both the parties. Currently, the matter is pending in SCP and the final Company's consideration will be subject to conclusion of this matter at SCP.

Due to the ongoing freight case hearings by SCP, the arbitration under the Pakistan Arbitration Act, 1940 as amended from time to time is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be finalized once the SCP passes its order.

			Quarter ended	
			September 30, 2019	September 30, 2018
			(Un-audited)	
20.	**SALES**	**Note**	(Rupees in '000)	
	Gross Sales - Indigenous gas		**69,335,024**	42,023,552
	Gross Sales - RLNG		**12,849,678**	13,785,092
			82,184,702	55,808,644
	Sales tax - Indigenous gas		**(10,343,534)**	(5,657,799)
	Sales tax - RLNG		**(1,890,202)**	(1,469,957)
			(12,233,736)	(7,127,756)
21.	**GAS DEVELOPMENT SURCHARGE (GDS)**			
	GDS recovered during the year		**(945,546)**	822,593
	Price increase adjustment for the year		**3,656,271**	15,687,888
	Impact of staggering		**(1,835,892)**	(917,946)
	Subsidy for LPG air mix operations		**(132,522)**	(105,298)
			742,311	**15,487,237**
22.	**RLNG DIFFERENTIAL MARGINS**			
	RLNG Differential Margin - OGRA		**(2,275,705)**	(1,536,700)
	RLNG Differential Margin - SNGPL		**2,003,226**	(2,676,152)
			(272,479)	(4,212,852)
23.	**COST OF SALES**			
	Cost of gas	23.1	**73,574,435**	56,878,909
	Transmission and distribution costs		**5,430,948**	4,820,899
			79,005,383	61,699,808
23.1	**Cost of gas**			
	Opening gas in pipelines		**1,214,410**	689,805
	RLNG Purchases		**11,243,081**	7,861,451
	Indigenous gas purchases		**63,718,097**	49,627,711
			76,175,588	58,178,967
	Gas consumed internally		**(1,296,687)**	(382,600)
	Closing gas in pipelines		**(1,304,466)**	(917,458)
			(2,601,153)	(1,300,058)
			73,574,435	56,878,909

	Quarter ended September 30, 2019	September 30, 2018
	(Un-audited)	
	-----------(Rupees in '000)-----------	
24. OTHER OPERATING EXPENSES		
Auditors' remuneration	**1,768**	2,901
Sports expenses	**18,792**	18,154
Corporate social responsibility	**10,000**	1,340
Exchange loss	**-**	1,244,630
Provision against impaired stores and spares	**1,518**	10,647
Provision against impaired debt and other receivables	**-**	132,925
	32,078	1,410,597
25. OTHER OPERATING INCOME		
Income from financial assets		
Income for receivable against asset contribution	**11,187**	9,829
Interst income on loan to related party	**38,585**	33,737
Income from net investment in finance lease from SNGPL	**9,063**	11,652
Return on term deposits and profit and loss bank account	**14,076**	4,842
	72,911	60,061
Interest income on late payment of gas bills from		
- Jamshoro Joint Venture Limited (JJVL)	**-**	77,446
- Water & Power Development Authority (WAPDA)	**171,451**	36,089
	171,451	113,535
Dividend income	**1,849**	-
Income from other than financial assets		
Late payment surcharge	**375,835**	258,318
Sui Northern Gas Pipelines Limited (SNGPL)	**286,301**	280,576
Sale of gas condensate - net	**(4,488)**	(5,808)
Income from LPG NGL - net	**(104,939)**	6,944
Meter manufacturing division profit - net	**3,116**	1,292
Meter rentals	**197,480**	191,678
RLNG transportation income	**2,383,200**	1,801,515
Recognition of income against deferred credit and contract liability	**133,267**	128,739
Income from LPG air mix distribution - net	**22,007**	32,172
Income from sale of tender documents	**1,182**	1,166
Scrap sales	**1,208**	24,030
Recoveries from customer	**15,490**	19,805
Liquidity damaged recovered	**6,921**	(12,920)
Gain on disposal of property, plant and equipment	**40,971**	23,397
Amortization of Government grant	**5,228**	5,830
Exchange gain	**3,420,234**	-
Rental income from SSGC LPG (Pvt) Limited	**130**	193
LSA margins against RLNG	**231,175**	190,181
Miscellaneous	**9,155**	3,465
	7,269,684	3,124,170

	Quarter ended	
	September 30, 2019	September 30, 2018
	(Un-audited)	
26. TAXATION	--------(Rupees in '000)--------	
- Current	**(586,934)**	(312,488)
- Deferred	**-**	-
	(586,934)	(312,488)

27. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

Provisions	**833,672**	733,351
Depreciation on owned assets	**1,923,900**	1,826,749
Depreciation on right of use assets	**31,579**	-
Amortization of intangibles	**6,761**	7,875
Finance cost	**1,125,873**	1,723,486
Amortization of transaction cost	**5,666**	11,466
Amortization of Government grant	**(5,228)**	(5,830)
Recognition of income against deferred credit and contract liability	**(131,519)**	(132,732)
Dividend income	**(1,849)**	-
Interest income and return on term deposits	**(521,600)**	(442,520)
Income from net investment in finance lease	**(9,063)**	(11,652)
(Gain) / Loss on disposal of property plant and equipment	**(40,971)**	(23,397)
Decrease in long term advances	**(11,079)**	6,272
Decrease in deferred credit and contract liability	**347,145**	291,884
Decrease in obligation against pipeline	**20,880**	21,998
Finance cost on lease liability	**9,137**	-
	3,583,304	4,006,949

28. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets		
Stores and spares	**135,450**	157,969
Stock-in-trade	**(79,895)**	(330,749)
Customers' installation work-in-progress	**(7,149)**	(13,306)
Trade debts	**(6,675,739)**	1,160,480
Advances, deposits and short term prepayments	**(73,090)**	33,940
Other receivables	**(8,640,010)**	(22,655,325)
	(15,340,433)	(21,646,991)
Increase in current liabilities		
Trade and other payables	**24,622,206**	22,271,924
	9,281,773	624,933

29. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies due to common directorship, Government related entities, staff retirement benefits plans, directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Oil and Gas Regulatory Authority. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. Other transactions with the related parties are carried out as per agreed terms.

The details of transactions with related parties not disclosed elsewhere in this unconsolidated condensed interim financial information are as follows:

	Relationship	Quarter ended September 30, 2019 (Un-audited)	Quarter ended September 30, 2018 (Un-audited)
		(Rupees in '000)	(Rupees in '000)
* **Attock Cement Limited**	**Associate**		
- Billable charges		**-**	16,676
Government related entities			
- Purchase of fuel and lubricant		**9,706**	11,475
- Billable charges		**7,986,784**	6,918,233
- Income from net investment in finance lease		**9,063**	11,652
- Gas purchases		**32,405,744**	24,267,365
- Sale of gas meters		**6,690**	3,497
- Insurance premium		**26,187**	26,592
- Electricity expenses		**86,588**	62,721
- Interest income		**457,752**	316,665
- Markup expense on short term finance		**36,588**	1,657
- Markup expense on long term finance		**181,692**	120,598
- RLNG transportation income		**2,383,200**	1,801,515
- LPG purchases		**79,655**	-
- Income against LNG service agreement		**231,175**	190,181
* **Habib Bank Limited**	**Associate**		
- Profit on investment		**-**	245
- Markup expense on short term finance		**-**	77,335
- Markup expense on long term finance		**-**	147,399
- Billable charges		**-**	4,147
Key management personnel			
- Remuneration		**45,212**	52,914
Minto & Mirza	**Associate**		
- Professional charges		**-**	1,500

	Relationship	Quarter ended September 30, 2019	September 30, 2018
		(Un-audited)	
		-------------(Rupees in '000)-------------	
SSGC LPG (Private) Limited	**Wholly owned subsidiary**		
- Interest on loan		**38,585**	33,737
- Reimbursement of management fee		**-**	3,955
- Rental Income		**130**	193
Staff retirement benefit plans	**Associate**		
- Contribution to provident fund		**92,224**	85,821
- Contribution to pension fund		**198,856**	228,755
- Contribution to gratuity fund		**78,863**	134,397
* **Thatta Cement Company Limited**	**Associate**		
- Gas sales		**-**	851
* **Petroleum Institute of Pakistan**	**Associate**		
- Subscription / Contribution		**-**	980

* Current period transactions with these parties have not been disclosed as they did not remain related parties during the period.

29.1. Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.

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

29.3. Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

29.4. Amount (due to) / receivable from / investment in related parties

The details of amount due with related parties not disclosed elsewhere in this unconsolidated condensed interim financial information are as follows:

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Government related entities - various		
- Billable charges	**63,622,683**	62,745,107
- Mark up accrued on borrowings	**(6,657,332)**	(5,158,965)

	Relationship	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Government related entities - various			
- Net investment in finance lease		**306,446**	224,440
- Gas purchases		**269,747,035**	247,927,553
- Gas meters & spare parts		**573,248**	360,181
- Uniform cost of gas		**15,818,846**	15,818,845
- Cash at bank		**30,431**	5,527
- Stock loan		**4,912**	4,912
- Payable to insurance		**(475,517)**	(475,580)
- Gas supply deposit		**(51,283)**	(43,392)
- Interest expense accrued - Late payment surcharge on gas supplies bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**11,745,620**	11,287,868
- Professional charges		**57**	57
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**38,131,587**	33,298,113
- RLNG transportation Income		**22,461,304**	20,642,231
- LSA margins		**2,141,778**	1,897,684
- LPG purchases		**(37,847)**	-
- Advance for sharing right of way		**(18,088)**	(18,088)
SSGC LPG (Private) Limited	**Wholly owned subsidiary**		
- Long term investment		**1,000,000**	1,000,000
- Short term loan		**1,535,103**	1,535,103
- Interest on loan		**906,995**	868,410
- LPG sales		**5,698**	5,698
- Rental income receivable		**847**	649
- Receivable of management fee		**23,782**	23,782

30. OPERATING SEGMENTS

IFRS 8 -Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assets their performance. As a result, management has identified the following two segments:

1) Gas transmission and distribution (sale of gas); and
2) Meter manufacturing (manufacturing and sale of gas meters).

Segment revenue and results

The following is analysis of the Company's revenue and results by reportable segment.

	Quarter ended			
	Segment revenue		Segment Profit / (loss)	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
	(Un-audited)			
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**69,950,966**	48,680,888	**(4,286,960)**	**(1,891,116)**
Meter manufacturing	**443,321**	366,933	**3,116**	**1,292**
Total segment results	**70,394,287**	49,047,821	**(4,283,844)**	(1,889,824)
Unallocated - other expenses				
- Other operating expenses			**(32,078)**	(1,277,671)
Unallocated - other income				
- Non-operating income			**311,293**	256,263
Loss before tax			**(4,004,629)**	(2,911,232)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 516 million (September 30, 2018: Rs. 439 million).

Segment assets and liabilities

	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**521,186,812**	504,533,812
Meter manufacturing	**765,836**	762,427
Total segment assets	**521,952,648**	505,296,239
Unallocated		
- Loans and advances	**2,453,546**	2,368,156
- Taxation - net	**18,996,623**	19,532,819
- Interest accrued	**487,739**	487,739
- Cash and bank balances	**522,716**	338,294
	22,460,624	22,727,008
Total assets as per unconsolidated condensed interim statement of financial position	**544,413,272**	528,023,247
Segments liabilities		
Gas transmission and distribution	**550,756,998**	529,912,584
Meter manufacturing	**248,021**	285,719
Total segment liabilities	**551,005,019**	530,198,303
Unallocated		
- Employee benefits	**6,051,462**	5,847,259
Total liabilities as per unconsolidated condensed interim statement of financial position	**557,056,481**	536,045,562

31. FAIR VALUE OF MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

31.1. Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below analyses financial instruments carried at fair value. The different levels has been defined as follows:
Level 1 - Quoted prices 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, 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 following table presents the financial assets which are carried at fair value:

	As at September, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	---------------------------------Rupees in '000---------------------------------			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	**206,817**	**-**	**-**	**206,817**

	As at June 30, 2019			
	Level 1	Level 2	Level 3	Total
	----------------------------------Rupees in '000----------------------------------			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	236,148	-	-	236,148

The Company has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

31.2. Fair value of other assets

Freehold land and leasehold land are stated at revalued amount as at reporting date, the fair value hierarchy is as follows:

	As at September 30, 2019	
	Level 2	**Fair Value**
	-------------Rupees in '000-----------	
Freehold land	**10,512,545**	**10,512,545**
Leasehold land	**11,216,886**	**11,216,886**
	21,729,431	**21,729,431**

	As at June 30, 2019	
	Level 2	Fair Value
	-------------Rupees in '000------------	
Freehold Land	10,512,545	10,512,545
Leasehold Land	11,216,886	11,216,886
	21,729,431	21,729,431

32. EVENTS AFTER THE REPORTING DATE

On March 11, 2020, the World Health Organization made an assessment that the outbreak of a corona virus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped during January to March 2020 due to the effect of COVID-19 and a number of other political and economic factors. These factors have negatively affected the economies and the businesses of the country where the Company operates. To alleviate the negative impact of the COVID-19 pandemic, the various governments including the Government of Pakistan, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, allowing easy installments to customers, facilitating continued business through social-distancing and easing pressure on credit and liquidity. Due to Covid-19, receivables increased because of easy installements provided by Government of Pakistan and similarly there was an increase shown in theft and PUG because of disclosure of disconnection activities in the areas where billing recovery is significantly low.

These conditions are non-adjusting events and impacted the economic and risk environment in which the Company operates.

33. GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

33.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

34. DATE OF AUTHORISATION

This unconsolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on October 16, 2021.

Dr. Shamshad Akhtar **Chairperson**	**Imran Maniar** **Managing Director**	**Muhammad Amin Rajput** **Chief Financial Officer**

Sui Southern Gas Company Limited

SSGC

Consolidated Condensed Interim Financial Information (Un-Audited) for the quarter ended September 30, 2019

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**133,684,554**	132,803,572
Intangible assets		**23,002**	29,475
Right of use assets	8	**315,684**	-
Deferred tax		**200,811**	193,319
Long term investments	9	**206,818**	236,148
Net investment in finance lease		**174,495**	188,949
Long term loans and advances		**181,597**	184,039
Long-term deposits		**39,249**	42,596
Total non-current assets		**134,826,210**	133,678,098
Current assets			
Stores, spares and loose tools		**2,224,490**	2,365,773
Stock-in-trade		**1,954,253**	1,889,640
Current maturity of net investment in finance lease		**57,814**	57,814
Customers' installation work-in-progress		**218,498**	211,349
Trade debts	10	**90,530,678**	84,191,799
Loans and advances		**736,846**	651,391
Advances, deposits and short term prepayments		**325,933**	255,651
Interest accrued	11	**12,699,757**	12,242,005
Other receivables	12	**281,345,942**	272,723,898
Taxation - net		**19,180,050**	19,717,006
Other financial assets		**116,000**	116,000
Cash and bank balances		**1,128,988**	836,483
Total current assets		**410,519,249**	395,258,809
Total assets		**545,345,459**	528,936,907

The annexed 1 to 34 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at September 30, 2019

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000
Issued, subscribed and paid-up capital		**8,809,163**	8,809,163
Reserves		**4,907,401**	4,907,401
Surplus on re-measurement of FVTOCI securities		**170,290**	199,621
Surplus on revaluation of property plant and equipment		**21,950,532**	21,950,532
Accumulated losses		**(48,045,697)**	(43,450,758)
Total equity		**(12,208,311)**	(7,584,041)
LIABILITIES			
Non-current liabilities			
Long term finance	13	**36,769,645**	36,919,543
Long term deposits		**18,388,091**	17,873,911
Employee benefits		**6,082,131**	5,875,230
Obligation against pipeline		**865,054**	879,331
Deferred credit	14	**4,761,846**	4,844,471
Contract liabilities	15	**4,708,327**	4,402,391
Lease liability		**153,942**	-
Long term advances		**3,058,954**	3,070,033
Total non-current liabilities		**74,787,990**	73,864,910
Current liabilities			
Current portion of long term finance	13	**8,607,116**	9,837,805
Short term borrowings	16	**12,801,155**	16,294,237
Trade and other payables	17	**442,131,263**	417,723,048
Short term deposits		**18,591**	18,407
Current portion of obligation against pipeline		**55,237**	54,014
Current portion of deferred credit	14	**384,415**	394,735
Current portion of contract liabilities	15	**169,567**	166,933
Current portion lease liability		**114,244**	-
Unclaimed dividend		**285,434**	285,434
Interest accrued	18	**18,198,758**	17,881,425
Total current liabilities		**482,765,780**	462,656,038
Total liabilities		**557,553,770**	536,520,948
Contingencies and commitments	19		
Total equity and liabilities		**545,345,459**	528,936,907

The annexed 1 to 34 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar Chairperson	Imran Maniar Managing Director	Muhammad Amin Rajput Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

For the quarter ended September 30, 2019

	Note	Quarter ended September 30, 2019	September 30, 2018
		(Un-Audited)	
		-----------(Rupees in '000)-----------	
Sales	20	**82,184,702**	55,808,644
Sales tax	20	**(12,233,736)**	(7,127,756)
		69,950,966	48,680,888
Gas development surcharge	21	**742,311**	15,487,237
RLNG differential margins	22	**(272,479)**	(4,212,852)
		469,832	11,274,385
Net sales		**70,420,798**	59,955,273
Cost of sales	23	**(79,005,383)**	(61,703,763)
Gross Loss		**(8,584,585)**	(1,748,490)
Administrative and selling expenses		**(1,205,692)**	(1,149,173)
Other operating expenses	24	**(32,241)**	(1,410,822)
Impairment loss against financial assets		**(325,439)**	-
		(1,563,372)	(2,559,995)
		(10,147,957)	(4,308,485)
Other operating income	25	**7,300,958**	3,136,564
Operating Loss		**(2,846,999)**	(1,171,921)
Finance cost		**(1,161,583)**	(1,757,469)
Loss before taxation		**(4,008,582)**	(2,929,390)
Taxation	26	**(586,357)**	(315,400)
Loss for the period		**(4,594,939)**	(3,244,790)
Basic and diluted loss per share (Rupees)		**(5.22)**	(3.68)

The annexed 1 to 34 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar	**Imran Maniar**	**Muhammad Amin Rajput**
Chairperson	**Managing Director**	**Chief Financial Officer**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended September 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
	(Un-Audited)	
	---------(Rupees in '000)---------	
Loss for the period	**(4,594,939)**	(3,244,790)
Other comprehensive income		
Items that will not be reclassified subsequently to consolidated statement of profit or loss		
Unrealised loss on re-measurement of FVTOCI securities of available for sale securities	**(29,331)**	(34,560)
Total comprehensive loss for the period	**(4,624,270)**	(3,279,350)

The annexed 1 to 34 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW
For the quarter ended September 30, 2019

	Note	Quarter ended September 30, 2019	September 30, 2018
		(Un-Audited)	
		--------(Rupees in '000)--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(4,008,582)	(2,929,390)
Adjustments for non-cash and other items	27	3,657,941	4,083,076
Working capital changes	28	9,318,702	705,814
Financial charges paid		(1,790,911)	(1,948,781)
Employee benefits paid		(25,551)	(28,283)
Payment for retirement benefits		(488,289)	(298,579)
Long term deposits received - net		514,180	717,356
Deposits paid-net		185	(3,193)
Loans and advances to employees - net		(85,390)	(297,880)
Interest income and return on term deposits received		932,259	750,250
Income taxes paid		(56,880)	(77,761)
Net cash generated from operating activities		7,967,664	672,629
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,769,670)	(1,983,200)
Payments for intangible assets		(288)	(120)
Payment for obligation against pipeline		(33,933)	(33,933)
Proceeds from sale of property, plant and equipment		52,603	33,366
Lease rental from net investment in finance lease		23,517	26,106
Dividend received		1,849	-
Net cash used in investing activities		(2,725,922)	(1,957,781)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of local currency loans		(1,374,334)	(1,013,534)
Repayment of customer finance		(6,253)	(3,265)
Repayment of lease liability		(75,568)	-
Net cash used in financing activities		(1,456,155)	(1,016,799)
Net increase / (decrease) in cash and cash equivalents		3,785,587	(2,301,951)
Cash and cash equivalents at beginning of the period		(15,457,754)	(8,968,016)
Cash and cash equivalents at end of the period		(11,672,167)	(11,269,967)
Cash and cash equivalent comprises:			
Cash and bank balances		1,128,988	723,034
Short term borrowings		(12,801,155)	(11,993,001)
		(11,672,167)	(11,269,967)

The annexed 1 to 34 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the quarter ended September 30, 2019

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	(Rupees in '000)						
Balance as at July 1, 2018 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**334,805**	**13,673,415**	**(25,088,726)**	**2,636,058**
Total comprehensive loss for the quarter ended September 30, 2018							
Loss for the period	-	-	-	-	-	(3,244,790)	(3,244,790)
Other comprehensive loss for the period	-	-	-	(34,560)	-	-	(34,560)
Total comprehensive loss for the period	-	-	-	(34,560)	-	(3,244,790)	(3,279,350)
Balance as at September 30, 2018	8,809,163	234,868	4,672,533	300,245	13,673,415	(28,333,516)	(643,292)
Balance as at June 30, 2019	8,809,163	234,868	4,672,533	199,621	21,950,532	(43,450,758)	(7,584,041)
Total comprehensive loss for the quarter ended September 30, 2019							
Loss for the period	-	-	-		-	(4,594,939)	(4,594,939)
Other comprehensive loss for the period	-	-	-	(29,331)	-	-	(29,331)
Total comprehensive loss for the period	-	-	-	(29,331)	-	(4,594,939)	(4,624,270)
Balance as at September 30, 2019	**8,809,163**	**234,868**	**4,672,533**	**170,290**	**21,950,532**	**(48,045,697)**	**(12,208,311)**

The annexed 1 to 34 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar
Chairperson

Imran Maniar
Managing Director

Muhammad Amin Rajput
Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the quarter ended September 30, 2019

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company
- Sui Southern Gas Company Limited

	Percentage of Holding	
	2019	2018
Subsidiary Companies		
- SSGC LPG (Private) Limited	**100**	100
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	**100**	100

The Group is principally engaged in transmission and distribution of natural gas and liquefied petroleum gas in Sindh and Balochistan. Brief profiles of the Holding Company and subsidiaries are as follows:

Sui Southern Gas Company Limited

Sui Southern Gas Company Limited ("the Holding Company") is a public limited Company incorporated in Pakistan and is listed on Pakistan Stock Exchange. The main activity of the Holding Company is transmission and distribution of natural gas in Sindh and Balochistan. The Holding Company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

The registered office of the Holding Company is situated at SSGC House, Sir Shah Suleman Road, Block 14, Gulshan e Iqbal, Karachi. The Holding Company's pipe coating plant is situated at Plot No. F-76 SITE Avenue Karachi (Here 3/4", 1" & 2" pipe is coated for Distribution South Karachi) and the Holding Company Khadeji P&C Base Camp M-9 Motorway Karachi.

The addresses of other regional offices of the Holding Company are as follows:

Region	Address
Karachi West	SITE Office, Karachi. Plot No. F/36 & F/37 SITE Area Karachi.
Karachi East	Plot # 21/1, Sector 22, Korangi Industrial Area, Karachi.
Karachi Central	Azad Trade Center Near Civic Center Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway Qasimabad, Hyderabad.
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing Society, Nawabshah.
Sukkur	SSGC Regional Office, Golimar Road, SITE Area Sukkur.
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital, Larkana.
Quetta	SSGC Office, Samungli Road, Quetta.

Sui Southern Gas Provident Fund Trust Company (Private) Limited

Sui Southern Gas Provident Fund Trust Company (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at ST-4/B, Block-14, Sir Shah Suleman Road, Gulshan-e-Iqbal, Karachi and was formed to facilitate administration of employees retirement funds of the Holding Company.

SSGC LPG (Private) Limited

SSGC LPG (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at LDC building Karachi terminal main university road, Karachi and its main activity is supply of liquefied petroleum gas and provision of terminal and storage services.

The Subsidiary Company acquired the assets including:

- LPG import terminal, bulk storage at North West industrial Zone, Port Qasim Karachi and

- Bottling plants at Sara-e-Gadai Stop, Kot Najeebullah Road, Industrial Estate Hattar-22610 Haripur, KPK and Sheikhhupura Bedad Road, Muridke Punjab through the High Court of Sindh auction during October 2011.

The main activity of the Subsidiary Company is sourcing, marketing and sales of Liquefied Petroleum Gas (LPG) and provision of terminal and storage services.

1.2 Basis of consolidation

- This consolidated condensed interim financial information include the financial information of the Holding Company and its Subsidiary Companies, together "the Group".

- The condensed interim financial information of the subsidiaries are prepared for the same reporting period as the Holding Company for the purpose of consolidation, using consistent accounting policies.

- The assets, liabilities, income and expenses of subsidiaries have been consolidated on a line by line basis.

- Material intra-group balances and transactions have been eliminated.

1.3 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Holding Company is provided a minimum annual return before taxation of 17.43% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating expenses and non-operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the Gas Development Surcharge balance payable to / receivable from the GoP.

1.4 Financial Performance

During the quarter, the Holding Company has loss after tax of Rs. 4,592 million resulting in increase in its accumulated losses to Rs. 47,573 million and diminishing equity to Rs. 12,643 million after including the impact of staggering as disclosed in note 2.2 to this consolidated condensed interim financial information. As at period end, current liabilities exceed its current asset by Rs. 70,758 million

The Holding Company's financial performance for the quarter has deteriorated mainly because of higher UFG, certain additional disallowances by OGRA on account of UFG, continued non-implementation / disallowances by OGRA of the impact of UFG due to RLNG Volume Handling already approved by the ECC and staggering of losses due to dismissal of Holding Company's petitions by Sindh High Court (refer note 1.5).

In order to improve the financial position and performance of the Holding Company, the management / Board of Directors (Board) have taken / planned following steps:

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue requirement for FY 2018-19 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Holding Company has reiterated its earlier position of higher UFG due to RLNG and as a result OGRA has initiated a process of hiring of services of International Technical, Commercial and Management Auditors for determining actual UFG of Gas Companies in respect of Indigenous gas as well as imported RLNG. ECC also constituted a Committee comprising Secretaries, Petroleum & Finance to sort out the issue between the Holding Company & Sui Northern Gas Pipelines Company Limited (SNGPL).

- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, being majority shareholder has acknowledged the funding requirements of the Holding Company and has shown commitment to extend all support to maintain the going concern status of the Holding Company.

- The Holding Company has devised a Board approved Strategy to control UFG in coming years and the same is under implementation.

- Under new tariff regime, the Holding Company is entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next two years.

- Banks have also waived the debt to equity covenant for financial years 2018-19 and 2019-20. However, the Holding Company has never defaulted in payment of any installment of principal and interest thereon and some of the loans have been totally paid off to date.

Board / management believes that in view of above mentioned steps / plans, the Holding Company's profitability and financial position will improve in the next few years.

1.5 Determination of revenue requirement

The Oil and Gas Regulatory Authority (OGRA) in its order dated December 02, 2010, and May 24, 2011, treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income, which OGRA had previously allowed as non-operating income in its decision dated September 24, 2010, for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25% - 5%.

Being aggrieved by the above decision, the Holding Company had filed an appeal against the decision of OGRA in the High Court of Sindh (“the Court”), on which the Court provided interim relief, whereby, OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, pertaining to FY 2010 till final decision of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Afterwards, management estimated the revenue requirement of the Holding Company for the financial years 2011 to 2015 based on the interim relief granted by the Court, and OGRA also accepted position taken up by the Holding Company for the said financial years, subject to the final decision of the Court.

On November 25, 2016, the Sindh High Court dismissed the Holding Company’s petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge, and Sale of Gas Condensate as operating income. The Holding Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgement. But the management has considered OGRA's decision in preparation of this consolidated condensed interim financial Information for the quarter ended September 30, 2019.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

The consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in this consolidated condensed interim financial information is based on FRR determined by OGRA for the financial year ended June 30, 2019. However, in this consolidated condensed interim financial information, exceptional UFG disallowances made in DFRR for FY 2018-19 pertaining to internal consumption, UFG on transmission and distribution (RLNG), OGRA disallowed Line pack as well as Loss due to sabotage have not been followed which have been re-claimed and expected to be allowed in the decision on Motion for Review (MFR) Petition already filed and also reclaimed in FRR petition for FY 2019-20.

This consolidated condensed interim financial information does not include all information required for annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended June 30, 2019.

2.2 Staggering of Losses arising due to Sindh High Court decision

As disclosed in note 1.5 to this consolidated condensed interim financial information, OGRA has disallowed certain expenses for the years ended 2011 to 2015. Consequently, management had approached Securities and Exchange Commission of Pakistan (SECP) through its letter dated December 14, 2016 to allow staggered recognition of the disallowed expenses of Rs. 36,718 million in 3 years. The permission from SECP was sought based on the grounds that recognition of such disallowances in one year will reflect very adverse results and financial position of the Holding Company, considering that OGRA’s determination of some significant aspects of revenue requirements are provisional and are likely to be revised.

Accordingly, SECP through its letter dated December 20, 2016 has granted permission to stagger disallowed expense in the annual audited consolidated financial statements for the years ended / ending June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis, facts and circumstances are adequately disclosed and compliance with the disclosure requirement of IFRSs for departing with IFRSs.

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for financial years 2011 to 2015 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Holding Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) for allowing staggering of Rs. 18,359 million in five years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Holding Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Holding Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years (FY 2016-17 to FY 2020-21) and the same practice was carried out till FY 2018-19. However, management has decided to record remaining balance of staggering i.e Rs 7,344 million in FY 2019-20 which has been proportionally (Rs.1,836 million) accounted for in this consolidated condensed interim financial information.

Further, the OGRA, in its decision dated December 24, 2018 also directed the Holding Company to review its dividend payout policy for future year till such time the above adjustment impact is dispelled

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of this consolidated condensed interim financial information are the same as those applied in preparation of the annual consolidated audited financial statements of the Group for the year ended June 30, 2019 except for the following:

IFRS 16 : "Leases"

The Holding Company has adopted IFRS 16: "Leases", which replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains Lease', SIC-15 'Operating Lease - Incentive 'and SIC-27 'Evaluating the substance of transaction involving the legal form of Lease'.

IFRS 16 introduced a single, on balance sheet lease accounting model for leases. 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 similar to IAS -17 standard i.e. lessors continue to classify leases as finance or operating lease.

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

The Holding Company has applied IFRS 16 for the first time as of July 01, 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-years 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 Holding Company's operating lease commitments to the lease liability recognized on initial application of IFRS 16 at July 01, 2019.

	(Rs '000)
Lease liability recognized at July 01, 2019	334,617

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 statements of financial position as at September 30, 2019

	(Rs '000)
Increase in right of use assets	**347,263**
Decrease in prepayments - prepaid rent	**(12,646)**
Increase in total assets	**334,617**
Increase in lease liability	**(334,617)**
Decrease in net assets	**-**

Impact on profit or loss

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

IFRS 14: "Regulatory Deferral Account"

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. However, considering Holding Company’s Regulator Deferral amount as part of Circular Debt an application for exemption from implementation of International Financial Reporting Standard (IFRS) 14- Regulatory Deferral Accounts has been submitted with SECP. Accordingly, no such requirements of IFRS 14 has been followed in the preparation of this consolidated condensed interim financial information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual aduited consolidated financial statements for the year ended June 30, 2019. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this consolidated condensed interim financial information except certain additional disclosures as given in note 31.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annaul audited conolidated financial statements as at and for the year ended June 30, 2019.

6. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Operating assets	**120,932,636**	121,230,695
Capital work-in-progress	**12,751,918**	11,572,877
	133,684,554	132,803,572

Details of additions and disposals of property, plant and equipment are as follows:

	September 30, 2019		September 30, 2018	
	(Un-audited)			
	------------------------------(Rupees in '000)------------------------------			
	Cost of additions / transfers from CWIP	**Written down value of (transfers / disposals)**	Cost of additions / transfers from CWIP	Written down value of (transfers / disposals)
Operating assets				
Buildings on leasehold land	**76,904**	**-**	5,415	-
Gas distribution system	**898,903**	**-**	1,329,933	-
Gas transmission pipelines	**546,601**	**-**	1,644,679	-
Telecommunication	**-**	**-**	2,957	-
Plant and machinery	**42,776**	**(348)**	15,337	-
Tools and equipment	**3,828**	**-**	7,524	-
Motor vehicles	**42,689**	**(11,216)**	83,650	(9,969)
Furniture and fixtures	**12,088**	**-**	1,000	-
Office equipment	**1,138**	**-**	12,824	-
Computers and ancillary equipments	**49,926**	**(17)**	-	-
Construction equipment	**-**	**(51)**	595	-
Compressor	**113,295**	**-**	14,067	-
	1,788,148	**(11,632)**	3,117,981	(9,969)

	Capital expenditure incurred	**Transfer to operating assets**	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	**1,428,241**	**(898,903)**	1,394,003	(1,329,933)
- Gas transmission system	**94,224**	**(546,601)**	190,417	(1,644,679)
- Cost of buildings under construction and others	**14,067**	**(76,904)**	11,737	(5,415)
	1,536,532	**(1,522,408)**	1,596,157	(2,980,027)

During the period, there has been net increase / (Decrease) in respect of stores and spares held for capital projects and others amounting to Rs. 1,152 million (September 30, 2018: Decrease of Rs. 163 million).

7. As at September 30, 2019, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 29,988 million (June 30, 2019: Rs. 29,312 million) out of which deferred tax asset amounting to Rs.15,121 million has been recognised and remaining balance of Rs 14,867 million is unrecognised. As at period end, the Holding Company's minimum tax credit amounted to Rs.2,968 million (June 30, 2019: Rs. 2,813 million) having expiry period ranging between 2022 and 2024.

8. RIGHT-OF-USE ASSETS

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		-----------(Rupees in '000)-----------	
Opening balance		-	-
Impact on application of IFRS 16		347,263	-
Additions during the year		-	-
		347,263	-
Movement during the year			
Additions		-	-
Less: depreciation charge for the year	8.1	31,579	-
Ending balance		31,579	
Cost		347,263	-
Accumulated depreciation		(31,579)	-
Net book value		315,684	-

8.1 The rate of depreciation is based on the term of the respective agreement and ranges from 33% to 40% per annum

9. LONG TERM INVESTMENTS

Investment in related parties		148,714	167,761
Other investments		58,104	68,387
		206,818	236,148

10. TRADE DEBTS

secured		24,783,510	26,937,870
unsecured		81,741,807	72,923,130
	10.1&10.2	106,525,317	99,861,000
Provision against financial assets		(15,994,639)	(15,669,201)
		90,530,678	84,191,799

10.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Holding Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Holding Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 33,344 million (June 30, 2019: Rs. 32,888 million) as at September 30, 2019 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2019: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 104,546 million (June 30, 2019: Rs. 100,319 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

Considering that the Holding Company has valid legal claim for recovery of LPS together with outstanding principal amount, the Holding Company filed the aforementioned suit against KE amounting to Rs. 55,705 million. The above suit has been filed based on the following grounds:

As per the agreement dated June 30, 2009 which was entered between the Holding Company and KE for making outstanding payment in 18 installments, the Holding Company was entitled to charge LPS on outstanding principal amount at rate of:

a. Highest OD rate being paid by the Holding Company or;
b. Highest rate at which interest is payable on gas producer bills.

As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Holding Company has legal claim over KE for charging of LPS.

KE also filed case against the Holding Company in the High Court of Sindh for recovery of damages / losses of Rs. 61,614 million as KE claimed that the Holding Company had not supplied the committed quantity of natural gas to KE. However, the legal counsel of the Holding Company is of the view that claim of KE is not valid and is not as per terms of the agreement where it was agreed that the Holding Company would make excess supply of natural gas if KE would make timely payments. As KE defaulted on many instances in making payments on due dates, the Holding Company was not bound to supply excess quantity of natural gas as per terms of the agreement.

Management has consulted with its legal counsel, who is of the view that the Holding Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel is also of the opinion that the Holding Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Holding Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017. Currently, management is in a process to negotiate payment plan, which has not been finalised till the issue of this consolidated condensed interim financial information but the supply of gas and payment is continuing as per old plan.

It has been agreed during various meetings with KE and the Holding Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending. Subsequent to period end, term of reference has been signed and shared with KE however no response has been received from KE.

10.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 23,912 million (June 30, 2019: Rs. 23,661 million) including overdue balance of Rs. 22,999 million (June 30, 2019: Rs. 23,598 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 62,868 million (June 30, 2019: Rs. 61,217 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

The Holding Company filed a suit in the High Court of Sindh in April 2016, for recovery of its aggregate claim amounting to Rs. 41,354 million along with LPS. On April 6, 2016, the High Court of Sindh passed an order restraining PSML from creating any third party interest in relation to its assets including but not limited to immovable assets owned by it.

PSML has filed its counter claim approximately of Rs. 38,660 million on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal counsel of the Holding Company is of the view that due to vagaries of litigation nothing could be expressed with any degree of certainty in the contested matters.

Although PSML’s financial position is adverse, and it has no capacity to repay its obligations on its own, management is confident that the entire amount will be ultimately recovered because PSML is a Government-owned entity and is continuously being supported by the Government of Pakistan.

11. INTEREST ACCRUED

	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Interest accrued on late payment of bills / invoices from:		
- Water & Power Development Authority (WAPDA)	**3,912,818**	3,741,367
- Sui Northern Gas Pipelines Limited (SNGPL)	**7,832,802**	7,546,501
- Jamshoro Joint Venture Limited (JJVL)	**578,798**	578,798
	12,324,418	11,866,666
Interest accrued on sales tax refund	**487,739**	487,739
	12,812,157	12,354,405
Provision against impaired accrued income	**(112,400)**	(112,400)
	12,699,757	12,242,005

12. OTHER RECEIVABLES

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Gas development surcharge receivable from GoP	12.1	**141,035,385**	140,160,555
Receivable from SNGPL for differential tariff		**322,207**	-
Receivable from HCPCL	12.2	**4,157,839**	4,157,839
Staff pension fund		**-**	7,133
Receivable for sale of gas condensate		**42,949**	42,107
Sui Northern Gas Pipelines Limited	12.3	**78,863,496**	71,884,848
Jamshoro Joint Venture Limited	12.4&12.5	**11,616,486**	11,530,044
Sales tax receivable	12.6	**47,243,048**	46,867,579
Sindh sales tax receivable		**112,976**	112,976
Receivable against asset contribution	12.7	**433,389**	451,011
Accrued markup		**9,816**	5,660
Miscellaneous receivable		**95,225**	91,020
		283,932,816	275,310,772
Provision against other receivables		**(2,586,874)**	(2,586,874)
		281,345,942	272,723,898

12.1 Gas Development Surcharge

Opening balance	**140,160,555**	53,499,313
Recognized during the period	**742,311**	84,884,740
Recognized in OCI claim under IAS 19	**-**	1,311,533
Subsidy for LPG air mix operations	**132,519**	464,969
Ending balance	**141,035,385**	140,160,555

12.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)

Amount of LD Charges as per Arbitration Award	**3,938,382**	3,938,382
Subsequent LDs raised by HCPCL on Award Principle	**219,457**	219,457
Total Receivable	**4,157,839**	4,157,839

12.2.1 HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Holding Company on account of short / non-supply of contractual gas volumes and disputed compounding of interest i.e. Late Payment Surcharge on gas bills thereon for the period from January 2009 to March 2017.

On April 30, 2018, ICC issued decision in favor of HCPCL and the Holding Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, liquidated damages (LD), interest on LD and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Holding Company.

Earlier in January 2018, the Holding Company approached Ministry of Energy (Petroleum Division) regarding waiver of LDs claimed by WAPDA / CCPA-G from HCPCL against non-supply of Electricity to WAPDA which was being passed to the Holding Company by HCPCL.

The matter was submitted to Economic Coordination Committee of the Cabinet (ECC) for consideration and ECC in its meeting held on February 07, 2018 approved in principle, the proposal regarding waiver of LDs with the direction to Petroleum Division to work out modalities in consultation with stakeholders.

LDs adjusted by HCPCL against running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award Period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

The 20 years GSA with HCPCL expired in September 2019. Prior to the expiry of GSA, MOE communicated the Holding Company to continue supplying gas to HCPCL in order to avoid suspension of electricity to national grid. In the month of October 2019, HCPCL carried out a set off of Rs. 586.5 million from the Holding Company's outstanding bills on account of LDs imposed by WAPDA after the expiry of gas allocation on December 31, 2018. The Holding Company disconnected gas supply to HCPCL on October 3, 2019. Subsequently the Holding Company opted for encashment of HCPCL Bank Guarantees to recover outstanding recoverables. In response, HCPCL filed Suit 1570 of 2019 against the Holding Company and obtained stay from the honorable High Court of Sindh against encashment of Bank Guarantees. HCPCL is in negotiations with the Holding Company to finalize the modalities under ECC decision for waiver of LDs and sign a new GSA to resume gas supply.

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
12.3 Receivable balance from SNGPL comprises of the following:		--------(Rupees in '000)--------	
Uniform cost of gas		**15,818,845**	15,818,845
Lease rentals		**306,447**	224,440
Contingent rent		**3,535**	3,535
LSA Margins		**2,141,778**	1,897,684
Capacity and utilisation charges of RLNG	12.3.1	**38,131,587**	33,298,113
RLNG transportation income		**22,461,304**	20,642,231
		78,863,496	71,884,848

12.3.1 The Holding Company has invoiced an amount of Rs. 76,342 million, including Sindh Sales Tax of Rs. 8,926 million, till September 30, 2019 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

SNGPL has disputed the terminal charges that have not been allowed to it by OGRA, terminal charges of a third party i.e. Pak-Arab Fertilizer Company Limited (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Holding Company. For quantity supplied to PAFCL, PAFCL is making payment directly to the Holding Company according to the payment plan finalized in which PAFCL was required to make eight equal monthly installments of Rs. 201 million per month. Till July 2019, the Holding Company has received all eight installments.

In June 2016, the Economic Coordination Committee (ECC) approved the policy guidelines that all charges under LSA including, but not limited to capacity and utilization charges as well as retainage are to be included at actual. OGRA in its decision dated October 7, 2016 regarding determination of RLNG price, has allowed the terminal charges at actual.

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume to the Holding Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Holding Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these volumes when dedicated pipeline is available.

OGRA, in its letter dated November 20, 2018, in pursuance of decision of the ECC, with the consent of SNGPL and the Holding Company, has determined the price mechanism for purchase and sale of allocated RLNG volumes.

Based on initialed agreement between the Holding Company and SNGPL dated January 25, 2021, SNGPL is raising invoice for RLNG volumes retained by the Holding Company from June 01, 2020 based on RLNG reconciliation statement mutually agreed. The rate is based on OGRA decision dated November 20, 2018. SNGPL has started payments of such invoices issued by the Holding Company from June 2020 onwards on monthly basis.

12.4 This include amount receivable in respect of royalty income, sale of liquefied petroleum gas, sale of natural gas liquids, Federal Excise Duty and Sindh Sales Tax on Franchise Services.

As at period end, amount payable to JJVL is Rs. 8,528 million (June 30, 2019: Rs. 8,528 million) in respect of processing charges is disclosed in note 17 in this consolidated condensed interim financial information.

12.5 During the year 2013-14, the Supreme Court of Pakistan (SCP) passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Holding Company and Jamshoro Joint Venture Limited (JJVL) was declared void from the date of its inception. The SCP constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the “Reference Price” for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the SCP has appointed an Advocate Supreme Court to determine the matter and accordingly the same has been submitted by him.

As per SCP order dated June 13, 2018 a firm of Chartered Accountants was appointed to determine the receivable / payable from / to JJVL wherein freight matter was also included and the report has been submitted by the firm. However the freight matter is still pending and the SCP will settle the same and an appropriate order shall be passed in this respect. As per SCP order dated January 9, 2019, in respect of freight matter charges, SCP directed JJVL to deposit Rs. 249 million as JJVL’s admitted liability for freight charges for the period 2005-2013. The Holding Company has received such amount as directed by SCP on February 24, 2020 and further amount in this respect will be determined / settled by SCP in due course.

12.6 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales Tax refunds are processed through FBR's Sales Tax Automated Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Holding Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR through a letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012. After withdrawal of said dispensation, the deferred refunds are issued to the Holding Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds. Subsequent to the period end, the Holding Company has made extensive efforts and accordingly refunds of around Rs. 11,900 million were released.

12.7 This represents receivable from Mari Petroleum Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cashflow technique.

	Note	**September 30, 2019 (Un-audited)**	June 30, 2019 (Audited)
13. LONG-TERM FINANCE		-----------(Rupees in '000)-----------	
Secured			
Loans from banking companies	13.1&13.2	**44,408,355**	45,786,848
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Customer finance		**188,211**	194,464
Government of Sindh loans		**756,245**	752,086
		968,406	970,500
Subtotal		**45,376,761**	46,757,348
Less: curent portion shown under current liabilities			
Loans from banking companies		**(8,395,000)**	(9,625,000)
Customer finance		**(25,449)**	(26,138)
Government of Sindh loans		**(186,667)**	(186,667)
		(8,607,116)	(9,837,805)
		36,769,645	36,919,543

13.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. During the period, repayment of Rs. 1500 million has been made.

13.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at September 30, 2019 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 275 million has been made. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
14. DEFERRED CREDIT		-----------(Rupees in '000)-----------	
Government of Pakistan contributions / grants			
Opening balance		**3,064,028**	3,285,092
Additions / adjustments during the year		**3,182**	89,596
Transferred to consolidated statement of profit or loss		**(62,186)**	(310,660)
Ending balance		**3,005,024**	3,064,028
Government of Sindh (Conversion of loan into grant)			
Opening balance		**2,025,211**	2,133,559
Additions during the year		**(23)**	6,367
Transferred to consolidated statement of profit or loss		**(28,690)**	(114,715)
Ending balance		**1,996,498**	2,025,211
Government of Sindh grants			
Opening balance		**149,967**	173,218
Transferred to consolidated statement of profit or loss		**(5,228)**	(23,251)
Adjustment		**-**	-
Ending balance		**144,739**	149,967
		5,146,261	5,239,206
Less: Current portion of deferred credit		**(384,415)**	(394,735)
		4,761,846	4,844,471

15. CONTRACT LIABILITIES

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
Contribution from customer	15.1&15.2	**1,414,187**	1,406,461
Advance received from customers for laying of mains, etc.		**3,294,140**	2,995,930
		4,708,327	4,402,391
15.1 Contribution from customers			
Opening balance		**1,573,394**	1,016,899
Additions / adjustments during the year		**52,752**	721,747
Transferred to consolidated statement of profit or loss		**(42,392)**	(165,252)
		1,583,754	1,573,394
Less: Current portion of contributions from customers		**(169,567)**	(166,933)
Ending balance		**1,414,187**	1,406,461

15.2 The Holding Company has recognised the contract liabilities in respect of the amount received from the customer as contribution towards the cost of supplying and laying transmission, service and main lines.

16. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 25,000 million (June 30, 2019: Rs. 25,000 million) and carry mark-up ranging from 0.00% to 0.20% (June 30, 2019: 0.20%) above the average one month KIBOR. These facilities are secured by first pari passu second amendment to the joint hypothecation agreement and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs.12,199 million (June 30, 2019: Rs. 8,706 million).

17. TRADE AND OTHER PAYABLES

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
- Indegenious gas	17.1	**345,294,486**	332,632,340
- RLNG		**56,610,274**	44,018,023
		401,904,760	376,650,363
Payable to SNGPL for differential tariff		**-**	1,681,019
RLNG differential margin payable to GoP		**11,580,836**	9,305,131
Engro Elengy Terminal (Private) Limited		**1,710,189**	1,984,729
Accrued liabilities		**3,463,299**	4,267,281
Provision for compensated absences - non executives		**303,441**	303,441
Payable to pension		**83,043**	-
Payable to staff gratuity fund		**4,791,663**	5,091,663
Deposits / retention money		**665,749**	668,656
Advance for sharing right of way		**18,088**	18,088
Withholding tax payable		**182,152**	189,193
Sales tax & Federal excise duty payable		**259,909**	311,293
Sindh sales tax payable		**112,656**	132,163
Processing Charges payable to JJVL		**8,528,447**	8,528,447
Gas infrastructure development cess payable		**7,291,564**	7,338,595
Advances from customers and distributors		**16,289**	38,091
Transport and advertisement services		**35,928**	14,772
Unclaimed Term Finance Certificate redemption profit		**1,800**	1,800
Workers's profit participation fund		**174,515**	174,515
Provision		**10,921**	8,051
Others		**996,014**	1,015,757
		442,131,263	417,723,048

17.1 As at September 30, 2019, amount of Rs. 262,678 million (June 30, 2019: Rs. 241,478 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2019: Rs. 15,832 million) on their balances which have been presented in note 18.1 in this consolidated condensed interim financial information.

18. INTEREST ACCRUED	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Long term financing - loans from banking companies		**1,433,390**	760,139
Long term deposits from customers		**113,861**	440,115
Short term borrowings		**375,878**	405,542
Late payment surcharge on processing charges		**438,392**	438,392
Late payment surcharge on gas development surcharge		**4,826**	4,826
Late payment surcharge on gas supplies	18.1	**15,832,411**	15,832,411
		18,198,758	17,881,425

18.1 As disclosed in note 10.1 and 10.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants. However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt.The Holding Company's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

In response to the Holding Company’s above request, the MP & NR vide their letter dated January 3, 2017 has supported the contention of the Holding Company that it will not recognize LPS expense payable to the Government Controlled E & P Companies (OGDCL, PPL and GHPL), effective from July 1, 2012, till the time Holding Company receives payment for LPS income from KE and PSML and it would be settled simultaneously subject to fulfillment of all the codal formalities. Based on the letter received from MP & NR, and the legal opinion, the Holding Company has reversed the LPS expense on delayed payments on gas supplies effective from July 1, 2012. Further it has been decided that the Holding Company will record and pay such expense in the period only when it receives LPS income from KE and PSML.

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017; June 30, 2018; June 30, 2019 and for the quarter ended September 30, 2019 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 and Rs. 4,265 million respectively on outstanding payables to Government Controlled E&P

Companies, the effect in this consolidated condensed interim financial information would be as follows:

	(Rupees in million)
- Increase in loss before tax	**4,265**
- Increase in loss after tax / accumulated loss	**3,028**
- Increase in loss per share - rupees	**3.44**
- increase in accumulated losses	**56,058**
- Increase trade payables	**56,058**
- Increase deferred tax liability	**17,270**

		September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
19.	**CONTINGENCIES AND COMMITMENTS**	-------- (Rupees in '000)--------	
19.1	Commitments for capital and other expenditures	**5,354,448**	5,279,534
19.2	Guarantees issued on behalf of the Group	**5,409,337**	5,482,762

19.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Holding Company amounting to Rs. 144,120 million (June 30, 2019: Rs. Rs. 144,120 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Holding Company and JPCL. JPCL has raised another claim of Rs. 5.793 million (June 30, 2019: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Holding Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

In respect of JPCL major claim i.e. on account of short supply of gas following clause of the agreement is important which does not support JPCL claim.

“Subject to availability and the terms and conditions specified herein the Holding Company agrees to sell and deliver to the customer and the customer agrees to buy and accept a quantity of not less than 62 MMCF of Quality Natural Gas per day at its power station at Jamshoro”.

It is evident from foregoing clause of the agreement, that JPCL has raised a claim not supported by the agreement and that the supply of gas to the customer was subject to the availability and it is / was not any firm commitment on the part of the Holding Company.

No provision has been made against the said claims, as management is confident that ultimately these claims will not be payable. Further, management believes that in case matter is decided against the Holding Company, the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Holding Company.

19.4 As disclosed in note 18.1 to this consolidated condensed interim financial information, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019 and for the quarter ended September 30, 2019 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525million and Rs.4,265 million in this consolidated condensed interim financial information. The Holding Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

19.5 Arbitration proceedings between JJVL and the Holding Company has been initiated under the Pakistan Arbitration Act 1940 to settle the outstanding disputes between the parties. Accordingly, both the parties have appointed their respective arbitrators and filed their respective claims.

Supreme Court of Pakistan (SCP) through its decision dated June 13, 2018 upheld the termination by the Holding Company and stated that the termination was validly done and the Holding Company was within its legal and contractual right to do so and appointed a firm of Chartered Accountants to conduct a complete audit of JJVL within a period of two months to ascertain and determine the amount to be paid by JJVL to the Holding Company. Based on the Court order, the Holding Company shut down the supply of gas to JJVL plant accordingly.

Subsequently, SCP through its order dated November 16, 2018, based on the report by a firm of Chartered Accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL, which has been accordingly received by the Holding Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

After cancellation of MoUs by SCP on June 13, 2018, JJVL submitted a proposal based on profit sharing to SCP which was forwarded to the Holding Company by SCP. The SCP was also informed that the Holding Company is in the process of hiring a consultant for providing professional advice on the best option available with respect to the LPG / NGL Extraction business.

The Holding Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties. After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the SCP and would supervise the Project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the firm of Chartered Accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Holding Company and 43% to JJVL on ad-hoc basis and an agreement was signed between the Holding Company and JJVL and submitted to SCP for its approval and the same was validated by SCP in its order dated December 29, 2018. SCP also directed the Holding Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement was valid for 1.5 years from the date of agreement and unless renewed by the parties through mutual written consent it shall stand terminated automatically. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

Moreover, the firm has to submit the 'Determination Report' as per the agreement in order to finalize the revenue sharing percentage. Accordingly, the same has been submitted by the firm to SCP in December 2020 after having inputs / working from both the parties. Currently, the matter is pending in SCP and the final Holding Company's consideration will be subject to conclusion of this matter at SCP.

Due to the ongoing freight case hearings by SCP, the arbitration under the Pakistan Arbitration Act, 1940 as amended from time to time is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be finalized once the SCP passes its order.

		Quarter ended	
		September 30 2019	September 30 2018
		(Un-audited)	
20. SALES	Note	-----------(Rupees in '000)---------	
Gross Sales-Indigenous gas		**69,335,024**	42,023,552
Gross Sales-RLNG		**12,849,678**	13,785,092
		82,184,702	55,808,644
Sales tax - Indigenous gas		**(10,343,534)**	(5,657,799)
Sales tax - RLNG		**(1,890,202)**	(1,469,957)
		(12,233,736)	(7,127,756)
21. GAS DEVELOPMENT SURCHARGE (GDS)			
GDS recovered during the period		**(945,546)**	822,593
Price increase adjustment for the period		**3,656,271**	15,687,888
Impact of staggering		**(1,835,892)**	(917,946)
Subsidy for LPG air mix operations		**(132,522)**	(105,298)
		742,311	15,487,237
22. RLNG DIFFERENTIAL MARGINS			
RLNG Differential Margin - OGRA		**(2,275,705)**	(1,536,700)
RLNG Differential Margin - SNGPL		**2,003,226**	(2,676,152)
		(272,479)	(4,212,852)
23. COST OF SALES			
Cost of gas	23.1	**73,574,435**	56,878,909
Transmission and distribution costs		**5,430,948**	4,824,854
		79,005,383	61,703,763
23.1 Cost of gas			
Opening gas in pipelines		**1,214,410**	689,805
RLNG Purchases		**11,243,081**	7,861,451
Gas purchases		**63,718,097**	49,627,711
		76,175,588	58,178,967
Gas consumed internally		**(1,296,687)**	(382,600)
Closing gas in pipelines		**(1,304,466)**	(917,458)
		(2,601,153)	(1,300,058)
		73,574,435	56,878,909

	Quarter ended September 30 2019	Quarter ended September 30 2018
	(Un-audited)	
	-----------(Rupees in '000)-----------	

24. OTHER OPERATING EXPENSES

Auditors' remuneration	**1,931**	3,126
Sports expenses	**18,792**	18,154
Corporate social responsibility	**10,000**	1,340
Exchange loss	**-**	1,244,630
Provision against impaired stores and spares	**1,518**	10,647
Provision against impaired debt and other receivables	**-**	132,925
	32,241	1,410,822

25. OTHER OPERATING INCOME

Income from financial assets		
Income for receivable against asset contribution	**11,187**	9,829
Income from net investment in finance lease from SNGPL	**9,063**	11,652
Return on term deposits and profit and loss bank account	**30,368**	12,108
	50,618	33,589
Interest income on late payment of gas bills from		
- Jamshoro Joint Venture Limited (JJVL)	**-**	77,446
- Water & Power Development Authority (WAPDA)	**171,451**	36,089
	171,451	113,535
Dividend income	**1,849**	-
Income from other than financial assets		
Late payment surcharge	**375,835**	258,318
Sui Northern Gas Pipelines Limited (SNGPL)	**286,301**	280,576
Sale of gas condensate - net	**(4,488)**	(5,808)
Income from LPG NGL - net	**(51,430)**	45,836
Meter manufacturing division profit - net	**3,116**	1,292
Meter rentals	**197,480**	191,678
RLNG transportation income	**2,383,200**	1,801,515
Recognition of income against deferred credit and contract liability	**133,267**	128,739
Income from LPG air mix distribution - net	**22,007**	32,172
Income from sale of tender documents	**1,182**	1,166
Scrap sales	**1,208**	24,030
Recoveries from consumers	**15,490**	19,805
Liquidity damaged recovered	**6,921**	(12,920)
Gain on disposal of property, plant and equipment	**40,971**	23,397
Amortization of Government grant	**5,228**	5,830
Exchange gain	**3,420,234**	-
LSA margins against RLNG	**231,175**	190,181
Miscellaneous	**9,343**	3,633
	7,300,958	3,136,564

26. TAXATION

- Current	**(586,357)**	(315,400)
- Deferred	**-**	-
	(586,357)	(315,400)

27. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	Quarter ended September 30 2019	Quarter ended September 30 2018
	(Un-audited)	
	--------(Rupees in '000)--------	
Provisions	**836,692**	736,412
Depreciation on owned assets	**1,957,270**	1,868,347
Depreciation on right of use assets	**31,579**	-
Amortization of intangibles	**6,761**	7,875
Finance cost	**1,164,120**	1,754,954
Amortization of transaction cost	**5,666**	11,466
Amortization of Government grant	**(5,228)**	(5,830)
Recognition of income against deferred credit and contract liability	**(131,519)**	(132,732)
Dividend income	**(1,849)**	-
Interest income and return on term deposits	**(521,600)**	(442,520)
Income from net investment in finance lease	**(9,063)**	(11,652)
(Gain) / Loss on disposal of property plant and equipment	**(40,971)**	(23,397)
Decrease in long term advances	**(11,079)**	6,272
Decrease in deferred credit and contract liability	**347,145**	291,884
Decrease in obligation against pipeline	**20,880**	21,997
Finance cost on lease liability	**9,137**	-
	3,657,941	4,083,076

28. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	**134,780**	157,497
Stock-in-trade	**(60,509)**	(321,895)
Customers' installation work-in-progress	**(7,149)**	(13,306)
Trade debts	**(6,658,619)**	1,147,506
Advances, deposits and short term prepayments	**(80,478)**	84,440
Other receivables	**(8,604,748)**	(24,431,547)
	(15,276,723)	(23,377,305)
Increase in current liabilities		
Trade and other payables	**24,595,425**	24,083,119
	9,318,702	705,814

29. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies due to common directorship, Government related entities, staff retirement benefits plans, directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Oil and Gas Regulatory Authority. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. Other transactions with the related parties are carried out as per agreed terms.

The details of transactions with related parties not disclosed elsewhere in this consolidated condensed interim financial information are as follows:

	Relationship	Quarter ended September 30, 2019	Quarter ended September 30, 2018
		(Un-audited)	
		--------------(Rupees in '000)--------------	
* **Attock Cement Limited**	**Associate**		
- Billable charges		-	16,676
Government related entities			
- Purchase of fuel and lubricant		**9,706**	11,475
- Billable charges		**7,986,784**	6,918,233
- Income from net investment in finance lease		**9,063**	11,652
- Gas purchases		**32,405,744**	24,267,365
- Sale of gas meters		**6,690**	3,497
- Insurance premium		**26,187**	26,592
- Electricity expenses		**86,588**	62,721
- Interest income		**457,752**	316,665
- Markup expense on short term finance		**36,588**	1,657
- Markup expense on long term finance		**181,692**	120,598
- RLNG transportation income		**2,383,200**	1,801,515
- LPG purchases		**79,655**	-
- Income against LNG service agreement		**231,175**	190,181
* **Habib Bank Limited**	**Associate**		
- Profit on investment		-	245
- Markup expense on short term finance		-	77,335
- Markup expense on long term finance		-	147,399
- Billable charges		-	4,147
Key management personnel			
- Remuneration		**47,913**	56,231
Minto & Mirza	**Associate**		
- Professional charges		-	1,500
Staff retirement benefit plans	**Associate**		
- Contribution to pension fund		**198,856**	228,755
- Contribution to gratuity fund		**78,863**	134,397
* **Thatta Cement Holding Company Limited**	**Associate**		
- Gas sales		-	851
* **Petroleum Institute of Pakistan**	**Associate**		
- Subscription / Contribution		-	980

* Current period transactions with these parties have not been disclosed as they did not remain related parties during the period.

29.1 Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.

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

29.3 Remuneration to the executive officers of the Holding Company and loans and advances to them are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Holding Company is received at rates prescribed by the Government of Pakistan.

29.4 Amount (due to) / receivable from / investment in related parties

The details of amount due with related parties not disclosed elsewhere in this consolidated condensed interim financial information are as follows:

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Government related entities - various		
- Billable charges	**63,622,683**	62,745,107
- Mark up accrued on borrowings	**(6,657,332)**	(5,158,965)
- Net investment in finance lease	**306,446**	224,440
- Gas purchases	**269,747,035**	247,927,553
- Gas meters & spare parts	**573,248**	360,181
- Uniform cost of gas	**15,818,846**	15,818,845
- Cash at bank	**30,431**	5,527
- Stock loan	**4,912**	4,912
- Payable to insurance	**(475,517)**	(475,580)
- Gas supply deposit	**(51,283)**	(43,392)
- Interest expense accrued - Late payment surcharge on gas supplies bills	**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills	**11,745,619**	11,287,868
- Professional charges	**57**	57
- Contingent rent	**3,535**	3,535
- Capacity and utilisation charges of RLNG	**38,131,587**	33,298,113
- RLNG transportation income	**22,461,304**	20,642,231
- LSA margins	**2,141,778**	1,897,684
- LPG purchases	**(37,847)**	-
- Advance for sharing right of way	**(18,088)**	(18,088)

30. OPERATING SEGMENTS

IFRS 8 -Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Holding Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assets their performance. As a result, management has identified the following two segments:

1) Gas transmission and distribution (sale of gas); and
2) Meter manufacturing (manufacturing and sale of gas meters).

Segment revenue and results

The following is analysis of the Group'srevenue and results by reportable segment.

	Quarter ended			
	Segment revenue		Segment loss	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
	(Un-audited)			
	(Rupees in '000)			
Gas transmission and distribution	**69,950,966**	48,680,888	**(4,268,327)**	**(1,882,386)**
Meter manufacturing	**443,321**	366,933	**3,116**	**1,292**
Total segment results	**70,394,287**	49,047,821	**(4,265,211)**	(1,881,094)
Unallocated - other expenses				
- Other operating expenses			**(32,241)**	(1,277,896)
Unallocated - other income				
- Non-operating income			**288,870**	229,600
Loss before tax			**(4,008,582)**	(2,929,390)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 516 million (September 30, 2018: Rs. 439 million).

	September 30, 2019 (Un-audited)	June 30, 2018 (Audited)
Segment assets and liabilities		
Segment assets	(Rupees in '000)	
Gas transmission and distribution	**522,864,403**	506,297,822
Meter manufacturing	**765,836**	762,427
Total segment assets	**523,630,239**	507,060,249
Unallocated		
- Loans and advances	**918,443**	835,430
- Taxation - net	**19,180,050**	19,717,006
- Interest accrued	**487,739**	487,739
- Cash and bank balances	**1,128,988**	836,483
	21,715,220	21,876,658
Total assets as per consolidated Condensed interim statement of financial position	**545,345,459**	528,936,907
Segments liabilities		
Gas transmission and distribution	**551,223,618**	530,359,999
Meter manufacturing	**248,021**	285,719
Total segment liabilities	**551,471,639**	530,645,718
Unallocated		
- Employee benefits	**6,082,131**	5,875,230
Total liabilities as per consolidated condensed interim statement of financial position	**557,553,770**	536,520,948

31. FAIR VALUE OF MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

31.1 Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below analyses financial instruments carried at fair value. The different levels has been defined as follows:

Level 1 - Quoted prices 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, 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 following table presents the financial assets which are carried at fair value:

	As at September, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees in '000			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	**206,817**	**-**	**-**	**206,817**

	As at June 30, 2019			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	236,148	-	-	236,148

The Holding Company has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

31.2 Fair value of other assets

Freehold land and leasehold land are stated at revalued amount as at reporting date, the fair value hierarchy is as follows:

	As at September 30, 2019	
	Level 2	**Fair Value**
	--------------Rupees in '000------------	
Freehold land	**10,862,545**	**10,862,545**
Leasehold land	**11,763,436**	**11,763,436**
	22,625,981	**22,625,981**

	As at June 30, 2019	
	Level 2	Fair Value
	--------------Rupees in '000------------	
Freehold Land	10,862,545	10,862,545
Leasehold Land	11,763,436	11,763,436
	22,625,981	22,625,981

32. EVENTS AFTER THE REPORTING DATE

On March 11, 2020, the World Health Organization made an assessment that the outbreak of a corona virus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped during January to March 2020 due to the effect of COVID-19 and a number of other political and economic factors. These factors have negatively affected the economies and the businesses of the country where the Group operates. To alleviate the negative impact of the COVID-19 pandemic, the various governments including the Government of Pakistan, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, allowing easy installments to customers, facilitating continued business through social-distancing and easing pressure on credit and liquidity. Due to Covid-19, receivables increased because of easy installements provided by Government of Pakistan and similarly there was an increase shown in theft and PUG because of disclosure of disconnection activities in the areas where billing recovery is significantly low.

These conditions are non-adjusting events and impacted the economic and risk environment in which the Group operates.

33. GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

33.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

34. DATE OF AUTHORISATION

This consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on October 16, 2021.

Dr. Shamshad Akhtar Chairperson	Imran Maniar Managing Director	Muhammad Amin Rajput Chief Financial Officer

KEY DATA

FRANCHISE AREA	SINDH AND BALOCHISTAN	
	Three months period ended September 30,	
	2019	2018
GAS SALES VOLUME (MMCF)	**87,785**	91,102
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	**4,270**	4,215
COMMERCIAL	**24,278**	22,603
DOMESTIC	**3,014,030**	2,903,685
TOTAL	**3,042,578**	2,930,503
GAS METERS MANUFACTURED (NOS.)	**154,820**	164,315
TRANSMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	**36**	36
12"	**545**	545
16"	**558**	558
18"	**940**	940
20"	**844**	844
24"	**751**	751
30"	**9**	9
42"	**371**	371
	4,054	4,054
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	**36,432**	35,997
SERVICES	**10,705**	10,393
	47,137	46,390

مذکورہ بالا مسئلے کی قرارداد آئندہ مدت کیلئے بھی نمایاں ہے، جس کی غیر موجودگی میں مالیاتی صورتحال میں مزید خرابی پیدا ہوگی جس سے کمپنی کے استحکام اور مستعد آپریشنز پر سنجیدہ شبہات پیدا ہوں گے جن کی توقع اسٹیک ہولڈرز اور حکومت پاکستان کرتے ہیں۔

گزشتہ جمع شدہ نقصانات کو ضم کرنا

1.8 بلین روپے (30 ستمبر 2018ء، 0.9 بلین روپے) کے جمع شدہ نقصانات کو ضم کرنے سے متعلق سندھ ہائی کورٹ کے فیصلے مورخہ 25 نومبر 2016ء، جس میں ایس ایس جی سی نے UFG بنچ مارک اور بعض نان آپریٹنگ انکمز پر ٹریٹمنٹ کا کلیم کیا تھا، کو مسترد کر دیا گیا ہے۔ اس فیصلے کے نتیجے میں ایس ایس جی سی کو مالی سال 2011 تا مالی سال 2015ء، 36.7 بلین روپے کے نقصانات ضم کرنا تھے۔

مجاز اتھارٹی کی منظوری سے، ایس ایس جی سی ان نقصانات کو زیادہ سے زیادہ چھ سال کیلئے جمع رکھ سکتی ہے، تاہم ان نقصانات کو 5 سال یعنی مالی سال 20-2019 تک ضم کرنے کا ارادہ ہے اور 30 ستمبر 2019 تک ایس ایس جی سی نے 31.2 بلین روپے ضم کر دیئے ہیں۔

بلند مالیاتی لاگت

1.1 بلین روپے کے مالیاتی چارجز جو عام طور پر طویل المدت قرضہ جات پر ہوتے ہیں، SNGPL کو RLNG نیٹ ورک تک فراہم کرنے کیلئے RLNG کی ترسیل کیلئے کراچی پورٹ سے سیون تک پائپ لائن انفرااسٹرکچر کے حصول کیلئے حاصل کئے گئے۔

مستقبل کا منظر نامہ

مستقبل میں کمپنی کو فعال رکھنے اور معاشی طور پر مستحکم رکھنے کیلئے UFG میں کمی ہی واحد ذریعہ ہے۔ نیز یہ بھی اہم ہے کہ کمپنی کو کیبنٹ کی ECC کے فیصلے کے مطابق والیومیٹرک بنیاد پر RLNG ہینڈلنگ پر UFG الاؤنس کا حساب کرنے کی اجازت دی جائے۔

اعتراف

بورڈ اسٹیک ہولڈرز اور اپنے معزز صارفین کی جانب سے مستقل تعاون پر شکریہ کا اظہار کرتا ہے۔ بورڈ تمام ملازمین کے خلوص کا بھی معترف ہے جو کمپنی کو درپیش لاتعداد چیلنجز کے باوجود دلیرانہ طور پر خدمات انجام دیتے رہے۔ بورڈ حکومت پاکستان، وزارت توانائی اور آئل اینڈ گیس ریگولیٹری اتھارٹی کی مسلسل رہنمائی اور تعاون کیلئے شکریہ ادا کرتا ہے۔

منجانب بورڈ

عمران منیار
مینجنگ ڈائریکٹر

ڈاکٹر شمشاد اختر
چیئرپرسن

ڈائریکٹرز کا جائزہ

برائے سہ ماہی مختتمہ 30 ستمبر 2019

ہم کمپنی کے غیر آڈٹ شدہ نتائج برائے سہ ماہی مختتمہ 30 ستمبر 2019 پیش کرتے ہوئے خوشی محسوس کررہے ہیں۔
زیرِ جائزہ مدت کے دوران میں کمپنی کو سنجیدہ چیلنجز کا سامنا رہا جن میں سے بعض کمپنی کی ترقی اور اس کے فعال رہنے کیلئے انتہائی اہم ہیں۔

مالیاتی عمومی جائزہ

کمپنی نے اوگرا کے تمام بڑے ڈس الاؤنسز شامل کرنے کے بعد 4,592 ملین روپے کا بعد از ٹیکس خالص منافع ریکارڈ کیا۔
اس مدت کی مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:

سہ ماہی مختتمہ 30 ستمبر 2019 (ملین روپے میں)	
قبل از ٹیکس نقصان	(4,005)
ٹیکس	(587)
بعد از ٹیکس نقصان	(4,592)

ایس ایس جی سی کو اوگرا کے مجوزہ گارنٹیڈ ریٹرن فارمولا کے تحت منافع حاصل ہوتا ہے جو ایس ایس جی سی کو فنانشل چارجز اور ٹیکسز سے قبل اپنے اوسط خالص آپریٹنگ فکسڈ ایسیٹس پر 17.43% کی شرح سے منظور کیا گیا ہے۔ تاہم اوگرا آمدنی کی ضروریات کا تعین کرتے وقت، استعداد سے متعلق انتہائی حد مع غیر شمار شدہ گیس (UFG)، انسانی وسائل کے انتہائی اخراجات اور مشتبہ قرضہ جات کے پرووبژن اور بعض دیگر اخراجات کی روشنی میں ایڈجسٹ کرلیتا ہے۔ ان ایڈجسٹمنٹس سے کمپنی کی نچلی ترین سطح پر اثر پڑتا ہے جو بنیادی طور پر مالیاتی چارجز اور ٹیکسز کے بعد خالص 17.43% کی گارنٹیڈ آمدنی ہے۔

مذکورہ مدت کے دوران میں بعد از ٹیکس نقصان کی رپورٹنگ کرنے کی بڑی وجوہات درج ذیل ہیں:

مالی سال 19-2018 کیلئے فائنل ریونیو کی ضروریات (DFRR) پر اوگرا کے تعین مجریہ 26 مئی 2021 کے مطابق تمام ڈس الاؤنسز ان تین ماہ کے مالیاتی نتائج میں ضم کردیئے گئے ہیں جس کی رقم اثاثہ جات پر 3.9 بلین آمدنی کے مقابلے میں 5.3 بلین روپے ہے۔ تاہم ان غیر مجموعی مالیاتی اسٹیٹمنٹس میں مالیاتی سال 19-2018 کے لئے DFRR میں دیئے گئے غیر معمولی UFG ڈس الاؤنسز کی پیروی نہیں کی گئی جو پہلے ہی موشن فار ریویو (MFR) کی فائل کی گئی درخواست میں دوبارہ کلیم کئے گئے ہیں۔

بلند تر UFG ڈس الاؤنس

انتہائی بلند UFG ڈس الاؤنس کی وجہ یہ ہے کہ اوگرا اکنامک کوآرڈینیشن کمیٹی (ECC) کی منظور شدہ سمری مورخہ 11 مئی 2018 میں ایس ایس جی سی کیلئے منظور شدہ RLNG والیوم ہینڈلنگ بینیفٹ کو قبول نہیں کررہا ہے۔ اگر ایس ایس جی سی کو اس فائدے کی اجازت دی جاتی تو خالص UFG ڈس الاؤنس میں 3.9 بلین روپے کی کمی ہوجاتی۔

RLNG سپلائی چین میں تمام اسٹیک ہولڈرز RLNG کے سپلائی کے عمل میں پیش آنے والے حادثاتی اخراجات / نقصانات کے لئے اصل کی بنیاد پر معاوضہ حاصل کررہے ہیں۔ اسی طرح کا فائدے کی اجازت درج بالا ECC سمری کے مطابق ایس ایس جی کو بھی حاصل ہے جو UFG بنچ مارک کے تعین میں والیوم ہینڈلنگ بینیفٹ کی شکل میں دیا جانا چاہیئے۔ تاہم اوگرا نے اس پر عمل درآمد سے انکار کردیا ہے جس کی بناء پر ایس ایس جی سی کو UFG ڈس الاؤنس کی شکل میں بھاری مالی نقصان اٹھانا پڑ رہا ہے۔ اس معاملے کی تازہ ترین صورتحال یہ ہے کہ اوگرا نے مسئلے کے مطالعے اور اس کی رپورٹ جمع کرانے کیلئے بیرونی کنسلٹنٹ کی خدمات حاصل کی ہیں۔

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