

**Sui Southern Gas Company
Limited**

Condensed Interim Financial Statements
For the half year ended December 31,
2017

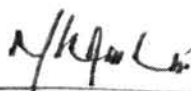
Sui Southern Gas Company Limited
Unconsolidated condensed interim statement of financial position (Un-audited)
As at December 31, 2017

		December 31, 2017 (Un-audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----		
ASSETS				
Non-current assets				
Property, plant and equipment	6	115,861,699	114,993,177	96,711,045
Intangible assets		60,515	74,148	24,643
Deferred tax	7	-	2,476,353	2,668,942
Long term investments	8	1,366,622	1,560,328	1,243,416
Net investment in finance lease		277,843	304,579	362,394
Long term loans and advances		202,899	171,407	162,426
Long term deposits		15,438	14,365	8,302
Total non-current assets		117,785,016	119,594,357	101,181,168
Current assets				
Stores, spares and loose tools		2,390,511	2,472,190	2,146,869
Stock-in-trade		1,318,640	1,139,269	801,819
Current maturity of net investment in finance lease		57,815	57,815	110,161
Customers' installation work-in-progress		181,247	165,402	184,508
Trade debts	9	82,168,490	82,137,595	86,285,447
Loans and advances		2,625,185	2,642,233	2,643,911
Advances, deposits and short term prepayments		263,619	146,751	481,877
Interest accrued	10	11,117,569	10,594,367	9,191,342
Other receivables	11	104,109,354	77,326,874	55,108,009
Taxation - net		18,992,820	18,867,146	19,986,902
Cash and bank balances		572,858	896,852	954,239
Total current assets		223,798,108	196,446,494	177,895,084
Total assets		341,583,124	316,040,851	279,076,252

The annexed notes from 1 to 29 form an integral part of this unconsolidated condensed interim financial information.



Chairperson



Managing Director



Chief Financial Officer

Sui Southern Gas Company Limited
Unconsolidated condensed interim statement of financial position (Un-audited)
As at December 31, 2017

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)	June 30, 2016 (Audited)
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	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163	8,809,163
Reserves		4,907,401	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		324,993	518,699	201,787
Surplus on revaluation of fixed assets		11,728,265	11,728,265	11,728,265
Accumulated losses		(17,572,647)	(9,880,716)	(11,500,489)
Total Equity		8,197,175	16,082,812	14,146,127
LIABILITIES				
Non-current liabilities				
Long term finance	12	52,344,244	48,790,294	22,573,040
Long term deposits		14,899,873	14,222,296	12,462,204
Employee benefits		5,142,850	4,886,461	4,704,086
Obligation against pipeline		958,590	982,731	1,027,886
Deferred credit	13	5,119,560	5,320,034	5,842,485
Long term advances		2,291,893	2,207,355	1,092,831
Total non-current liabilities		80,757,010	76,409,171	47,702,532
Current liabilities				
Current portion of long term finance	12	11,314,797	7,045,427	5,756,246
Short term borrowings	14	18,983,403	2,900,653	4,860,212
Trade and other payables	15	204,670,369	195,950,390	189,324,005
Current portion of obligation against pipeline		47,224	45,155	41,287
Current portion of deferred credit	13	422,793	422,867	427,547
Unclaimed Dividend		285,659	285,721	285,837
Interest accrued	16	16,904,694	16,898,655	16,532,459
Total current liabilities		252,628,939	223,548,868	217,227,593
Total liabilities		333,385,949	299,958,039	264,930,125
Total equity and liabilities		341,583,124	316,040,851	279,076,252
Contingencies and commitments	17			

The annexed notes from 1 to 29 form an integral part of this unconsolidated condensed interim financial information.

Chairperson

Managing Director

Chief Financial Officer

Sui Southern Gas Company Limited
Unconsolidated condensed interim statement profit or loss (Un-audited)
For the half year ended December 31, 2017

		Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Note		(Rupees in '000)			
Sales		86,835,629	100,570,532	43,559,932	48,380,114
Sales tax		(11,969,468)	(13,949,953)	(6,175,290)	(6,653,129)
		74,866,161	86,620,579	37,384,642	41,726,985
Gas development surcharge		10,924,249	(16,163,814)	8,869,509	(11,020,909)
Net sales		85,790,410	70,456,765	46,254,151	30,706,076
Cost of sales	18	(89,798,543)	(69,749,431)	(50,012,321)	(34,555,640)
Gross (loss) / profit		(4,008,133)	707,334	(3,758,170)	(3,849,564)
Administrative and selling expenses		(2,156,969)	(2,097,075)	(1,079,654)	(1,100,698)
Other operating expenses	19	(2,105,469)	(1,905,202)	(1,140,470)	(306,802)
		(4,262,438)	(4,002,277)	(2,220,124)	(1,407,500)
		(8,270,571)	(3,294,943)	(5,978,294)	(5,257,064)
Other operating income	20	6,009,203	7,521,754	3,577,513	3,755,570
Operating (loss) / profit		(2,261,368)	4,226,811	(2,400,781)	(1,501,494)
Finance cost		(2,342,538)	(1,079,808)	(1,254,278)	(440,188)
(Loss) / profit before taxation		(4,603,906)	3,147,003	(3,655,059)	(1,941,682)
Taxation	21	(3,088,025)	(2,008,887)	(322,419)	(1,109,318)
(Loss) / profit for the period		(7,691,931)	1,138,116	(3,977,478)	(3,051,000)
Basic and diluted earning per share		(8.73)	1.29	(4.52)	(3.46)

The annexed notes from 1 to 29 form an integral part of this unconsolidated condensed interim financial information.

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Chairperson


Managing Director


Chief Financial Officer

Sui Southern Gas Company Limited
Unconsolidated condensed interim statement of comprehensive income (Un-audited)
For the half year ended December 31, 2017

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in '000)			
(Loss) / profit for the period	(7,691,931)	1,138,116	(3,977,478)	(3,051,000)
Other comprehensive income				
Item that maybe reclassified subsequently to profit or loss account				
Unrealised (loss) / gain on re-measurement of available for sale securities	(193,706)	124,384	(133,761)	178,314
Total comprehensive (loss) / profit for the period	<u>(7,885,637)</u>	<u>1,262,500</u>	<u>(4,111,239)</u>	<u>(2,872,686)</u>

The annexed notes from 1 to 29 form an integral part of this unconsolidated condensed interim financial information.

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Chairperson


Managing Director


Chief Financial Officer

Sui Southern Gas Company Limited
Unconsolidated condensed interim statement of cash flow (Un-audited)
For the half year ended December 31, 2017

December 31, December 31,
2017 2016
Note -----(Rupees in '000)-----

CASH FLOWS FROM OPERATING ACTIVITIES

(Loss) / profit before taxation		(4,603,906)	3,147,003
Adjustments for non-cash and other items	22	6,548,924	3,813,975
Working capital changes	23	(19,020,719)	(5,175,294)
Financial charges paid		(2,415,551)	(1,527,035)
Employee benefits paid		(59,553)	(39,171)
Payment for retirement benefits		(379,200)	(255,008)
Long term deposits received - net		677,577	1,097,870
Deposits paid - net		(1,073)	(5,445)
Loans and advances to employees - net		(14,444)	14,420
Interest income and return on term deposits received		23,181	51,777
Income taxes paid		(737,346)	(68,602)
Net cash (used in) / generated from operating activities		(19,982,110)	1,054,490

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property, plant and equipment	(4,286,163)	(14,624,460)
Payments for intangible assets	(3,188)	(2,954)
Payment for obligation against pipeline	(67,866)	(67,866)
Proceeds from sale of property, plant and equipment	90,093	67,964
Lease rental from net investment in finance lease	55,219	88,952
Dividend received	712	1,688
Net cash used in investing activities	(4,211,193)	(14,536,676)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from local currency loans	9,200,000	11,986,441
Repayments of local currency loans	(1,416,667)	(2,527,119)
Consumer finance received	11,145	-
Repayment of consumer finance	(7,857)	(12,039)
Dividend paid	(62)	(199)
Net cash generated from financing activities	7,786,559	9,447,084
Net decrease in cash and cash equivalents	(16,406,744)	(4,035,102)
Cash and cash equivalents at beginning of the period	(2,003,801)	(3,905,973)
Cash and cash equivalents at end of the period	(18,410,545)	(7,941,075)
Cash and cash equivalent comprises:		
Cash and bank balances	572,858	684,811
Short term borrowings	(18,983,403)	(8,625,886)
	(18,410,545)	(7,941,075)

The annexed notes from 1 to 29 form an integral part of this unconsolidated condensed interim financial information.

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Chairperson



Managing Director



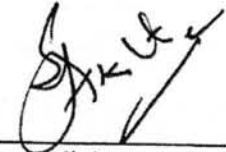
Chief Financial Officer

Sui Southern Gas Company Limited
Unconsolidated condensed interim statement of changes in equity (Un-audited)
For the half year ended December 31, 2017

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Surplus on revaluation of fixed assets	Accumulated losses	Total
	(Rupees in '000)						
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	-	(11,500,489)	2,417,862
Effect of change in accounting policy (Note # 3)	-	-	-	-	11,728,265	-	11,728,265
Balance as at July 01, 2016 (Restated)	8,809,163	234,868	4,672,533	201,787	11,728,265	(11,500,489)	14,146,127
Total comprehensive income for the period ended December 31, 2016							
Profit for the period	-	-	-	-	-	1,138,116	1,138,116
Other comprehensive income for the period	-	-	-	124,384	-	-	124,384
Total comprehensive income for the period	-	-	-	124,384	-	1,138,116	1,262,500
Balance as at December 31, 2016 (Restated)	8,809,163	234,868	4,672,533	326,171	11,728,265	(10,362,373)	15,408,627
Balance as at June 30, 2017	8,809,163	234,868	4,672,533	518,699	11,728,265	(9,880,716)	16,082,812
Total comprehensive income for the period ended December 31, 2017							
Loss for the period	-	-	-	-	-	(7,691,931)	(7,691,931)
Other comprehensive income for the period	-	-	-	(193,706)	-	-	(193,706)
Total comprehensive income for the period	-	-	-	(193,706)	-	(7,691,931)	(7,885,637)
Balance as at December 31, 2017	8,809,163	234,868	4,672,533	324,993	11,728,265	(17,572,647)	8,197,175

The annexed notes from 1 to 29 form an integral part of this unconsolidated condensed interim financial information.

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Chairperson


Managing Director


Chief Financial Officer

Sui Southern Gas Company Limited
Notes to the unconsolidated condensed interim financial information (Un-audited)
For the half year ended December 31, 2017

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:

<u>Region</u>	<u>Address</u>
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	Azad Trade Center Near Civic Center Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing
Sukkur	SSGC Regional Office, Golimar Road, SITE Area Sukkur.
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital,
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% 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.

1.3 Financial Performance

During the period, the Company has incurred loss after tax of Rs. 7,692 million resulting in increase of its accumulated losses by Rs. 7,692 million and diminishing equity to Rs. 8,197 million after including the impact of staggering as disclosed in note 2.3. As at period end, current liabilities exceed its current asset by Rs. 28,831 million and accumulated losses stood at Rs. 17,573 million. The Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Company's petitions by Sindh High Court (refer note 1.4).

The Company's financial performance for the period has deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers 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 2017-18 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 another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

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- 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 strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.
- 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 three years.
- Banks have relaxed debt to equity ratio of the Company from 80:20 to 95:05 from financial year 2016 to 2019. However, subsequent to year end, 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.
- The Company is also evaluating the option to issue shares to improve the equity and cash flows of the Company.

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 has 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 has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income and therefore while the management has considered OGRA's decision in preparation of financial statements for the year ended June 30, 2017, it 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.

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, 2018.

This unconsolidated condensed interim financial information does not include all information required for annual audited condensed interim financial informations and should be read in conjunction with the unconsolidated condensed interim financial informations of the Company for the year ended June 30, 2017.

- 2.2 This unconsolidated condensed interim financial information is un-audited but subject to limited scope review by the auditors and are being submitted to shareholders as required by the listing regulations of the SECP and section 237 of the Companies Act, 2017.

2.3 Staggering of Losses arising due to Sindh High Court decision

As disclosed in note 1.4, OGRA had 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.

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Accordingly, SECP through its letter dated December 20, 2016 granted permission to stagger disallowed expense in the condensed interim financial informations 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 FY 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) to allowing staggering of Rs. 18,359 million in 5 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). This staggering has also been accounted for in these unconsolidated condensed interim financial information.

Therefore, the remaining accumulated losses of Rs. 18,359 million have been staggered and will be recorded in equal amounts of Rs. 3,672 million in five years from FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 1,836 million in this unconsolidated condensed interim financial information.

Had the management not staggered the remaining balance, the effect on this unconsolidated condensed interim financial information would be as follows:

	Rupees in million
- Increase in loss before tax	12,851
- Increase in loss after tax / accumulated losses	8,996
- Increase in loss per share - Rupees	10.36

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 condensed interim financial informations of the Company for the year ended June 30, 2017, except for change in accounting policy as disclosed in note 3.1 in these unconsolidated condensed interim financial information.

3.1 Change in accounting policy

Section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets. The specific provision/section in the Repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. In view of foregoing and the contents of note 3 the accounting and presentation of revaluation surplus is required to be made in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment.

The applicability of requirements of IAS 16 accordingly results in the change in accounting policy of revaluation of surplus in following manner:

- present surplus on revaluation of fixed assets under equity;
- offset the deficit arising from revaluation of the particular asset; and
- transfer the realized surplus directly to the retained earnings/unappropriated profit;

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the corresponding figures have been restated. The effect of retrospective application in case of the Company has resulted in reclassification of surplus on revaluation of freehold land to reserves. There is no other impact of the retrospective application on the amounts of surplus presented in prior years.

4. Accounting estimates and judgments

The preparation of unconsolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires 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 unconsolidated financial statements for the year ended June 30, 2017 except for IFRS 13. 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. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Company.

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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 26.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the unconsolidated financial statements as at and for the year ended June 30, 2017.

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	107,113,461	106,267,254
Capital work in progress	8,748,238	8,725,923
	<u>115,861,699</u>	<u>114,993,177</u>

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

	December 31, 2017		December 31, 2016
	(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			
Leasehold Land	-	-	1,441
Buildings on leasehold land	35,830	-	81,184
Gas transmission pipelines	1,726,546	-	40,056
Gas distribution system	2,066,723	-	2,084,972
Telecommunication	1,139	-	63,870
Plant and machinery	159,958	(309)	121,056
Tools and equipment	6,347	-	48,541
Motor vehicles	67,432	(15,046)	559,354
Furniture and fixtures	1,168	-	6,861
Office equipment	57,600	-	35,717
Computers and ancillary equipments	95,755	-	49,208
Construction equipment	77,084	-	724,003
Supervisory control and data acquisition system	790	-	-
Compressors	353,039	-	104,944
	4,649,411	(15,355)	3,921,207
			(19,659)
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred
			Transfer to operating assets
Capital work in progress:			
Projects:			
- Gas distribution system	2,187,416	(2,066,723)	2,192,334
- Gas transmission system	1,898,402	(1,726,546)	11,453,251
- Cost of buildings under construction and others	66,270	(35,830)	53,081
	4,152,088	(3,829,099)	13,698,666
			(2,206,212)

During the period, there has been a net increase in respect of stores and spares held for capital projects and others amounting to Rs. 677 million (December 31, 2016: Rs. 8,799 million).

27/11

7. As at December 31, 2017, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 19,453 million (2017: Rs. 16,836 million) out of which deferred tax asset amounting to Rs. 14,563 million has been recognised and remaining balance of Rs. 4,890 million is unrecognised. As at year end, the Company's minimum tax credit amounted to Rs. 1,312 million (2017: Rs. 849 million) having expiry period ranging between 2022 and 2023.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		----- (Rupees in '000) -----	
8. LONG TERM INVESTMENTS			
Investment in related parties	8.1	1,233,506	1,364,620
Other investments		133,116	195,708
		<u>1,366,622</u>	<u>1,560,328</u>

- 8.1. Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise the Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, is carried out in connection with the service agreement and ISGSL, was allowed under the agreement to recover its cost / expenditure from the Company and SNGPL. The Company bears 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee (ECC) of the Cabinet.

ECC in its meeting dated December 15, 2016 has decided that Government Holding (Private) Limited, being the parent company, shall make all future funding of ISGSL project. Based on this, the OGRA in its decision dated December 24, 2018, allowed Rs. 15 million and considered the same as full and final payment in this regard.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		----- (Rupees in '000) -----	
9. TRADE DEBTS			
Secured		19,026,097	18,073,913
Unsecured		77,646,282	77,829,529
	9.1 & 9.2	<u>96,672,379</u>	<u>95,903,442</u>
Provision against impaired debts		<u>(14,503,889)</u>	<u>(13,765,847)</u>
		<u>82,168,490</u>	<u>82,137,595</u>

- 9.1 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 IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 31,210 million (June 30, 2017: Rs. 32,378 million) as at December 31, 2017 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2017: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 78,991 million (June 30, 2017: Rs. 74,449 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:
 - Highest OD rate being paid by the Company or;
 - Highest rate at which interest is payable on gas producer bills.
- As per the above agreement and as per the audited condensed interim financial informations 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.

74

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 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 filing 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 received from KE.

- 9.2 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 IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 22,618 million (June 30, 2017: Rs. 22,310 million) including overdue balance of Rs. 22,568 million (June 30, 2017: Rs. 22,260 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 52,011 million (June 30, 2017: Rs. 49,056 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 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.

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.

10. INTEREST ACCRUED

Interest accrued on late payment of bills / invoices from:

- WAPDA
- SNGPL
- JJVL

Interest accrued on bank deposits
Interest accrued on sales tax refund
Interest accrued to related party

Provision against impaired accrued income

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
	3,323,663	3,231,947
	6,121,197	5,855,468
	627,245	522,092
	<u>10,072,105</u>	<u>9,609,507</u>
	2,370	2,457
	487,739	487,739
	639,746	579,056
	<u>11,201,960</u>	<u>10,678,759</u>
	(84,391)	(84,392)
	<u>11,117,569</u>	<u>10,594,367</u>

24A

		December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	----- (Rupees in '000) -----	
11. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	11.1	40,057,147	21,264,629
Staff pension fund		474,176	383,727
Receivable for sale of gas condensate		49,602	42,949
Sui Northern Gas Pipelines Limited	11.2	27,585,556	25,198,417
Jamshoro Joint Venture Limited	11.3	12,153,678	10,794,328
SSGC LPG (Private) Limited		10,608	73,953
Sales tax receivable	11.4	25,538,683	21,249,747
Sindh sales tax		112,569	112,569
Pipeline rentals		-	18,154
Receivable against asset contribution	11.5	360,440	359,348
Miscellaneous receivables		113,254	175,412
		<u>106,455,713</u>	<u>79,673,233</u>
Provision against impaired receivables		<u>(2,346,359)</u>	<u>(2,346,359)</u>
		<u>104,109,354</u>	<u>77,326,874</u>
11.1 Gas Development Surcharge			
GDS receivable / (payable)		21,264,629	(18,604,884)
Recovered during the period		(8,440,045)	(37,006,536)
Paid during the period		7,609,728	43,152,007
Impact of staggering	2.3	(1,835,883)	(3,671,785)
Price increase adjustment		21,458,718	36,449,350
Claim under IAS 19		-	946,477
		<u>40,057,147</u>	<u>21,264,629</u>
11.2 As at period end, receivable balance from SNGPL comprises of the following:			
Uniform cost of gas		7,093,665	10,906,950
Lease rentals		69,194	5,529
Contingent rent		3,535	3,535
Capacity and utilisation charges of RLNG	11.2.1	13,506,108	9,217,988
RLNG transportation income		6,197,326	4,663,562
LSA margins of RLNG		715,728	400,853
		<u>27,585,556</u>	<u>25,198,417</u>

- 11.2.1** The Company has invoiced an amount of Rs. 35,812 million, including Sindh Sales Tax of Rs. 4,374 million, till December 31, 2017 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 finalised subsequent to end of reporting date. The Company has finalized its payment plan with PAFCL in which PAFCL is 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.

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.

24

On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Company. On September 10, 2018, and on February 7, 2019, another 18 BCF and 11 BCF respectively. Up to March 2020 71 BCF of RLNG volume has been allocated 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 molecules 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. The agreement with SNGPL in this regard is under negotiation.

- 11.3 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 in respect of processing charges is disclosed in note 15 to this unconsolidated condensed interim financial information.

- 11.4 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 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.

- 11.5 This represents receivable from Mari Gas 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.

			December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note		----- (Rupees in '000) -----	
12. LONG-TERM FINANCE				
Secured				
Loans from banking companies	12.1, 12.2 & 12.3		60,277,416	52,467,981
Unsecured				
Front end fee of foreign currency loan			23,950	23,950
Consumer finance			206,310	203,021
Government of Sindh loans	12.4		3,151,365	3,140,769
			3,381,625	3,367,740
Subtotal			63,659,041	55,835,721
Less: current portion shown under current liabilities				
Loans from banking companies			(10,654,167)	(6,383,333)
Consumer finance			(10,630)	(12,094)
Government of Sindh loans			(650,000)	(650,000)
			(11,314,797)	(7,045,427)
			52,344,244	48,790,294

- 12.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at December 31, 2017, the Company has utilised total sanctioned amount.
- 12.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2017 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. 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.
- 12.3 These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

24

- 12.4 The Government of Sindh through its letter dated December 18, 2017, approved the conversion of Rs. 3,000 million of loan into grant for all the schemes which do not qualify per consumer cost criteria. Based on this, the management has reversed impairment on operating assets amounting to Rs. 1,190 million relating to all unfeasible projects financed through such loan.

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
13. DEFERRED CREDIT		
Government contributions / grants		
Additions / adjustments during the period	14,371	106,418
Transferred to unconsolidated profit or loss account	137,494	273,855
Contribution from customers		
Transferred to unconsolidated profit or loss account	74,340	157,936
Government of Sindh grants		
Transferred to unconsolidated profit or loss account	3,086	201,758

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 20,994 million (June 30, 2017: Rs. 14,625 million) and subject to markup to 0.10% (June 30, 2017: 0.60%) above the average one month KIBOR. These facilities are secured by first pari passu first joint supplemental hypothecation 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. 2,011 million (June 30, 2017: Rs. 11,725 million).

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
15. TRADE AND OTHER PAYABLES		
Creditors for:		
- Gas supplies	15.1 173,652,909	167,233,189
- Supplies	2,111,317	943,528
	175,764,226	168,176,717
Amount received from customers for laying of mains, etc.	2,476,167	2,361,457
Engro Elengy Terminal Limited	1,241,054	2,098,162
Accrued liabilities	3,592,376	3,193,262
Advance from LPG customers	3,258	22,002
Provision for compensated absences - non executives	296,054	266,887
Payable to staff gratuity fund	3,771,020	3,778,334
Deposits / retention money	893,936	895,166
Bills payable	9,725	59,498
Advance for sharing right of way	18,088	18,088
Withholding tax	100,917	92,175
Sales tax and Federal excise duty	726,302	282,275
Sindh sales tax	112,434	54,322
Processing charges payable to JJVL	8,393,076	7,115,280
Gas infrastructure development cess payable	6,737,508	7,264,457
Unclaimed term finance certificate redemption profit	1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)	-	1,555
Worker's Profit Participation Fund	12,860	12,860
Others	519,568	256,093
	204,670,369	195,950,390

- 15.1 As at December 31, 2017, amount of Rs. 142,059 million (June 30, 2017: Rs. 121,487 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, 2017: Rs. 15,832 million) on their balances which have been presented in note 16.1 of these unconsolidated statement of financial position.



16. INTEREST ACCRUED

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
Note	----- (Rupees in '000) -----	
Long term financing - loans from banking companies	482,936	419,156
Long term deposits from customers	188,668	355,318
Short term borrowings	141,921	94,839
Late payment surcharge on processing charges	253,932	192,105
Late payment surcharge on gas development surcharge	4,826	4,826
Late payment surcharge on gas supplies	16.1 15,832,411	15,832,411
	<u>16,904,694</u>	<u>16,898,655</u>

- 16.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". However, the 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 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. Management'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 condensed interim financial informations only when the same are received.

In response to the Company's above request, the MP & NR vide their letter dated January 3, 2017 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 and for the period ended December 31, 2017 amounting to Rs.7,569 million and Rs. 3,721 million respectively on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim statement of financial position would be as follows:

	December 31, 2017 (Un-audited) (Rupees in million)
- Increase in loss before tax	37,512
- Increase in loss after tax / accumulated losses	26,258
- Increase in earning per share - Rupees	(29.81)

17. CONTINGENCIES AND COMMITMENTS

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
17.1 Commitments for capital and other expenditures	5,769,801	4,288,671
17.2 Guarantees issued on behalf of the Company	4,176,322	4,157,181
17.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 144,120 million (June 30, 2017: Rs. 39,463 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, 2017: 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.		

BZA

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 consumer and the consumer 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 consumer 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.

- 17.4 As disclosed in note 16.1, 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 from July 01, 2016 to December 31, 2017 amounting to Rs. 11,290 million. 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.

- 17.5 M/s Habibullah Coastal Power Company Private Limited (HCPCL) filed its request for Arbitration under the Rules of the International Chamber of Commerce (ICC), Singapore on November 30, 2015. The dispute was on account of non or short-supply of gas (against firm commitment of gas under GSA) by the Company to HCPCL with effect from December 2009 onwards.

On April 30, 2018, the decision of arbitration proceeding has been issued by ICC in favor of HCPCL and the Company is required to pay to HCPCL as a final reward in the form of liquidity damages Rs. 3,788 million, interest on liquidity damages of Rs. 353 million and legal and professional charges of Rs. 571 million as on June 30, 2018. Further, LPS charged to HCPCL upto FY 2016-17 amounting to Rs. 3,243 million was also withdrawn.

The liquidated damages claimed by HCPCL from the Company was in consequent to liquidated damages charged to HCPCL by WAPDA/CPPA-G, depicting the flow of payment from one GoP entity i.e. the Company to another GoP entity i.e. WAPDA without yielding any substantial benefit to any claimant party.

Therefore, Economic Coordination Committee (ECC) in its meeting held on February 07, 2018 approved in principle the proposal regarding waiver of liquidated damages with the direction to Petroleum Division & Power Division to work out modalities in consultation with all the stakeholders.

In line with above ECC decision, an amount of Rs. 3,788 million has been recognized as Receivable from HCPCL at the year-end i.e. June 30, 2018. The remaining amount of Rs. 4,167 million was claimed from OGRA as part of Revenue Requirement of FY 2017-18.

However, OGRA in its decision on FRR for FY 2017-18 dated 23rd April 2020 decided to defer its decision on LPS adjustment and other arbitration charges until the conclusion of the matter between WAPDA/CPPA-G and HCPCL. In the light of OGRA decision, this amount has been recognized as "Expenses deferred by OGRA" at the year-end i.e. June 30, 2018.

In these financial statements, the above amounts are appearing under the head of Trade Debts.

Management is confident that the aforementioned arrangement will materialize in favor of the Company and therefore no provision has been made in these unconsolidated financial statements.

- 17.6 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.

On June 13, 2018, Supreme Court of Pakistan (SCP) in its decision concluded that the Company would not supply any gas to JJVL for the purpose of processing. Further a firm of chartered accountant was appointed 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. Such matter relating to claimed amount will be undertaken after the report is submitted to SCP.

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. With respect to the Freight matter, SCP will settle the same and an appropriate order shall be passed in this regard. Further, 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 and an agreement was signed between the Company and JJVL and submitted the same to SCP for its approval and the same was validated by SCP, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019, in 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 and is set to expire on June 20, 2020 and until renewed by the parties with mutual written consent it shall stand terminated automatically.

However, with respect to the Freight, GIDC and tax challans, SCP will settle the same and an appropriate order shall be passed in this regard. Once the matter is finalized by the Court any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

22

The arbitration is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be settled once the arbitration is completed, hence no provision is recorded in this unconsolidated condensed interim financial information.

- 17.7 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001.

Accordingly, no provision regarding the said claim has been made in this unconsolidated condensed interim financial information as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

- 17.8 Income tax authorities have passed Orders disallowing Cost of Gas purchased but lost as UFG (in excess of OGRA Benchmark) for FY 2008-09, 2010-11, 2011-12, 2012-13, 2013-14 and 2015-16.

All the Orders were contested before Commissioner (Appeals) who decided the cases in Company favour. However, the said Orders have been challenged by the LTU before the Appellate Tribunal Inland Revenue.

Further, the said issue has also been raised for other years on which Company filed detailed replies.

Since the said issue has already been decided in favour of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Principle is in field which has also been upheld by Commissioner (Appeals) in the Company case therefore no provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 17.9 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs.311 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh.

No provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 17.10 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008 to 2016, disallowing certain expenses. The Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of the Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001, disallowance of depreciation on fixed assets held under musharka arrangement and disallowances for Unaccounted For Gas (UFG).

No provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 17.11 The Tax Authorities' passed Order for FY 2009-10 against the Company disallowing input Sales Tax credit on gas purchased but lost as UFG, among other observations. The said Order was contested till Appellate Tribunal Inland Revenue (ATIR) who decided the case in Company favor thus setting a Legal Principle.

Tax Authorities have passed two different Orders for FY 2010-11 to 2014-15 & for FY 2015-16 to 2016-17 disallowing input Sales Tax on gas purchased but lost as UFG (in excess of OGRA Benchmark) however the Company contested the matter before Commissioner (Appeals) who decided the cases in Company's favor.

The LTU has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Order of Commissioner (Appeals) for FY 2010-11 to 2014-15.

The Company and its legal counsel are of the opinion that the Company has a strong case on legal merits as well as on technical grounds since Legal Principle has been set by ATIR & upheld by Commissioner (Appeals) and thus no provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

No provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

- 17.12 The Additional Commissioner Inland Revenue passed an order against the Company with a demand of Rs. 1,725 million in respect of disallowance of tax depreciation on additions to fixed assets and exchange loss in income tax audit for tax year 2011.

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The Commissioner (Appeals) has decided the issue of exchange loss in Company's favor while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favor of the Company by the Commissioner (Appeals). In the remand back proceedings, the Deputy Commissioner Inland Revenue (DCIR) has passed an order under section 122(4)/ 122(1) of the Ordinance for the tax year 2011 whereby he has again disallowed the initial and normal depreciation on fixed assets on the ground that the Company has not provided necessary documentary evidences in relation to installation and capitalization of the projects. However, in the appeal filed before the Commissioner (Appeals) against this order, the Commissioner (Appeals) has again remanded back the matter to the Department to examine the issue afresh.

The management is of the view that said remand back proceedings are barred by time as a result of time limitation provided in the Income Tax Ordinance, 2001. Moreover, the Additional Commissioner Inland Revenue (ADCIR) has passed an order under section 122(5A) of the Ordinance for the tax year 2011, on the matter of excess UFG disallowance wherein admissibility in respect of the aforesaid remanded back issue on account of initial and normal depreciation on fixed assets has been fully allowed in the revised computation given in such order of ADCIR.

- 17.13 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million along with default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The High Court of Sindh has also stayed the recovery of the additional tax and penalties.

No provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 17.14 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Company with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06 and 2007-08 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-06 and FY 2007-08 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund adjustment.

Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issued decided in the Company's favour.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Company. Upon appeal by SSGC against DCIR Order, the Commissioner (Appeals) upheld the disallowance of minimum tax adjustment for FY 2008-09 whereas issues of refund adjustment for FY 2008-09, partial adjustment for minimum tax for FY 2005-06 and credit of tax deducted at source were again remanded back to DCIR.

No provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 17.15 Income tax authorities have issued show cause notice to the Company for recovery of additional tax of Rs. 422 million for late deposit of withholding income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013 & 2014. The Company has filed an appeal in the High Court of Sindh, which through its order dated March 10, 2017 has remanded back the matter to the Department. No order has been passed as yet in the remanded back proceedings.

No provision has been made in this unconsolidated condensed interim financial informations as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 17.16 The Company is subject to various other claims totaling Rs. 223 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

- 17.17 The Company is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Company's legal department, the management is confident that the outcome of these cases will be in favor of the Company. Accordingly, no provision has been made in respect of those cases in this unconsolidated condensed interim financial information.

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		Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Un-audited)			
		(Rupees in '000)			
18.	COST OF SALES				
	Cost of gas	80,843,247	61,730,038	45,357,834	30,509,060
	Transmission and distribution costs	8,955,296	8,019,393	4,654,487	4,046,580
		89,798,543	69,749,431	50,012,321	34,555,640
18.1	Cost of gas				
	Opening gas in pipelines	463,978	336,034	466,351	307,408
	Gas purchases	85,894,511	74,240,715	44,706,474	32,555,833
		86,358,489	74,576,749	45,172,825	32,863,241
	Gas consumed internally	(1,571,939)	(1,606,642)	(881,498)	(741,200)
	Inward price adjustment	(3,267,448)	(10,935,219)	1,742,362	(1,308,131)
	Closing gas in pipelines	(675,855)	(304,850)	(675,855)	(304,850)
		(5,515,242)	(12,846,711)	185,009	(2,354,181)
		80,843,247	61,730,038	45,357,834	30,509,060
9.	OTHER OPERATING EXPENSES				
	Auditors' remuneration	10,153	9,963	3,750	4,418
	Sports expenses	35,784	31,411	19,884	26,085
	Corporate social responsibility	2,026	9,773	(3,380)	3,224
	Provision against impaired debts and other receivables	738,044	1,683,437	194,685	371,066
	Provision against impaired stores and spares	23,933	4,986	12,904	4,203
	Provision against financial income	-	-	-	-
	Exchange loss on payment of gas purchases	1,295,529	-	912,627	-
	Worker's profit participation fund	-	165,632	-	(102,194)
		2,105,469	1,905,202	1,140,470	306,802
		2,105,469	1,905,202	1,140,470	306,802
				</	

- 20.1 The Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Company with mutually agreed quantity of LPG extracted and retain the rest for onward use. The Company paid processing charges of \$235/MT for the months on which JJVL's production share is below 57% and \$220/MT if JJVL's production share is more than 57%.

Since, the Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Company sent termination notices of MoU with JJVL dated May 4, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016.

Under new tariff regime, effective from the month of July 2018, OGRA has allowed 50% of income, derived from Jamshoro Joint Venture Limited (JJVL), as retainable by the Company. The Company is expected to earn reasonable profits through the sale of LPG and NGL, business, hence the supply of gas to JJVL has been restored from the month of January 2019. Refer note 17.6 of this unconsolidated condensed interim financial information for status of arbitration proceedings with JJVL.

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Un-audited)			
	----- (Rupees in '000) -----			
21. TAXATION				
- Current	611,672	2,208,029	322,419	392,625
- Deferred	2,476,353	(199,142)	-	716,693
	<u>3,088,025</u>	<u>2,008,887</u>	<u>322,419</u>	<u>1,109,318</u>
			December 31, 2017	December 31, 2016
			(Un-audited)	
			----- (Rupees in '000) -----	
22. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS	Note			
Provisions	22.1	1,400,829	2,275,303	
Depreciation		3,555,063	2,813,109	
Amortisation of intangibles		16,821	10,126	
Finance cost		2,260,040	898,396	
Amortisation of transaction cost		36,699	133,727	
Amortisation of government grant		(3,086)	(92,427)	
Transfer of Assets from Net investment in finance lease to Operating Assets		-	(26,211)	
Recognition of income against deferred credit		211,834	(206,302)	
Dividend income		(712)	(1,688)	
Interest income and return on term deposits		(546,383)	(765,564)	
Income from net investment in finance lease		(28,483)	(33,874)	
Loss on disposal of property, plant and equipment		(74,738)	(48,305)	
Increase / (decrease) in long term advances		84,538	(21,257)	
(Increase) / decrease in deferred credit		(409,297)	21,257	
Reversal of impairment		-	(1,190,000)	
Decrease in obligation against pipeline		45,799	47,685	
		<u>6,548,924</u>	<u>3,813,975</u>	
22.1. PROVISIONS				
Provision against slow moving / obsolete stores		36,239	28,399	
Provision against doubtful debts		738,044	747,433	
Provision for compensated absences		75,834	60,841	
Provision for post retirement medical and free gas supply facilities		269,275	271,760	
Provision against impaired income				
Provision against retirement benefit		281,437	365,946	
Provision against impairment of CWIP		-	130,000	
		<u>1,400,829</u>	<u>1,604,379</u>	

	December 31, 2017	December 31, 2016
	(Un-audited)	
	------(Rupees in '000)-----	
23. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spares and loose tools	66,516	(1,165,734)
Stock-in-trade	(191,677)	(27,229)
Customers' installation work-in-progress	(15,845)	3,592
Trade debts	(768,937)	1,440,750
Advances, deposits and short term prepayments	(116,868)	311,267
Other receivables	(26,692,031)	2,537,166
	(27,718,842)	3,099,812
Decrease in current liabilities		
Trade and other payables	8,698,123	(8,275,106)
	(19,020,719)	(5,175,294)

24. 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 detail of transactions with related parties not disclosed elsewhere in this unconsolidated condensed interim financial information are as follows:

		Half year ended	
		December 31, 2017	December 31, 2016
		(Un-audited)	
		------(Rupees in '000)-----	
Astro Plastic (Private) Limited	Associate		
- Billable charges		65,226	76,945
Attock Cement Limited	Associate		
- Billable charges		25,226	22,406
Gadoon Textile Mills Limited	Associate		
- Billable charges		-	114
Government related entities			
- Purchase of fuel and lubricant		45,003	15,185
- Billable charges		16,226,681	33,538,944
- Mark-up on short term finance		6,906	5,829
- Mark-up on Long term finance		198,191	32,993
- Sharing of expenses		-	15,400
- Income from net investment in finance lease		28,483	33,874
- Gas purchases		40,658,707	32,591,487
- Sale of gas meters and spare parts		125,444	4,436
- Rent of premises		6,659	558
- Insurance premium		55,834	67,014
- Uniform cost of gas		3,267,448	10,935,219
- Electricity expense		101,831	107,455
- Interest income		357,445	579,902
- Professional charges		239	6,651

		Half year ended	
		December 31, 2017	December 31, 2016
		(Un-audited)	
		----- (Rupees in '000) -----	
	Relationship		
- RLNG transportation income		2,269,171	2,003,887
- Income against LNG service agreement		302,132	203,390
Habib Bank Limited			
- Profit on deposit accounts	Associate	345	7,564
- Markup on short term finance		88,956	18,519
- Markup on local currency finance		251,519	141,034
- Billable charges		7,902	7,051
* International Industries Limited	Associate		
- Billable charges		-	57,325
Key management personnel			
- Remuneration		125,253	112,163
Minto & Mirza	Associate		
- Professional charges		3,000	7,200
* Pakistan Cables Limited	Associate		
- Billable charges		-	25,166
Petroleum Institute of Pakistan	Associate		
- Subscription/Contribution		2,378	2,032
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest on loan		60,690	55,014
- LPG sales		247,412	211,963
- Rental Income		373	355
- Recovery of management fee		5,761	6,020
Staff retirement benefit plans	Associate		
- Contribution to provident fund		164,526	148,083
- Contribution to pension fund		138,020	123,003
- Contribution to gratuity fund		143,417	150,698
Thatta Cement Company Limited	Associate		
- Gas sales		2,872	2,760

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

- 24.1 Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.
- 24.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 24.3 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.
- 24.4 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:

		December 31, 2017	June 30, 2017
		(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		-	16,623

2/11

		December 31, 2017 (Unaudited)	June 30, 2017 (Audited)
	Relationship	----- (Rupees in '000) -----	
Attock Cement Limited	Associate		
- Billable charges		225	4,737
- Gas supply deposit		(588)	(588)
Government related entities - various			
- Billable charges		56,410,367	58,566,349
- Mark up accrued on borrowings		(6,296,875)	(4,123,310)
- Net investment in finance lease		69,194	5,529
- Gas purchases		(145,958,634)	(134,227,691)
- Gas meters & Spare Parts		876,708	703,971
- Uniform cost of gas		7,093,665	10,906,950
- Cash at bank		10,489	21,487
- Stock Loan		48,469	10,602
- (Payable) / recoverable to insurance		(2,383)	(2,631)
- Gas supply deposit		(33,325)	(24,243)
- Interest expense accrued - Late payment surcharge on gas supplies bills		15,832,411	(15,832,411)
- Interest income accrued - late payment on gas bills		9,444,860	9,087,415
- Contingent rent		3,535	3,535
- Capacity and utilisation charges of RLNG		13,506,108	9,217,988
- RLNG Transportation Income		6,197,326	4,663,562
- LSA Margins		715,728	400,853
Habib Bank Limited	Associate		
- Long term finance		(7,944,792)	(6,816,226)
- Short term finance		(5,822,772)	-
- Cash at bank		134,243	82,211
- Accrued markup		(368,495)	(298,100)
- Billable charges		423	1,436
Pakistan Engineering Company Limited	Associate		
- Billable charges		-	5
- Gas supply deposit		-	(15)
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long term investment		1,000,000	1,000,000
- Short term loan		1,710,103	1,710,103
- Interest on loan		639,746	579,056
- LPG purchases		-	(1,825)
- LPG Sales		4,695	62,015
- Rental Income receivable		151	77
- Receivable of management fee		5,761	11,861
Thatta Cement Company Limited	Associate		
- Billable charges		593	764

* Current balances with these parties have not been disclosed as they did not remain related parties as at period end.

22A

25. OPERATING SEGMENTS

IFRS 8- Operating segments requires operating segments to be identified on the basis of internal reports about components of the Company that regularly.

- 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.

	Segment revenue		Segment loss	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			(Un-audited)	
			(Rupees in '000)	
Gas transmission and distribution	74,866,161	86,620,579	(3,635,609)	1,737,522
Meter manufacturing	826,963	713,516	(19,443)	4,353
Total segment results	<u>75,693,124</u>	<u>87,334,095</u>	<u>(3,655,052)</u>	<u>1,741,875</u>
Unallocated - other expenses				
- Other operating expenses			(1,367,425)	(221,765)
Unallocated - other income				
- Non-operating income			418,571	1,626,893
Loss before tax			<u>(4,603,906)</u>	<u>3,147,003</u>

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 719 million (2016: Rs. 705 million).

Segment assets and liabilities

	December 31, 2017	June 30, 2017
	(Unaudited)	(Audited)
	(Rupees in '000)	
Segment assets		
Gas transmission and distribution	315,775,114	290,070,787
Meter manufacturing	2,924,139	2,902,230
Total segment assets	<u>318,699,253</u>	<u>292,973,017</u>
Unallocated		
- Loans and advances	2,828,084	2,813,640
- Taxation - net	18,992,820	18,867,146
- Interest accrued	490,109	490,196
- Cash and bank balances	572,858	896,852
	<u>22,883,871</u>	<u>23,067,834</u>
Total assets as per balance sheet	<u>341,583,124</u>	<u>316,040,851</u>
Segments liabilities		
Gas transmission and distribution	327,394,813	294,370,570
Meter manufacturing	848,286	701,008
Total segment liabilities	<u>328,243,099</u>	<u>295,071,578</u>
Unallocated		
- Employee benefits	5,142,850	4,886,461
Total liabilities as per balance sheet	<u>333,385,949</u>	<u>299,958,039</u>

7/14

26. 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.

26.1. 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, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The following table presents the financial assets which are carried at fair value:

	As at December 31, 2017		
	Level 1	Level 2	Level 3
	-----Rupees in '000-----		
Assets			
Available for sale investments			
Listed equity securities	361,521	-	-
			361,521

	As at June 30, 2017		
	Level 1	Level 2	Level 3
	-----Rupees in '000-----		
Assets			
Available for sale investments			
Listed equity securities	555,939	-	-
			555,939

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.

26.2. 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 December 31, 2017	
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold land	5,476,034	5,476,034
Leasehold land	6,938,632	6,938,632
	12,414,666	12,414,666
	As at June 30, 2017	
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold Land	5,476,034	5,476,034
Leasehold Land	6,938,632	6,938,632
	12,414,666	12,414,666

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27. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follow;

Description	(Rupee in 000)	Reclassified	
		From	To
Late payment surcharge	1,934,903	Other Non-Operating Income	Other Income
Income for receivable against asset contribution	19,354	Other Non-Operating Income	Other Income
term deposits and profit or loss bank accounts	30,791	Other Non-Operating Income	Other Income
interest income on loan to related party	55,014	Other Non-Operating Income	Other Income
Jamshoro Joint Venture Limited (JJVL)	80,503	Other Non-Operating Income	Other Income
Water & Power Development Authority (WAPDA)	134,912	Other Non-Operating Income	Other Income
Sui Northern Gas Pipelines Limited (SNGPL)	444,990	Other Non-Operating Income	Other Income
Dividend income	1,688	Other Non-Operating Income	Other Income
Income from net investment in finance lease - SNGPL	33,874	Other Non-Operating Income	Other Income
Sale of gas condensate - net	(55,868)	Other Non-Operating Income	Other Income
Income from LPG NGL - net	85,090	Other Non-Operating Income	Other Income
Meter manufacturing division profit - net	4,353	Other Non-Operating Income	Other Income
Amortization of Government grant	92,427	Other Non-Operating Income	Other Income
Rental income from SSGC LPG (Pvt) Limited	355	Other Non-Operating Income	Other Income
Reversal of Impairment on Operating assets	1,190,000	Other Non-Operating Income	Other Income
LSA margins against RLNG	203,390	Other Non-Operating Income	Other Income
Meter rentals	364,849	Other Operating Income	Other Income
RLNG transportation income	2,003,887	Other Operating Income	Other Income
Recognition of income against deferred credit	192,805	Other Operating Income	Other Income
Income from new service connections and asset contribution	129,092	Other Operating Income	Other Income
Income from LPG air mix distribution - net	71,941	Other Operating Income	Other Income
Recoveries from consumers	50,267	Other Operating Income	Other Income
Liquidated damages recovered	280,507	Other Operating Income	Other Income
Advertising income	1,715	Other Operating Income	Other Income
Income from sale of tender documents	2,402	Other Operating Income	Other Income
Scrap sales	34,435	Other Operating Income	Other Income
Miscellaneous	41,224	Other Operating Income	Other Income
Gain on disposal of property, plant and equipment	48,305	Other Operating Income	Other Income
Exchange gain on payment of gas purchases	44,549	Other Operating Income	Other Income
Unclaimed Dividend	285,721	Trade and Other Payable	Unclaimed dividend

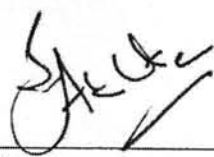
28. GENERAL

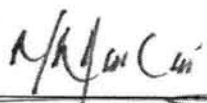
- 28.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.
- 28.2 The unconsolidated condensed interim condensed interim financial informations are presented in Pakistani Rupees, which is the Company's functional and presentation currency.
- 28.3 Corresponding figures have been rearranged and reclassified, wherever necessary.

29. DATE OF AUTHORISATION

This unconsolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on _____, 2020.

27A


Chairperson


Managing Director

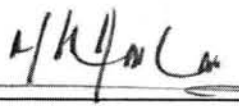

Chief Financial Officer

Sui Southern Gas Company Limited
Consolidated condensed interim statement of financial position (Un-audited)
As at December 31, 2017

		December 31, 2017 (Un-audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----		
ASSETS				
Non-current assets				
Property, plant and equipment	6	118,018,984	117,174,550	98,877,569
Intangible assets		67,941	81,574	24,643
Deferred tax	7	185,890	2,681,027	2,882,244
Long term investments	8	366,622	560,327	243,415
Net investment in finance lease		277,843	304,579	362,394
Long term loans and advances		202,899	171,407	162,426
Long term deposits		62,336	68,169	9,872
Total non-current assets		119,182,515	121,041,633	102,562,563
Current assets				
Stores, spares and loose tools		2,392,063	2,474,530	2,150,514
Stock-in-trade		1,356,076	1,288,147	834,656
Current maturity of net investment in finance lease		57,815	57,815	110,161
Customers' installation work-in-progress		181,247	165,402	184,508
Trade debts	9	82,182,498	82,150,985	86,307,335
Loans and advances		915,082	932,959	934,200
Advances, deposits and short term prepayments		361,669	177,445	497,052
Interest accrued	10	10,477,823	10,015,313	8,728,073
Other receivables	11	104,177,200	77,318,693	54,943,899
Taxation - net		19,119,127	18,970,646	20,053,925
Other financial assets		216,000	116,000	-
Cash and bank balances		987,643	1,147,188	1,357,962
Total current assets		222,424,243	194,815,123	176,102,285
Total assets		341,606,758	315,856,756	278,664,848

The annexed notes from 1 to 29 form an integral part of this consolidated condensed interim financial information.


Chairperson


Managing Director


Chief Financial Officer

Sui Southern Gas Company Limited
Consolidated condensed interim statement of financial position (Un-audited)
As at December 31, 2017

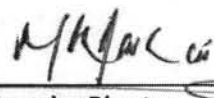
	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)	June 30, 2016 (Audited)
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital: 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163	8,809,163
Reserves		4,907,401	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		324,994	518,699	201,787
Surplus on revaluation of fixed assets		11,728,265	11,728,265	11,728,265
Accumulated losses		(18,040,826)	(10,427,085)	(12,185,561)
Total Equity		7,728,997	15,536,443	13,461,055
LIABILITIES				
Non-current liabilities				
Long term finance	12	52,344,244	48,790,294	22,573,040
Long term deposits		14,899,873	14,216,851	12,456,759
Employee benefits		5,161,807	4,902,390	4,716,523
Obligation against pipeline		958,590	982,731	1,027,886
Deferred credit	13	5,119,560	5,320,034	5,842,485
Long term advances		2,291,893	2,207,355	1,092,831
Total non-current liabilities		80,775,967	76,419,655	47,709,524
Current liabilities				
Current portion of long term finance	12	11,314,797	7,045,427	5,756,246
Short term borrowings	14	18,983,403	2,900,655	4,860,212
Trade and other payables	15	204,871,251	196,047,840	189,398,243
Short term deposits		271,973	254,338	192,438
Current portion of obligation against pipeline		47,224	45,155	41,287
Current portion of deferred credit	13	422,793	422,867	427,547
Unclaimed Dividend		285,659	285,721	285,837
Interest accrued	16	16,904,694	16,898,655	16,532,459
Total current liabilities		253,101,794	223,900,658	217,494,269
Total liabilities		333,877,761	300,320,313	265,203,793
Total equity and liabilities		341,606,758	315,856,756	278,664,848

Contingencies and commitments

17

The annexed notes from 1 to 29 form an integral part of this consolidated condensed interim financial information.


Chairperson

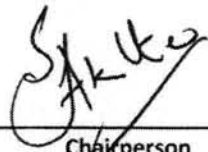

Managing Director

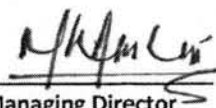

Chief Financial Officer

Sui Southern Gas Company Limited
Consolidated condensed interim statement of profit or loss (Un-audited)
For the half year ended December 31, 2017

		Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Note		(Rupees in '000)			
Sales		86,835,629	100,570,532	43,559,932	48,380,114
Sales tax		(11,969,468)	(13,949,953)	(6,175,290)	(6,653,129)
		74,866,161	86,620,579	37,384,642	41,726,985
Gas development surcharge		10,924,249	(16,163,813)	8,869,510	(11,020,908)
Net sales		85,790,410	70,456,766	46,254,152	30,706,077
Cost of sales	18	(89,804,304)	(69,743,413)	(50,015,006)	(34,549,622)
Gross (loss) / profit		(4,013,894)	713,353	(3,760,854)	(3,843,545)
Administrative and selling expenses		(2,208,643)	(2,155,031)	(1,106,443)	(1,141,461)
Other operating expenses	19	(2,105,914)	(1,914,894)	(1,140,786)	(316,494)
		(4,314,557)	(4,069,925)	(2,247,229)	(1,457,955)
		(8,328,451)	(3,356,572)	(6,008,083)	(5,301,500)
Other operating income	20	6,168,906	7,728,489	3,639,119	3,896,387
Operating (loss) / profit		(2,159,545)	4,371,917	(2,368,964)	(1,405,113)
Finance cost		(2,343,334)	(1,083,513)	(1,254,344)	(441,260)
(Loss) / profit before taxation		(4,502,879)	3,288,404	(3,623,308)	(1,846,373)
Taxation	21	(3,110,862)	(2,026,398)	(333,553)	(1,119,225)
(Loss) / profit for the period		(7,613,741)	1,262,006	(3,956,861)	(2,965,598)
Basic and diluted (loss) / earning per share		(8.64)	1.43	(4.49)	(3.37)

The annexed notes from 1 to 29 form an integral part of this consolidated condensed interim financial information.


Chairperson

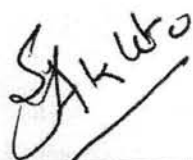

Managing Director

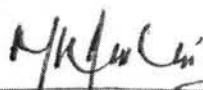

Chief Financial Officer

Sui Southern Gas Company Limited
Consolidated condensed interim statement of comprehensive income (Un-audited)
For the half year ended December 31, 2017

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in '000)			
(Loss) / profit for the period	(7,613,741)	1,262,006	(3,956,861)	(2,965,598)
Other comprehensive income				
Item that may be reclassified subsequently to statement of profit or loss				
Unrealised (loss) / gain on re-measurement of available for sale securities	(193,705)	124,384	(133,760)	77,378
Total comprehensive (loss) / income for the period	(7,807,446)	1,386,390	(4,090,621)	(2,888,220)

The annexed notes from 1 to 29 form an integral part of this consolidated condensed interim financial information.


Chairperson


Managing Director


Chief Financial Officer

Sui Southern Gas Company Limited
Consolidated condensed interim statement of cash flow (Un-audited)
For the half year ended December 31, 2017

December 31, December 31,
2017 2016
Note -----(Rupees in '000)-----

CASH FLOWS FROM OPERATING ACTIVITIES

(Loss) / profit before taxation		(4,502,879)	3,288,404
Adjustments for non-cash and other items	22	6,729,266	3,950,688
Working capital changes	23	(18,910,014)	(5,202,198)
Financial charges paid		(2,416,346)	(1,527,038)
Employee benefits paid		(59,553)	(39,170)
Payment for retirement benefits		(379,265)	(255,191)
Long term deposits received - net		646,268	1,129,002
Deposits paid - net		23,466	(5,515)
Loans and advances to employees - net		(14,444)	14,421
Interest income and return on term deposits received		23,181	51,775
Income taxes paid		(764,194)	(104,412)
Net cash (used in) / generated from operating activities		(19,624,514)	1,300,766

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property, plant and equipment	(4,379,308)	(14,743,266)
Payments for intangible assets	(3,188)	(2,954)
Payment for obligation against pipeline	(67,866)	(67,866)
Proceeds from sale of property, plant and equipment	90,093	67,964
Other financial assets	(100,000)	
Lease rental from net investment in finance lease	55,219	88,953
Dividend received	712	1,688
Net cash used in investing activities	(4,404,338)	(14,655,481)

CASH FLOWS FROM FINANCING ACTIVITIES

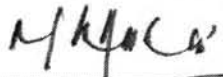
Proceeds from local currency loans	9,200,000	12,015,632
Repayments of local currency loans	(1,416,667)	(2,527,119)
Consumer finance received	11,145	-
Repayment of consumer finance	(7,857)	(12,039)
Dividend paid	(62)	(199)
Net cash generated from financing activities	7,786,559	9,476,275
Net decrease in cash and cash equivalents	(16,242,293)	(3,878,440)
Cash and cash equivalents at beginning of the period	(1,753,467)	(3,502,352)
Cash and cash equivalents at end of the period	(17,995,760)	(7,380,792)

Cash and cash equivalent comprises:

Cash and bank balances	987,643	1,245,097
Short term borrowings	(18,983,403)	(8,625,889)
	(17,995,760)	(7,380,792)

The annexed notes from 1 to 29 form an integral part of this consolidated condensed interim financial information.


Chairperson


Managing Director


Chief Financial Officer

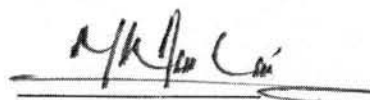
Sui Southern Gas Company Limited
Consolidated condensed interim statement of changes in equity (Un-audited)
For the half year ended December 31, 2017

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Surplus on revaluation of fixed assets	Accumulated losses	Total
	(Rupees in '000)						
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	-	(12,185,561)	1,732,790
Effect of change in accounting policy (Note # 3)	-	-	-	-	11,728,265	-	11,728,265
Balance as at July 01, 2016 (Restated)	8,809,163	234,868	4,672,533	201,787	11,728,265	(12,185,561)	13,461,055
Total comprehensive income for the period ended December 31, 2016							
Profit for the period	-	-	-	-	-	1,262,006	1,262,006
Other comprehensive income for the period	-	-	-	124,384	-	-	124,384
Total comprehensive income for the period	-	-	-	124,384		1,262,006	1,386,390
Balance as at December 31, 2016 (Restated)	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>326,171</u>	<u>11,728,265</u>	<u>(10,923,555)</u>	<u>14,847,445</u>
Balance as at June 30, 2017	8,809,163	234,868	4,672,533	518,699	11,728,265	(10,427,085)	15,536,443
Total comprehensive loss for the period ended December 31, 2017							
Loss for the period	-	-	-	-	-	(7,613,741)	(7,613,741)
Other comprehensive loss for the period	-	-	-	(193,705)	-	-	(193,705)
Total comprehensive loss for the period	-	-	-	(193,705)	-	(7,613,741)	(7,807,446)
Balance as at December 31, 2017	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>324,994</u>	<u>11,728,265</u>	<u>(18,040,826)</u>	<u>7,728,997</u>

The annexed notes from 1 to 29 form an integral part of this consolidated condensed interim financial information.



Chairperson



Managing Director



Chief Financial Officer

Sui Southern Gas Company Limited
Notes to the consolidated condensed interim financial information (Un-audited)
For the half year ended December 31, 2017

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of holding	
	December 31, 2018	December 31, 2017
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 Baluchistan. Brief profiles of the Holding Company and subsidiaries are as follows:

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:

<u>Region</u>	<u>Address</u>
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	Azad Trade Center Near Civic Center Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing
Sukkur	SSGC Regional Office, Golimar Road, SITE Area Sukkur.
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital,
Quetta	SSGC Office, Samungli Road, Quetta.

Sui Southern Gas Provident Fund Trust Holding 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 Muhammad 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:

- Bottling plants at Sara-e-Gadai Stop, Kot Najeebullah Road, Industrial Estate Hattar-22610 Haripur, KPK and
- Sheikhhupura Bedad Road, Muridke Panjab 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

- The consolidated condensed interim financial information includes the financial information of the Holding Company and its Subsidiary Companies, together "the Group".
- The financial statements 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% 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 period, the Holding Company has incurred loss after tax of Rs. 7,692 million resulting in increase of its accumulated losses by Rs. 7,692 million and diminishing equity to Rs. 8,197 million after including the impact of staggering as disclosed in note 2.3. As at period end, current liabilities exceed its current asset by Rs. 28,831 million and accumulated losses stood at Rs. 17,573 million. The Holding Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Holding Company's petitions by Sindh High Court (refer note 1.5).

The Holding Company's financial performance for the period has deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers 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 2017-18 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 another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, GoP 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 strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.
- Under new tariff regime, the Holding Company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next three years.
- Banks have relaxed debt to equity ratio of the Holding Company from 80:20 to 95:05 from financial year 2016 to 2019. However, subsequent to period end, 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.
- The Holding Company is also evaluating the option to issue shares to improve the equity and cash flows of the Holding Company.

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 of 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 has 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 has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income and therefore while the management has considered OGRA's decision in preparation of financial statements for the year ended June 30, 2017, it 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.

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, 2018.

This consolidated condensed interim financial information does not include all information required for annual audited financial statements and should be read in conjunction with the consolidated financial statements of the Holding Company for the year ended June 30, 2017.

- 2.2 This consolidated condensed interim financial information is un-audited but subject to limited scope review by the auditors and are being submitted to shareholders as required by the listing regulations of the SECP and section 237 of the Companies Act, 2017.

2.3 Staggering of Losses arising due to Sindh High Court decision

As disclosed in note 1.5, to this consolidated condensed interim financial information OGRA had 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 granted permission to stagger disallowed expense in the 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 FY 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) to allowing staggering of Rs. 18,359 million in 5 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). This staggering has also been accounted for in this consolidated condensed interim financial information.

Therefore, the remaining accumulated losses of Rs. 18,359 million have been staggered and will be recorded in equal amounts of Rs. 3,672 million in five years from FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 1,836 million in this consolidated condensed interim financial information.

Had the management not staggered the remaining balance, the effect on this consolidated condensed interim financial information would be as follows:

	Rupees in million
- Increase in loss before tax	12,851
- Increase in loss after tax / accumulated losses	8,996
- Increase in loss per share - Rupees	10.36

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 Holding Company for the year ended June 30, 2017, except for change in accounting policy as disclosed in note 3.1 to this consolidated condensed interim financial information.

3.1 Change in accounting policy

Section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets. The specific provision/section in the Repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. In view of foregoing and the contents of note 3 the accounting and presentation of revaluation surplus is required to be made in accordance with the requirements of International Accounting Standard (IAS)16, Property, Plant and Equipment.

The applicability of requirements of IAS 16 accordingly results in the change in accounting policy of revaluation of surplus in following manner:

- present surplus on revaluation of fixed assets under equity;
- offset the deficit arising from revaluation of the particular asset; and
- transfer the realized surplus directly to the retained earnings/unappropriated profit;

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the corresponding figures have been restated. The effect of retrospective application in case of the Holding Company has resulted in reclassification of surplus on revaluation of freehold land to reserves. There is no other impact of the retrospective application on the amounts of surplus presented in prior years.

4. Accounting estimates and judgments

The preparation of consolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires 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 consolidated financial statements for the year ended June 30, 2017 except for IFRS 13. 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. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Holding Company.

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 26.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended June 30, 2017.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
Operating assets	109,229,538	108,383,400
Capital work in progress	8,789,446	8,791,150
	<u>118,018,984</u>	<u>117,174,550</u>

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

	December 31, 2017 (Un-audited)	December 31, 2016 (Un-audited)	December 31, 2017 (Un-audited)	December 31, 2016 (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				
Leasehold Land	-	-	1,441	-
Buildings on leasehold land	35,830	-	81,184	-
Gas transmission pipelines	1,726,546	-	40,056	-
Gas distribution system	2,066,723	-	2,084,972	-
Telecommunication	1,139	-	63,870	-
Plant and machinery	159,958	(309)	121,056	-
Tools and equipment	6,347	-	48,541	-
Motor vehicles	67,432	(15,046)	559,354	(19,659)
Furniture and fixtures	1,168	-	6,861	-
Office equipment	57,600	-	35,717	-
Computers and ancillary equipments	95,755	-	49,208	-
Construction equipment	77,084	-	724,003	-
Supervisory control and data acquisition system	790	-	-	-
Compressors	353,039	-	104,944	-
	<u>4,649,411</u>	<u>(15,355)</u>	<u>3,921,207</u>	<u>(19,659)</u>
Capital work in progress:				
Projects:				
- Gas distribution system	2,187,416	(2,066,723)	2,192,334	(2,084,972)
- Gas transmission system	1,898,402	(1,726,546)	11,453,251	(40,056)
- Cost of buildings under construction and others	66,270	(35,830)	53,081	(81,184)
	<u>4,152,088</u>	<u>(3,829,099)</u>	<u>13,698,666</u>	<u>(2,206,212)</u>

Capital work in progress:

Projects:

- Gas distribution system
- Gas transmission system
- Cost of buildings under construction and others

During the period, there has been a net increase in respect of stores and spares held for capital projects and others amounting to Rs. 677 million (December 31, 2016: Rs. 1,319 million).

7. As at December 31, 2017, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs.19,453 million (June 30, 2017: Rs. 16,836 million) out of which deferred tax asset amounting to Rs. 14,563 million has been recognised and remaining balance of Rs 4,890 million is unrecognised. As at period end, the Holding Company's minimum tax credit amounted to Rs.1,312 million (June 30, 2017: Rs. 849 million) having expiry period ranging between 2022 and 2023.

	Note	December 31, 2017 (Un-audited) ------(Rupees in '000)-----	June 30, 2017 (Audited)
8. LONG TERM INVESTMENTS			
Investment in related parties	8.1	233,506	364,619
Other investments		133,116	195,708
		<u>366,622</u>	<u>560,327</u>

- 8.1. Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Holding Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise the Holding Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, is carried out in connection with the service agreement and ISGSL, was allowed under the agreement to recover its cost / expenditure from the Holding Company and SNGPL. The Holding Company bears 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee (ECC) of the Cabinet.

ECC in its meeting dated December 15, 2016 has decided that Government Holding (Private) Limited, being the parent Company, shall make all future funding of ISGSL project. Based on this, the OGRA in its decision dated December 24, 2018, allowed Rs. 15 million and considered the same as full and final payment in this regard.

	Note	December 31, 2017 (Un-audited) ------(Rupees in '000)-----	June 30, 2017 (Audited)
9. TRADE DEBTS			
Secured		19,036,167	18,077,128
Unsecured		77,650,220	77,881,881
	9.1 & 9.2	<u>96,686,387</u>	<u>95,959,009</u>
Provision against impaired debts		<u>(14,503,889)</u>	<u>(13,808,024)</u>
		<u>82,182,498</u>	<u>82,150,985</u>

- 9.1 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 IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 31,210 million (June 30, 2017: Rs. 32,378 million) as at December 31, 2017 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2017: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 78,991 million (June 30, 2017: Rs. 74,449 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
 - Highest OD rate being paid by the Holding Company or;
 - 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 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 filing 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.

9.2 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 IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 22,618 million (June 30, 2017: Rs. 22,310 million) including overdue balance of Rs. 22,568 million (June 30, 2017: Rs. 22,260 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 52,011 million (June 30, 2017: Rs. 49,056 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.

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.

10. INTEREST ACCRUED

Interest accrued on late payment of bills / invoices from:

- WAPDA
- SNGPL
- JJVL

Interest accrued on bank deposits
Interest accrued on sales tax refund
Provision against impaired accrued income

December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
----- (Rupees in '000) -----	
3,323,663	3,231,947
6,121,197	5,855,468
627,245	522,092
<u>10,072,105</u>	<u>9,609,507</u>
2,370	2,459
487,739	487,739
<u>10,562,214</u>	<u>10,099,705</u>
(84,391)	(84,392)
<u>10,477,823</u>	<u>10,015,313</u>

		December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	------(Rupees in '000)-----	
11. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	11.1	40,057,147	21,264,629
Staff pension fund		474,176	383,727
Receivable for sale of gas condensate		49,602	42,949
Sui Northern Gas Pipelines Limited	11.2	27,585,556	25,198,417
Jamshoro Joint Venture Limited	11.3	12,153,678	10,794,328
Sales tax receivable	11.4	25,611,125	21,314,419
Sindh sales tax		112,569	112,569
Pipeline rentals		-	18,154
Receivable against asset contribution	11.5	360,440	359,348
Accrued markup		5,853	906
Miscellaneous receivables		113,413	175,606
		<u>106,523,559</u>	<u>79,665,052</u>
Provision against impaired receivables		<u>(2,346,359)</u>	<u>(2,346,359)</u>
		<u>104,177,200</u>	<u>77,318,693</u>

1.1 Gas Development Surcharge

GDS receivable / (payable)		21,264,629	(18,604,884)
Recovered during the period		(8,440,045)	(37,006,536)
Paid during the period		7,609,728	43,152,007
Impact of staggering	2.3	(1,835,883)	(3,671,785)
Price increase adjustment		21,458,718	36,449,350
Claim under IAS 19		-	946,477
		<u>40,057,147</u>	<u>21,264,629</u>

11.2 As at period end, receivable balance from SNGPL comprises of the following:

Uniform cost of gas		7,093,665	10,906,950
Lease rentals		69,194	5,529
Contingent rent		3,535	3,535
Capacity and utilisation charges of RLNG	11.2.1	13,506,108	9,217,988
RLNG transportation income		6,197,326	4,663,562
LSA margins of RLNG		715,728	400,853
		<u>27,585,556</u>	<u>25,198,417</u>

11.2.1 The Holding Comapny has invoiced an amount of Rs. 35,812 million, including Sindh Sales Tax of Rs. 4,374 million, till December 31, 2017 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 Comapny 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 Comapny. For quantity supplied to PAFCL, PAFCL is making payment directly to the Holding Comapny according to the payment plan finalised subsequent reporting date. The Holding Comapny has finalized its payment plan with PAFCL in which PAFCL is required to make eight equal monthly installments of Rs. 201 million per month. Till July 2019, the Holding Comapny 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.

On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Holding Company. On September 10, 2018, and on February 7, 2019, another 18 BCF and 11 BCF respectively. Up to March 2020 71 BCF of RLNG volume has been allocated 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 molecules 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. The agreement with SNGPL in this regard is under negotiation.

- 11.3 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 in respect of processing charges is disclosed in note 15 to this consolidated condensed interim financial information.

- 11.4 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 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.

- 11.5 This represents receivable from Mari Gas 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.

12. LONG-TERM FINANCE

Secured

Loans from banking companies

Note 12.1, 12.2 & 12.3

December 31,
2017
(Un-audited)
June 30,
2017
(Audited)
----- (Rupees in '000) -----

60,277,416 52,467,981

Unsecured

Front end fee of foreign currency loan

Consumer finance

Government of Sindh loans

12.4

23,950	23,950
206,310	203,021
3,151,365	3,140,769
3,381,625	3,367,740
63,659,041	55,835,721

Subtotal

Less: current portion shown under current liabilities

Loans from banking companies

Consumer finance

Government of Sindh loans

(10,654,167)	(6,383,333)
(10,630)	(12,094)
(650,000)	(650,000)
(11,314,797)	(7,045,427)
52,344,244	48,790,294

- 12.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at December 31, 2017, the Holding Company has utilised total sanctioned amount.

- 12.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2017 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. 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.

- 12.3 These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

- 12.4 The Government of Sindh through its letter dated December 18, 2017, approved the conversion of Rs. 3,000 million of loan into grant for all the schemes which do not qualify per consumer cost criteria. Based on this, the management has reversed impairment on operating assets amounting to Rs. 1,190 million relating to all unfeasible projects financed through such loan.

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	------(Rupees in '000)-----	
13. DEFERRED CREDIT		
Government contributions / grants		
Additions / adjustments during the period	14,371	106,418
Transferred to consolidated statement of profit or loss	137,494	273,855
Contribution from customers		
Transferred to consolidated statement of profit or loss	74,340	157,936
Government of Sindh grants		
Transferred to consolidated statement of profit or loss	3,086	201,758

14. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 20,994 million (June 30, 2017: Rs. 14,625 million) and subject to markup to 0.10% (June 30, 2017: 0.60%) above the average one month KIBOR. These facilities are secured by first pari passu first joint supplemental hypothecation 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. 2,011 million (June 30, 2017: Rs. 11,725 million).

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	------(Rupees in '000)-----	
15. TRADE AND OTHER PAYABLES		
Creditors for:		
- Gas supplies	15.1 173,661,888	167,238,726
- Supplies	2,111,317	941,703
	<u>175,773,205</u>	<u>168,180,429</u>
Amount received from customers for laying of mains, etc.	2,476,167	2,361,457
Engro Elengy Terminal Limited	1,241,054	2,098,162
Accrued liabilities	3,592,376	3,193,262
Advance from LPG customers	3,258	12,177
Provision for compensated absences - non executives	296,054	266,887
Payable to staff gratuity fund	3,771,020	3,778,334
Deposits / retention money	893,936	895,166
Bills payable	9,725	59,498
Advance for sharing right of way	18,088	18,088
Withholding tax	103,453	95,497
Sales tax and Federal excise duty	728,019	282,275
Sindh sales tax	116,201	54,322
Processing charges payable to JJVL	8,393,076	7,115,280
Gas infrastructure development cess payable	6,737,508	7,264,457
Unclaimed term finance certificate redemption profit	1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)	-	1,555
Worker's Profit Participation Fund	12,860	12,860
Advances from customers and distributors	61,847	45,356
Transport and advertisement services	-	8,473
Others	641,604	302,505
	<u>204,871,251</u>	<u>196,047,840</u>

- 15.1 As at December 31, 2017, amount of Rs. 142,059 million (June 30, 2017: Rs. 121,487 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, 2017: Rs. 15,832 million) on their balances which have been disclosed in note 16.1 to this consolidated condensed interim financial information.

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
Note	----- (Rupees in '000) -----	

16. INTEREST ACCRUED

Long term financing - loans from banking companies	482,936	419,156
Long term deposits from customers	188,668	355,318
Short term borrowings	141,921	94,839
Late payment surcharge on processing charges	253,932	192,105
Late payment surcharge on gas development surcharge	4,826	4,826
Late payment surcharge on gas supplies	15,832,411	15,832,411
	<u>16,904,694</u>	<u>16,898,655</u>

- 16.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". 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. Management'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 condensed interim financial informations 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 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

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 and for the period ended December 31, 2017 amounting to Rs. 7,569 million and Rs. 3,721 million respectively on outstanding payables to Government Controlled E&P Companies, the effect on this consolidated condensed interim financial information would be as follows:

	December 31, 2017 (Un-audited) (Rupees in million)
- Increase in loss before tax	37,512
- Increase in loss after tax / accumulated losses	26,258
- Increase in loss per share - Rupees	(29.81)

17. CONTINGENCIES AND COMMITMENTS

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
17.1 Commitments for capital and other expenditures	<u>5,935,914</u>	<u>4,423,511</u>
17.2 Guarantees issued on behalf of the Group	<u>4,307,942</u>	<u>4,288,801</u>

In respect of Holding Company:

- 17.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Holding Company amounting to Rs. 144,120 million (June 30, 2017: Rs. 39,463 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, 2017: 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

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 consumer and the consumer 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 consumer 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.

- 17.4 As disclosed in note 16.1, 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 from July 01, 2016 to December 31, 2017 amounting to Rs. 11,290 million. 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.

- 17.5 M/s Habibullah Coastal Power Holding Company Private Limited (HCPCL) filed its request for Arbitration under the Rules of the International Chamber of Commerce (ICC), Singapore on November 30, 2015. The dispute was on account of non or short-supply of gas (against firm commitment of gas under GSA) by the Holding Company to HCPCL with effect from December 2009 onwards.

On April 30, 2018, the decision of arbitration proceeding has been issued by ICC in favor of HCPCL and the Holding Company is required to pay to HCPCL as a final award in the form of liquidity damages Rs. 3,788 million, interest on liquidity damages of Rs. 353 million and legal and professional charges of Rs. 571 million as on June 30, 2018. Further, LPS charged to HCPCL upto FY 2016-17 amounting to Rs. 3,243 million was also withdrawn.

The liquidated damages claimed by HCPCL from the Holding Company was in consequent to liquidated damages charged to HCPCL by WAPDA/CPGA-G, depicting the flow of payment from one GoP entity i.e. the Holding Company to another GoP entity i.e. WAPDA without yielding any substantial benefit to any claimant party.

Therefore, Economic Coordination Committee (ECC) in its meeting held on February 07, 2018 approved in principle the proposal regarding waiver of liquidated damages with the direction to Petroleum Division & Power Division to work out modalities in consultation with all the stakeholders.

In line with above ECC decision, an amount of Rs. 3,788 million has been recognized as Receivable from HCPCL at the year-end i.e. June 30, 2018. The remaining amount of Rs. 4,167 million was claimed from OGRA as part of Revenue Requirement of FY 2017-18.

However, OGRA in its decision on FRR for FY 2017-18 dated 23rd April 2020 decided to defer its decision on LPS adjustment and other arbitration charges until the conclusion of the matter between WAPDA/CPGA-G and HCPCL. In the light of OGRA decision, this amount has been recognized as "Expenses deferred by OGRA" at the year-end i.e. June 30, 2018.

In these consolidated condensed interim financial information, the above amounts are appearing under the head of Trade Debts.

Management is confident that the aforementioned arrangement will materialize in favor of the Holding Company and therefore no provision has been made in this consolidated condensed interim financial information.

- 17.6 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.

On June 13, 2018, Supreme Court of Pakistan (SCP) in its decision concluded that the Holding Company would not supply any gas to JJVL for the purpose of processing. Further a firm of chartered accountant was appointed 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. Such matter relating to claimed amount will be undertaken after the report is submitted to SCP.

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. With respect to the Freight matter, SCP will settle the same and an appropriate order shall be passed in this regard. Further, 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 and an agreement was signed between the Holding Company and JJVL and submitted the same to SCP for its approval and the same was validated by SCP, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019, 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 is valid for 1.5 years and is set to expire on June 20, 2020 and until renewed by the parties with mutual written consent it shall stand terminated automatically.

However, with respect to the Freight, GIDC and tax challans, SCP will settle the same and an appropriate order shall be passed in this regard. Once the matter is finalized by the Court any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

The arbitration is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be settled once the arbitration is completed, hence no provision is recorded in this consolidated condensed interim financial information.

- 17.7 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001.

Accordingly, no provision regarding the said claim has been made in this consolidated condensed interim financial information as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Holding Company.

- 17.8 Income tax authorities have passed Orders disallowing Cost of Gas purchased but lost as UFG (in excess of OGRA Benchmark) for FY 2008-09, 2010-11, 2011-12, 2012-13, 2013-14 and 2015-16.

All the Orders were contested before Commissioner (Appeals) who decided the cases in Holding Company's favour. However, the said Orders have been challenged by the LTU before the Appellate Tribunal Inland Revenue.

Further, the said issue has also been raised for other years on which Holding Company filed detailed replies.

Since the said issue has already been decided in favour of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Principle is in field which has also been upheld by Commissioner (Appeals) in the Holding Company case therefore no provision has been made in this consolidated condensed interim financial informations as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

- 17.9 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Holding Company with a demand of Rs.311 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh.

No provision has been made in this consolidated condensed interim financial informations as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

- 17.10 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008 to 2016, disallowing certain expenses. The Holding Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of the Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001, disallowance of depreciation on fixed assets held under musharka arrangement and disallowances for Unaccounted For Gas (UFG).

No provision has been made in this consolidated condensed interim financial informations as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

- 17.11 The Tax Authorities' passed Order for FY 2009-10 against the Holding Company disallowing input Sales Tax credit on gas purchased but lost as UFG, among other observations. The said Order was contested till Appellate Tribunal Inland Revenue (ATIR) who decided the case in Holding Company favor thus setting a Legal Principle.

Tax Authorities have passed two different Orders for FY 2010-11 to 2014-15 & for FY 2015-16 to 2016-17 disallowing input Sales Tax on gas purchased but lost as UFG (in excess of OGRA Benchmark) however the Holding Company contested the matter before Commissioner (Appeals) who decided the cases in Holding Company's favor.

The LTU has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Order of Commissioner (Appeals) for FY 2010-11 to 2014-15.

The Holding Company and its legal counsel are of the opinion that the Holding Company has a strong case on legal merits as well as on technical grounds since Legal Principle has been set by ATIR & upheld by Commissioner (Appeals) and thus no provision has been made in this consolidated condensed interim financial informations as the Holding Company and its legal counsel is confident that the outcome of the cases will be in favor of the Holding Company.

- 17.12 The Additional Commissioner Inland Revenue passed an order against the Holding Company with a demand of Rs. 1,725 million in respect of disallowance of tax depreciation on additions to fixed assets and exchange loss in income tax audit for tax year 2011.

The Commissioner (Appeals) has decided the issue of exchange loss in Holding Comapny's favor while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favor of the Holding Comapny by the Commissioner (Appeals). In the remand back proceedings, the Deputy Commissioner Inland Revenue (DCIR) has passed an order under section 122(4)/ 122(1) of the Ordinance for the tax year 2011 whereby he has again disallowed the initial and normal depreciation on fixed assets on the ground that the Holding Comapny has not provided necessary documentary evidences in relation to installation and capitalization of the projects. However, in the appeal filed before the Commissioner (Appeals) against this order, the Commissioner (Appeals) has again remanded back the matter to the Department to examine the issue afresh.

The management is of the view that said remand back proceedings are barred by time as a result of time limitation provided in the Income Tax Ordinance, 2001. Moreover, the Additional Commissioner Inland Revenue (ADCIR) has passed an order under section 122(5A) of the Ordinance for the tax year 2011, on the matter of excess UFG disallowance wherein admissibility in respect of the aforesaid remanded back issue on account of initial and normal depreciation on fixed assets has been fully allowed in the revised computation given in such order of ADCIR.

- 17.13 The Additional Commissioner Inland Revenue passed an order against the Holding Comapny with demand of Rs. 1,314 million along with default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Holding Comapny has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The High Court of Sindh has also stayed the recovery of the additional tax and penalties.

No provision has been made in this consolidated condensed interim financial informations as the Holding Comapny and its legal counsel are confident that the outcome of the case will be in favor of the Holding Comapny.

- 17.14 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Holding Comapny with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06 and 2007-08 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-06 and FY 2007-08 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund adjustment.

Against the Commissioner (Appeals) order, the Holding Comapny has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issued decided in the Holding Comapny's favour.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Holding Comapny. Upon appeal by SSGC against DCIR Order, the Commissioner (Appeals) upheld the disallowance of minimum tax adjustment for FY 2008-09 whereas issues of refund adjustment for FY 2008-09, partial adjustment for minimum tax for FY 2005-06 and credit of tax deducted at source were again remanded back to DCIR.

No provision has been made in this consolidated condensed interim financial informations as the Holding Comapny and its legal counsel are confident that the outcome of the case will be in favor of the Holding Comapny.

- 17.15 Income tax authorities have issued show cause notice to the Holding Comapny for recovery of additional tax of Rs. 422 million for late deposit of withholding income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013 & 2014. The Holding Comapny has filed an appeal in the High Court of Sindh, which through its order dated March 10, 2017 has remanded back the matter to the Department. No order has been passed as yet in the remanded back proceedings.

No provision has been made in this consolidated condensed interim financial informations as the Holding Comapny and its legal counsel are confident that the outcome of the case will be in favor of the Holding Comapny.

- 17.16 The Holding Comapny is subject to various other claims totaling Rs. 223 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

- 17.17 The Holding Comapny is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Holding Comapny's legal department, the management is confident that the outcome of these cases will be in favor of the Holding Comapny. Accordingly, no provision has been made in respect of those cases in this consolidated condensed interim financial information.

In respect of SSGC LPG (Private) Limited:

- 17.18 The Additional Commissioner Inland Revenue (ACIR) passed the order u/s 122(5A) of the Income Tax Ordinance, 2001 for tax year 2013 on the basis that LPG is not covered by SRO 586 of 1991 and created a demand of Rs. 46,281,240. the Subsidiary Company had filed an appeal against the said order before Commissioner Inland Revenue (CIR) ,Appeals. Later CIR, Appeals passed the order dated May 15, 2015 and remanded back the case to the ACIR for reassessment on various issues as per grounds of appeal. the subsidiary Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR Appeals, which is pending for hearing. The appeal before the ATIR has been fixed twice during the year but the hearing did not take place.

ACIR passed appeal effect order u/s 124 dated June 20, 2015 to give appeal effect as per CIR (Appeals) Order and reduced the amount to Rs. 36,930,414. the subsidiary Company has also filed an appeal before the CIR, Appeals against the said order. Further, the subsidiary Company has paid advance income tax pertaining to tax year 2013 to tax year 2018 amounting to Rs. 232,729,041 under various sections which remains unadjusted due to such litigation.

No provision has been made in this consolidated condensed interim financial information as the Subsidiary Company and its legal counsel are confident that the outcome of the case will be in favor of the Subsidiary Company.

- 17.19 During FY 2015, the Subsidiary Company received notice from ACIR against short payment of sales tax for the tax year 2013 and 2014 and created a demand of Rs. 2,600,000. the Subsidiary Company has filed an appeal before Commissioner Appeals which is pending for hearing.

No provision has been made in this consolidated condensed interim financial information as the Subsidiary Company and its legal counsel are confident that the outcome of the case will be in favor of the Subsidiary Company.

- 17.20 During the FY 2017 the Subsidiary Company received notices from Sindh Revenue Board (SRB) for alleged short payment of Sindh Sales Tax amounting Rs. 4.6 million for the tax years 2013-2014 and 2014-2015, to which reply has been filed before Assistant Commissioner SRB, not admitting the liability. Proceedings against these two periods are pending with SRB as per notice.

- 17.21 The ACIR passed order dated July 11, 2014 and created demand of Rs. 5,910,615 pertaining to the tax year 2013 and 2014. the Subsidiary Company has filed an appeal before the Commissioner Appeals. During the process of appeal, the tax department issued a recovery notice and recovered entire demand amount from the Subsidiary Company's bank account.

The Subsidiary Company's legal counsel is of the opinion that the case will be decided in favor of the Subsidiary Company and the entire amount will be refunded by the department to the Subsidiary Company.

- 17.22 The Inland Revenue Department has also issued a show cause notice u/s 122(9) for amendment of assessment u/s 122(5A) of the Income Tax Ordinance, 2001 for the tax years 2015 & 2016 on 13-01-2017 and has required from the Subsidiary Company necessary documents for reassessment of tax liability. Against the said notice the Subsidiary Company has filed petition in Sindh High Court (SHC). The SHC has granted stay to the Subsidiary Company and the final decision is pending before the SHC.

Furthermore department has not gone in appeal against the decision of SHC.

- 17.23 During the year on April 20, 2018, the Subsidiary Company has received the notice from (SRB) for alleged short payment of Sindh Sales Tax amounting to Rs. 7.39 million for the tax period July, 2016 to November, 2017 on account of royalty fee paid to Port Qasim Authority. Against the said notice, the Subsidiary Company has filed petition in SHC. On May 23, 2018, the SHC has granted stay to the Subsidiary Company and the final decision is pending before the learned SHC.

		Half year ended	Quarter ended	Quarter ended	Quarter ended	
		December 31,	December 31,	December 31,	December 31,	
		2017	2016	2017	2016	
		(Un-audited)				
		(Rupees in '000)				
18.	COST OF SALES					
	Cost of gas	18.1	80,843,247	61,730,039	45,357,834	30,509,060
	Transmission and distribution costs		8,961,057	8,013,374	4,657,172	4,040,562
			89,804,304	69,743,413	50,015,006	34,549,622
18.1	Cost of gas					
	Opening gas in pipelines		463,978	336,034	466,351	307,408
	Gas purchases		85,894,511	74,240,716	44,706,474	32,555,832
			86,358,489	74,576,750	45,172,825	32,863,240
	Gas consumed internally		(1,571,939)	(1,606,642)	(881,498)	(741,200)
	Inward price adjustment		(3,267,448)	(10,935,219)	1,742,362	(1,308,130)
	Closing gas in pipelines		(675,855)	(304,850)	(675,855)	(304,850)
			(5,515,242)	(12,846,711)	185,009	(2,354,180)
			80,843,247	61,730,039	45,357,834	30,509,060
19.	OTHER OPERATING EXPENSES					
	Auditors' remuneration		10,598	10,170	4,066	4,625
	Sports expenses		35,784	31,411	19,884	26,085
	Corporate social responsibility		2,026	9,773	(3,380)	3,224
	Provision against impaired debts and other receivables		738,044	1,692,922	194,685	380,551
	Provision against impaired stores and spares		23,933	4,986	12,904	4,203
	Exchange loss on payment of gas purchases		1,295,529	-	912,627	-
	Worker's profit participation fund		-	165,632	-	(102,194)
			2,105,914	1,914,894	1,140,786	316,494
20.	OTHER OPERATING INCOME					
	Income from financial assets					
	Income for receivable against asset contribution		18,207	19,354	9,081	9,596
	Return on term deposits and profit or loss bank accounts		18,194	38,819	10,453	17,465
			36,401	58,173	19,534	27,061
	Interest income on late payment of gas bills from:					
	- Jamshoro Joint Venture Limited		105,153	80,503	55,500	35,657
	- Water and Power Development Authority		91,715	134,912	40,418	74,785
			196,868	215,415	95,918	110,442
	Dividend income		712	1,688	356	976
			233,981	275,276	115,808	138,479
	Income from other financial assets					
	Late payment surcharge		1,266,988	1,934,903	652,807	560,594
	Interest income on late payment of gas bills from		-	-	-	-
	- SNGPL - Related Party		265,730	444,990	165,694	310,021
	Sale of gas condensate		(11,002)	(55,868)	(9,391)	(21,012)
	Income on LPG and NGL - net	20.1	744,159	338,447	494,156	358,893
	Meter manufacturing division (loss) / profit - net		(19,443)	4,353	(20,278)	9,464
	Meter rentals		374,796	364,849	188,467	183,106
	RLNG transportation income		2,269,171	2,003,887	1,593,510	1,002,396
	Recognition of income against deferred credit		196,587	192,805	98,448	152,995
	Income from new service connections and asset contribution		225,080	129,092	154,006	61,481
	Income from LPG air mix distribution - net		66,872	71,941	33,164	35,605
	Recoveries from consumers		45,322	50,267	24,468	29,139
	Liquidity damages recovered		69,596	280,507	(76,964)	233,957
	Advertising income		-	1,715	-	476
	Income from sale of tender documents		4,659	2,402	2,491	1,297
	Gain on disposal of property, plant and equipment		74,738	48,305	42,844	45,113
	Exchange gain on payment of gas purchases		-	44,549	-	563,587
	Scrap sales		9,515	34,435	6,115	29,545
	Income from net investment in finance lease		28,483	33,874	14,242	16,937
	Amortisation of Government Grant		3,086	92,427	1,771	54,725
	Reversal of Impairment on Operating assets		-	1,190,000	-	-
	Income against LNG service agreement		302,132	203,390	148,958	101,943
	Miscellaneous		18,456	41,943	8,803	27,646
			6,168,906	7,728,489	3,639,119	3,896,387

- 20.1 The Holding Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Holding Company with mutually agreed quantity of LPG extracted and retain the rest for onward use. The Holding Company paid processing charges of \$235/MT for the months on which JJVL's production share is below 57% and \$220/MT if JJVL's production share is more than 57%.

Since, the Holding Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Holding Company sent termination notices of MoU with JJVL dated May 4, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016.

Under new tariff regime, effective from the month of July 2018, OGRA has allowed 50% of income, derived from Jamshoro Joint Venture Limited (JJVL), as retainable by the Holding Company. The Holding Company is expected to earn reasonable profits through the sale of LPG and NGL, business, hence the supply of gas to JJVL has been restored from the month of January 2019. Refer note 17.6 of this unconsolidated condensed interim financial information for status of arbitration proceedings with JJVL.

21. TAXATION

- Current
- Deferred

Half year ended		Quarter ended	
December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(Un-audited)			
------(Rupees in '000)-----			
615,725	2,225,540	317,401	402,532
2,495,137	(199,142)	16,152	716,693
3,110,862	2,026,398	333,553	1,119,225

22. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	December 31, 2017	December 31, 2016
	(Un-audited)	(Un-audited)
	------(Rupees in '000)-----	------(Rupees in '000)-----
Provisions	1,440,574	2,277,689
Depreciation	3,634,174	2,889,115
Amortisation of intangibles	16,821	10,126
Finance cost	2,260,836	901,706
Amortisation of transaction cost	36,699	133,727
Amortisation of government grant	(3,086)	(92,427)
Transfer of Assets from Net investment in finance lease to Operating Assets	-	(26,211)
Recognition of income against deferred credit	211,834	(206,303)
Dividend income	(712)	(1,688)
Interest income and return on term deposits	(485,693)	(710,550)
Income from net investment in finance lease	(28,483)	(33,874)
Loss on disposal of property, plant and equipment	(74,738)	(48,305)
Increase / (decrease) in long term advances	84,538	(21,257)
(Increase) / decrease in deferred credit	(409,297)	21,257
Reversal of impairment	-	(1,190,000)
Decrease in obligation against pipeline	45,799	47,683
	6,729,266	3,950,688

December 31, December 31,
2017 2016
(Un-audited)
----- (Rupees in '000) -----

23. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores, spares and loose tools	52,467	(1,165,460)
Stock-in-trade	(65,397)	(12,019)
Customers' installation work-in-progress	(15,845)	3,592
Trade debts	(765,406)	1,494,148
Advances, deposits and short term prepayments	(98,693)	375,018
Other receivables	(26,702,235)	2,682,074
	<u>(27,595,109)</u>	<u>3,377,353</u>

Decrease in current liabilities

Trade and other payables	8,685,095	(8,579,551)
	<u>(18,910,014)</u>	<u>(5,202,198)</u>

24. 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 detail of transactions with related parties not disclosed elsewhere in this consolidated condensed interim financial information are as follows:

		Half year ended	
		December 31, 2017	December 31, 2016
		(Un-audited)	
		----- (Rupees in '000) -----	
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		65,226	76,945
Attock Cement Limited	Associate		
- Billable charges		25,226	22,406
* Gadoon Textile Mills Limited	Associate		
- Billable charges		-	114
Government related entities			
- Purchase of fuel and lubricant		45,003	15,185
- Billable charges		16,226,681	33,538,944
- Mark-up on short term finance		6,906	5,829
- Mark-up on Long term finance		198,191	32,993
- Sharing of expenses		-	15,400
- Income from net investment in finance lease		28,483	33,874
- Gas purchases		40,658,707	32,591,487
- Sale of gas meters and spare parts		125,444	4,436
- Rent of premises		6,659	558
- Insurance premium		55,834	67,014
- Uniform cost of gas		3,267,448	10,935,219
- Electricity expense		101,831	107,455
- Interest income		357,445	579,902
- Professional charges		239	651

		Half year ended	
		December 31, 2017	December 31, 2016
		(Un-audited)	
		----- (Rupees in '000) -----	
	Relationship		
- RLNG transportation income		2,269,171	2,003,887
- Income against LNG service agreement		302,132	203,390
Habib Bank Limited			
- Profit on deposit accounts	Associate	345	7,564
- Markup on short term finance		88,956	18,519
- Markup on local currency finance		251,519	141,034
- Billable charges		7,902	7,051
* International Industries Limited	Associate		
- Billable charges		-	57,325
Key management personnel			
- Remuneration		125,253	112,163
Minto & Mirza	Associate		
- Professional charges		3,000	7,200
* Pakistan Cables Limited	Associate		
- Billable charges		-	25,166
Petroleum Institute of Pakistan	Associate		
- Subscription/Contribution		2,378	2,032
Staff retirement benefit plans	Associate		
- Contribution to provident fund		164,526	148,083
- Contribution to pension fund		138,020	123,003
- Contribution to gratuity fund		143,417	150,698
Thatta Cement Company Limited	Associate		
- Gas sales		2,872	2,760

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

- 24.1 Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.
- 24.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 24.3 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.

24.4 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:

		December 31, 2017	June 30, 2017
		(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		-	16,623

		December 31, 2017 (Unaudited)	June 30, 2017 (Audited)
	Relationship	----- (Rupees in '000) -----	
Attock Cement Limited	Associate		
- Billable charges		225	4,737
- Gas supply deposit		(588)	(588)
Government related entities - various			
- Billable charges		56,410,367	58,566,349
- Mark up accrued on borrowings		(6,296,875)	4,123,310
- Net investment in finance lease		69,194	5,529
- Gas purchases		(145,958,634)	(134,227,691)
- Gas meters & Spare Parts		876,708	703,971
- Uniform cost of gas		7,093,665	10,906,950
- Cash at bank		10,489	21,487
- Stock Loan		48,469	10,602
- (Payable) / recoverable to insurance		(2,383)	2,631
- Gas supply deposit		(33,325)	(15,352)
- Interest expense accrued - Late payment surcharge on gas supplies bills		15,832,411	(15,832,411)
- Interest income accrued - late payment on gas bills		9,444,860	9,087,415
- Contingent rent		3,535	3,535
- Capacity and utilisation charges of RLNG		13,506,108	9,217,988
- RLNG Transportation Income		6,197,326	4,663,562
- LSA Margins		715,728	400,853
Habib Bank Limited	Associate		
- Long term finance		(7,944,792)	(6,816,226)
- Short term finance		(5,822,772)	-
- Cash at bank		134,243	82,211
- Accrued markup		(368,495)	(121,319)
- Billable charges		423	1,436
Pakistan Engineering Company Limited	Associate		
- Billable charges		-	5
- Gas supply deposit		-	(15)
Thatta Cement Company Limited	Associate		
- Billable charges		593	764

* Current balances with these parties have not been disclosed as they did not remain related parties as at period end.

25. 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 regularly.

- 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 Holding Company's revenue and results by reportable segment.

	Segment revenue		Segment (loss) / profit	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			(Un-audited)	
			(Rupees in '000)	
Gas transmission and distribution	74,866,161	86,620,579	(3,486,380)	1,926,471
Meter manufacturing	826,963	713,516	(19,443)	4,353
Total segment results	<u>75,693,124</u>	<u>87,334,095</u>	<u>(3,505,823)</u>	<u>1,930,824</u>
Unallocated - other expenses				
- Other operating expenses			(1,367,870)	(221,972)
Unallocated - other income				
- Non-operating income			370,814	1,579,552
(Loss) / Profit before tax			<u>(4,502,879)</u>	<u>3,288,404</u>

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 719 million (December 31, 2016: Rs. 705 million).

Segment assets and liabilities

	December 31, 2017	June 30, 2017
	(Unaudited)	(Audited)
	(Rupees in '000)	
Segment assets		
Gas transmission and distribution	316,967,759	291,242,128
Meter manufacturing	2,924,139	2,902,230
Total segment assets	<u>319,891,898</u>	<u>294,144,358</u>
Unallocated		
- Loans and advances	1,117,981	1,104,366
- Taxation - net	19,119,127	18,970,646
- Interest accrued	490,109	490,198
- Cash and bank balances	987,643	1,147,188
	<u>21,714,860</u>	<u>21,712,398</u>
Total assets as per statement of financial position	<u><u>341,606,758</u></u>	<u><u>315,856,756</u></u>
Segments liabilities		
Gas transmission and distribution	327,909,915	294,299,271
Meter manufacturing	848,286	701,008
Total segment liabilities	<u>328,758,201</u>	<u>295,000,279</u>
Unallocated		
- Employee benefits	5,119,560	5,320,034
Total liabilities as per statement of financial position	<u><u>333,877,761</u></u>	<u><u>300,320,313</u></u>

26. 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.

26.1. 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, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The following table presents the financial assets which are carried at fair value:

	As at December 31, 2017			Total
	Level 1	Level 2	Level 3	
	-----Rupees in '000-----			
Available for sale financial assets				
Quoted equity securities	361,521	-	-	361,521
	As at June 30, 2017			Total
	Level 1	Level 2	Level 3	
	-----Rupees in '000-----			
Available for sale financial assets				
Quoted equity securities	555,227	-	-	555,227

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.

26.2. 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 December 31, 2017	
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold land	5,453,582	5,453,582
Leasehold land	6,937,190	6,937,190
	<u>12,390,772</u>	<u>12,390,772</u>
	As at June 30, 2017	
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold Land	5,453,582	5,453,582
Leasehold Land	6,937,190	6,937,190
	<u>12,390,772</u>	<u>12,390,772</u>

27. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follow;

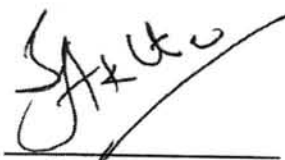
Description	(Rupee in 000)	Reclassified	
		From	To
Late payment surcharge	1,934,903	Other Non-Operating Income	Other Income
Income for receivable against asset contribution	19,354	Other Non-Operating Income	Other Income
term deposits and profit or loss bank accounts	38,819	Other Non-Operating Income	Other Income
Jamshoro Joint Venture Limited (JJVL)	80,503	Other Non-Operating Income	Other Income
Water & Power Development Authority (WAPDA)	134,912	Other Non-Operating Income	Other Income
Sui Northern Gas Pipelines Limited (SNGPL)	444,990	Other Non-Operating Income	Other Income
Dividend income	1,688	Other Non-Operating Income	Other Income
Income from net investment in finance lease - SNGPL	33,874	Other Non-Operating Income	Other Income
Sale of gas condensate - net	(55,868)	Other Non-Operating Income	Other Income
Income from LPG NGL - net	338,447	Other Non-Operating Income	Other Income
Meter manufacturing division profit - net	4,353	Other Non-Operating Income	Other Income
Amortization of Government grant	92,427	Other Non-Operating Income	Other Income
Reversal of Impairment on Operating assets	1,190,000	Other Non-Operating Income	Other Income
LSA margins against RLNG	203,390	Other Non-Operating Income	Other Income
Meter rentals	364,849	Other Operating Income	Other Income
RLNG transportation income	2,003,887	Other Operating Income	Other Income
Recognition of income against deferred credit	192,805	Other Operating Income	Other Income
Income from new service connections and asset contribution	129,092	Other Operating Income	Other Income
Income from LPG air mix distribution - net	71,941	Other Operating Income	Other Income
Recoveries from consumers	50,267	Other Operating Income	Other Income
Liquidated damages recovered	280,507	Other Operating Income	Other Income
Advertising income	1,715	Other Operating Income	Other Income
Income from sale of tender documents	2,402	Other Operating Income	Other Income
Scrap sales	34,435	Other Operating Income	Other Income
Miscellaneous	41,943	Other Operating Income	Other Income
Gain on disposal of property, plant and equipment	48,305	Other Operating Income	Other Income
Exchange gain on payment of gas purchases	44,549	Other Operating Income	Other Income
Unclaimed Dividend	285,721	Trade and Other Payable	Unclaimed dividend

28. GENERAL

- 28.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.
- 28.2 The consolidated condensed interim financial informations are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.
- 28.3 Corresponding figures have been rearranged and reclassified, wherever necessary.

29. DATE OF AUTHORISATION

This consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on _____, 2020.


Chairperson


Managing Director


Chief Financial Officer