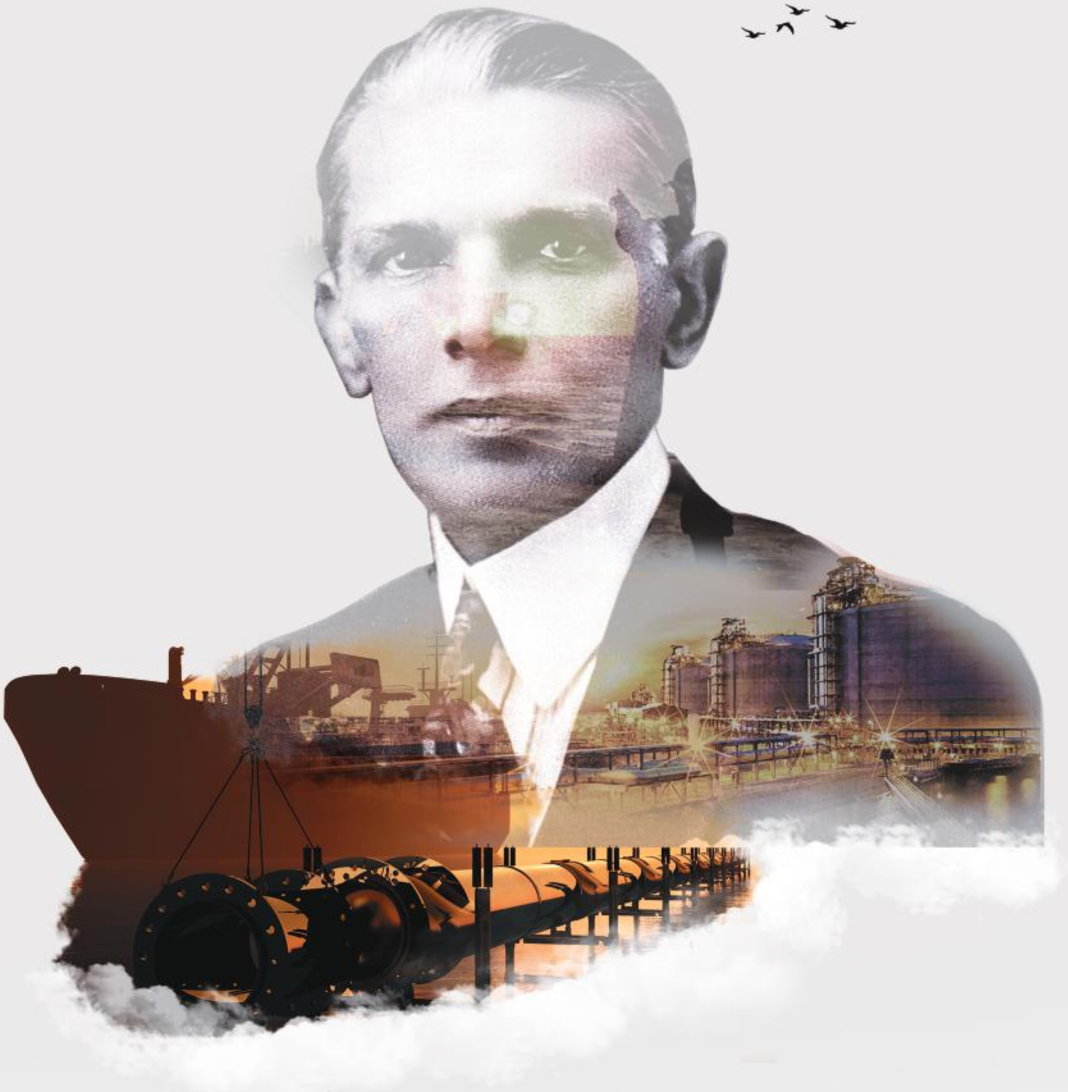
Sui Southern Gas Company Limited



Un-Audited Condensed Interim Financial Information for the half year ended December 31, 2017

TAKING INSPIRATION FROM HISTORY AND MOVING FORWARD

SSGC

Sui Southern Gas Company Limited

Un-Audited Condensed Interim Financial Information
for the half year ended December 31, 2017

CORPORATE PROFILE

BOARD OF DIRECTORS

AS ON DECEMBER 31, 2017

Lieutenant General Javed Zia (R), HI(M)	Chairman
Mr. Khalid Rahman*	Managing Director / CEO
Sardar Rizwan Kehar	Member
Mirza Mahmood Ahmad	Member
Mr. Azher Ali Choudhry	Member
Nawabzada Riaz Nosherwani	Member
Mr. Abdul Ghufran	Member
Agha Sher Shah	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Muhammad Riaz Khan	Member
Syed Ghazanfar Abbas Jilani	Member
Mr. Hassan Nasir Jamy	Member

ACTING MANAGING DIRECTOR
Mr. Muhammad Amin Rajput*

COMPANY SECRETARY
Mr. Shoaib Ahmed

AUDITORS
M/s. Deloitte Yousuf Adil, Chartered Accountants

LEGAL ADVISOR
M/s. Orr, Dignam & Co. Advocates

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

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

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

BOARD OF DIRECTORS' COMMITTEES

Board HR and Remuneration Committee

Lieutenant General Javed Zia (R), HI(M)	Chairman
Mr. Khalid Rahman*	MD / CEO
Mr. Muhammad Amin Rajput*	AMD
Mr. Azher Ali Choudhry	Member
Nawabzada Riaz Nosherwani	Member
Sardar Rizwan Kehar	Member
Mr. Hassan Nasir Jamy	Member
Mirza Mahmood Ahmad	Member

Board Finance and Procurement Committee

Syed Ghazanfar Abbas Jilani	Chairman
Mr. Khalid Rahman*	MD / CEO
Mr. Muhammad Amin Rajput*	AMD
Mr. Azher Ali Choudhry	Member
Mr. Abdul Gufran	Member
Mirza Mahmood Ahmad	Member
Qazi Mohammad Saleem Siddiqui	Member
Agha Sher Shah	Member

Board Audit Committee

Agha Sher Shah	Chairman
Qazi Mohammad Saleem Siddiqui	Member
Syed Ghazanfar Abbas Jilani	Member
Mr. Muhammad Riaz Khan	Member

Board Risk Management, Litigation and HSEQA Committee

Mr. Muhammad Riaz Khan	Chairman
Mr. Khalid Rahman*	MD / CEO
Mr. Muhammad Amin Rajput*	AMD
Mr. Abdul Gufran	Member
Mirza Mahmood Ahmad	Member

Special Committee of Directors on UFG

Sardar Rizwan Kehar	Chairman
Mr. Khalid Rahman*	MD / CEO
Mr. Muhammad Amin Rajput*	AMD
Lieutenant General Javed Zia (R), HI(M)	Member
Nawabzada Riaz Nosherwani	Member
Mirza Mahmood Ahmad	Member
Mr. Muhammad Riaz Khan	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Hassan Nasir Jamy	Member

Board Nomination Committee

Lieutenant General Javed Zia (R), HI(M)	Chairman
Agha Sher Shah	Member
Sardar Rizwan Kehar	Member

*Mr. Khalid Rahman was assigned the task of Gas Sector Reforms as a team leader and Mr. Muhammad Amin Rajput was appointed as Acting Managing Director/CEO by Ministry of Energy, Government of Pakistan. The arrangement was also endorsed by the Board.

DIRECTORS' REVIEW

For Six Months Period Ended December 31, 2017

I am pleased to share the Company's results for six months ended December 31, 2017.
The Company continued to face serious challenges during the period under review, some of which are critical for the Company's growth and viability.

Financial Overview

During the period under review, the Company recorded a net after tax loss of Rs. 7,692 million after incorporating major disallowances by OGRA.
The summary of financial highlights is given below:

	Six Months ended December 31, 2017 (Rupees in Million)
Loss before taxation	(4,604)
Taxation	(3,088)
Loss after taxation	(7,692)

SSGC Profitability is derived from Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed 17% return on its average net operating fixed assets before financial charges and taxes. However, OGRA makes adjustments while determining the revenue requirements based on efficiency related benchmarks viz a viz Unaccounted for Gas (UFG), Human Resource Benchmark Cost and Provision for Doubtful Debts and some expenses. These adjustments affect the bottom line of the Company which is primarily based on guaranteed return of 17% net of financial charges and taxes.
The main reasons for reporting after tax loss during the period were as under:
In line with OGRA Determination on Final Revenue Requirement for FY 2017-18 issued on April 23, 2020, total disallowances absorbed in these half-yearly financial results amounted to Rs. 8.6 billion against Rs. 7.5 billion return on assets.

High UFG Disallowance

The extremely high UFG disallowance is due to the fact that OGRA is not accepting RLNG Volume Handling benefit allowed to SSGC vide a summary approved by Economic Coordination Committee (ECC) dated May 11, 2018. Had this benefit been allowed to SSGC the net UFG disallowance would have been reduced by Rs. 7.1 billion (including Rs. 4.2 billion for FY 2017).
In order to control precarious situation which the Company is facing and to address OGRA's concerns, leading to non-implementation of above Summary, MoE – PD considering the legitimacy of the Company's claim decided to pursue the matter afresh after consulting all the stakeholders and had moved another Summary to the ECC so as to enforce decision made earlier by the ECC.
Resolution of the above said issue is significant even for future periods, in the absence of which further deterioration in the financial position may occur due to erosion of equity further which will cast serious doubt on the sustainable and efficient operations of the Company in the manner expected by its stakeholders including GoP.

Absorption of Past Staggered Losses

Absorption of Rs. 1.8 billion of staggered losses pertaining Sindh High Court decision dated November 25, 2016 wherein SSGC claim on UFG Benchmark and on the treatment of certain Non-operating Incomes have been rejected. As a consequence of this decision, SSGC had to absorb losses of Rs. 36.7 billion pertaining to FY 2011 to FY 2015. With the approval of competent authorities, SSGC had staggered these losses in six years and up till December 31, 2017 SSGC has absorbed Rs. 23.8 billion.

High Financial Cost

Financial charges of Rs. 2.3 billion which is mainly on Long Term Loan obtained to finance Pipeline Infrastructure for transmission of RLNG from Karachi Port to Sawan for delivering RLNG to SNGPL network.

Modification in External Auditor's Report

The External Auditors, M/s. Deloitte Yousuf Adil Chartered Accountants had expressed qualified opinion in their audit report for the six months ended December 31, 2017 for the amounts due from KE and PSML, late payment surcharge (LPS) receivable from SNGPL and WAPDA and Receivable from Habibullah Costal Power Company (Private) Limited (HCPCL).

Receivables from KE and PSML

Receivable dispute situation of K-Electric (KE) and Pakistan Steel Mills Limited (PSML) remained the same as in previous years. The Management is vigorously pursuing recovery suit filed against KE. At the same time, the Management is in constant liaison with the concerned ministries to expedite the recovery of outstanding dues from KE and PSML. It is expected that as soon as the matter is permanently resolved by the Government of Pakistan, the overall financial position of the Company will improve. It is pertinent to mention that recently effective February 2020 PSML made payments of its monthly gas bills out of the allocations made by the Finance Division for the purpose. The claim of the Company against KE and PSML, as of December 31, 2017 is Rs. 78,991 million and Rs. 52,011 million, respectively.

LPS Receivable from SNGPL and WAPDA

The Company is facing the situation of accumulated receivable from SNGPL and WAPDA due to overall circular debt situation. However, based on the agreed terms and conditions, the Company is accruing LPS against overdue amount. The company is apprising this position to the concerned Government Authorities on daily basis and expect that this issue would be resolved as and when circular debt is addressed at national level.

Receivable from HCPCL

M/s Habibullah Coastal Power Company Private Limited (HCPCL) filed its request for Arbitration under the Rules of the International Chamber of Commerce, 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 SSGC to HCPCL with effect from December 2009 onwards.

On April 30, 2018, the decision of the arbitration proceedings has been issued by the International Court of Arbitration in favor of HCPCL and it require the Company to pay to HCPCL as a final reward in the form of indemnity, liquidated damages, interest and legal and professional charges. Total exposure against the above amounts to Rs. 8.0 billion.

However, liquidated damages of Rs. 3.8 billion claimed by HCPCL from the Company was a consequence of Liquidated damages charged to HCPCL by WAPDA/CPPA-G, it clearly depicts 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, 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.

All stakeholders (SSGC, CPPA-G and HCPCL) are in the process of finalization of modalities by treating period of no dispatch as "Other Force Majeure Event (OME)" and thus extending the period of GSA with no dispatch period. GSA between SSGC and HCPCL has expired in September, 2019 whereas Power Purchase Agreement (PPA) between HCPCL and CPPA-G is valid till 2029.

Accordingly, Rs. 3.8 billion was "Recoverable from HCPC" and remaining amount of Rs. 4.2 billion pertaining to Reversal of LPS, Interest on LD Charges and Legal expenses was claimed from OGRA. However, OGRA has not allowed Rs. 4.2 billion in final decision and decided to defer the matter until its conclusion between the parties as per the ECC decision.

A Motion for Review Petition has already been filed with OGRA on the matters requiring review of the Authority at this stage. Based on the outcome of the implementation of the ECC decision dated 7 February 2018, the requisite financial impact will be claimed from OGRA if needed, in line with last arbitration decision.

Material Uncertainty related to Going Concern

Based on Financial performance discussed in Note 1.3 of Financial Statements mainly focusing on allow-ability of RLNG volume handling and reduction in UFG based on "UFG reduction strategy", Auditors have concluded that material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. The Auditors have expressly stated that their opinion is not modified in respect of this matter.

To evaluate the financial resilience of the Company the management has prepared financial projections for next five years with following major factors confirming management's assertions regarding sustainability of its operations:

a) UFG allowance based on RLNG handling on volumetric basis would be sought from OGRA as already elaborated in preceding paragraph.
b) New Tariff Regime would provide guaranteed return on operating assets at 17.43% effective from FY 2018-19.
c) UFG is planned to gradually reduce to 11% by 2022. Further, after UFG study report finalized by a firm of Chartered Accountants, revised UFG allowance has already been set from 4.5% to 7.6% i.e. 5% base benchmark plus 2.6% subject to achievement of Key Monitoring Indicators (KMIs). Although, the Company achieved 95% KMIs in FY 2017-18 and based on 95% KMI achievement, benchmark was claimed at 7.47% from OGRA which was reduced by 0.56% and allowed benchmark was set at 6.91% by reducing our KMI achievement from 95% to 73.46% without describing any specific reason. This matter is being pursued with OGRA through filing Motion for Review.
d) Government of Pakistan (Finance Division) (GoP) in its letter dated July 06, 2020, 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.

Emphasis of matter

In addition to the above the External Auditors, M/s. Deloitte Yousuf Adil Chartered Accountants have drawn attention on certain issues in their audit report for six months ended December 31, 2017. Comments on these matters are as under:

i. The company has absorbed Rs. 23.8 billion out of total Rs. 36.7 billion of losses arising due to Sindh High Court decision. Management is confident that remaining staggered loss will be absorbed by 2021.
ii. Litigation and other matters mentioned in Contingencies and Commitment are being pursued aggressively for favorable resolution.
iii. SSGC has discontinued recognition of LPS expenses payable to the Government controlled E&P companies (OGDCL, PPL & GHPL) effective from July 01, 2012 till the time SSGC receives LPS income from PSML and K-E.

Acknowledgements

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

On behalf of the Board.

Dr. Shamshad Akhtar
Chairperson, Board of Directors

Muhammad Amin Rajput
Acting Managing Director/CEO

Karachi: August 17, 2020

INDEPENDENT AUDITORS' REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying unconsolidated condensed interim financial position of **Sui Southern Gas Company Limited** ("the Company") as at December 31, 2017, and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the unconsolidated condensed interim financial information based on our review.

Scope of Review

Except as explained in paragraph (a) and (b) below, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

a) As disclosed in notes 9.1 and 9.2 to the unconsolidated condensed interim financial information, trade debts include receivables of Rs. 31,210 million (June 30,2017: Rs. 32,378 million) and Rs. 22,618 million (June 30, 2017: Rs. 22,310 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. Significant portion of such receivables include overdue amounts, which have been considered good by management and classified as current assets in the unconsolidated interim financial information. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances due to which management has decided to recognise LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

   Due to the adverse operational and financial conditions of PSML, disputes by KE and PSML with the Company on LPS, and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the total amounts due from KE and PSML were likely to be recovered and the timeframe over which such recovery will be made;

b) As disclosed in note 10 to the unconsolidated condensed interim financial information, interest accrued includes interest receivable of Rs. 6,121 million and Rs. 3,324 million (June 30, 2017: Rs. 5,855 million and 3,232million) from Sui Northern Gas Pipeline Limited (SNGPL) and Water and Power Development Authority (WAPDA) respectively. These have been accounted for in line with Company's practice of charging LPS on overdue amounts, but have not been acknowledged by the counter-party. Due to dispute with WAPDA, and large accumulation of their respective overdue amounts of interest, we were unable to determine the extent to which the interest accrued amounts due from SNGPL and WAPDA are likely to be recovered and the timeframe over which such recovery will be made;

c) We refer to note 9 of the unconsolidated condensed interim financial information which includes amount of Rs. 3,626 receivable from Habibullah Coastal Private Company Limited (HCPCL) in respect of liquidated damages imposed in arbitration on April 30, 2018 by The International Court of Arbitration. Prior to the decision, the Economic Coordination Committee (ECC) through its meeting held on February 07, 2018 had proposed waiver of liquidated damages and directed Ministry of Energy – Petroleum Division to work out modalities in consultation with all stakeholders. However, to date, no agreement has been finalized between the relevant stakeholders. In the absence of the agreement, there is no contractual right to receive cash or financial asset from HCPCL and the requirements of IAS 39 – Financial Instruments are not met. Had management not recognised this receivable, the loss before tax would have increased by Rs. 3,626 million and net assets would have reduced by Rs. 2,538 million.

Qualified Conclusion

Except for the adjustments, if any, to the unconsolidated condensed interim financial information due to matters described in (a), (b) and (c) above, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the unconsolidated condensed interim financial information, which indicates that the Company has incurred net loss after tax of Rs. 7,692 million during the period ended December 31, 2017, and as of that date, the Company's current liabilities exceed current assets by Rs. 28,831 million. Further, staggering of losses and matters discussed in the Basis of Qualified Section of the report along with other conditions as set forth in Note 1, indicate that material uncertainty exists that may cast significant doubt on the Company ability to continue as a going concern; however, the Company has obtained a support letter from Government of Pakistan Finance Division dated July 06, 2020 that commits support to maintain the going concern status of the Company. Our opinion is not modified in respect of this matter.

Emphasis of Matter Paragraphs

We draw attention to the following matters:

1) note 2.3 to the unconsolidated condensed interim financial information that describes the reasons why the Company has staggered the effect of Sindh High Court decision over a period of five financial years from 2017 to 2021 based on the permission received from the ECC, Securities and Exchange Commission of Pakistan (SECP) and the OGRA;

2) note 17 to the unconsolidated condensed interim financial information that describe that the Company is subject to various material litigations and claims involving different courts. The outcome of these cases is uncertain and beyond management's control.

3) note 16.1 to the unconsolidated condensed interim financial information that describes that the Company has reversed the late payment surcharge (LPS) expense of Rs. 26,222 million on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2016 and not 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 for reasons described in the said note.

Our conclusion is not qualified in respect of above matters.

Other matters

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarter ended December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner:
Hena Sadiq

Dated: August 17, 2020
Place: Karachi

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

As at December 31, 2017

	Note	December 31, 2017 (Un-audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
		-------------(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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

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)
		-------------(Rupees in '000)-------------		
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital:				
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000	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		**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.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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 (loss) / 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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

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 statement of profit or loss				
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	**(7,885,637)**	1,262,500	**(4,111,239)**	(2,872,686)

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)

For the half year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
		--------(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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

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 loss for the period	-	-	-	**(193,706)**	-	-	**(193,706)**
Total comprehensive loss 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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

1. STATUS AND NATURE OF BUSINESS

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

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

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

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

1.2 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17% 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 Sui Northern Gas Pipelines Limited (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.

- 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 financial statements and should be read in conjunction with the unconsolidated financial statements 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.

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 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 form 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 financial statements 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.

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.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	------------(Rupees in '000)---------	
Operating assets	**107,113,461**	106,267,254
Capital work in progress	**8,748,238**	8,725,923
	115,861,699	114,993,177

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	(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	-
	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	(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)
	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).

7. DEFERRED TAX

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
		1,366,622	1,560,328

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	**96,672,379**	95,903,442
Provision against impaired debts		**(14,503,889)**	(13,765,847)
		82,168,490	82,137,595

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:

  a. Highest OD rate being paid by the Company or;

  b. Highest rate at which interest is payable on gas producer bills.

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

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

Management has consulted 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 filling 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

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	-----------(Rupees in '000)-----------	
Interest accrued on late payment of bills / invoices from:		
- WAPDA	**3,323,663**	3,231,947
- SNGPL	**6,121,197**	5,855,468
- JJVL	**627,245**	522,092
	10,072,105	9,609,507
Interest accrued on bank deposits	**2,370**	2,457
Interest accrued on sales tax refund	**487,739**	487,739
Interest accrued to related party	**639,746**	579,056
	11,201,960	10,678,759
Provision against impaired accrued income	**(84,391)**	(84,392)
	11,117,569	10,594,367

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		-----------(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
		106,455,713	79,673,233
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		104,109,354	77,326,874

11.1 Gas Development Surcharge

	Note	December 31, 2017	June 30, 2017
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
		40,057,147	21,264,629

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

	Note	December 31, 2017	June 30, 2017
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
		27,585,556	25,198,417

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.

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.

12. LONG-TERM FINANCE	**Note**	**December 31, 2017 (Un-audited)**	June 30, 2017 (Audited)
		-----------(Rupees in '000)-----------	
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.

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 statement of profit or loss	**137,494**	273,855
Contribution from customers		
Transferred to unconsolidated statement of profit or loss	**74,340**	157,936
Government of Sindh grants		
Transferred to unconsolidated 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 Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 2,011 million (June 30, 2017: Rs. 11,725 million).

	Note	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 (WPPF)		**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 interim financial information.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		-----------(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	16.1	**15,832,411**	15,832,411
		16,904,694	16,898,655

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 financial statements only when the same are received.

In response to the Company's above request, the MP & NR vide their letter dated January 3, 2017 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 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 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.

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 condensed interim financial information.

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 Accountants 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.

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 favor. 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 favor 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 information 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 information 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.

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 information 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 favor.

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 information 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 information 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.

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 2016
		(Un-audited)			
		(Rupees in '000)			
18. COST OF SALES					
Cost of gas	18.1	**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
19. 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

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 2016
		(Un-audited)			
20. OTHER OPERATING INCOME		(Rupees in '000)			
Income from financial assets					
Income for receivable against asset contribution		**18,207**	19,354	**9,081**	9,596
Interest income on loan to related party		**60,690**	55,014	**30,457**	26,054
Return on term deposits and profit or loss bank accounts		**4,888**	30,791	**2,280**	12,565
		83,785	105,159	**41,818**	48,215
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
		281,365	322,262	**138,092**	159,633
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	**537,196**	85,090	**410,425**	197,303
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	**14,241**	16,937
Amortisation of Government Grant		**3,086**	92,427	**1,771**	54,725
Reversal of Impairment on Operating assets		**-**	1,190,000	**-**	-
Rental income from SSGC LPG (Pvt) Limited		**373**	355	**190**	179
Income against LNG service agreement		**302,132**	203,390	**148,958**	101,943
Miscellaneous		**17,959**	41,224	**8,455**	27,086
		6,009,203	7,521,754	**3,577,513**	3,755,570

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
	3,088,025	2,008,887	**322,419**	1,109,318

	Note	**December 31, 2017**	December 31, 2016
		(Un-audited)	
		(Rupees in '000)	
22. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
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
		6,548,924	3,813,975

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 retirement benefit	**281,437**	365,946
Provision against impairment of CWIP	**-**	130,000
	1,400,829	**1,604,379**

	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:

	Relationship	Half year ended December 31, 2017	Half year ended 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	**-**	114
- Billable charges			
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

	Relationship	Half year ended December 31, 2017 (Un-audited)	December 31, 2016 (Un-audited)
		-------------(Rupees in '000)-------------	
- 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:

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

	Relationship	December 31, 2017 (Unaudited)	June 30, 2017 (Audited)
		--------(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.

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 are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

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

Segment revenue and results

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

	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	**75,693,124**	87,334,095	**(3,655,052)**	1,741,875
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			**(4,603,906)**	3,147,003

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 (Unaudited)	June 30, 2017 (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	**318,699,253**	292,973,017
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
	22,883,871	23,067,834
Total assets as per balance sheet	**341,583,124**	316,040,851
Segments liabilities		
Gas transmission and distribution	**327,394,813**	294,370,570
Meter manufacturing	**848,286**	701,008
Total segment liabilities	**328,243,099**	295,071,578
Unallocated		
- Employee benefits	**5,142,850**	4,886,461
Total liabilities as per balance sheet	**333,385,949**	299,958,039

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**	**Total**
	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	Total
	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

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	Reclassified 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 information 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 July 30, 2020.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

SSGC
Sui Southern Gas
Company Limited

Un-Audited Consolidated Condensed Interim Financial Information for the half year ended December 31, 2017

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

As at December 31, 2017

	Note	December 31, 2017 (Un-audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
		-------------(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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

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)
		-------------(Rupees in '000)-------------		
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital:				
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000	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		**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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the half year ended December 31, 2017

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 2016
		(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.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)

For the half year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
		--------(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.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

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)	8,809,163	234,868	4,672,533	326,171	11,728,265	(10,923,555)	14,847,445
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	**8,809,163**	**234,868**	**4,672,533**	**324,994**	**11,728,265**	**(18,040,826)**	**7,728,997**

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

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**	**Syed Fasihuddin Fawad**
Chairperson	Acting Managing Director	Acting Chief Financial Officer

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 Balochistan. 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 Central	Azad Trade Center Near Civic Center Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway Qasimabad, Hyderabad.
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing Society, Nawabshah.
Sukkur	SSGC Regional Office, Golimar Road, SITE Area Sukkur.
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital, Larkana.
Quetta	SSGC Office, Samungli Road, Quetta.

Sui Southern Gas Provident Fund Trust 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 Punjab through the High Court of Sindh auction during October 2011.

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

1.2 Basis of consolidation

- 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 Sui Northern Gas Pipelines Limited (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 judgment. 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 judgment.

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 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 form 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.

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	------------(Rupees in '000)----------	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	**109,229,538**	108,383,400
Capital work in progress	**8,789,446**	8,791,150
	118,018,984	117,174,550

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

	December 31, 2017 (Un-audited)		December 31, 2016	
	--------------------------------(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	-
	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	(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)
	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. 1,319 million).

7. **DEFERRED TAX**

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)	June 30, 2017 (Audited)
		-----------(Rupees in '000)-----------	
8. LONG TERM INVESTMENTS			
Investment in related parties	8.1	**233,506**	364,619
Other investments		**133,116**	195,708
		366,622	560,327

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

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 rate of:

  a. Highest OD rate being paid by the Holding Company or;

  b. Highest rate at which interest is payable on gas producer bills.

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

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

Management has consulted 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 filling 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

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	-----------(Rupees in '000)-----------	
Interest accrued on late payment of bills / invoices from:		
- WAPDA	**3,323,663**	3,231,947
- SNGPL	**6,121,197**	5,855,468
- JJVL	**627,245**	522,092
	10,072,105	9,609,507
Interest accrued on bank deposits	**2,370**	2,459
Interest accrued on sales tax refund	**487,739**	487,739
	10,562,214	10,099,705
Provision against impaired accrued income	**(84,391)**	(84,392)
	10,477,823	10,015,313

		Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
			-----------(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
			106,523,559	79,665,052
	Provision against impaired receivables		**(2,346,359)**	(2,346,359)
			104,177,200	77,318,693
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
			40,057,147	21,264,629
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
			27,585,556	25,198,417

11.2.1 The Holding 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 Holding Company. For quantity supplied to PAFCL, PAFCL is making payment directly to the Holding Company according to the payment plan finalised subsequent reporting date. The Holding 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 Holding Company has received all eight installments.

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

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 cash flow technique.

12. LONG-TERM FINANCE

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

	Note	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
		175,773,205	168,180,429
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
		204,871,251	196,047,840

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.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		-----------(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	16.1	**15,832,411**	15,832,411
		16,904,694	16,898,655

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 financial statements only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017 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	**5,935,914**	4,423,511
17.2 Guarantees issued on behalf of the Group	**4,307,942**	4,288,801

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 Government of Pakistan.

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

"Subject to availability and the terms and conditions specified herein the Company agrees to sell and deliver to the 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 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 Holding 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 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/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 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 Accountants 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 favor. 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 favor 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 information 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 information 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 information 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 information 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 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 Holding 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 Holding 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 Holding 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 Holding 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 consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

17.14 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Holding 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 Holding 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 Holding Company's favor.

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 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 consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

17.15 Income tax authorities have issued show cause notice to the Holding 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 Holding 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 consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

17.16 The Holding 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 Holding Company is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Holding Company's legal department, the management is confident that the outcome of these cases will be in favor of the Holding Company. 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 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 .

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 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.

	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	**615,725**	2,225,540	**317,401**	402,532
- Deferred	**2,495,137**	(199,142)	**16,152**	716,693
	3,110,862	2,026,398	**333,553**	1,119,225

	December 31, 2017	December 31, 2016
	(Un-audited)	
	--------(Rupees in '000)--------	
22. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS		
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, 2017	December 31, 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
	(27,595,109)	3,377,353
Decrease in current liabilities		
Trade and other payables	**8,685,095**	(8,579,551)
	(18,910,014)	(5,202,198)

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:

	Relationship	Half year ended December 31, 2017	Half year ended 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**	651
- 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:

	Relationship	December 31, 2017 (Unaudited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
Astro Plastic (Private) Limited	Associate		
- Billable charges		-	16,623
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 are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

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

Segment revenue and results

The following is analysis of the 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	**75,693,124**	87,334,095	**(3,505,823)**	1,930,824
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			**(4,502,879)**	3,288,404

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 (Unaudited)	June 30, 2017 (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	**319,891,898**	294,144,358
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
	21,714,860	21,712,398
Total assets as per statement of financial position	**341,606,758**	315,856,756
Segments liabilities		
Gas transmission and distribution	**327,909,915**	294,299,271
Meter manufacturing	**848,286**	701,008
Total segment liabilities	**328,758,201**	295,000,279
Unallocated		
- Employee benefits	**5,119,560**	5,320,034
Total liabilities as per statement of financial position	**333,877,761**	300,320,313

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**	**Total**
	Rupees in '000			
Available for sale financial assets				
Quoted equity securities	**361,521**	**-**	**-**	**361,521**

	As at June 30, 2017			
	Level 1	Level 2	Level 3	Total
	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**
	12,390,772	**12,390,772**

	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
	12,390,772	12,390,772

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	Reclassified 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 information 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 July 30, 2020.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

KEY DATA

FRANCHISE AREA	SINDH AND BALOCHISTAN	
	Six months period ended December 31,	
	2017	2016
NATURAL GAS SALES VOLUME (MMCF)	179,577	181,470
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	4,197	4,187
COMMERCIAL	22,600	22,973
DOMESTIC	2,853,014	2,778,528
TOTAL	2,879,811	2,805,688
GAS METERS MANUFACTURED (NOS.)	193,940	232,180
TRANSMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	36	36
12"	522	522
16"	558	558
18"	940	970
20"	844	844
24"	717	687
30"	9	9
42"	371	31
	3,997	3,657
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	36,112	35,134
SERVICES	10,505	9,964
	46,617	45,098

NOTES

سیٹ کیا گیا ہے۔ اگر چہ کمپنی نے مالی سال18-2017 میں KMIs 95% حاصل کر لئے تھے اور KMI 95% کے حصول پر مبنی بنچ مارک کیلئے اوگرا سے 7.47% کا دعویٰ کیا گیا جو کم کر کے 0.56% کر دیا گیا اور بغیر وجہ بتائے منظور شدہ بنچ مارک 6.91% سیٹ کیا گیا جو ہمارے KMI کے حصول 95% سے 73.46% کم ہے۔ یہ معاملہ بھی اوگرا کے سامنے جائزے کی تحریک کے ذریعے پیش کیا گیا ہے۔

د) حکومت پاکستان (فنانس ڈویژن)(GoP) نے بطور اکثریت شیئر ہولڈر اپنے خط مورخہ 06 جولائی 2020 میں کمپنی کی فنڈنگ کی ضروریات کا اعتراف کیا ہے اور کمپنی کے جاری معاملات کو برقرار کے لئے تعاون بڑھانے کا وعدہ کیا ہے۔

معاملے پر زور

درج بالا کے علاوہ بیرونی آڈیٹرز میسرز ڈی لوائٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس نے آڈٹ رپورٹ برائے ششماہی مختتمہ 31 دسمبر 2017 میں بعض معاملات کی طرف توجہ دلائی ہے۔ ان معاملات پر ان کی رائے ہے:

i۔ کمپنی نے سندھ ہائی کورٹ کے فیصلے سے ہونے والے 36.7 بلین روپے کے کل نقصانات میں سے 23.8 بلین کو شامل کیا ہے۔ انتظامیہ کو یقین ہے کہ بقیہ حیرت انگیز نقصان 2021 تک شامل کر لیا جائے گا۔

ii۔ کنٹی جنسیز اینڈ کمٹمنٹ میں درج قانونی اور دیگر معاملات کے موافق حل کیلئے پرزور طریقے سے پیچھا کیا جا رہا ہے۔

iii۔ SSGC نے حکومت کے زیر کنٹرول E&P کمپنیز (OGDCL, PPL & GHPL) کو یکم جولائی 2012 سے اس وقت تک LPS کے قابل ادائیگی اخراجات تسلیم کرنے سے روک دیئے ہیں جب تک SSGC کو PMSL اور K-E سے LPS کی آمدنی شروع نہیں ہوتی۔

اعتراف

بورڈ آف ڈائریکٹرز شیئر ہولڈرز اور اپنے معزز صارفین کے مسلسل تعاون پر شکریہ کا اظہار کرتا ہے۔ بورڈ تمام ملازمین کے خلوص کا بھی اعتراف کرتا ہے جنہوں نے کمپنی کو درپیش متعدد چیلنجز کے باوجود سپاہیانہ انداز سے کام کیا۔ ڈائریکٹرز حکومت پاکستان، وزارت پیٹرولیم وقدرتی وسائل اور آئل اینڈ گیس ریگولیٹری اتھارٹی کی مستقل رہنمائی اور تعاون کیلئے ممنون ہے۔

بورڈ کی جانب سے

ڈاکٹر شمشاد اختر
چیئرپرسن، بورڈ آف ڈائریکٹرز

محمد امین راجپوت
ایکٹنگ مینجنگ ڈائریکٹر

کراچی: اگست 17، 2020

HCPCL سے قابل وصولی

میسرز حبیب اللہ کوسٹل پاور کمپنی پرائیویٹ لمیٹڈ (HCPCL) نے انٹرنیشنل چیمبر آف کامرس سنگاپور کے رولز کے تحت 30 نومبر 2015 کو ثالثی کی درخواست جمع کرائی ہے۔ یہ تنازع دسمبر 2009 اور اس کے بعد SSGC کی جانب سے HCPCL کو گیس کی عدم فراہمی یا کم فراہمی (GSA کے تحت فرم کے ساتھ وعدے کے خلاف) چل رہا تھا۔

30 اپریل 2018 کو ثالثی کی کارروائی کے بعد انٹرنیشنل کورٹ آف آربیٹریشن کی جانب سے HCPCL کے حق میں فیصلہ جاری کردیا گیا اور کمپنی کی جانب سے HCPCL کو معاوضہ کی ادائیگی بصورت معاوضہ، نقصانات کے ہرجانے، سود اور قانونی اور پیشہ وران چارجز کیا جائے۔ ان تمام ادائیگیوں کی کل رقم 8.0 بلین روپے ہے۔ تاہم HCPCL کی جانب سے کمپنی کے ذمہ نقصانات کے ہرجانے کی رقم 3.8 بلین روپے دراصل WAPDA/CPPA-G کی جانب سے HCPCL کے ذمہ نقصانات کے ہرجانے کی رقم ہے جس سے یہ واضح ہوتا ہے کہ ایک حکومتی ادارے یعنی کمپنی کی جانب سے دوسرے حکومتی ادارے یعنی واپڈا کو رقوم کے بہاؤ کا معاملہ ہے جس سے دونوں پارٹیوں میں سے کسی کا کوئی فائدہ نہیں ہے۔ لہٰذا ECC نے 7 فروری 2018 کو ہونے والی میٹنگ میں اصولی طور پر نقصانات کے ہرجانے کو ختم کرنے کی تجویز کی منظوری دی اور پیٹرولیم ڈویژن اور پاور ڈویژن کو تمام اسٹیک ہولڈرز کے مشورے سے طریقہء کار وضع کرنے کی ہدایت کی۔

تمام اسٹیک ہولڈرز (CPPA-G، SSGC اور HCPCL) نوڈسپیچ کی مدت کو "Other Force Majeure Event(OME)" تصور کر کے تجدید کے طریقے کو فائنل کر رہے ہیں اور اس طرح GSA کی مدت کو نوڈسپیچ کی مدت میں توسیع کردی ہے۔ SSGC اور HCPCL کے درمیان GSA ستمبر 2019 کو ختم ہو چکا ہے جبکہ HCPCL اور CPPA-G کے درمیان پاور پرچیز ایگریمنٹ (PPA)، 2029 تک کارآمد ہے۔

اس کے مطابق HCPCL سے قابل وصولی رقم 3.8 بلین روپے ہے اور بقیہ 4.2 بلین روپے LPS کی ریورسل، ایل ڈی چارجز پر سود اور اوگرا کی جانب سے دعویٰ کئے گئے قانونی اخراجات کے ہیں۔ تاہم اوگرا نے حتمی فیصلے میں 4.2 بلین روپے کی اجازت نہیں دی ہے اور معاملہ کو ECC کے فیصلے کی روشنی میں پارٹیز کے درمیان کسی نتیجے پر پہنچنے تک ملتوی کردیا ہے۔ اس مرحلے پر اتھارٹی کے معاملے کا جائزہ لینے کیلئے درخواست پر غور کی تحریک اوگرا کے پاس جمع کرادی گئی ہے۔ ECC کے 7 فروری 2018 کے فیصلے پر عمل درآمد کے نتیجے پر مبنی مطلوبہ مالیاتی اثرات کا گزشتہ ثالثی کے فیصلے کے مطابق اوگرا سے دعویٰ کیا جائے گا۔

ادارے کے کام جاری رکھنے سے متعلق مادی غیر یقینی

مالیاتی کارکردگی پر فنانشل اسٹیٹمنٹس کے نوٹ 1.3 میں گفت وشنید درج ہے جس میں RLNG کی مقدار کی ہینڈلنگ کی قابل اجازت اہلیت اور ''UFG میں کمی کی پالیسی'' پر مبنی UFG میں کمی پر فوکس کیا گیا ہے۔ آڈیٹرز نے نتیجہ نکالا ہے کہ مادی غیر یقینی کیفیت موجود ہے جو کمپنی کے بطور ادارے کام جاری رکھنے کی اہلیت پر نمایاں طور پر شبہ پیدا کرتی ہے۔ آڈیٹرز نے واضح طور پر بیان کیا ہے کہ اس معاملے کی ان کی رائے کے مطابق تجدید نہیں کی گئی ہے۔۔

کمپنی کی مالیاتی لچک کی جانچ کیلئے انتظامیہ نے اگلے پانچ سال کیلئے مالیاتی پروجیکشنز تیار کئے ہیں جس کے درج ذیل عوامل کمپنی کے آپریشنز کے استحکام سے متعلق انتظامیہ کے دعوے کی تصدیق کرتے ہیں:

ا) RLNG کی والیومیٹرک کی بنیاد پر ہینڈلنگ پر مبنی UFG الاؤنس کی اوگرا سے منظوری کو گزشتہ پیراگراف میں پہلے ہی واضح کردیا گیا ہے۔

ب) نیا ٹیرف رجیم مالی سال 19-2018 سے موثر 17.43% کے شرح سے آپریٹنگ ریٹرن کی ضمانت فراہم کرے گا۔

ج) UFG میں 2022 تک بتدریج 11% تک کمی لائی جائے گی۔ نیز ایک چارٹرڈ اکاؤنٹنٹ فرم کی جانب سے UFG مطالعہ کی رپورٹ فائنل ہونے کے بعد تبدیل شدہ UFG الاؤنس پہلے ہی 4.5% سے 7.6% جو کہ 5% کی بنیاد پر بنچ مارک مع 2.6% کی مانیٹرنگ انڈیکیٹرز (KMI) کے حصول سے مشروط

درج بالا مسئلے پر قرارداد سے نمایاں ہے کہ مستقبل کے عرصے میں بھی درج بالا کی غیر موجودگی سے ایکویٹی میں کٹوتی کے باعث مالیاتی حالت مزید خراب ہوسکتی ہے نیز اپنے اسٹیک ہولڈرز بشمول حکومت پاکستان کی توقع کے خلاف کمپنی کو استحکام اور آپریشنز کی استعداد کے بارے میں شدید شبہ پیدا ہوسکتا ہے۔

گزشتہ حیرت انگیز نقصانات برداشت کرنا

سندھ ہائی کورٹ کے 25 نومبر 2016 کے فیصلے کے مطابق 1.8 بلین روپے کے حیرت انگیز نقصانات برداشت کرنا پڑے جس میں SSGC کے UFG کے بنچ مارک کے دعوے اور بعض نان آپریٹنگ آمدنیوں کی ٹریٹمنٹ کو مسترد کردیا گیا تھا۔اس فیصلے کے نتیجے میں SSGC کو مالی سال 2011 تا مالی سال 2015 سے متعلق 36.7 بلین روپے کے نقصانات برداشت کرنا پڑے۔مجاز اتھارٹیز کی منظوری سے 6 سال میں حیرت انگیز نقصانات اور 31 دسمبر 2017 تک SSGC نے 23.8 بلین روپے کے نقصانات برداشت کیئے۔

زیادہ مالیاتی اخراجات

2.3 بلین روپے کے مالیاتی چارجز، جو RLNG اور SNGPL نیٹ ورک کو RLNG کی کراچی پورٹ سے ساون تک ترسیل کیلئے پائپ لائن انفرااسٹرکچر کے حصول کے لئے طویل المدت قرضہ پر ادا کیئے گئے۔

بیرونی آڈیٹرز کی رپورٹ میں تجدید

بیرونی آڈیٹرز میسرز ڈیلوائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس نے اپنی آڈٹ رپورٹ برائے ششماہی مختتمہ 31 دسمبر 2017 میں KE اور PSML کے ذمہ واجبات، لیٹ پے منٹ سرچارج (LPS)، SNGPL اور واپڈا سے قابل وصولی رقم اور حبیب اللہ کوسٹل پاور کمپنی (پرائیویٹ) لمیٹڈ (HCPCL) کے ذمہ واجبات پر اپنی کوالیفائیڈ رائے کا اظہار کیا ہے۔

KE اور PSML سے قابل وصولی رقوم

کے الیکٹرک (KE) اور پاکستان اسٹیل ملز لمیٹڈ (PSML) کے ساتھ تنازع کی صورتحال گزشتہ سالوں کے مطابق ہے۔انتظامیہ نہایت تندہی سے کے ای کے خلاف وصولی کے مقدمے کا پیچھا کررہی ہے۔اس کے ساتھ ساتھ انتظامیہ KE اور PSML سے واجبات کی ریکوری میں تیزی لانے کیلئے متعلقہ وزارتوں سے بھی رابطے میں ہے۔توقع ہے کہ جیسے ہی حکومت پاکستان کے ساتھ معاملے کا مستقل حل نکل آئے گا، کمپنی کے مجموعی مالی حالات بہتر ہوجائیں گے۔یہاں یہ بتانا بھی ضروری ہے کہ حال ہی میں فروری 2020 سے PSML نے گیس کے ماہانہ بل کی ادائیگی کا آغاز کردیا ہے جو اس مقصد کیلئے فنانس ڈویژن کی جانب سے تفویض کئے گئے ہیں۔کمپنی کا KE اور PSML کے خلاف دعویٰ بمطابق 31 دسمبر 2017 بالترتیب 78,991 ملین روپے اور 52,011 ملین روپے ہے۔

SNGPL اور واپڈا سے قابل وصولی LPS

کمپنی کو مجموعی گردشی قرضہ کی وجہ سے SNGPL اور واپڈا کی طرف واجب الادا مجموعی وصولیاب کی صورتحال کا سامنا ہے۔تاہم متفقہ شرائط وضوابط کی بنیاد پر کمپنی واجب الادا رقم کے عوض LPS ریکارڈ رہی ہے۔کمپنی روزانہ کی بنیاد پر صورتحال سے متعلقہ حکومتی اتھارٹیز کو آگاہ کررہی ہے اور توقع ہے کہ جیسے اور جب قومی سطح پر گردشی قرضہ کا معاملے طے ہوجائیگا، یہ مسئلہ بھی حل ہوجائے گا۔

ڈائریکٹرز کا جائزہ

برائے ششماہی مختتمہ 31 دسمبر 2017

مجھے کمپنی کے غیر آڈٹ شدہ نتائج برائے ششماہی مختتمہ 31 دسمبر 2017 آپ کے ساتھ شیئر کرتے ہوئے خوشی محسوس ہو رہی ہے۔
کمپنی کو زیر جائزہ مدت کے دوران میں شدید چیلنجز کا سامنا رہا جن میں سے بعض کمپنی کی ترقی اور امور کی انجام دہی کیلئے نہایت اہم ہیں۔

مالیاتی عمومی جائزہ

زیر جائزہ مدت کے دوران میں کمپنی کو اوگرا کی جانب سے بڑی نامنظوریوں کے شامل کرنے سے 7,692 ملین روپے کا بعد از ٹیکس نقصان اٹھانا پڑا۔
مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:

ششماہی مختتمہ 31 دسمبر 2017 (ملین روپے میں)	
نقصان قبل از ٹیکس	(4,604)
ٹیکزیشن	(3,088)
نقصان بعد از ٹیکس	(7,692)

SSGC کی منفعت اوگرا کی جانب سے مجوزہ گارنٹیڈ ریٹرن فارمولا سے حاصل ہوتی ہے۔ اس فارمولے کے تحت SSGC کو اس کے اوسط آپریٹنگ فکسڈ اثاثہ جات پر مالیاتی چارجز اور ٹیکسز سے قبل 17% ریٹرن کی اجازت ہے۔ تاہم اوگرا استعداد سے متعلق بنچ مارکس کے ساتھ ساتھ غیر شمار گیس (UFG)، انسانی وسائل کے بنچ مارک، مشتبہ قرضہ جات کے اخراجات اور پرووبژن اور بعض دیگر اخراجات کی بنیاد پر آمدنی کی ضروریات کا تعین کر کے ایڈجسٹمنٹ کرتا ہے۔ یہ ایڈجسٹمنٹس کمپنی کی سب سے نچلی سطح پر اثر انداز ہوتے ہیں جو ابتدائی طور پر فنانشل چارجز اور ٹیکسز کے بعد خالص 17% گارنٹیڈ آمدنی پر مبنی ہوتے ہیں۔ سہ ماہی کے دوران میں بعد از ٹیکس نقصان کی بنیادی وجوہات درج ذیل ہیں:
اوگرا کی جانب سے حتمی آمدنی کی ضروریات برائے مالی سال 2017-18 کا تعین 23 اپریل 2020 کو جاری کیا گیا، جس میں اس ششماہی کے دوران میں مالیاتی نتائج کل نامنظوریاں شامل کرنے کے بعد اثاثہ جات کی آمدنی 7.5 بلین روپے کے مقابلے میں 8.6 بلین روپے رہے۔

زیادہ UFG کی نامنظوریاں

زیادہ UFG کی نامنظوریوں کی وجہ یہ حقیقت ہے کہ اوگرا RLNG والیوم ہینڈلنگ کے فوائد کی اجازت نہیں دے رہا جس کی منظوری اکنامک کوآرڈینیشن کمیٹی (ECC) کی جانب سے 11 مئی 2018 کو ایک سمری میں دی گئی تھی۔ اگر SSGC کو یہ فائدہ دے دیا جاتا تو خالص UFG نامنظوریاں 7.1 بلین روپے (بشمول 4.2 بلین روپے برائے مالی سال 2017) کم ہو جاتیں۔
کمپنی کو درپیش خطرناک صورتحال پر قابو پانے اور اوگرا کے تحفظات کے جوابات کیلئے جس سے درج بالا سمری پر عمل درآمد نہیں ہو سکا، MoE - PD نے کمپنی کے دعوے کی قانونی حیثیت پر غور کرتے ہوئے اسٹیک ہولڈرز کے ساتھ مشورے کے بعد معاملہ کو دوبارہ نئے سرے سے اٹھانے کا فیصلہ کیا اور ECC کو ایک اور سمری ارسال کی تا کہ ECC کے سابقہ فیصلے پر عمل درآمد کیا جا سکے۔

SSGC | Sui Southern Gas Company Limited

If undelivered, please return to Shares Department:
SSGC House, Sir Shah Suleman Road, Block 14, Gulshan-e-Iqbal, Karachi-75300, Pakistan
Tel: +92-21-9902-1031 | Fax: +92-21-9902-1797
www.ssgc.com.pk | ssgc.official | ssgc_official | ssgcofficial

Printed at: The Times Press (Pvt.) Ltd.