

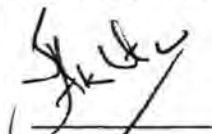
SUI SOUTHERN GAS COMPANY LIMITED

UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

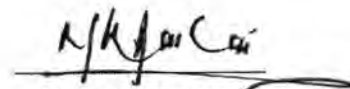
SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2017

		September 30, 2017 (Un-Audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
Note		----- (Rupees in '000) -----		
ASSETS				
Non-current assets				
Property, plant and equipment	6	115,789,301	114,993,177	96,711,045
Intangible assets		66,084	74,148	24,643
Deferred tax		-	2,476,353	2,668,942
Long term investments	7	1,500,383	1,560,328	1,243,416
Net investment in finance lease		290,125	304,579	362,394
Long term loans and advances		164,468	171,407	162,426
Long-term deposits		14,938	14,365	8,302
Total non-current assets		117,825,299	119,594,357	101,181,168
Current assets				
Stores, spares and loose tools		2,481,074	2,472,190	2,146,869
Stock-in-trade		1,177,667	1,139,269	801,819
Current maturity of net investment in finance lease		57,815	57,815	110,161
Customers' installation work-in-progress		166,321	165,402	184,508
Trade debts	8	80,550,040	82,137,595	86,285,447
Loans and advances		2,750,567	2,642,233	2,643,911
Advances, deposits and short term prepayments		185,846	146,751	481,877
Interest accrued	9	10,825,499	10,594,367	9,191,342
Other receivables	10	90,912,343	77,326,874	55,108,009
Taxation - net		18,834,978	18,867,146	19,986,902
Cash and bank balances		480,322	896,852	954,239
Total current assets		208,422,472	196,446,494	177,895,084
Total assets		326,247,771	316,040,851	279,076,252

The annexed notes from 1 to 28 form an integral part of these unconsolidated condensed interim financial information.


Chairperson


Chief Financial Officer


Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2017

		September 30, 2017 (Un-Audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
	Note	(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
<u>Issued, subscribed and paid-up capital</u>		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		458,754	518,699	201,787
Surplus on revaluation of fixed assets		11,728,265	11,728,265	11,728,265
Accumulated losses		(13,595,168)	(9,880,716)	(11,500,489)
-		12,308,415	16,082,812	14,146,127
LIABILITIES				
Non-current liabilities				
Long term finance	11	47,786,177	48,790,294	22,573,040
Long term deposits		14,497,770	14,222,296	12,462,204
Employee benefits		5,013,979	4,886,461	4,704,086
Obligation against pipeline		970,795	982,731	1,027,886
Deferred credit	12	5,212,958	5,320,034	5,842,485
Long term advances		2,206,844	2,207,355	1,092,831
Total non-current liabilities		75,688,523	76,409,171	47,702,532
Current liabilities				
Current portion of long term finance	11	7,360,508	7,045,427	5,756,246
Short term borrowings	14	7,872,826	2,900,653	4,860,212
Trade and other payables	15	205,255,154	195,950,390	189,324,005
Current portion of obligation against pipeline		46,178	45,155	41,287
Current portion of deferred credit		423,377	422,867	427,547
Unclaimed Dividend		285,721	285,721	285,837
Interest accrued	13	17,007,069	16,898,655	16,532,459
Total current liabilities		238,250,833	223,548,868	217,227,593
Total liabilities		313,939,356	299,958,039	264,930,125
Total equity and liabilities		326,247,771	316,040,851	279,076,252
Contingencies and commitments				

The annexed notes from 1 to 28 form an integral part of these unconsolidated condensed interim financial information.


Chairperson

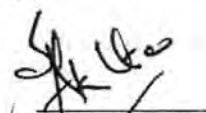

Chief Financial Officer


Managing Director

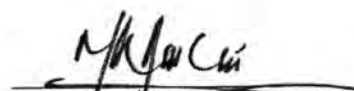
SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Quarter ended	
		September 30, 2017	September 30, 2016
		------(Rupees in '000)-----	
Sales		43,275,697	52,190,418
Sales tax		(5,794,178)	(7,296,824)
		<u>37,481,519</u>	<u>44,893,594</u>
Gas development surcharge		2,054,740	(5,142,905)
Net sales		39,536,259	39,750,689
Cost of sales	17	(39,786,222)	(35,193,791)
Gross (loss) / profit		<u>(249,963)</u>	<u>4,556,898</u>
Administrative and selling expenses		(1,077,315)	(996,377)
Other operating expenses	18	(964,999)	(2,117,438)
		<u>(2,042,314)</u>	<u>(3,113,815)</u>
		<u>(2,292,277)</u>	<u>1,443,083</u>
Other income	19	2,431,691	4,285,221
Operating profit		<u>139,414</u>	<u>5,728,304</u>
Finance cost		(1,088,260)	(639,619)
(Loss) / profit before taxation		<u>(948,846)</u>	<u>5,088,685</u>
Taxation	20	(2,765,606)	(899,569)
(Loss) / Profit for the period		<u><u>(3,714,452)</u></u>	<u><u>4,189,116</u></u>
Basic and diluted earning per share (Rupees)		<u><u>(4.22)</u></u>	<u><u>4.76</u></u>

The annexed notes from 1 to 28 form an integral part of these unconsolidated condensed interim financial information.


Chairperson

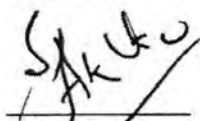

Chief Financial Officer


Managing Director

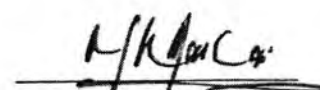
SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended	
	September 30, 2017	September 30, 2016
	----- (Rupees in '000) -----	
(Loss) / profit for the period	(3,714,452)	4,189,116
Other comprehensive income		
Item that maybe reclassified subsequently to profit and loss account		
Unrealised (loss) / gain on re-measurement of available for sale securities	(59,945)	47,006
Total comprehensive (loss) / income for the period	<u>(3,774,397)</u>	<u>4,236,122</u>

The annexed notes from 1 to 28 form an integral part of these unconsolidated condensed interim financial information.


Chairperson


Chief Financial Officer


Managing Director

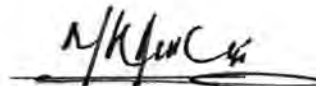
SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

		Quarter ended	
		September 30, 2017	September 30, 2016
Note		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
	(Loss)/ profit before taxation	(948,846)	5,088,685
	Adjustments for non-cash and other items	2,963,954	2,043,727
21	Working capital changes	(3,255,676)	4,406,211
22	Financial charges paid	(999,580)	(599,933)
	Employee benefits paid	(27,119)	(17,839)
	Payment for retirement benefits	(238,949)	(97,884)
	Long term deposits received - net	275,474	554,414
	Deposits paid - net	(573)	(5,445)
	Loans and advances to employees - net	(101,395)	(72,679)
	Interest income and return on term deposits received	42,055	28,400
	Income taxes paid	(257,085)	716,111
	Net cash (used in) / generated from operating activities	(2,547,740)	12,043,768
CASH FLOW FROM INVESTING ACTIVITIES			
	Payments for property, plant and equipment	(2,217,104)	(5,101,917)
	Payments for intangible assets	(188)	(2,954)
	Proceeds from sale of property, plant and equipment	36,314	8,404
	Lease rental from net investment in finance lease	28,695	57,582
	Dividend received	356	712
	Net cash used in investing activities	(2,151,927)	(5,038,173)
CASH FLOW FROM FINANCING ACTIVITIES			
	Repayments of local currency loans	(704,583)	(1,275,608)
	Consumer finance received	11,145	5,819
	Repayment of consumer finance	4,402	(6,114)
	Net cash used in financing activities	(689,036)	(1,275,903)
	Net (decrease) / increase in cash and cash equivalents	(5,388,703)	5,729,692
	Cash and cash equivalents at beginning of the period	(2,003,801)	(3,905,973)
	Cash and cash equivalents at end of the period	(7,392,504)	1,823,719
Cash and cash equivalent comprises:			
	Cash and bank balances	480,322	4,823,719
	Short term borrowings	(7,872,826)	(3,000,000)
		(7,392,504)	1,823,719

The annexed notes from 1 to 28 form an integral part of these unconsolidated condensed interim financial information.


Chairperson

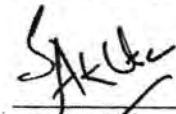

Chief Financial Officer


Managing Director

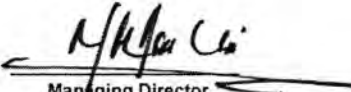
SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Surplus on revaluation of fixed assests	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 3.1	-	-	-	-	11,728,265	-	11,728,265
Balance 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 September 30, 2016							
Profit for the period	-	-	-	-	-	4,189,116	4,189,116
Other comprehensive income for the period	-	-	-	47,006	-	-	47,006
Total comprehensive income for the period	-	-	-	47,006.00	-	4,189,116	4,236,122
Balance as at September 30, 2016	8,809,163	234,868	4,672,533	248,793	11,728,265	(7,311,373)	18,382,249
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 loss for the period ended September 30, 2017							
Loss for the period	-	-	-	-	-	(3,714,452)	(3,714,452)
Other comprehensive loss for the period	-	-	-	(59,945)	-	-	(59,945)
Total comprehensive loss for the period	-	-	-	(59,945)	-	(3,714,452)	(3,774,397)
Balance as at September 30, 2017	8,809,163	234,868	4,672,533	458,754	11,728,265	(13,595,168)	12,308,415

The annexed notes from 1 to 28 form an integral part of these unconsolidated condensed interim financial information.


Chairperson


Chief Financial Officer


Managing Director

SUI SOUTHERN GAS COMPANY LIMITED**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017****1. STATUS AND NATURE OF BUSINESS**

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

The registered office of the Company is situated at SSGC House, Sir Shah Suleman Road, Block 14, Gulshan e Iqbal, Karachi. The Company's pipe coating plant is situated at Plot No. F-75 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 loss after tax of Rs. 3,714 million resulting in increase of its accumulated losses by Rs. 3,714 million and diminishing equity to Rs. 12,308 million after including the impact of staggering as disclosed in note 2.2. As at period end, current liabilities exceed its current asset by Rs. 29,828 million and accumulated losses stood at Rs. 13,595 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 been deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers and staggering of losses due to dismissal of Company's petitions by Sindh High Court (refer note 1.4).

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

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue requirement for FY 2017-18 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.
- 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, and, OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, subject to the 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. Thereafter, management determined the revenue requirement of the Company for the financial years 2011 to 2015 based on the interim relief of the Court, which was also accepted by OGRA, subject to the final decision of the Court.

On November 25, 2016, the Court has dismissed the Company's petitions through its judgment. Consequently, OGRA in its decision dated December 22, 2016, for determination of FRR for financial year 2016 has set the allowable limit of 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 the management has considered the same decision while determining the 17% guaranteed return for the financial year 2016 and 2017.

2. BASIS FOR PREPARATION

- 2.1 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.

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 Staggering of Losses arising due to Sindh High Court decision

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

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

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for financial years 2011 to 2015 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) for allowing staggering of Rs. 18,359 million in five years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years.

Therefore, the remaining accumulated losses of Rs. 18,359 million have been staggered and will be recorded in equal amounts of Rs. 3,672 million in five years from FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 918 million in these unconsolidated condensed interim financial information.

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 a change in accounting policy as disclosed in note 3.1 in these unconsolidated condensed interim financial information.

- 3.1** 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 and 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 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.

5. FINANCIAL RISK MANAGEMENT

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

September 30, 2017
(Un-audited)
----- (Rupees in '000) -----

June 30, 2017
(Audited)
----- (Rupees in '000) -----

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work-in-progress

105,662,329 106,267,254
10,126,972 8,725,923
115,789,301 114,993,177

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

	September 30, 2017		September 30, 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			
Buildings on leasehold land	9,016	-	50,602
Gas distribution system	814,260	-	578,705
Gas transmission pipelines	305,766	-	7,169
Telecommunication	1,139	-	1,944
Plant and machinery	57,016	(308)	80,794
Tools and equipment	1,698	-	7,734
Motor vehicles	8,153	(4,112)	180,158
Furniture and fixtures	1,080	-	4,620
Office equipment	5,491	-	12,803
Computers and ancillary equipments	5,296	-	13,537
Construction equipment	988	-	663,382
Compressor	27,711	-	44,647
	1,237,614	(4,420)	1,646,095
			(5,212)
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred
			Transfer to operating assets

Capital work in progress:

Projects:

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

1,139,998	(814,260)	931,268	(578,705)
981,640	(305,766)	5,533,833	(7,169)
30,221	(9,016)	73,479	(50,602)
2,151,859	(1,129,042)	6,538,580	(636,476)

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 165 million (September 30, 2016: Rs. 2,585 million)

September 30, 2017
(Un-audited)
----- (Rupees in '000) -----

June 30, 2017
(Audited)
----- (Rupees in '000) -----

Note

7. LONG TERM INVESTMENTS

Investment in related parties
Other investments

7.1 1,328,262 1,364,620
172,121 195,708
1,500,383 1,560,328

- 7.1 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.

During the period, 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.

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	----- (Rupees in '000) -----	
8. TRADE DEBTS			
- secured		18,010,832	18,073,913
- unsecured	8.1 & 8.2	76,848,413	77,829,529
		94,859,245	95,903,442
Provision against doubtful debts		(14,309,205)	(13,765,847)
		<u>80,550,040</u>	<u>82,137,595</u>

- 8.1 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, the trade debts includes Rs. 32,070 million (June 30, 2017: Rs. 32,378 million) as at September 30, 2017 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2017: Rs. 29,652 million) as at September 30, 2017 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 76,943 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 recognised LPS till June 30, 2010, in its books of account which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

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

Management has consulted with its legal counsel, who is of the view that the Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel also viewed 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 recognise 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 finalized till the filing of these 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.

- 8.2** 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, the trade debts includes Rs. 22,463 million (June 30, 2017: Rs. 22,310 million) including overdue balance of Rs. 22,413 million (June 30, 2017: Rs. 22,260 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 50,528 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.

9. INTEREST ACCRUED

Interest accrued on late payment of bills / invoices from

- WAPDA
- SNGPL
- JJVL

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

Provision against impaired accrued income

September 30, 2017
(Un-audited)
----- (Rupees in '000) -----

June 30, 2017
(Audited)

3,283,244	3,231,947
5,955,504	5,855,468
571,745	522,092
<u>9,810,493</u>	<u>9,609,507</u>
2,370	2,457
487,739	487,739
609,289	579,056
<u>10,909,891</u>	<u>10,678,759</u>
(84,392)	(84,392)
<u>10,825,499</u>	<u>10,594,367</u>

10. OTHER RECEIVABLES - considered good

Gas development surcharge receivable from GoP
Staff pension fund
Receivable for sale of gas condensate
Sui Northern Gas Pipelines Limited
Jamshoro Joint Venture Limited
SSGC LPG (Private) Limited
Sales tax receivable
Sindh sales tax
Pipeline rentals
Receivable against asset contribution
Miscellaneous receivable

Provision against impaired receivables

Note

September 30, 2017
(Un-audited)
----- (Rupees in '000) -----

June 30, 2017
(Audited)

10.1	31,041,836	21,264,629
	581,023	383,727
	42,949	42,949
10.2	26,127,247	25,198,417
10.3	11,611,577	10,794,328
	18,142	73,953
10.4	23,189,213	21,249,747
	112,569	112,569
		18,154
10.5	355,198	359,348
	178,948	175,412
	<u>93,258,702</u>	<u>79,673,233</u>
	(2,346,359)	(2,346,359)
	<u>90,912,343</u>	<u>77,326,874</u>

10.1 Gas Development Surcharge

GDS payable / (receivable)
Recovered during the period
Paid during the period
Impact of staggering
Price increase / (decrease) adjustment during the period
Claim under IAS 19 during the year

2.2

21,264,629	(18,604,884)
(10,681,647)	(37,006,536)
7,609,728	43,152,007
(917,942)	(3,671,785)
13,767,068	36,449,350
-	946,477
<u>31,041,836</u>	<u>21,264,629</u>

10.2 As at year end, receivable balance from SNGPL comprises of the following:

	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
Uniform cost of gas	10,031,065	10,906,950
Lease rentals	29,960	5,529
Contingent rent	3,534	3,535
LSA Margins	554,158	400,853
Capacity and utilization charges of RLNG	10,887,477	9,217,988
RLNG transportation income	4,621,053	4,663,562
	<u>26,127,247</u>	<u>25,198,417</u>

10.2.1 The Company has invoiced an amount of Rs. 31,878 million, including Sindh Sales Tax of Rs. 3,796 million, till September 30, 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 finalized subsequent to end of reporting date.

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.

10.3 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 September 30, 2017, amount payable to JJVL in respect of processing charges is disclosed in note 15 in these unconsolidated condensed interim financial information.

10.4 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.

- 10.5 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.

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	----- (Rupees in '000) -----	
11. LONG-TERM FINANCE			
Secured			
Loans from banking companies	11.1, 11.2 & 11.3	51,766,904	52,467,981
Unsecured			
Front end fee of foreign currency loan		23,950	23,950
Consumer finance		209,764	203,021
Government of Sindh loans		3,146,067	3,140,769
		3,379,781	3,367,740
Subtotal		55,146,685	55,835,721
Less: current portion shown under current liabilities			
Loans from banking companies		(6,700,000)	(6,383,333)
Consumer finance		(10,508)	(12,094)
Government of Sindh loans	11.4	(650,000)	(650,000)
		(7,360,508)	(7,045,427)
		47,786,177	48,790,294

- 11.1 A long term finance facility amounting to Rs. 15 000 million was sanctioned in October 2015 from a syndicate of banks. As at September 30, 2017, the Company has utilised total sanctioned amount.
- 11.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at September 30, 2017 the Company has utilised Rs. 25,000 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.
- 11.3 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.
- 11.4 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.

	September 30, 2017 (Un-audited) ----- (Rupees in '000) -----	June 30, 2017 (Audited)
12. DEFERRED CREDIT		
Government contributions / grants		
Additions / adjustments during the period	510	106,418
Transferred to unconsolidated profit and loss account	68,591	273,855
Contribution from customers		
Transferred to unconsolidated profit and loss account	37,170	157,936
Government of Sindh grants		
Transferred to unconsolidated profit and loss account	1,315	201,758

13. INTEREST ACCRUED

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	------(Rupees in '000)-----	
Long term financing - loans from banking companies		767,842	419,156
Long term deposits from customers		91,402	355,318
Short term borrowings		92,961	94,839
Late payment surcharge on processing charges		217,627	192,105
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	13.1	15,832,411	15,832,411
		<u>17,007,069</u>	<u>16,898,655</u>

- 13.1. As disclosed in note 8.1 and 8.2, 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 has supported the contention of the Company that it will not recognize LPS expense payable to the Government Controlled E & P Companies (OGDCL, PPL and GHPL), effective from July 1, 2012, till the time Company receives payment for LPS income from KE and PSML and it would be settled simultaneously subject to fulfillment of all the codal formalities. Based on the letter received from MP & NR, and the legal opinion, the Company has reversed the LPS expense on delayed payments on gas supplies effective from July 1, 2012. Further it has been decided that the Company will record and pay such expense in the period only when it receives LPS income from KE and PSML.

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense from July 1, 2016 to September 30, 2017 amounting to Rs 9,379 million on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim financial information would be as follows:

	September 30 2017 (Un-audited) Rs. Million
- Increase in loss before tax	35,601
- Increase in loss after tax / accumulated losses	24,921
- Increase in loss per share - Rupees	28.29

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs.15,625 million (June 30, 2017: Rs. 14,625 million) and carry mark-up ranging from -0.16% to 0.60% (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.7,752 million (June 30, 2017: Rs. 11,725 million).

	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
Note	————(Rupees in '000)————	

15. TRADE AND OTHER PAYABLES

Creditors for:			
- gas supplies	15.1	174,862,406	167,233,189
- supplies		2,051,477	943,528
		<u>176,913,883</u>	<u>168,176,717</u>
Amount received from customers for laying of mains, etc.		2,492,479	2,361,457
Engro Elengy Terminal (Private) Limited		1,106,707	2,098,162
Accrued liabilities		3,337,354	3,193,262
Advances from LPG customers		38,243	22,002
Provision for compensated absences - non executives		279,387	266,887
Payable to staff gratuity fund		3,877,372	3,778,334
Deposits / retention money		905,121	895,166
Bills payable		145,309	59,498
Advance for sharing right of way		18,088	18,088
Withholding tax		122,796	92,175
Sales tax & Federal excise duty		284,238	282,275
Sindh sales tax payable		112,210	54,322
Processing Charges payable to JJVL		7,869,928	7,115,280
Gas infrastructure development cess payable		7,278,498	7,264,457
Unclaimed Term Finance Certificate redemption profit		1,800	1,800
Workers' Profit Participation Fund		12,860	12,860
Inter State Gas System (Private) Limited (ISGSL)		-	1,555
Others		458,880	256,093
		<u>205,255,154</u>	<u>195,950,390</u>

- 15.1 As at September 30, 2017, amount of Rs. 138,551 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. The management has reversed the LPS expense in the financial statements for the year ended June 30, 2017. During the period, management has not recorded the LPS expense in these unconsolidated condensed interim financial information.

16. CONTINGENCIES AND COMMITMENTS

	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	----- (Rupees in '000) -----	
16.1 Commitments for capital and other expenditure	<u>3,565,487</u>	<u>4,288,671</u>
16.2 Guarantees issued on behalf of the Company	<u>4,167,578</u>	<u>4,157,181</u>

- 16.3 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.

- 16.4 As disclosed in note 13.1, 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 September 30, 2017 amounting to Rs. 9,379 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.

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

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

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

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

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

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

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

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

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

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

SCP through its order dated November 16, 2018, based on the report by a firm of chartered accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL. With respect to the Freight matter, SCP will settle the same and an appropriate order shall be passed in this regard. Further, firm of chartered accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Company and 43% to JJVL and an agreement was signed between the Company and JJVL and submitted the same to SCP for its approval and the same was validated by SCP, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019, in its order dated December 29, 2018.

SCP also directed the Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement is valid for 1.5 years and is set to expire on June 20, 2020 and until renewed by the parties with mutual written consent it shall stand terminated automatically.

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

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.

		Quarter ended	
		September 30, 2017	September 30, 2016
		(Un-audited)	
		----- (Rupees in '000) -----	
Note			
17. COST OF SALES			
Cost of gas	17.1	35,485,413	31,220,979
Transmission and distribution costs		4,300,809	3,972,812
		<u>39,786,222</u>	<u>35,193,791</u>
17.1 Cost of gas			
Opening gas in pipelines		463,978	336,034
Gas purchases		41,188,038	41,684,882
		<u>41,652,016</u>	<u>42,020,916</u>
Gas consumed internally		(690,442)	(865,442)
Inward price adjustment		(5,009,810)	(9,627,087)
Closing gas in pipelines		(466,351)	(307,408)
		<u>(6,166,603)</u>	<u>(10,799,937)</u>
		<u>35,485,413</u>	<u>31,220,979</u>
18. OTHER OPERATING EXPENSES			
Worker's profit participation fund		-	267,826
Auditors' remuneration		6,403	5,545
Sports expenses		15,900	5,326
Corporate social responsibility		5,406	6,550
Exchange loss on payment of gas purchases		382,902	519,038
Provision against impaired stores and spares		11,029	783
Provision against impaired debt and other receivables		543,359	1,312,370
		<u>964,999</u>	<u>2,117,438</u>
19. OTHER INCOME			
Income from financial assets			
Income for receivable against asset contribution		9,126	9,758
Return on:			
- term deposits and profit and loss bank accounts		2,608	18,226
- interest income on loan to related party		30,233	28,960
		<u>41,968</u>	<u>56,944</u>
Interest income on late payment of gas bills from:			
- Jamshoro Joint Venture Limited (JJVL)		49,653	44,846
- Water & Power Development Authority (WAPDA)		51,297	60,127
		<u>100,950</u>	<u>104,973</u>
Dividend income		356	712
Late payment surcharge		614,181	1,374,309
Interest income on late payment of gas bills from:			
- Sui Northern Gas Pipelines Limited		100,036	134,969
Income from net investment in finance lease		14,241	16,937
Sale of gas condensate		(1,611)	(34,856)
Income on LPG and NGL - net	19.1	126,771	(112,213)
Meter manufacturing division profit / (loss) - net		835	(5,111)
Meter rentals		186,329	181,743
RLNG Transportation income		675,661	1,001,490
Recognition of income against deferred credit		98,139	39,810
Income from new service connections and asset contribution		71,074	67,611
Income from LPG air mix distribution - net		33,708	36,336
Advertising income		-	1,239
Income from sale of tender documents		2,168	1,105
Scrap sales		3,400	4,890
Recoveries from consumers		20,854	21,128
Liquidity damaged recovered		146,560	46,550
Gain on disposal of property, plant and equipment		31,894	3,192
Amortization of Government grant		1,315	37,702
Reversal of Impairment on Operating assets		-	1,190,000
Rental income from SSGC LPG (Pvt) Limited		183	176
LSA margins against RLNG		153,174	101,447
Miscellaneous		9,504	14,137
		<u>2,431,691</u>	<u>4,285,221</u>

- 19.1 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 16.6 of this unconsolidated condensed interim financial information for status of arbitration proceedings with JJVL.

20. TAXATION

- Current
- Deferred

Quarter ended	
September 30 2017	September 30 2016
(Un-audited)	
----- (Rupees in '000) -----	
289,253	1,815,404
2,476,353	(915,835)
<u>2,765,606</u>	<u>899,569</u>

21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

Provisions	875,388	1622980
Depreciation	1,415,212	1,378,071
Amortization of intangibles	8,252	5,022
Finance cost	1,095,516	637,805
Amortization of transaction cost	7,256	1,815
Amortization of government grant	(1,315)	(37,702)
Recognition of income against deferred credit	(105,763)	(46,558)
Dividend income	(356)	(712)
Interest income and return on term deposits	(273,187)	(296,886)
Income from net investment in finance lease	(14,241)	(16,937)
Gain on disposal of property plant and equipment	(31,894)	(3,192)
Increase in long term advances	(511)	-
Decrease in deferred credit	510	-
Reversal for Impairment of Operating Assets	-	(1,190,000)
Decrease in obligation against pipeline	(10,913)	(9,978)
	<u>2,963,954</u>	<u>2,043,727</u>

Quarter ended	
September 30, 2017	September 30, 2016
(Un-audited)	
----- (Rupees in '000) -----	

22. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(13,343)	(1,752,511)
Stock-in-trade	(51,571)	(59,691)
Customers' installation work-in-progress	(919)	634
Trade debts	1,044,196	850,674
Advances, deposits and short term prepayments	(39,095)	53,585
Other receivables	(13,388,171)	(4,502,548)
	<u>(12,448,903)</u>	<u>(5,409,857)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	9,193,227	9,816,068
	<u>(3,255,676)</u>	<u>4,406,211</u>

23. 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:

		Quarter ended	
		September 30, 2017	September 30, 2016
		(Un-audited)	
		----- (Rupees in '000) -----	
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		46,975	36,708
Attock Cement Limited	Associate		
- Billable charges		18,038	8,685
* Gadoon Textile Mills Limited	Associate		
- Billable charges		-	92
Government related entities			
- Purchase of fuel and lubricant		34,565	4,433
- Billable charges		9,084,983	19,737,755
- Markup on short term finance		4,713	3,151
- Markup on long term finance		58,879	15,368
- Sharing of expenses		-	15,400
- Income from net investment in finance lease		14,241	16,937
- Gas purchases		19,917,440	17,395,761
- Sale of gas meters & Spare Parts		2,131	-
- Rent of premises		6,649	554

		Quarter ended	
		September 30, 2017	September 30, 2016
		(Un-audited)	
		(Rupees in '000)	
	Relationship		
- Insurance premium expense		27,950	20,412
- Uniform Cost of gas		5,009,810	6,819,475
- Electricity expenses		61,285	51,798
- Interest income		151,333	195,096
- RLNG transportation income		675,661	1,001,490
- Income against LNG service agreement		153,174	101,447
- Professional Charges		239	-
Habib Bank Limited	Associate		
- Profit on investment		220	4,273
- Markup on short term finance		42,263	5,438
- Markup on long term finance		121,508	70,023
- Billable charges		5,054	4,094
* International Industries Limited	Associate		
- Billable charges		-	57,325
Key management personnel			
- Remuneration		63,443	58,522
Minto & Mirza	Associate		
- Professional charges		1,500	450
* 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		30,233	28,960
- Purchase of LPG		-	-
- LPG Sales		85,363	111,295
- Rental Income		183	176
- Recoveries of Management Fee		3,076	3,010
Staff retirement benefit plans	Associate		
- Contribution to provident fund		82,329	70,940
- Contribution to pension fund		69,002	49,092
- Contribution to gratuity fund		71,698	79,781
Thatta Cement Company Limited	Associate		
- Billable charges		1,209	1,390

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

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

23.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the

23.3 Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance

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

The details of amount due with related parties not disclosed elsewhere in these unconsolidated condensed interim

		September 30, 2017 (Un-audited) ----- (Rupees in '000) -----	June 30, 2017 (Audited)
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		15,082	16,623
Attock Cement Limited	Associate		
- Billable charges		7,375	4,737
- Gas supply deposit		(588)	(588)
Government related entities - various			
- Billable charges		57,158,359	58,566,349
- Mark up accrued on borrowings		(3,222,656)	(4,123,310)
- Net investment in finance lease		29,960	5,529
- Gas purchases		(142,171,079)	(134,227,691)
- Gas meters		746,348	703,971
- Uniform cost of gas		10,031,065	10,906,950
- Cash at bank		26,232	21,487
- Stock Loan		10,602	10,602
- Payable to insurance		(2,752)	(2,631)
- Gas supply deposit		(25,681)	(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		9,238,748	9,087,415
- Contingent rent		3,535	3,535
- Capacity and utilisation charges of RLNG		10,887,477	9,217,988
- RLNG Transportation Income		4,621,053	4,663,562
- LSA Margins		554,158	400,853
- Professional Charges		57	-
Habib Bank Limited	Associate		
- Long term finance		(6,732,889)	(6,816,226)
- Short term finance		(3,900,119)	-
- Cash at bank		26,073	82,211
- Accrued markup		(400,903)	(298,100)
- Billable charges		1,416	1,436

		September 30, 2017 (Un-audited) ------(Rupees in '000)-----	June 30, 2017 (Audited)
SSGC LPG (Private) Limited	Relationship		
	Wholly owned subsidiary		
- Long term investment		1,000,000	1,000,000
- Short term loan		1,710,103	1,710,103
- Interest on loan		609,289	579,056
- Purchase of LPG		-	(1,825)
- Sale of LPG		11,126	62,015
- Rental Income receivable		105	77
- receivable of management fee		6,910	11,861
Thatta Cement Company Limited	Associate		
- Billable charges		405	764

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

24. 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 assess their performance. As a result, management has identified the following two

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

Segment revenue and results

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

	Quarter ended			
	Segment revenue	Segment (loss) / profit		
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
			(Un-audited) ------(Rupees in '000)-----	
Gas transmission and distribution	37,481,519	44,893,594	(739,278)	4,494,946
Meter manufacturing	363,704	309,190	835	(5,111)
Total segment results	37,845,223	45,202,784	(738,442)	4,489,835
Unallocated - other expenses			(421,641)	(805,068)
Unallocated - other income			211,237	1,403,918
(Loss) / profit before tax			(948,846)	5,088,685

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 363 million (September 30, 2016: Rs. 305 million).

Segment assets and liabilities

	September 30, 2017 (Un-audited) ----- (Rupees in '000) -----	June 30, 2017 (Audited)
Segment assets		
Gas transmission and distribution	300,638,844	290,070,787
Meter manufacturing	2,888,483	2,902,230
Total segment assets	303,527,327	292,973,017
Unallocated		
- Loans and advances	2,915,035	2,813,640
- Taxation - net	18,834,978	18,867,146
- Interest accrued	490,109	490,196
- Cash and bank balances	480,322	896,852
	22,720,444	23,067,834
Total assets as per balance sheet	326,247,771	316,040,851
Segments liabilities		
Gas transmission and distribution	308,133,025	294,370,570
Meter manufacturing	792,352	701,008
Total segment liabilities	308,925,377	295,071,578
Unallocated		
- Employee benefits	5,013,979	4,886,461
Total liabilities as per balance sheet	313,939,356	299,958,039

25. 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

25.1 Fair value of financial instruments

Financial assets which are tradable 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 September 30, 2017			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Assets				
Available for sale financial assets				
Quoted equity securities	495,283	-	-	495,283

	As at June 30, 2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets			
Available for sale financial assets			
Quoted equity securities	555,277	-	-
			555,277

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.

25.2 Fair value of other assets

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

	As at September 30, 2017	
	Level 2	Fair Value
	Rupees in '000	
Freehold land	5,476,034	5,476,034
Leasehold land	6,938,631	6,938,631
	12,414,665	12,414,665
	As at June 30, 2017	
	Level 2	Fair Value
	Rupees in '000	
Freehold Land	5,476,034	5,476,034
Leasehold Land	6,938,631	6,938,631
	12,414,665	12,414,665

26 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	(Rupees in '000)	Reclassified	
		From	To
Late payment surcharge	1,374,309	Other Non-Operating Income	Other Income
Income for receivable against asset contribution	9,758	Other Non-Operating Income	Other Income
term deposits and profit and loss bank accounts	18,226	Other Non-Operating Income	Other Income
Interest income on loan to related party	28,960		
Jamshoro Joint Venture Limited (JJVL)	44,846	Other Non-Operating Income	Other Income
Water & Power Development Authority (WAPDA)	60,127	Other Non-Operating Income	Other Income
Interest income on late payment of gas bills from		Other Non-Operating Income	Other Income
- Sui Northern Gas Pipelines Limited	134,969	Other Non-Operating Income	Other Income
Dividend income	712		
Income from net investment in finance lease - SNGPL	16,937	Other Non-Operating Income	Other Income
Sale of gas condensate - net	(34,856)	Other Non-Operating Income	Other Income
Income from LPG NGL - net	(112,213)	Other Non-Operating Income	Other Income

Description	(Rupees in '000)	Reclassified	
		From	To
Meter manufacturing division profit - net	(5,111)	Other Non-Operating Income	Other Income
Amortization of Government grant	37,702	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	101,447	Other Non-Operating Income	Other Income
Meter rentals	181,743	Other Operating Income	Other Income
RLNG transportation income	1,001,490	Other Operating Income	Other Income
Recognition of income against deferred credit	39,810	Other Operating Income	Other Income
Income from new service connections and asset contri	67,611	Other Operating Income	Other Income
Income from LPG air mix distribution - net	36,336	Other Operating Income	Other Income
Recoveries from consumers	21,128	Other Operating Income	Other Income
Liquidated damages recovered	46,550	Other Operating Income	Other Income
Advertising income	1,239	Other Operating Income	Other Income
Income from sale of tender documents	1,105	Other Operating Income	Other Income
Scrap sales	4,890	Other Operating Income	Other Income
Miscellaneous	14,138	Other Operating Income	Other Income
Rental income from SSGC LPG (Pvt) Limited	176	Other Non-Operating Income	Other Income
Gain on disposal of property, plant and equipment	3,192	Other Operating Income	Other Income
Unclaimed Dividend	285,721	Trade and Other Payable	Unclaimed dividend

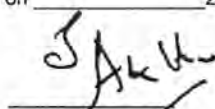
27. GENERAL

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

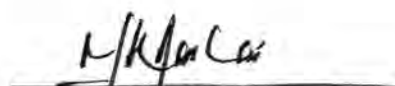
27.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

28. DATE OF AUTHORISATION

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


Chairperson


Chief Financial Officer


Managing Director

SUI SOUTHERN GAS COMPANY LIMITED

CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER, 30, 2017

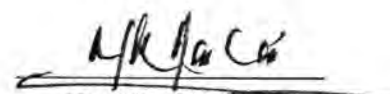
SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2017

		September 30, 2017 (Un-Audited)	Restated June 30, 2017 (Audited)	Restated June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----		
ASSETS				
Non-current assets				
Property, plant and equipment	6	117,950,293	117,174,550	98,877,569
Intangible assets		73,510	81,574	24,643
Deferred tax		202,042	2,681,027	2,882,244
Long term investments	7	500,383	560,327	243,415
Net investment in finance lease		290,125	304,579	362,394
Long term loans and advances		164,468	171,407	162,426
Long-term deposits		65,399	68,169	9,872
Total non-current assets		119,246,219	121,041,633	102,562,563
Current assets				
Stores, spares and loose tools		2,483,840	2,474,530	2,150,514
Stock-in-trade		1,230,129	1,288,147	834,656
Current maturity of net investment in finance lease		57,815	57,815	110,161
Customers' installation work-in-progress		166,321	165,402	184,508
Trade debts	8	80,572,603	82,150,985	86,307,335
Loans and advances		1,040,464	932,959	934,200
Advances, deposits and short term prepayments		218,444	177,445	497,052
Interest accrued	9	10,216,210	10,015,313	8,728,073
Other receivables	10	90,974,476	77,318,693	54,943,899
Taxation - net		18,943,201	18,970,646	20,053,925
Other financial assets		116,000	116,000	-
Cash and bank balances		964,524	1,147,188	1,357,962
Total current assets		206,984,026	194,815,123	176,102,285
Total assets		326,230,245	315,856,756	278,664,848

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial information.


Chairperson


Chief Financial Officer

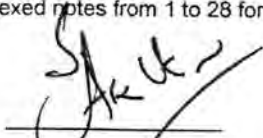

Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2017

AS AT SEPTEMBER 30, 2017

		September 30, 2017 (Un-Audited)	Restated June 30, 2017 (Audited)	Restated June 30, 2016 (Audited)
	Note	----- (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		458,754	518,699	201,787
Surplus on revaluation of fixed assets		11,728,265	11,728,265	11,728,265
Accumulated losses		(14,083,965)	(10,427,085)	(12,185,561)
		11,819,618	15,536,443	13,461,055
LIABILITIES				
Non-current liabilities				
Long term finance	11	47,786,177	48,790,294	22,573,040
Long term deposits		14,492,326	14,216,851	12,456,759
Employee benefits		5,031,422	4,902,390	4,716,523
Obligation against pipeline		970,795	982,731	1,027,886
Deferred credit	12	5,212,958	5,320,034	5,842,485
Long term advances		2,206,844	2,207,355	1,092,831
Total non-current liabilities		75,700,522	76,419,655	47,709,524
Current liabilities				
Current portion of long term finance	11	7,360,508	7,045,427	5,756,246
Short term borrowings	14	7,872,826	2,900,655	4,860,212
Trade and other payables	15	205,452,794	196,047,840	189,398,243
Short term deposits		261,632	254,338	192,438
Current portion of obligation against pipeline		46,178	45,155	41,287
Current portion of deferred credit		423,377	422,867	427,547
Unclaimed Dividend		285,721	285,721	285,837
Interest accrued	13	17,007,069	16,898,655	16,532,459
Total current liabilities		238,710,105	223,900,658	217,494,269
Total liabilities		314,410,627	300,320,313	265,203,793
Total equity and liabilities		326,230,245	315,856,756	278,664,848
Contingencies and commitments	16			

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial information.


Chairperson


Chief Financial Officer


Managing Director

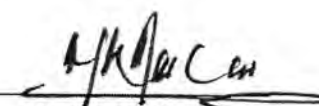
SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Quarter ended	
		September 30, 2017	September 30, 2016
		------(Rupees in '000)-----	
Sales		43,275,697	52,190,418
Sales tax		(5,794,178)	(7,296,824)
		37,481,519	44,893,594
Gas development surcharge		2,054,739	(5,142,905)
Net sales		39,536,258	39,750,689
Cost of sales	17	(39,789,298)	(35,193,791)
Gross (loss) / profit		(253,040)	4,556,898
Administrative and selling expenses		(1,102,200)	(1,013,571)
Other operating expenses	18	(965,128)	(2,117,439)
		(2,067,328)	(3,131,010)
		(2,320,367)	1,425,888
Other income	19	2,529,787	4,351,141
Operating Profit		209,420	5,777,029
Finance cost		(1,088,990)	(642,253)
(Loss) / Profit before taxation		(879,570)	5,134,776
Taxation	20	(2,777,310)	(907,173)
(Loss) / Profit for the period		(3,656,880)	4,227,603
Basic and diluted earning per share (Rupees)		(4.15)	4.80

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial information.


Chairperson

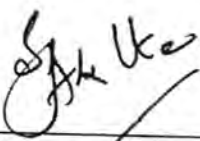

Chief Financial Officer


Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended	
	September 30, 2017	September 30, 2016
	----- (Rupees in '000) -----	
(Loss) / Profit for the period	(3,656,880)	4,227,603
Other comprehensive income		
Item that maybe reclassified subsequently to profit and loss account		
Unrealised (loss) / gain on re-measurement of available for sale securities	(59,945)	47,006
Item that will not be reclassified subsequently to profit and loss account		
Total comprehensive (loss) / income for the period	<u>(3,716,825)</u>	<u>4,274,609</u>

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial information.



 Chairperson



 Chief Financial Officer



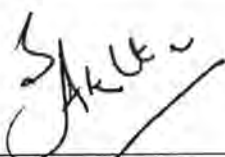
 Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

FOR THE QUARTER ENDED SEPTEMBER 30, 2017

		Quarter ended	
		September 30, 2017	September 30, 2016
	Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(879,570)	5,134,776
Adjustments for non-cash and other items	21	3,062,531	2,112,905
Working capital changes	22	(3,103,550)	4,230,290
Financial charges paid		(1,608,592)	(599,933)
Employee benefits paid		(27,157)	(17,839)
Payment for retirement benefits		(238,949)	(97,884)
Long term deposits received - net		244,165	554,844
Deposits paid - net		(2,675)	7,808
Loans and advances to employees - net		(94,101)	(72,679)
Interest income and return on term deposits received		623,719	28,389
Income taxes paid		(270,867)	702,060
Net cash (used in) /generated from operating activities		(2,295,046)	11,982,737
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,235,929)	(5,075,726)
Payments for intangible assets		(188)	(2,954)
Proceeds from sale of property, plant and equipment		36,314	8,404
Lease rental from net investment in finance lease		28,695	31,391
Dividend received		356	712
Net cash used in investing activities		(2,170,752)	(5,038,173)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of local currency loans		(704,584)	(1,275,608)
Consumer finance received		11,145	5,819
Repayment of consumer finance		4,402	(6,114)
Net cash used in financing activities		(689,037)	(1,275,903)
Net (decrease) / increase in cash and cash equivalents		(5,154,835)	5,668,661
Cash and cash equivalents at beginning of the period		(1,753,467)	(3,502,250)
Cash and cash equivalents at end of the period		(6,908,302)	2,166,411
Cash and cash equivalent comprises:			
Cash and bank balances		964,524	5,166,411
Short term borrowings		(7,872,826)	(3,000,000)
		(6,908,302)	2,166,411

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial information.


Chairperson


Chief Financial Officer


Managing Director

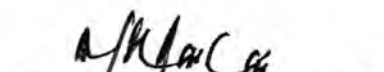
SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	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 3.1	-	-	-	-	11,728,265	-	11,728,265
Balance 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 September 30, 2016							
Profit for the period	-	-	-	-	-	4,227,603	4,227,603
Other comprehensive income for the period	-	-	-	47,006	-	-	47,006
Total comprehensive loss for the period	-	-	-	47,006	-	4,227,603	4,274,609
Balance as at September 30, 2016	8,809,163	234,868	4,672,533	248,793	11,728,265	(7,957,958)	17,735,664
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 September 30, 2017							
Loss for the period	-	-	-	-	-	(3,656,880)	(3,656,880)
Other comprehensive (loss) for the period	-	-	-	(59,945)	-	-	(59,945)
Total comprehensive income for the period	-	-	-	(59,945)	-	(3,656,880)	(3,716,825)
Balance as at September 30, 2017	8,809,163	234,868	4,672,533	458,754	11,728,265	(14,083,965)	11,819,618

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial information.


Chairperson


Chief Financial Officer


Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of holding	
	2017	2016
Subsidiary Companies		
- SSGC LPG (Private) Limited	100	100
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	100	100

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

Sui Southern Gas Company Limited

Sui Southern Gas Company Limited ("the Holding Company") is a public limited Company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange). The main activity of the Holding Company is transmission and distribution of natural gas in Sindh and Baluchistan. 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 Khadeji P&C Base Camp M-9 Motorway Karachi).

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

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

Sui Southern Gas Provident Fund Trust Holding Company (Private) Limited

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

SSGC LPG (Private) Limited

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

The Subsidiary Company acquired the assets including:

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

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

1.2 Basis of consolidation

- The consolidated financial statements include the financial statements 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 loss after tax of Rs. 3,714 million resulting in increase of its accumulated losses by Rs. 3,714 million and diminishing equity to Rs. 12,308 million after including the impact of staggering as disclosed in note 2.2. As at period end, current liabilities exceed its current asset by Rs. 29,828 million and accumulated losses stood at Rs. 13,595 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 been 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 1.4).

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

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG

in its franchise area. However, in its determination on Final Revenue requirement for FY 2017-18 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Holding Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, GoP being majority shareholder has acknowledged the funding requirements of the Holding Company and has shown commitment to extend all support to maintain the going concern status of the Holding Company.
- The Holding Company has devised a strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.
Under new tariff regime, the Holding Company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next three years.
- Banks have relaxed debt to equity ratio of the Holding Company from 80:20 to 95:05 from financial year 2016 to 2019. However, subsequent to year 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, and, OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, subject to the 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. Thereafter, management determined the revenue requirement of the Holding Company for the financial years 2011 to 2015 based on the interim relief of the Court, which was also accepted by OGRA, 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 These 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.

2.2 Staggering of Losses arising due to Sindh High Court decision

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

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

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for financial years 2011 to 2015 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Holding Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) for allowing staggering of Rs. 18,359 million in five years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Holding Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Holding Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years.

Therefore, the remaining accumulated losses of Rs. 18,359 million have been staggered and will be recorded in equal amounts of Rs. 3,672 million in five years from FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 918 million in these consolidated condensed interim financial information

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of these consolidated condensed interim financial information are the same as those applied in preparation of the annual consolidated audited financial statements of the Group for the year ended June 30, 2017 except a change in accounting policy as disclosed in note 3.1 in these consolidated condensed interim financial information.

- 3.1. 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 and 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 the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended June 30, 2017. 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.

5. FINANCIAL RISK MANAGEMENT

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

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work-in-progress

September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
----- (Rupees in '000) -----	
107,756,110	108,383,400
10,194,183	8,791,150
<u>117,950,293</u>	<u>117,174,550</u>

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

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

	September 30, 2017	September 30, 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				
Buildings on leasehold land	9,016	-	50,602	-
Gas distribution system	814,260	-	578,705	-
Gas transmission pipelines	305,766	-	7,169	-
Telecommunication	1,139	-	1,944	-
Plant and machinery	57,016	(308)	80,794	-
Tools and equipment	1,698	-	7,734	-
Motor vehicles	8,153	(4,112)	180,158	(5,212)
Furniture and fixtures	1,080	-	4,620	-
Office equipment	5,491	-	12,803	-
Computers and ancillary equipments	5,296	-	13,537	-
Construction equipment	988	-	663,382	-
Compressor	27,711	-	44,647	-
	1,237,614	(4,420)	1,646,095	(5,212)
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	1,139,998	(814,260)	931,268	(578,705)
- Gas transmission system	981,640	(305,766)	5,533,833	(7,169)
- Cost of buildings under construction and others	30,221	(9,016)	73,479	(50,602)
	2,151,859	(1,129,042)	6,538,580	(636,476)

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs.165 million (September 30, 2016: Rs. 2,585 million).

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	------(Rupees in '000)-----	
7. LONG TERM INVESTMENTS			
Investment in related parties	7.1.	328,262	364,619
Other investments		172,121	195,708
		<u>500,383</u>	<u>560,327</u>

- 7.1. 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.

During the period, 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.

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	------(Rupees in '000)-----	
8. TRADE DEBTS			
- secured		18,010,685	18,077,128
- unsecured		76,913,301	77,881,881
	8.1 & 8.2	<u>94,923,986</u>	95,959,009
Provision against doubtful debts		<u>(14,351,383)</u>	(13,808,024)
		<u>80,572,603</u>	<u>82,150,985</u>

- 8.1 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, the trade debts includes Rs. 32,070 million (June 30, 2017: Rs. 32,378 million) as at September 30, 2017 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2017: Rs. 29,652 million) as at September 30, 2017 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 76,943 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 with its legal counsel, who is of the view that the Holding Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel also viewed 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 finalized till the filing of these 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.

- 8.2 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, the trade debts includes Rs. 22,463 million (June 30, 2017: Rs. 22,310 million) including overdue balance of Rs. 22,413 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. 50,528 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.

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		(Rupees in '000)	
Note			
9.	INTEREST ACCRUED		
	Interest accrued on late payment of bills / invoices from:		
	- WAPDA	3,283,244	3,231,947
	- SNGPL	5,955,504	5,855,468
	- JJVL	571,745	522,092
		<u>9,810,493</u>	<u>9,609,507</u>
	Interest accrued on bank deposits	2,370	2,459
	Interest accrued on sales tax refund	487,739	487,739
		<u>10,300,602</u>	<u>10,099,705</u>
	Provision against impaired accrued income	(84,392)	(84,392)
		<u>10,216,210</u>	<u>10,015,313</u>
10.	OTHER RECEIVABLES - considered good		
	Gas development surcharge receivable from GoP	10.1. 31,041,836	21,264,629
	Staff pension fund	581,023	383,727
	Receivable for sale of gas condensate	42,949	42,949
	Sui Northern Gas Pipelines Limited	10.2 26,127,247	25,198,417
	Jamshoro Joint Venture Limited	10.3 11,611,577	10,794,328
	Sales tax receivable	10.4 23,260,480	21,314,419
	Sindh sales tax receivable	112,569	112,569
	Pipeline rentals	-	18,154
	LC margin for import of cylinders	6,966	-
	Receivable against asset contribution	10.5 355,198	359,348
	Accrued markup	1,869	906
	Miscellaneous receivable	179,121	175,606
		<u>93,320,835</u>	<u>79,665,052</u>
	Provision against impaired receivables	(2,346,359)	(2,346,359)
		<u>90,974,476</u>	<u>77,318,693</u>
10.1.	Gas Development Surcharge		
	GDS payable / (receivable)	21,264,629	(18,604,884)
	Recovered during the period	(10,681,647)	(37,006,536)
	Paid during the period	7,609,728	43,152,007
	Impact of staggering	2.2 (917,942)	(3,671,785)
	Price increase / (decrease) adjustment during the period	13,767,068	36,449,350
	Claim under IAS 19 during the year	-	946,477
		<u>31,041,836</u>	<u>21,264,629</u>

10.2 As at period end, receivable balance from SNGPL comprises of the following.

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Note	------(Rupees in '000)-----	
Uniform cost of gas		10,031,065	10,906,950
Lease rentals		29,960	5,529
Contingent rent		3,535	3,535
LSA Margins of RLNG		554,158	400,853
Capacity and utilization charges of RLNG	10.2.1	10,887,477	9,217,988
RLNG transportation income		4,621,052	4,663,562
		<u>26,127,247</u>	<u>25,198,417</u>

10.2.1 The Holding Company has invoiced an amount of Rs. 31,878 million, including Sindh Sales Tax of Rs. 3,796 million, till September 30, 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 finalized subsequent to end of reporting date.

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.

10.3 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 September 30, 2017, amount payable to JJVL in respect of processing charges is disclosed in note 15 in these consolidated condensed interim financial information.

10.4 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.

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

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

11. LONG-TERM FINANCE

Secured

Loans from banking companies	11.1.11.2&11.3	51,766,904	52,467,981
------------------------------	----------------	------------	------------

Unsecured

Front end fee of foreign currency loan		23,950	23,950
Consumer finance		209,764	203,021
Government of Sindh loans	11.4	3,146,067	3,140,769
		<u>3,379,781</u>	<u>3,367,740</u>
Subtotal		55,146,685	55,835,721

Less: current portion shown under current liabilities

Loans from banking companies		(6,700,000)	(6,383,333)
Consumer finance		(10,508)	(12,094)
Government of Sindh loans		(650,000)	(650,000)
		<u>(7,360,508)</u>	<u>(7,045,427)</u>
		<u>47,786,177</u>	<u>48,790,294</u>

- 11.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at September 30, 2017, the Holding Company has utilised 3000 million out of total sanctioned amount.

- 11.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at September 30, 2017 the Holding Company has utilised Rs. 25,000 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.

- 11.3 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.

- 11.4 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

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

12. DEFERRED CREDIT

Government contributions / grants

Additions / adjustments during the period	510	106,418
Transferred to consolidated profit and loss account	68,591	273,855

Contribution from customers

Transferred to consolidated profit and loss account	37,170	157,936
---	--------	---------

Government of Sindh grants

Transferred to consolidated profit and loss account	1,315	201,758
---	-------	---------

13. INTEREST ACCRUED

	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	------(Rupees in '000)-----	
Long term financing - loans from banking companies	767,842	419,156
Long term deposits from customers	91,402	355,318
Short term borrowings	92,961	94,839
Late payment surcharge on processing charges	217,627	192,105
Late payment surcharge on gas development surcharge	4,826	4,826
Late payment surcharge on gas supplies	15,832,411	15,832,411
	<u>17,007,069</u>	<u>16,898,655</u>

- 13.1. As disclosed in note 8.1 and 8.2, 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 has supported the contention of the Holding Company that it will not recognize LPS expense payable to the Government Controlled E & P Companies (OGDCL, PPL and GHPL), effective from July 1, 2012, till the time Holding Company receives payment for LPS income from KE and PSML and it would be settled simultaneously subject to fulfillment of all the codal formalities. Based on the letter received from MP & NR, and the legal opinion, the Holding Company has reversed the LPS expense on delayed payments on gas supplies effective from July 1, 2012. Further it has been decided that the Holding Company will record and pay such expense in the period only when it receives LPS income from KE and PSML.

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense from July 1, 2016 to September 30, 2017 amounting to Rs. 9,379 million on outstanding payables to Government Controlled E&P Companies, the effect on these consolidated condensed interim financial information would be as follows:

	September 30, 2017 (Un-audited) Rs. Million
- Increase in loss before tax	35,601
- Increase in loss after tax / accumulated losses	24,921
- Increase in loss per share - Rupees	28.29

14. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 15,625 million (June 30, 2017: Rs. 14,625 million) and subject to mark-up upto 0.60% (June 30, 2016: 0.60%) above the average one month KIBOR. The 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.7,752 million (June 30, 2017: Rs 11,725 million)

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

15. TRADE AND OTHER PAYABLES

Creditors for:

- gas supplies
- supplies

15.1	174,862,330	167,238,726
	2,051,477	941,703
	176,913,807	168,180,429

Amount received from customers for laying of mains, etc.

Engro Elengy Terminal (Private) Limited

Accrued liabilities

Advances from LPG customers

Provision for compensated absences - non executives

Payable to staff gratuity fund

Deposits / retention money

Bills payable

Advance for sharing right of way

Withholding tax payable

Sales tax & Federal excise duty payable

Sindh sales tax payable

Processing Charges payable to JJVL

Gas infrastructure development cess payable

Unclaimed Term Finance Certificate redemption profit

Inter State Gas System (Private) Limited (ISGSL)

Workers' Profit Participation Fund

Advances from customers and distributors

Transport and advertisement services

Others

	2,492,479	2,361,457
	1,106,707	2,098,162
	3,341,280	3,193,262
	-	12,177
	282,841	266,887
	3,877,372	3,778,334
	905,121	895,166
	145,309	59,498
	18,088	18,088
	128,322	95,497
	303,520	282,275
	120,618	54,322
	7,869,928	7,115,280
	7,278,498	7,264,457
	1,800	1,800
	-	1,555
	12,860	12,860
	47,990	45,356
	-	8,473
	606,254	302,505
	205,452,794	196,047,840

- 15.1 As at September 30, 2017, amount of Rs. 138,551 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. The management has reversed the LPS expense in the financial statements for the year ended June 30, 2017. During the period, management has not recorded the LPS expense in these consolidated condensed interim financial information.

16. CONTINGENCIES AND COMMITMENTS

	September 30, 2017 (Un-audited) ------(Rupees in '000)-----	June 30, 2017 (Audited)
16.1 Commitments for capital expenditure	<u>3,565,487</u>	<u>4,288,671</u>
16.2 Guarantees issued on behalf of the Group	<u>4,167,578</u>	<u>4,288,801</u>

- 16.3 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.

- 16.4 As disclosed in note 13.1, 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 September 30, 2017 amounting to Rs. 9,379 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.
- 16.5 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/CPGA-G, depicting the flow of payment from one GoP entity i.e. the Holding Company to another GoP entity i.e. WAPDA without yielding any substantial benefit to any claimant party.

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

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

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

In these 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 Holding Company and therefore no provision has been made in these unconsolidated financial statements.

16.6

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

On June 13, 2018, Supreme Court of Pakistan (SCP) in its decision concluded that the Holding Company would not supply any gas to JJVL for the purpose of processing. Further a firm of chartered accountant was appointed to conduct a complete audit of JJVL within a period of two months to ascertain and determine the amount to be paid by JJVL to the 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 these consolidated condensed interim financial statements.

		Quarter ended	
		September 30 2017	September 30 2016
		(Un-audited)	
		(Rupees in '000)	
17.	COST OF SALES	Note	
	Cost of gas	17.1	35,485,413
	Transmission and distribution costs		4,303,885
			39,789,298
			31,220,979
			3,972,812
			35,193,791

17.1	Cost of gas		
	Opening gas in pipelines	463,978	336,034
	Gas purchases	41,188,038	41,684,882
		41,652,016	42,020,916
	Gas consumed internally	(690,442)	(865,442)
	Inward price adjustment	(5,009,810)	(9,627,087)
	Closing gas in pipelines	(466,351)	(307,408)
		(6,166,603)	(10,799,937)
		35,485,413	31,220,979

18.	OTHER OPERATING EXPENSES		
	WPPF	-	267,826
	Auditors' remuneration	6,532	5,545
	Sports expenses	15,900	5,326
	Corporate social responsibility	5,406	6,550
	Exchange loss on payment of gas purchases	382,902	519,038
	Provision against impaired stores and spares	11,029	783
	Provision against impaired debt and other receivables	543,359	1,312,371
		965,128	2,117,439

	Quarter ended	
	September 30 2017	September 30 2016
	(Un-audited) ------(Rupees in '000)-----	
19. OTHER OPERATING INCOME		
Income from financial assets		
Income for receivable against asset contribution	9,126	9,758
Return on term deposits and profit and loss bank accounts	7,741	21,354
	<u>16,867</u>	<u>31,112</u>
Interest income on late payment of gas bills from		
- Jamshoro Joint Venture Limited	49,653	44,846
- Water and Power Development Authority	51,297	60,127
	<u>100,950</u>	<u>104,973</u>
Dividend income	356	712
	<u>118,173</u>	<u>136,797</u>
Late payment surcharge	614,181	1,374,309
Sui Northern Gas Pipelines Limited (SNGPL)	100,036	134,969
Income from net investment in finance lease - SNGPL	14,241	16,937
Sale of gas condensate	(1,611)	(34,856)
Income on LPG and NGL - net	250,003	(20,446)
Meter manufacturing division profit / (loss) - net	835	(5,111)
Meter rentals	186,329	181,743
RLNG transportation income	675,661	1,001,490
Recognition of income against deferred credit	98,139	39,810
Income from new service connections and asset contribution	71,074	67,611
Income from LPG air mix distribution - net	33,708	36,336
Advertising income	-	1,239
Income from sale of tender documents	2,168	1,105
Scrap sales	3,400	4,890
Recoveries from consumers	20,854	21,128
Liquidity damaged recovered	146,560	46,550
Gain on disposal of property, plant and equipment	31,894	3,192
Amortization of Government grant	1,315	37,702
Reversal of Impairment on Operating assets	-	1,190,000
LSA margins against RLNG	153,174	101,447
Miscellaneous	9,653	14,299
	<u>2,529,787</u>	<u>4,351,141</u>

- 19.1. The Holding Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG & NGL from various gas fields and the Holding Company sold to JJVL 50% of LPG extracted on monthly producer price of OGDCL and PARCO whichever is higher and the rest sold to marketing companies. 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 16.6 of these consolidated condensed interim financial information for status of arbitration proceedings with JJVL.

	Quarter ended	
	September 30	September 30
	2017	2016
	(Un-audited)	
Note	------(Rupees in '000)-----	
20. TAXATION		
- Current	298,325	1,823,008
- Deferred	2,478,985	(915,835)
	<u>2,777,310</u>	<u>907,173</u>
21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS		
Provisions	877,180	1,624,184
Depreciation	1,454,418	1,414,537
Amortization of intangibles	8,252	5,022
Finance cost	1,095,237	643,983
Amortization of transaction cost	7,256	(1,815)
Amortization of government grant	(1,315)	(37,702)
Recognition of income against deferred credit	(105,763)	(46,558)
Dividend income	(356)	(712)
Interest income and return on term deposits	(215,329)	(267,926)
Income from net investment in finance lease	(14,241)	(16,937)
(Gain) on disposal of property plant and equipment	(31,894)	(3,192)
Increase in long term advances	(511)	-
Decrease in deferred credit	510	-
(Reversal) / Provision for Impairment of Operating Assets	-	(1,190,000)
Decrease in obligation against pipeline	(10,913)	(9,978)
	<u>3,062,531</u>	<u>2,112,905</u>

Quarter ended	
September 30 2017	September 30 2016
(Un-audited)	
----- (Rupees in '000) -----	

22. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(29,685)	(1,754,369)
Stock-in-trade	60,854	(44,343)
Customers' installation work-in-progress	(919)	634
Trade debts	1,039,172	852,633
Advance deposits and short term prepayments	6,410	127,509
Other receivables	(13,392,657)	(4,404,558)
	(12,316,825)	(5,222,494)
Increase in current liabilities		
Trade and other payables	9,213,275	9,452,784
	(3,103,550)	4,230,290

23. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of 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 these consolidated condensed interim financial information are as follows:

		Quarter ended	
		September 30, 2017	September 30, 2016
		(Un-audited)	
Relationship		----- (Rupees in '000) -----	
Astro Plastic (Private) Limited	Associate		
- Billable charges		46,975	36,708
Attock Cement Limited	Associate		
- Billable charges		18,038	8,685
* Gadoon Textile Mills Limited	Associate		
- Billable charges		-	92

Relationship	Quarter ended	
	September 30, 2017	September 30, 2016
	(Un-audited)	
	(Rupees in '000)	
Government related entities - various		
- Purchase of fuel and lubricant	34,565	4,433
- Billable charges	9,084,983	19,737,755
- Sharing of expenses	-	15,400
- Income from net investment in finance	14,241	16,937
- Gas purchases	19,917,440	17,395,761
- Sale of gas meters and spare parts	2,131	-
- Rent of premises	6,649	554
- Insurance premium	27,950	20,412
- Uniform cost of gas	5,009,810	6,819,475
- Electricity expense	61,285	51,798
- Interest income	151,333	195,096
- RLNG transportation income	675,661	1,001,490
Markup on long term finance	58,879	15,368
Markup on short term finance	4,713	3,151
- Income against LNG service agreement	153,174	101,447
- Professional charges	239	-
Habib Bank Limited	Associate	
- Profit on investment	220	4,273
- Markup on short term finance	42,263	5,438
- Markup on long term finance	121,508	70,023
- Billable charges	5,054	4,094
* International Industries Limited	Associate	
- Billable charges	-	57,325
Key management personnel		
- Remuneration	63,443	58,522
Minto & Mirza	Associate	
- Professional charges	1,500	450
* 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	82,329	70,940
- Contribution to pension fund	69,002	49,092
- Contribution to gratuity fund	71,698	79,781
Thatta Cement Company Limited	Associate	
- Billable Charges	1,209	1,390

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

- 23.1 Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.
- 23.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 23.3 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.

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

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

		September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	Relationship	------(Rupees in '000)-----	
Astro Plastic (Private) Limited			
- Billable charges	Associate	15,082	16,623
Attock Cement Limited			
- Billable charges	Associate	7,375	4,737
- Gas supply deposit		(588)	(588)
Government related entities - various			
- Billable charges		57,158,359	58,566,349
- Markup accrued on borrowings		(3,222,656)	(4,123,310)
- Net investment in finance lease		29,960	5,529
- Gas purchases		(142,171,079)	(134,227,691)
- Gas meters		746,348	703,971
- Uniform cost of gas		10,031,065	10,906,950
- Cash at bank		26,232	21,487
- Stock loan		10,602	10,602
- Payable to insurance		(2,752)	(2,631)
- Gas supply deposit		(25,681)	(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		9,238,748	9,087,415
- Contingent rent		3,535	3,535
- Capacity and utilisation charges of RLNG		10,887,477	9,217,988
- RLNG transportation income		4,621,053	4,663,562
- LSA Margins		554,158	400,853
- Professional charges		57	-
Habib Bank Limited			
- Long term finance	Associate	(6,732,889)	(6,816,226)
- Short term finance		(3,900,119)	-
- Cash at bank		26,073	82,211
- Accrued mark-up		(400,903)	(298,100)
- Billable charges		1,416	1,436
- Billable charges		5	5
- Gas supply deposit		(15)	(15)
Thatta Cement Company Limited			
- Billable charges	Associate	405	764

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

24. 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 assess 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.

	Quarter ended		Segment Profit / (loss)	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
		(Un-audited)		
		(Rupees in '000)		
Gas transmission and distribution	37,481,519	44,893,594	(644,589)	4,567,757
Meter manufacturing	363,704	309,190	835	(5,111)
Total segment results	37,845,223	45,202,784	(643,754)	4,562,646
Unallocated - other expenses				
- Other operating expenses			(421,769)	(805,068)
Unallocated - other income				
- Non-operating income			185,953	1,377,198
(Loss) / Profit before tax			(879,570)	5,134,776

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 363 million (September 30, 2016: Rs. 305 million).

Segment assets and liabilities

	September 30, 2017	June 30, 2017
	(Un-audited)	(Audited)
	(Rupees in '000)	(Rupees in '000)
Segment assets		
Gas transmission and distribution	301,738,996	291,242,128
Meter manufacturing	2,888,483	2,902,230
Total segment assets	304,627,479	294,144,358
Unallocated		
- Loans and advances	1,204,932	1,104,366
- Taxation - net	18,943,201	18,970,646
- Interest accrued	490,109	490,198
- Cash and bank balances	964,524	1,147,188
	21,602,766	21,712,398
Total assets as per balance sheet	326,230,245	315,856,756
Segments liabilities		
Gas transmission and distribution	308,586,853	294,716,915
Meter manufacturing	792,352	701,008
Total segment liabilities	309,379,205	295,417,923
Unallocated		
- Employee benefits	5,031,422	4,902,390
Total liabilities as per balance sheet	314,410,627	300,320,313

25. 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.

25.1 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 September, 2017			Total
	Level 1	Level 2	Level 3	
	Rupees in '000			
Available for sale financial assets				
Quoted equity securities	495,283	-	-	495,283

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

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

25.2 Fair value of other assets

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

	As at September 30, 2017	
	Level 2	Fair Value
	Rupees in '000	
Freehold land	5,453,582	5,453,582
Leasehold land	6,937,190	6,937,190
	<u>12,390,772</u>	<u>12,390,772</u>

Freehold Land
Leasehold Land

As at June 30, 2017	
Level 2	Fair Value
-----Rupees in '000-----	
5,476,034	5,476,034
6,938,631	6,938,631
<u>12,414,665</u>	<u>12,414,665</u>

26. 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		Reclassified	
		From	To
Income for receivable against asset contribution	9,758	Other Non-Operating Income	Other Income
Return on term deposits and profit and loss bank accounts	21,354	Other Non-Operating Income	Other Income
- Jamshoro Joint Venture Limited	44,846	Other Non-Operating Income	Other Income
- Water and Power Development Authority	60,127	Other Non-Operating Income	Other Income
Dividend income	712	Other Non-Operating Income	Other Income
Late payment surcharge	1,374,309	Other Non-Operating Income	Other Income
Sui Northern Gas Pipelines Limited (SNGPL)	134,969	Other Non-Operating Income	Other Income
Income from net investment in finance lease - SNGPL	16,937	Other Non-Operating Income	Other Income
Sale of gas condensate	(34,856)	Other Non-Operating Income	Other Income
Income on LPG and NGL - net	(20,446)	Other Non-Operating Income	Other Income
Meter manufacturing division profit / (loss) - net	(5,111)	Other Non-Operating Income	Other Income
Meter rentals	181,743	Other Operating Income	Other Income
RLNG transportation income	1,001,490	Other Operating Income	Other Income
Recognition of income against deferred credit	39,810	Other Operating Income	Other Income
Income from new service connections and asset contribution	67,611	Other Operating Income	Other Income
Income from LPG air mix distribution - net	36,336	Other Operating Income	Other Income
Advertising income	1,239	Other Operating Income	Other Income
Income from sale of tender documents	1,105	Other Operating Income	Other Income
Scrap sales	4,890	Other Operating Income	Other Income
Recoveries from consumers	21,128	Other Operating Income	Other Income
Liquidity damaged recovered	46,550	Other Operating Income	Other Income
Gain on disposal of property, plant and equipment	3,192	Other Operating Income	Other Income
Amortization of Government grant	37,702	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	101,447	Other Non-Operating Income	Other Income
Miscellaneous	14,299	Other Operating Income	Other Income
Unclaimed Dividend	285,721	Trade and Other Payable	Unclaimed dividend

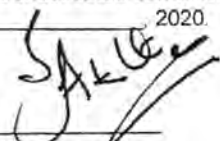
27. GENERAL

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

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

28. DATE OF AUTHORISATION

These Consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on _____ 2020.


Chairperson


Chief Financial Officer


Managing Director