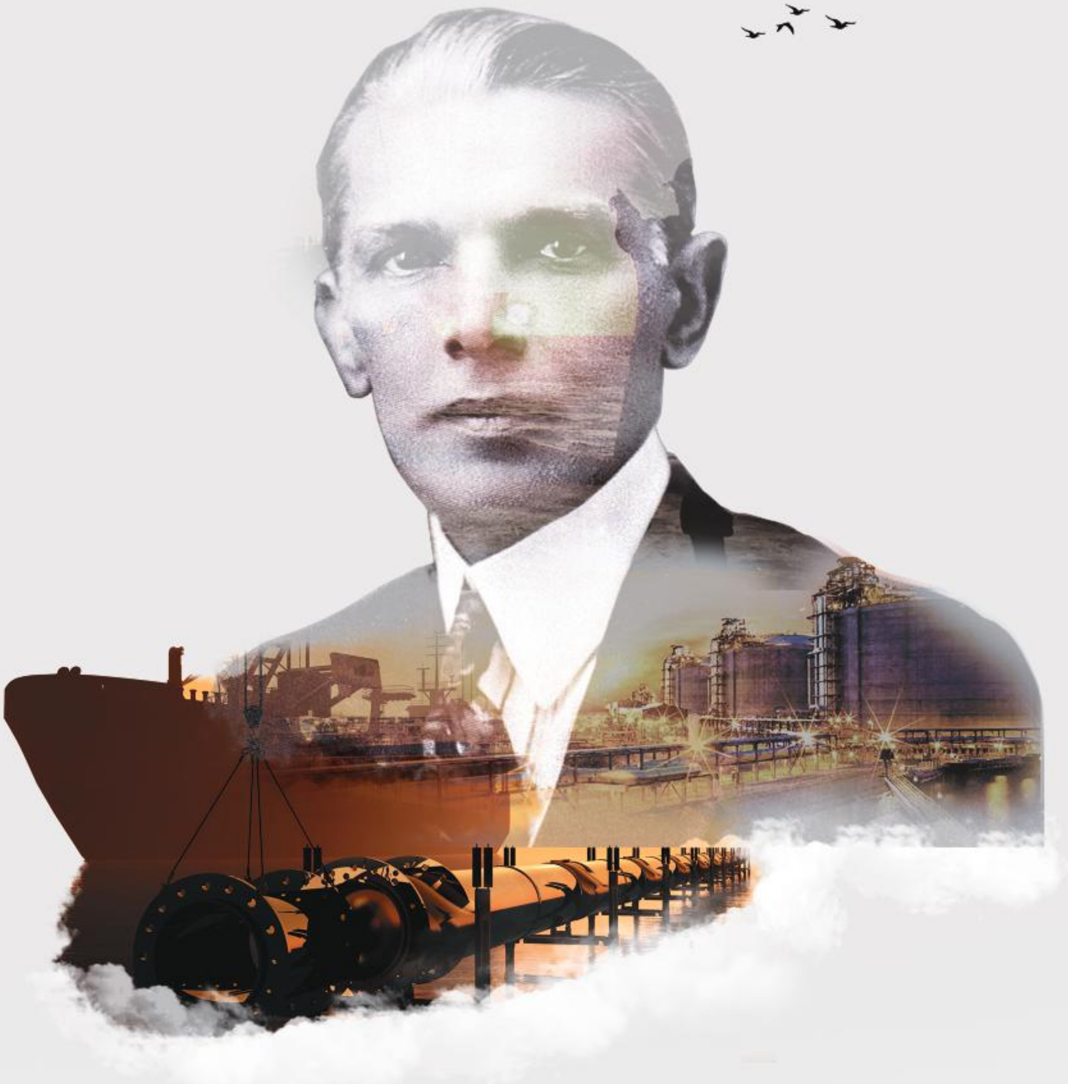
SSGC Sui Southern Gas Company Limited



Un-Audited Condensed Interim Financial Information for the quarter ended September 30, 2017

TAKING INSPIRATION FROM HISTORY AND MOVING FORWARD

SSGC

Sui Southern Gas Company Limited

Un-Audited Condensed Interim Financial Information
for the quarter ended September 30, 2017

CORPORATE PROFILE

BOARD OF DIRECTORS

AS ON SEPTEMBER 30, 2017

Mr. Miftah Ismail	Chairman
Mr. Khalid Rahman*	Managing Director / CEO
Sardar Rizwan Kehar	Member
Mirza Mahmood Ahmad	Member
Mr. Azher Ali Choudhry	Member
Nawabzada Riaz Nosherwani	Member
Mr. Abdul Ghufran	Member
Agha Sher Shah	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Muhammad Riaz Khan	Member
Syed Ghazanfar Abbas Jilani	Member
Mr. Furqan Bahadur Khan	Member

ACTING MANAGING DIRECTOR
Mr. Muhammad Amin Rajput*

COMPANY SECRETARY
Mr. Shoaib Ahmed

AUDITORS
M/s. Deloitte Yousuf Adil, Chartered Accountants

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

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

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

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

BOARD OF DIRECTORS' COMMITTEES

Board HR and Remuneration Committee

Mr. Miftah Ismail	Chairman
Mr. Khalid Rahman*	Managing Director / CEO
Mr. Muhammad Amin Rajput*	AMD
Mr. Furqan Bahadur Khan	Member
Mr. Azher Ali Choudhry	Member
Nawabzada Riaz Nosherwani	Member
Sardar Rizwan Kehar	Member

Board Finance and Procurement Committee

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

Board Audit Committee

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

Board Risk Management, Litigation and HSEQA Committee

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

Special Committee of Directors on UFG

Sardar Rizwan Kehar	Member
Mr. Khalid Rahman*	Managing Director / CEO
Mr. Muhammad Amin Rajput*	AMD
Mr. Miftah Ismail	Member
Nawabzada Riaz Nosherwani	Member
Mirza Mahmood Ahmad	Member
Mr. Furqan Bahadur Khan	Member
Mr. Muhammad Riaz Khan	Member
Qazi Mohammad Saleem Siddiqui	Member

Board Nomination Committee

Mr. Miftah Ismail	Chairman
Agha Sher Shah	Member
Sardar Rizwan Kehar	Member

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

DIRECTORS' REVIEW

For Three Months Period Ended September 30, 2017

I am pleased to share the Company's unaudited results for the three months ended September 30, 2017.

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

Financial Overview

During the period under review, the Company recorded a net after tax loss of Rs. 3,714 million after incorporating major disallowances by OGRA.
The summary of financial highlights is given below:

	Three Months ended September 30, 2017 (Rupees in Million)
Loss before taxation	(949)
Taxation	(2,765)
Loss after taxation	(3,714)

SSGC Profitability is derived from Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed 17% return on its average net operating fixed assets before financial charges and taxes. However, OGRA makes adjustments while determining the revenue requirements based on efficiency related benchmarks viz a viz unaccounted for Gas (UFG), Human Resource Benchmark Cost and Provision for Doubtful Debts and some expenses. These adjustments affect the bottom line of the Company that is primarily based on guaranteed return of 17% net of financial charges and taxes.

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

In line with OGRA Determination on Final Revenue Requirement for FY 2017-18 issued on April 23, 2020, total disallowances absorbed in these three months' financial results amounted to Rs. 3.1 billion against Rs. 3.7 billion return on assets.

High UFG Disallowance

The extremely high UFG disallowance is due to the fact that OGRA is not accepting RLNG Volume Handling benefit allowed to SSGC vide a summary approved by Economic Coordination Committee (ECC) dated May 11, 2018. Had this benefit been allowed to SSGC the net UFG disallowance would have been reduced by Rs. 5.5 billion (including Rs. 4.2 billion for FY 2017).

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

Absorption of Past Staggered Losses

Absorption of Rs. 0.9 billion of staggered losses pertaining Sindh High Court decision dated November 25, 2016 wherein SSGC claim on UFG Benchmark and on the treatment of certain Non-operating Incomes have been rejected. As a consequence of this decision, SSGC had to absorb losses of Rs. 36.7 billion pertaining to FY 2011 to FY 2015. With the approval of competent authorities, SSGC had staggered these losses in six years and up till September 30, 2017 SSGC has absorbed Rs. 22.9 billion.

High Financial Cost

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

Future Outlook

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

Acknowledgements

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

On behalf of the Board.

Dr. Shamshad Akhtar
Chairperson, Board of Directors

Muhammad Amin Rajput
Acting Managing Director/CEO

Karachi: August 17, 2020

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

As at September 30, 2017

	Note	September 30, 2017 (Un-Audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
		(Rupees in '000)		
ASSETS				
Non-current assets				
Property, plant and equipment	6	**115,789,301**	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.

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

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

As at September 30, 2017

	Note	September 30, 2017 (Un-Audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
		-----------------(Rupees in '000)--------------		
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital:				
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000	10,000,000
Issued, subscribed and paid-up capital		**8,809,163**	8,809,163	8,809,163
Reserves		**4,907,401**	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		**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	13	**7,872,826**	2,900,653	4,860,212
Trade and other payables	14	**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	15	**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	16			

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

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

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

For the quarter ended September 30, 2017

	Note	Quarter ended September 30, 2017	Quarter ended 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		**2,054,740**	(5,142,905)
Net sales		**39,536,259**	39,750,689
Cost of sales	17	**(39,786,222)**	(35,193,791)
Gross (loss) / profit		**(249,963)**	4,556,898
Administrative and selling expenses		**(1,077,315)**	(996,377)
Other operating expenses	18	**(964,999)**	(2,117,438)
		(2,042,314)	(3,113,815)
		(2,292,277)	1,443,083
Other income	19	**2,431,691**	4,285,221
Operating profit		**139,414**	5,728,304
Finance cost		**(1,088,260)**	(639,619)
(Loss) / profit before taxation		**(948,846)**	**5,088,685**
Taxation	20	**(2,765,606)**	(899,569)
(Loss) / Profit for the period		**(3,714,452)**	4,189,116
Basic and diluted (loss) / earning per share (Rupees)		**(4.22)**	4.76

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF 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 statement of profit or loss		
Unrealised (loss) / gain on re-measurement of available for sale securities	**(59,945)**	47,006
Total comprehensive (loss) / income for the period	**(3,774,397)**	4,236,122

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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

For the quarter ended September 30, 2017

	Note	Quarter ended September 30, 2017	Quarter ended September 30, 2016
		---------------(Rupees in '000)-------------	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/ profit before taxation		**(948,846)**	5,088,685
Adjustments for non-cash and other items	21	**2,963,954**	2,043,727
Working capital changes	22	**(3,255,676)**	4,406,211
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.

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

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the 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	-	(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.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

1. STATUS AND NATURE OF BUSINESS

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

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

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

1.2 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating expenses and non-operating income. The determination of annual required return is reviewed by OGRA, under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Financial Performance

During the period, the Company has 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 Sui Northern Gas Pipelines Limited (SNGPL) in consultation with Ministry of Energy (Petroleum Division). The Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

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

- The Company has devised a strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.

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

- Banks have relaxed debt to equity ratio of the Company from 80:20 to 95:05 from financial year 2016 to 2019. However, subsequent to year end, the Company has never defaulted in payment of any installment of principal and interest thereon and some of the loans have been totally paid off to date.

- The Company is also evaluating the option to issue shares to improve the equity and cash flows of the Company.

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

1.4 Determination of revenue requirement

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

Being aggrieved by the above decision, the Company had filed an appeal against the decision of OGRA in the High Court of Sindh ("the Court"), on which the Court provided interim relief, 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 Sindh High Court has dismissed the Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income and therefore while the management has considered OGRA's decision in preparation of financial statements for the year ended June 30, 2017, it has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgement.

2. BASIS FOR PREPARATION

2.1 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 form 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)	June 30, 2017 (Audited)
	--------(Rupees in '000)--------	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	**105,662,329**	106,267,254
Capital work-in-progress	**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	(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).

	Note	**September 30, 2017 (Un-audited)**	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
7. LONG TERM INVESTMENTS			
Investment in related parties	7.1	**1,328,262**	1,364,620
Other investments		**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.

	Note	**September 30, 2017 (Un-audited)**	June 30, 2017 (Audited)
		--------(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)
		80,550,040	82,137,595

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.

	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	--------(Rupees in '000)--------	
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
	9,810,493	9,609,507
Interest accrued on bank deposits	**2,370**	2,457
Interest accrued on sales tax refund	**487,739**	487,739
Interest accrued to related party	**609,289**	579,056
	10,909,891	10,678,759
Provision against impaired accrued income	**(84,392)**	(84,392)
	10,825,499	10,594,367

	Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
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
SSGC LPG (Private) Limited		**18,142**	73,953
Sales tax receivable	10.4	**23,189,213**	21,249,747
Sindh sales tax		**112,569**	112,569
Pipeline rentals		**-**	18,154
Receivable against asset contribution	10.5	**355,198**	359,348
Miscellaneous receivable		**178,948**	175,412
		93,258,702	79,673,233
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		90,912,343	77,326,874
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
		31,041,836	21,264,629

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	10.2.1	**10,887,477**	9,217,988
RLNG transportation income		**4,621,053**	4,663,562
		26,127,247	25,198,417

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.

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

13 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 0.10% 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).

	Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
14. TRADE AND OTHER PAYABLES			
Creditors for:			
- gas supplies	14.1	**174,862,406**	167,233,189
- supplies		**2,051,477**	943,528
		176,913,883	168,176,717
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 (WPPF)		**12,860**	12,860
Inter State Gas System (Private) Limited (ISGSL)		**-**	1,555
Others		**458,880**	256,093
		205,255,154	195,950,390

14.1 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.

15. INTEREST ACCRUED

	Note	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	15.1	**15,832,411**	15,832,411
		17,007,069	16,898,655

15.1 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**

16. CONTINGENCIES AND COMMITMENTS

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

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 condensed interim financial information.

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)	
	Note	-----------(Rupees in '000)--------	
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
		39,786,222	35,193,791

	Note	Quarter ended September 30, 2017	Quarter ended September 30, 2016
		(Un-audited)	
		-----------(Rupees in '000)--------	
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			
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
		964,999	2,117,438
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
		41,968	56,944
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
		100,950	104,973
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
		2,431,691	4,285,221

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.

	Quarter ended	
	September 30 2017	September 30 2016
	(Un-audited)	
	--------(Rupees in '000)--------	
20. TAXATION		
- Current	**289,253**	1,815,404
- Deferred	**2,476,353**	(915,835)
	2,765,606	899,569
21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS		
Provisions	**875,388**	1,622,980
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)
	2,963,954	2,043,727

	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)
	(12,448,903)	(5,409,857)
Increase / (decrease) in current liabilities		
Trade and other payables	**9,193,227**	9,816,068
	(3,255,676)	4,406,211

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)	
	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
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

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

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 employees and / or actuarial advice.

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

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 financial information are as follows:

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

SSGC LPG (Private) Limited	Relationship Wholly owned subsidiary	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
- 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 period.

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 asses their performance. As a result, management has identified the following two segments:

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

Segment revenue and results

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

	Quarter ended			
	Segment revenue		Segment (loss) / profit	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30,
	(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)	June 30, 2017 (Audited)
	--------(Rupees in '000)--------	
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	Total
	---------------------------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	Other Non-Operating Income	Other Income
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			
- Sui Northern Gas Pipelines Limited	134,969	Other Non-Operating Income	Other Income
Dividend income	712	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 - net	(34,856)	Other Non-Operating Income	Other Income
Income from LPG NGL - net	(112,213)	Other Non-Operating Income	Other Income
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 contribution	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

Description	(Rupees in '000)	Reclassified	
		From	To
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 The unconsolidated condensed interim condensed interim financial informations are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

27.3 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 July 30, 2020.

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

SSGC | Sui Southern Gas Company Limited

Un-Audited Consolidated Condensed Interim Financial Information
for the quarter ended September 30, 2017

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

As at September 30, 2017

	Note	**September 30, 2017 (Un-Audited)**	Restated June 30, 2017 (Audited)	Restated June 30, 2016 (Audited)
		--------(Rupees in '000)--------		
ASSETS				
Non-current assets				
Property, plant and equipment	6	**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.

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

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

As at September 30, 2017

	Note	September 30, 2017 (Un-Audited)	Restated June 30, 2017 (Audited)	Restated June 30, 2016 (Audited)
		--------(Rupees in '000)--------		
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital:				
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000	10,000,000
Issued, subscribed and paid-up capital		**8,809,163**	8,809,163	8,809,163
Reserves		**4,907,401**	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		**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	13	**7,872,826**	2,900,655	4,860,212
Trade and other payables	14	**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	15	**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.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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

For the quarter ended September 30, 2017

	Note	Quarter ended September 30, 2017	Quarter ended 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 (loss) / 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.

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

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 statement of profit or loss		
Total comprehensive (loss) / income for the period	**(3,716,825)**	4,274,609

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

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

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

For the quarter ended September 30, 2017

	Note	Quarter ended September 30, 2017	Quarter ended September 30, 2016
		-----------(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.

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the 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**	**-**	**(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 income 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 loss 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.

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

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of holding	
	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 Balochistan. Brief profiles of the Holding Company and subsidiaries are as follows:

Sui Southern Gas Company Limited

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

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

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

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

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

SSGC LPG (Private) Limited

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

The Subsidiary Company acquired the assets including:

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

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

1.2 Basis of consolidation

- The consolidated 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 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 judgement.

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 form 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 thses 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. ACCONTING 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.

	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
	-----------(Rupees in '000)----------	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	**107,756,110**	108,383,400
Capital work-in-progress	**10,194,183**	8,791,150
	117,950,293	117,174,550

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).

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

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.

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

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.

	Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		-----------(Rupees in '000)-----------	
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
		9,810,493	9,609,507
Interest accrued on bank deposits		**2,370**	2,459
Interest accrued on sales tax refund		**487,739**	487,739
		10,300,602	10,099,705
Provision against impaired accrued income		**(84,392)**	(84,392)
		10,216,210	10,015,313
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
		93,320,835	79,665,052
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		90,974,476	77,318,693
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
		31,041,836	21,264,629
10.2 As at period end, receivable balance from SNGPL comprises of the following:			
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
		26,127,247	25,198,417

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.

	Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		-----------(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
		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		**(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 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.

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

13. 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).

14. TRADE AND OTHER PAYABLES

	Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
		------------(Rupees in '000)------------	
Creditors for:			
- gas supplies	14.1	**174,862,330**	167,238,726
- supplies		**2,051,477**	941,703
		176,913,807	168,180,429
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		**3,341,280**	3,193,262
Advances from LPG customers		**-**	12,177
Provision for compensated absences - non executives		**282,841**	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 payable		**128,322**	95,497
Sales tax & Federal excise duty payable		**303,520**	282,275
Sindh sales tax payable		**120,618**	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
Inter State Gas System (Private) Limited (ISGSL)		**-**	1,555
Workers' Profit Participation Fund (WPPF)		**12,860**	12,860
Advances from customers and distributors		**47,990**	45,356
Transport and advertisement services		**-**	8,473
Others		**606,254**	302,505
		205,452,794	196,047,840

14.1 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.

15. INTEREST ACCRUED

	Note	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	15.1	**15,832,411**	15,832,411
		17,007,069	16,898,655

15.1 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**

16. CONTINGENCIES AND COMMITMENTS

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

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/CPPA-G, depicting the flow of payment from one GoP entity i.e. the Holding Company to another GoP entity i.e. WAPDA without yielding any substantial benefit to any claimant party.

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

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

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

In these 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 consolidated condensed interim financial information.

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 information.

		Note	Quarter ended September 30 2017 (Un-audited)	September 30 2016
			-----------(Rupees in '000)----------	
17.	**COST OF SALES**			
	Cost of gas	17.1	**35,485,413**	31,220,979
	Transmission and distribution costs		**4,303,885**	3,972,812
			39,789,298	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		**(466,350)**	(307,408)
			(6,166,602)	(10,799,937)
			35,485,414	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

	Note	Quarter ended September 30 2017	Quarter ended 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
		16,867	31,112
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
		100,950	104,973
Dividend income		**356**	712
		118,173	136,797
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	19.1	**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
		2,529,787	4,351,141

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)
			2,777,310	907,173
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 deffered credit		**510**	-
	(Reversal) / Provision for Impaiment of Operating Assets		**-**	(1,190,000)
	Decrease in obligation against pipeline		**(10,913)**	(9,978)
			3,062,531	2,112,905

	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	Quarter ended 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:

	Relationship	**September 30, 2017 (Un-audited)**	June 30, 2017 (Audited)
		-----------(Rupees in '000)	**----------**
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
- 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	Associate		
- Long term finance		**(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	Associate		
- Billable charges		**405**	764

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

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 asses their performance. As a result, management has identified the following two segments:

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

Segment revenue and results

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

	Quarter ended			
	Segment revenue		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 (Un-audited)	June 30, 2017 (Audited)
	(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			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees in '000			
Available for sale financial assets				
Quoted equity securities	**495,283**	**-**	**-**	**495,283**

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

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

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**
	12,390,772	**12,390,772**

	As at June 30, 2017	
	Level 2	Fair Value
	--------------Rupees in '000---------	
Freehold Land	5,453,582	5,453,582
Leasehold Land	6,937,190	6,937,190
	12,390,772	12,390,772

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	Reclassified 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
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
Interest income on late payment of gas bills from			
- 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 The consolidated condensed interim financial informations are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

27.3 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 July 30, 2020.

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

KEY DATA

FRANCHISE AREA	SINDH AND BALOCHISTAN	
	Three months period ended September 30,	
	2017	2016
NATURAL GAS SALES VOLUME (MMCF)	**89,785**	91,957
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	**4,201**	4,181
COMMERCIAL	**22,686**	21,423
DOMESTIC	**2,828,693**	2,753,243
TOTAL	**2,855,580**	2,778,847
GAS METERS MANUFACTURED (NOS.)	**69,140**	112,930
TRANSMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	**36**	36
12"	**522**	522
16"	**558**	558
18"	**940**	970
20"	**844**	844
24"	**717**	666
30"	**9**	9
42"	**371**	31
	3,997	3,636
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	**35,997**	34,997
SERVICES	**10,393**	9,879
	46,390	44,876

گزشتہ حیرت انگیز نقصانات برداشت کرنا

سندھ ہائی کورٹ کے 25 نومبر 2018 کے فیصلے کے مطابق 0.9 بلین روپے کے حیرت انگیز نقصانات برداشت کرنا پڑے جس میں SSGC کے UFG کے بنچ مارک کے دعوے اور بعض نان آپریٹنگ آمدنیوں کی ٹریٹمنٹ کو مسترد کردیا گیا تھا۔ اس فیصلے کے نتیجے میں SSGC کو مالی سال 2011 تا مالی سال 2015 سے متعلق 36.7 بلین روپے کے نقصانات برداشت کرنا پڑے۔ مجاز اتھارٹیز کی منظوری سے 6 سال میں حیرت انگیز نقصانات اور 30 ستمبر 2017 تک SSGC نے 22.9 بلین روپے کے نقصانات برداشت کئے۔

زیادہ مالیاتی اخراجات

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

مستقبل کے امکانات

اس کے علاوہ UFG میں کمی کمپنی کو چلانے اور مالی ضروریات کے لئے بنیاد ہے۔ مزید برآں یہ بھی اہم ہے کہ کمپنی کو کیبنٹ ECC کے فیصلے کے مطابق RLNG ہینڈلنگ پر والیومیٹرک کی بنیاد پر UFG کا حساب لگانے کی اجازت دی جائے۔

اعتراف

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

بورڈ کی جانب سے

ڈاکٹر شمشاد اختر
چیئرپرسن، بورڈ آف ڈائریکٹرز

محمد امین راجپوت
ایکٹنگ مینجنگ ڈائریکٹر

کراچی: 17 اگست، 2020

ڈائریکٹرز کا جائزہ

برائے سہ ماہی مختتمہ 30 ستمبر 2017

مجھے کمپنی کے غیر آڈٹ شدہ نتائج برائے سہ ماہی مختتمہ 30 ستمبر 2017 آپ کے ساتھ شیئر کرتے ہوئے خوشی محسوس ہو رہی ہے۔

کمپنی کو زیرِ جائزہ مدت کے دوران میں شدید چیلنجز کا سامنا رہا جن میں سے بعض کمپنی کی ترقی اور امور کی انجام دہی کیلئے نہایت اہم ہیں۔

مالیاتی عمومی جائزہ

زیرِ جائزہ مدت کے دوران میں کمپنی کو اوگرا کی جانب سے بڑی نامنظوریوں کے شامل کرنے سے 3,714 ملین روپے کا بعد از ٹیکس نقصان اٹھانا پڑا۔

مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:

سہ ماہی مختتمہ 30 ستمبر 2017 (ملین روپے میں)	
نقصان قبل از ٹیکس	(949)
ٹیکزیشن	(2,765)
نقصان بعد از ٹیکس	(3,714)

SSGC کی منفعت اوگرا کی جانب سے مجوزہ گارنٹیڈ ریٹرن فارمولا سے حاصل ہوتی ہے۔ اس فارمولے کے تحت SSGC کو اس کے اوسط آپریٹنگ فکسڈ اثاثہ جات پر مالیاتی چارجز اور ٹیکسز سے قبل 17% ریٹرن کی اجازت ہے۔ تاہم اوگرا استعداد سے متعلق بنچ مارکس کے ساتھ ساتھ غیر شمار گیس (UFG)، انسانی وسائل کے بنچ مارک، مشتبہ قرضہ جات کے اخراجات اور پرووِیژن اور بعض دیگر اخراجات کی بنیاد پر آمدنی کی ضروریات کا تعین کر کے ایڈجسٹمنٹ کرتا ہے۔ یہ ایڈجسٹمنٹس کمپنی کی سب سے نچلی سطح پر اثر انداز ہوتے ہیں جو ابتدائی طور پر فنانشل چارجز اور ٹیکسز کے بعد خالص 17% گارنٹیڈ آمدنی پر مبنی ہوتے ہیں۔

سہ ماہی کے دوران میں بعد از ٹیکس نقصان کی بنیادی وجوہات درج ذیل ہیں:

اوگرا کی جانب سے حتمی آمدنی کی ضروریات برائے مالی سال 18-2017 کا تعین 23 اپریل 2020 کو جاری کیا گیا، جس میں اس سہ ماہی کے دوران میں مالیاتی نتائج کل نامنظوریاں شامل کرنے کے بعد اثاثہ جات کی آمدنی 3.7 بلین روپے کے مقابلے میں 3.1 بلین روپے رہے۔

زیادہ UFG کی نامنظوریاں

زیادہ UFG کی نامنظوریوں کی وجہ یہ حقیقت ہے کہ اوگرا RLNG والیوم ہینڈلنگ کے فوائد کی اجازت نہیں دے رہا جس کی منظوری اکنامک کوآرڈینیشن کمیٹی (ECC) کی جانب سے 11 مئی 2018 کو ایک سمری میں دی گئی تھی۔ اگر SSGC کو یہ فائدہ دے دیا جاتا تو خالص UFG نامنظوریاں 5.5 بلین روپے (بشمول 4.2 بلین روپے برائے مالی سال 2017) کم ہو جاتیں۔

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

Sui Southern Gas
Company Limited

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