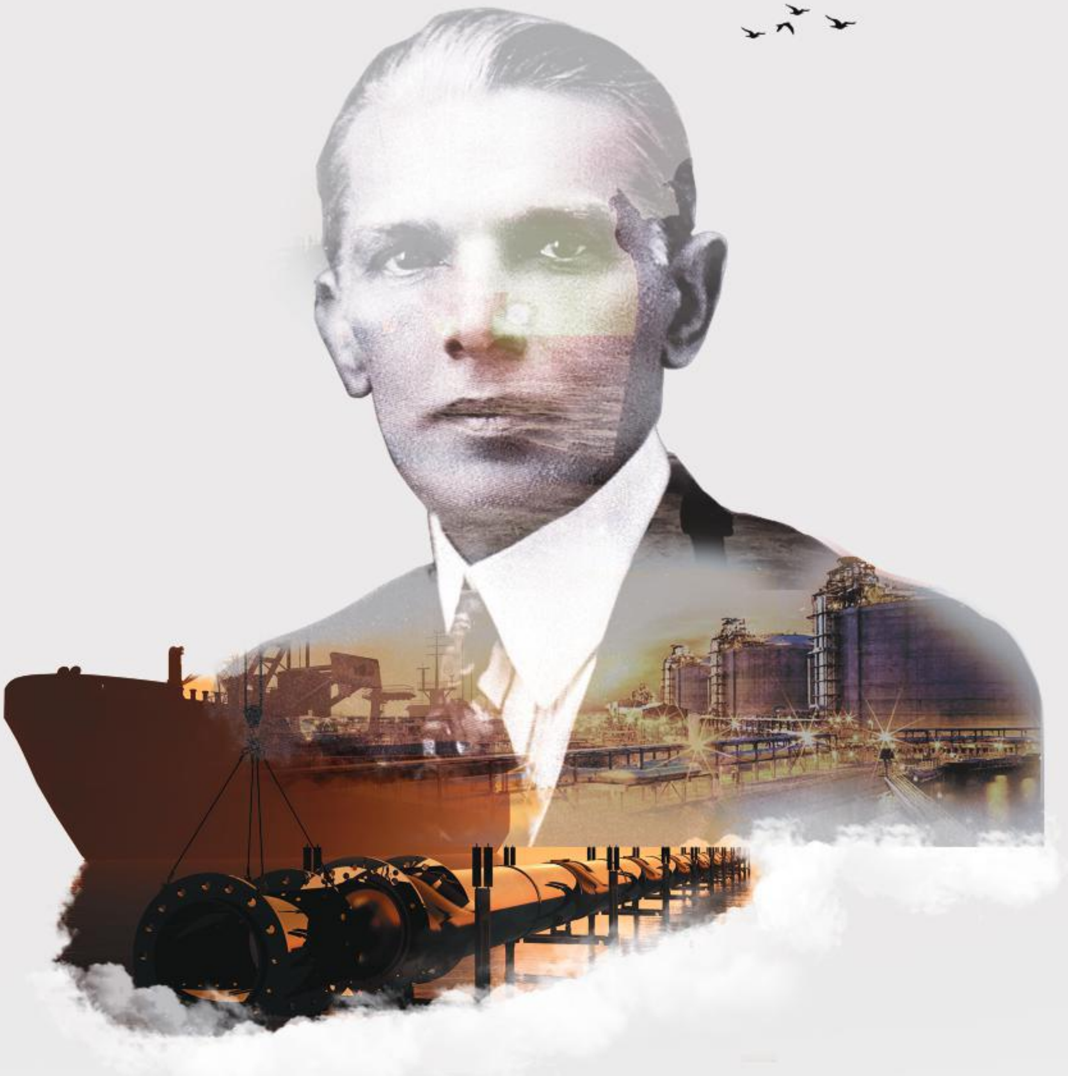
Sui Southern Gas Company Limited



Un-Audited Condensed Interim Financial Information for the nine months period ended March 31, 2018

TAKING INSPIRATION FROM HISTORY AND MOVING FORWARD

SSGC | Sui Southern Gas Company Limited

Un-Audited Unconsolidated Condensed Interim Financial Information
for the nine months period ended March 31, 2018

CORPORATE PROFILE

BOARD OF DIRECTORS

AS ON MARCH 31, 2018

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

ACTING MANAGING DIRECTOR
Mr. Muhammad Amin Rajput

COMPANY SECRETARY
Mr. Shoaib Ahmed

AUDITORS
M/s. Deloitte Yousuf Adil, Chartered Accountants

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

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

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

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

BOARD OF DIRECTORS' COMMITTEES

Board HR and Remuneration Committee

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

Board Finance and Procurement Committee

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

Board Audit Committee

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

Board Risk Management, Litigation and HSEQA Committee

Mr. Muhammad Riaz Khan	Chairman
Mr. Muhammad Amin Rajput*	AMD
Mr. Abdul Gufran	Member
Mirza Mahmood Ahmad	Member

Special Committee of Directors on UFG

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

Board Nomination Committee

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

* During the period, the contract of Mr. Khalid Rahman (Managing Director) concluded on January 4, 2018 and the Board assigned acting charge of Managing Director to Mr. Muhammad Amin Rajput.

DIRECTORS' REVIEW

For Nine Months Period Ended March 31, 2018

I am pleased to share the Company's unaudited results for nine months ended March 31, 2018.
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 Net After Tax Loss of Rs. 10,763 million after incorporating major disallowances by OGRA.
The summary of financial highlights is given below:

	Nine Months ended March 31, 2018 (Rupees in Million)
Loss before taxation	(7,458)
Taxation	(3,305)
Loss after taxation	(10,763)

SSGC Profitability is derived from the 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 Un-accounted 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 period were as under:

In line with OGRA Determination on Final Revenue Requirement for FY 2017-18 issued on April 23, 2020, total disallowances absorbed in these nine months' financial results amounted to Rs. 13.2 billion against Rs. 11.3 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. 9.1 billion (including Rs. 4.2 billion for FY 2017).

It is pertinent to mention that all the stakeholders in RLNG supply chain are getting compensation for incidental cost / losses on actual basis in the process of RLNG Supply. Similar benefit was allowed to SSGC through above referred ECC summary in the form of Volume Handling benefit in UFG Benchmark determination. However, OGRA has refused to implement the same causing huge financial loss to SSGC in the form of UFG disallowance.

In order to control precarious situation which the Company is facing and to address OGRA's concerns, leading to non-implementation of above Summary, MoE – PD considering the legitimacy of the Company's claim decided to pursue the matter afresh after consulting all the stakeholders and had moved another Summary to the ECC so as to enforce decision made earlier by the ECC.

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

Absorption of Past Staggered Losses

Absorption of Rs. 2.7 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 March 31, 2018 SSGC has absorbed Rs. 24.7 billion.

High Financial Cost

Financial Charges for the period were Rs. 3.8 billion which is Rs. 2.2 billion higher than the Financial Charges for the corresponding period last year. The increase is mainly on account of Long Term Loan obtained to finance Pipeline Infrastructure for transmission of RLNG from Port Qassim Karachi to Sawan for delivering RLNG to SNGPL network. Besides this, Company's cash flows remained stretched owing to the circular debt resulting additional Finance Cost on Short Term Borrowings.

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.

Chairperson
Karachi

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	Note	March 31, 2018 (Un-audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
		--------(Rupees in '000)--------		
ASSETS				
Non-current assets				
Property, plant and equipment	6	**117,605,272**	114,993,177	96,711,045
Intangible assets		**57,344**	74,148	24,643
Deferred tax	7	**-**	2,476,353	2,668,942
Long term investments	8	**1,422,218**	1,560,328	1,243,416
Net investment in finance lease		**264,475**	304,579	362,394
Long term loans and advances		**188,755**	171,407	162,426
Long-term deposits		**15,939**	14,365	8,302
Total non-current assets		**119,554,003**	119,594,357	101,181,168
Current assets				
Stores, spares and loose tools		**2,010,110**	2,472,190	2,146,869
Stock-in-trade		**1,138,454**	1,139,269	801,819
Current maturity of net investment in finance lease		**57,815**	57,815	110,161
Customers' installation work-in-progress		**184,246**	165,402	184,508
Trade debts	9	**83,295,518**	82,137,595	86,285,447
Loans and advances		**2,356,208**	2,642,233	2,643,911
Advances, deposits and short term prepayments		**195,396**	146,751	481,877
Interest accrued	10	**11,372,051**	10,594,367	9,191,342
Other receivables	11	**119,370,061**	77,326,874	55,108,009
Taxation - net		**19,275,784**	18,867,146	19,986,902
Cash and bank balances		**494,605**	896,852	954,239
Total current assets		**239,750,248**	196,446,494	177,895,084
Total assets		**359,304,251**	316,040,851	279,076,252

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

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

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	Note	March 31, 2018 (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		**380,589**	518,699	201,787
Surplus on revaluation of fixed assets		**11,728,265**	11,728,265	11,728,265
Accumulated losses		**(20,643,498)**	(9,880,716)	(11,500,489)
Total equity		**5,181,920**	16,082,812	14,146,127
LIABILITIES				
Non-current liabilities				
Long term finance	12	**51,321,081**	48,790,294	22,573,040
Long term deposits		**15,374,466**	14,222,296	12,462,204
Employee benefits		**5,263,129**	4,886,461	4,704,086
Obligation against pipeline		**946,108**	982,731	1,027,886
Deferred credit	13	**5,009,231**	5,320,034	5,842,485
Long term advances		**2,395,458**	2,207,355	1,092,831
Total non-current liabilities		**80,309,473**	76,409,171	47,702,532
Current liabilities				
Current portion of long term finance	12	**10,608,786**	7,045,427	5,756,246
Short term borrowings	14	**20,425,669**	2,900,653	4,860,212
Trade and other payables	15	**224,072,900**	195,950,390	189,324,005
Current portion of obligation against pipeline		**48,293**	45,155	41,287
Current portion of deferred credit		**422,793**	422,867	427,547
Unclaimed Dividend		**285,494**	285,721	285,837
Interest accrued	16	**17,948,923**	16,898,655	16,532,459
Total current liabilities		**273,812,858**	223,548,868	217,227,593
Total liabilities		**354,122,331**	299,958,039	264,930,125
Contingencies and commitments	17			
Total equity and liabilities		**359,304,251**	316,040,851	279,076,252

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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

For The Nine Months Period Ended March 31, 2018

	Note	Nine months period ended		Quarter ended	
		March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
		--------------------(Rupees in '000)--------------------			
Sales		**130,283,888**	142,170,378	**43,448,259**	41,599,846
Sales tax		**(17,750,055)**	(19,551,493)	**(5,780,587)**	(5,601,540)
		112,533,833	122,618,885	**37,667,672**	35,998,306
Gas development surcharge		**12,587,169**	(20,299,185)	**1,662,920**	(4,135,371)
Net sales		**125,121,002**	102,319,700	**39,330,592**	31,862,935
Cost of sales	18	**(132,726,930)**	(103,935,811)	**(42,928,387)**	(34,186,380)
Gross loss		**(7,605,928)**	(1,616,111)	**(3,597,795)**	(2,323,445)
Administrative and selling expenses		**(3,253,595)**	(3,122,460)	**(1,096,626)**	(1,025,385)
Other operating expenses	19	**(3,258,296)**	(2,615,110)	**(1,152,827)**	(754,458)
		(6,511,891)	(5,737,570)	**(2,249,453)**	(1,779,843)
		(14,117,819)	(7,353,681)	**(5,847,248)**	(4,103,288)
Other income	20	**10,491,534**	10,596,023	**4,482,332**	3,118,819
Operating (loss) / profit		**(3,626,285)**	3,242,342	**(1,364,916)**	(984,469)
Finance cost		**(3,831,877)**	(1,651,246)	**(1,489,339)**	(571,440)
(Loss) / profit before taxation		**(7,458,162)**	1,591,096	**(2,854,255)**	(1,555,909)
Taxation	21	**(3,304,620)**	(1,718,124)	**(216,594)**	290,763
Loss for the period		**(10,762,782)**	(127,028)	**(3,070,849)**	(1,265,146)
Basic and diluted loss per share		**(12.22)**	(0.14)	**(3.49)**	(1.44)

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For The Nine Months Period Ended March 31, 2018

	Nine months period ended		Quarter ended	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	--------(Rupees in '000)--------			
Loss for the period	**(10,762,782)**	(127,028)	**(3,070,849)**	(1,265,146)
Other comprehensive income				
Item that may be reclassified subsequently to statement of profit or loss				
Unrealised (loss) / gain on re-measurement of available for sale securities	**(138,110)**	384,415	**55,596**	260,031
Item that will not be reclassified subsequently to statement of profit or loss	**-**	-	**-**	-
Total comprehensive (loss) / income for the period	**(10,900,892)**	257,387	**(3,015,253)**	(1,005,115)

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

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

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
For The Nine Months Period Ended March 31, 2018

	Note	**March 31, 2018**	March 31, 2017
		--------------(Rupees in '000)-----------	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(7,458,162)**	1,591,096
Adjustments for non-cash and other items	22	**10,144,261**	6,436,239
Working capital changes	23	**(15,460,930)**	(3,232,172)
Financial charges paid		**(3,042,941)**	(1,872,832)
Employee benefits paid		**(87,243)**	(61,305)
Payment for retirement benefits		**(592,925)**	(353,010)
Long term deposits received - net		**1,152,170**	1,387,007
Deposits paid - net		**(1,574)**	(5,459)
Loans and advances to employees - net		**268,677**	137,299
Interst income and return on term deposits received		**39,631**	82,756
Income taxes paid		**(1,236,904)**	(167,404)
Net cash (used in) / generated from operating activities		**(16,275,940)**	3,942,215
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(7,784,569)**	(18,208,026)
Payments for intangible assets		**(8,701)**	(48,917)
Proceeds from sale of property, plant and equipment		**76,341**	68,209
Lease rental from net investment in finance lease		**82,828**	120,384
Payment for obligation against pipeline		**(101,799)**	(101,799)
Dividend received		**18,818**	1,688
Net cash used in investing activities		**(7,717,082)**	(18,168,461)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		**9,215,897**	11,986,440
Repayments of local currency loans		**(3,150,000)**	(3,807,803)
Consumer finance received		**11,145**	5,819
Repayment of consumer finance		**(11,056)**	(17,943)
Dividend paid		**(227)**	577
Net cash generated from financing activities		**6,065,759**	8,167,090
Net (decrease) / increase in cash and cash equivalents		**(17,927,263)**	(6,059,156)
Cash and cash equivalents at beginning of the period		**(2,003,801)**	(3,905,973)
Cash and cash equivalents at end of the period		**(19,931,064)**	(9,965,129)
Cash and cash equivalent comprises:			
Cash and bank balances		**494,605**	128,677
Short term borrowings		**(20,425,669)**	(10,093,806)
		(19,931,064)	(9,965,129)

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

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

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

For The Nine Months Period Ended March 31, 2018

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Surplus on revaluation of fixed assests	Accumulated losses	Total
	(Rupees in '000)						
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	-	(11,500,489)	2,417,862
Effect of change in Accounting policy Note 3.1	-	-	-	-	11,728,265	-	11,728,265
Balance at July 01, 2016 (Restated)	8,809,163	234,868	4,672,533	201,787	11,728,265	(11,500,489)	14,146,127
Total comprehensive loss for the period ended March 31, 2017							
Loss for the period	-	-	-	-	-	(127,028)	(127,028)
Other comprehensive income for the period	-	-	-	384,415	-	-	384,415
Total comprehensive income for the period	-	-	-	384,415	-	(127,028)	257,387
Balance as at March 31, 2017	8,809,163	234,868	4,672,533	586,202	11,728,265	(11,627,517)	14,403,514
Balance as at June 30, 2017 (Restated)	**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 March 31, 2018							
Loss for the period	-	-	-	-	-	**(10,762,782)**	**(10,762,782)**
Other comprehensive loss for the period	-	-	-	**(138,110)**	-	-	**(138,110)**
Total comprehensive loss for the period	-	-	-	**(138,110)**	-	**(10,762,782)**	**(10,900,892)**
Balance as at March 31, 2018	**8,809,163**	**234,868**	**4,672,533**	**380,589**	**11,728,265**	**(20,643,498)**	**5,181,920**

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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. 10,763 million resulting in increase of its accumulated losses by Rs. 10,763 million and diminishing equity to Rs. 5,182 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. 34,063 million and accumulated losses stood at Rs. 20,643 million. The Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Company's petitions by Sindh High Court (refer note 1.4).

The Company's financial performance for the period has deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers and staggering of losses due to dismissal of Company's petitions by Sindh High Court (refer note 1.4).

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

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue requirement for FY 2017-18 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with Sui Northern Gas Pipelines Limited (SNGPL) in consultation with Ministry of Energy (Petroleum Division). The Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

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

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

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

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

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

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

1.4 Determination of revenue requirement

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

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

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

2. BASIS FOR PREPARATION

2.1 Statement of compliance

The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in this unconsolidated condensed interim financial information is based on FRR determined by OGRA for the financial year ended June 30, 2018.

This unconsolidated condensed interim financial information does not include all information required for annual audited condensed interim financial informations and should be read in conjunction with the unconsolidated 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 had disallowed certain expenses for the years ended 2011 to 2015. Consequently, management had approached Securities and Exchange Commission of Pakistan (SECP) through its letter dated December 14, 2016 to allow staggered recognition of the disallowed expenses of Rs. 36,718 million in 3 years. The permission from SECP was sought based on the grounds that recognition of such disallowances in one year will reflect very adverse results and financial position of the Company, considering that OGRA's determination of some significant aspects of revenue requirements are provisional and are likely to be revised.

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

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

Therefore, the remaining accumulated losses of Rs. 18,359 million have been staggered and will be recorded in equal amounts of Rs. 3,672 million in five years form FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 2,754 million in this unconsolidated condensed interim financial information.

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

		Rupees in million
-	Increase in loss before tax	11,933
-	Increase in loss after tax / accumulated losses	8,353
-	Increase in loss per share - Rupees	9.48

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Change in accounting policy

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

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unconsolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2016. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Company.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this unconsolidated condensed interim financial information except certain additional disclosures as given in note 26.

5. FINANCIAL RISK MANAGEMENT

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

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	------------(Rupees in '000)--------	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	**107,432,276**	106,267,254
Capital work-in-progress	**10,172,996**	8,725,923
	117,605,272	114,993,177

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

	Nine months period ended			
	March 31, 2018		March 31, 2017	
	(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				
Land	**-**	**-**	9,895	-
Buildings on leasehold land	**48,029**	**-**	108,619	-
Gas transmission pipelines	**2,325,442**	**-**	10,664,525	-
Gas distribution system	**3,663,786**	**(76,914)**	2,682,350	(9,176)
Telecommunication	**15,884**	**-**	92,804	-
Plant and machinery	**228,526**	**(453)**	278,054	
Tools and equipment	**11,019**	**-**	53,774	-
Motor vehicles	**105,052**	**(21,908)**	618,742	(25,891)
Furniture and fixtures	**2,405**	**-**	9,278	-
Office equipment	**70,840**	**-**	45,119	-
Computers and ancillary equipments	**98,152**	**-**	93,300	-
Construction equipment	**77,084**	**(61)**	724,655	
SCADA	**7,393**	**-**	-	-
Row	**-**	**-**	137,761	-
Compressors	**377,676**	**-**	3,815,844	-
	7,031,288	**(99,336)**	19,334,720	(35,067)

Capital work in progress:	Nine months period ended			
	March 31, 2018		March 31, 2017	
	(Un-audited)			
	(Rupees in '000)			
	Capital expenditure incurred	**Transfer to operating assets**	Capital expenditure incurred	Transfer to operating assets
Projects:				
- Gas distribution system	**3,798,839**	**(3,663,786)**	3,457,824	(2,682,350)
- Gas transmission system	**2,065,853**	**(2,325,442)**	12,991,522	(10,664,525)
- Buildings on leasehold land	**83,604**	**(48,029)**	105,320	(108,619)
	5,948,296	**(6,037,257)**	16,554,666	(13,455,494)

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 710 million (March 31, 2017: Rs. (4,239) million).

7. DEFERRED TAX

As at March 31,2018, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs.20,762 million (June 30, 2017: Rs. 16,836 million) out of which deferred tax asset amounting to Rs. 14,804 million has been recognised and remaining balance of Rs 5,958 million is unrecognised. As at period end, the Company's minimum tax credit amounted to Rs.1,526 million (June 30, 2017: Rs. 849 million) having expiry period ranging between 2022 and 2023.

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		(Rupees in '000)	
8. LONG TERM INVESTMENTS			
Investment in related parties	8.1	**1,277,203**	1,364,620
Other investments		**145,016**	195,708
		1,422,218	1,560,328

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

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

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		(Rupees in '000)	
9. TRADE DEBTS			
Secured		**19,574,252**	18,073,913
Unsecured		**78,361,847**	77,829,529
	9.1 & 9.2	**97,936,099**	95,903,442
Provision against doubtful debts		**(14,640,581)**	(13,765,847)
		83,295,518	82,137,595

9.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per IAS 18 “Revenue“ based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 31,080 million (June 30, 2017: Rs. 32,378 million) as at March 31, 2018 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2017: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 81,807 million (June 30, 2017: Rs. 74,449 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

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

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

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

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

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

Management has consulted 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 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 hasn't been finalised till the filling 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 has been received from KE.

9.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the 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. 22,771 million (June 30, 2017: Rs. 22,310 million) including overdue balance of Rs. 22,721 million (June 30, 2017: Rs. 22,260 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 53,502 million (June 30, 2017: Rs. 49,056 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

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

10. INTEREST ACCRUED

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	-----------(Rupees in '000)-----------	
Interest accrued on late payment of bills / invoices from:		
- WAPDA	**3,372,612**	3,231,947
- SNGPL	**6,230,353**	5,855,468
- JJVL	**688,418**	522,092
	10,291,383	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	**674,951**	579,056
	11,456,443	10,678,759
Provision against impaired accrued income	**(84,392)**	(84,392)
	11,372,051	10,594,367

		Note	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
			--------(Rupees in '000)--------	
11.	**OTHER RECEIVABLES - considered good**			
	Gas development surcharge receivable from GoP	11.1	**41,963,272**	21,264,629
	Staff pension fund		**570,215**	383,727
	Receivable for sale of gas condensate		**52,202**	42,949
	Sui Northern Gas Pipelines Limited	11.2	**39,188,009**	25,198,417
	Jamshoro Joint Venture Limited	11.3	**11,941,224**	10,794,328
	SSGC LPG (Private) Limited		**4,595**	73,953
	Sales tax receivable	11.4	**27,403,157**	21,249,747
	Sindh sales tax		**112,568**	112,569
	Pipeline rentals		**-**	18,154
	Receivable against asset contribution	11.5	**378,057**	359,348
	Miscellaneous receivables		**103,121**	175,412
			121,716,420	79,673,233
	Provision against impaired receivables		**(2,346,359)**	(2,346,359)
			119,370,061	77,326,874
11.1	**Gas Development Surcharge**			
	GDS payable / (receivable)		**21,264,629**	(18,604,884)
	Recovered during the period		**(8,270,996)**	(37,006,536)
	Paid during the period		**7,708,861**	43,152,007
	Impact of staggering	2.2	**(2,753,839)**	(3,671,785)
	Price increase / (decrease) adjustment during the period		**24,014,617**	36,449,350
	Claim under IAS 19 during the year		**-**	946,477
			41,963,272	21,264,629
11.2	As at period end, receivable balance from SNGPL comprises of the following:			
	Uniform cost of gas		**12,807,041**	10,906,950
	Lease rentals		**155,354**	5,529
	Contingent rent		**3,535**	3,535
	LSA Margins		**899,179**	400,853
	Capacity and utilisation charges of RLNG	11.2.1	**20,689,025**	9,217,988
	RLNG transportation income		**4,633,875**	4,663,562
			39,188,009	25,198,417

11.2.1 The Company has invoiced an amount of Rs. 41,011 million, including Sindh Sales Tax of Rs. 4,965 million, till March 31, 2017 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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

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

On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Company. On September 10, 2018, and on February 7, 2019, another 18 BCF and 11 BCF respectively. Up to March 2020 71 BCF of RLNG volume has been allocated to the Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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

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

As at period end, amount payable to JJVL in respect of processing charges is disclosed in note 15 to these unconsolidated condensed interim financial information.

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

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

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
12. LONG-TERM FINANCE			
Secured			
Loans from banking companies	12.1,12.2 & 12.3	**58,546,142**	52,467,981
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Consumer financing		**203,111**	203,021
Government of Sindh loan	12.4	**3,156,664**	3,140,769
		3,383,725	3,367,740
		61,929,867	55,835,721
Less: curent portion shown under current liabilities			
Loans from banking companies		**(9,945,833)**	(6,383,333)
Consumer financing		**(12,953)**	(12,094)
Government of Sindh loan		**(650,000)**	(650,000)
		(10,608,786)	(7,045,427)
		51,321,081	48,790,294

12.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at March 31, 2018, the Company has utilised total sanctioned amount.

12.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at March 31, 2018 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

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

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

13. DEFERRED CREDIT

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	------------(Rupees in '000)------------	
Government contributions / grants		
Additions / adjustments during the period / year	**22,330**	106,418
Transferred to unconsolidated statement of profit or loss	**206,495**	273,855
Contribution from customers		
Transferred to unconsolidated statement of profit or loss	**114,842**	157,936
Government of Sindh grants		
Transferred to unconsolidated statement of profit or loss	**11,870**	201,758

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs.22,978 million (June 30, 2017: Rs. 14,625 million) and subject to mark-up to 0.10% (June 30, 2017: 0.60%) above the average one month KIBOR. These facilities are secured by first pari passu first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Company.

The aggregate unavailed short term borrowing facilities amounted to Rs.2,552 million (June 30, 2017: Rs 11,725 million).

15. TRADE AND OTHER PAYABLES

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
- gas supplies	15.1	**192,981,719**	167,233,189
- supplies		**1,096,912**	943,528
		194,078,631	168,176,717
Amount received from customers for laying of mains, etc.		**2,318,558**	2,361,457
Engro Elengy Terminal (Private) Limited		**547,740**	2,098,162
Accrued liabilities		**3,585,145**	3,193,262
Advance from LPG customers		**38,126**	22,002
Provision for compensated absences - non executives		**304,387**	266,887
Payable to staff gratuity fund		**3,792,967**	3,778,334
Deposits / retention money		**766,204**	895,166
Bills payable		**1,255,453**	59,498
Advance for sharing right of way		**18,088**	18,088
Withholding tax payable		**157,857**	92,175
Sales tax and Federal excise duty		**224,627**	282,275
Sindh sales tax		**16,105**	54,322
Processing Charges payable to JJVL		**9,083,667**	7,115,280
Gas infrastructure development cess payable		**7,231,502**	7,264,457
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Workers' Profit Participation Fund		**12,860**	12,860
Inter State Gas System (Private) Limited (ISGSL)		**-**	1,555
Others		**639,183**	256,093
		224,072,900	195,950,390

15.1 As at March 31, 2018, amount of Rs. 150,583 million (June 30, 2017: Rs. 121,487 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2017: Rs. 15,832 million) on their balances. The management has reversed the LPS expense in the financial statements for the year ended June 30, 2017. During the period, management has not recorded the LPS expense in these unconsolidated condensed interim financial information.

16. INTEREST ACCRUED

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		------------(Rupees in '000)------------	
Long term financing - loans from banking companies		**1,340,929**	419,156
Long term deposits from customers		**291,959**	355,318
Short term borrowings		**181,270**	94,839
Late payment surcharge on processing charges		**297,528**	192,105
Late payment surcharge on gas development surcharge		**4,826**	4,826
Late payment surcharge on gas supplies	16.1	**15,832,411**	15,832,411
		17,948,923	16,898,655

16.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the 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 March 31, 2018 amounting to Rs. 13,085 million on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim financial information would be as follows:

	March 31, 2018 (Un-audited) (Rupees in million)
- Increase in loss before tax	**39,307**
- Increase in loss after tax / accumulated losses	**27,515**
- Increase in loss per share - Rupees	**31.23**

17. CONTINGENCIES AND COMMITMENTS

		March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
		-------- (Rupees in '000)	--------
17.1	Commitments for capital expenditure	**4,095,799**	4,288,671
17.2	Guarantees issued on behalf of the Company	**4,128,241**	4,157,181

17.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 144,120 million (June 30, 2017: Rs. 39,463 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Company and JPCL. JPCL has raised another claim of Rs. 5.793 million (June 30, 2017: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

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

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

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

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

17.4 As disclosed in note 16.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense from July 01, 2016 to March 31, 2018 amounting to Rs. 13,085 million. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

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

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

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

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

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

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

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

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

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

On June 13, 2018, Supreme Court of Pakistan (SCP) in its decision concluded that the Company would not supply any gas to JJVL for the purpose of processing. Further a firm of Chartered 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, the firm of Chartered Accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Company and 43% to JJVL and an agreement was signed between the Company and JJVL and submitted the same to SCP for its approval and the same was validated by SCP, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019, in its order dated December 29, 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Nine months period ended		**Quarter ended**	
		March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
			(Un-audited)		
	Note		-----------(Rupees in '000)--------------		
18. COST OF SALES					
Cost of gas	18.1	**119,097,206**	91,703,799	**38,253,959**	29,973,761
Transmission and distribution costs		**13,629,724**	12,232,012	**4,674,428**	4,212,619
		132,726,930	103,935,811	**42,928,387**	34,186,380
18.1 Cost of gas					
Opening gas in pipelines		**463,978**	336,034	**675,855**	304,850
Gas purchases		**130,011,677**	109,971,269	**44,117,166**	35,730,554
		130,475,655	110,307,303	**44,793,021**	36,035,404
				-	
Gas consumed internally		**(2,432,778)**	(2,324,722)	**(860,839)**	(718,080)
Inward price adjustment		**(8,330,685)**	(15,896,510)	**(5,063,237)**	(4,961,291)
Closing gas in pipelines		**(614,986)**	(382,272)	**(614,986)**	(382,272)
		(11,378,449)	(18,603,504)	**(6,539,062)**	(6,061,643)
				-	
		119,097,206	91,703,799	**38,253,959**	29,973,761
19 OTHER OPERATING EXPENSES					
Auditors' remuneration		**13,878**	15,588	**3,725**	5,626
Sports expenses		**56,006**	50,802	**20,222**	19,391
Corporate social responsibility		**3,736**	12,343	**1,710**	2,570
Provision against impaired debts and other receivables		**874,735**	2,244,331	**136,691**	560,894
Provision against impaired stores and spares		**47,006**	14,020	**23,073**	9,034
Exchange loss on payment of gas purchases		**2,262,935**	194,284	**967,406**	238,833
Workers' Profit Participation Fund		**-**	83,742	**-**	(81,890)
		3,258,296	2,615,110	**1,152,827**	754,458

20. OTHER INCOME

	Note	Nine months period ended March 31, 2018	Nine months period ended March 31, 2017	Quarter ended March 31, 2018	Quarter ended March 31, 2017
		(Un-audited)			
		-----------(Rupees in '000)--------------			
Income from financial assets					
Income for receivable against asset contribution		**27,518**	28,781	**9,311**	9,427
Interest income on loan to related party		**95,896**	81,702	**35,206**	26,688
Return on term deposits and profit and loss bank accounts		**12,026**	52,281	**7,138**	21,490
		135,440	162,764	**51,655**	57,605
Interest income on late payment of gas bills from					
Interest income on Pipeline rental					
- Jamshoro Joint Venture Limited		**166,326**	110,170	**61,173**	29,667
- Water and Power Development Authority		**140,665**	212,934	**48,950**	78,022
		306,991	323,104	**110,123**	107,689
Dividend income		**18,818**	1,688	**18,106**	-
		461,249	487,556	**179,884**	165,294
Income from other financial assets					
Late payment surcharge		**2,004,662**	2,580,025	**737,674**	645,122
Interest income on late payment of gas bills from					
- Sui Northern Gas Pipelines Limited		**374,885**	675,720	**109,155**	230,730
Income from net investment in finance lease		**42,724**	50,811	**14,241**	16,937
Sale of gas condensate		**(23,173)**	(68,762)	**(12,171)**	(12,894)
Income on LPG and NGL - net	20.1	**796,146**	528,381	**258,950**	443,291
Meter manufacturing division profit / (loss) - net		**(48,202)**	4,979	**(28,759)**	626
Meter rentals		**564,703**	549,390	**189,907**	184,541
RLNG transportation income		**4,604,409**	3,068,278	**2,335,238**	1,064,392
Recognition of income against deferred credit		**295,135**	232,615	**98,548**	39,810
Income from new service connections and asset contribution		**634,364**	162,228	**409,285**	33,136
Income from LPG air mix distribution - net		**99,264**	106,889	**32,392**	34,948
Recoveries from consumers		**75,182**	76,433	**29,860**	26,166
Liquidity damaged recovered		**73,224**	300,105	**3,628**	19,598
Advertising income		**591**	1,715	**591**	-
Income from sale of tender documents		**6,764**	3,597	**2,105**	1,195
Gain on sale of property, plant and equipment		**22,995**	50,583	**(51,743)**	2,278
Scrap sales		**4,327**	50,550	**(5,188)**	16,116
Amortization of Government Grant		**11,870**	146,277	**8,784**	53,849
Rental income from SSGC LPG (Pvt) Limited		**566**	538	**193**	183
Reversal of Impairment on Operating assets		**-**	1,190,000	**-**	-
Income against LNG service agreement		**465,428**	339,475	**163,296**	136,085
Miscellaneous		**24,421**	58,640	**6,462**	17,416
		10,491,534	10,596,023	**4,482,332**	3,118,819

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

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

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

	Nine months period ended		Quarter ended	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	(Un-audited)			
	-(Rupees in 000)-			
21. TAXATION				
- Current	**828,267**	1,464,182	**216,594**	(743,847)
- Deferred	**2,476,353**	253,942	**-**	453,084
	3,304,620	1,718,124	**216,594**	(290,763)

	Nine months period ended	
	March 31, 2018	March 31, 2017
	(Un-audited)	
	--------(Rupees in '000)--------	
22. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS		
Provisions	**1,860,127**	3,100,952
Depreciation	**5,423,219**	4,514,409
Amortization of intangibles	**25,505**	14,066
Finance cost	**3,763,563**	1,387,867
Amortization of transaction cost	**28,160**	192,197
Amortization of Government grant	**(11,870)**	(146,277)
Transfer of Assets from Net investment in finance lease to Operating Assets	**-**	(26,211)
Recognition of income against deferred credit	**321,337**	(255,486)
Dividend income	**(18,818)**	(1,688)
Interest income and return on term deposits	**(817,315)**	(1,161,589)
Income from net investment in finance lease	**(42,724)**	(50,811)
Gain on disposal of property plant and equipment	**(22,995)**	(50,583)
Decrease in long term advances	**188,103**	(53,054)
Increase / (Decrease) in deferred credit	**(620,345)**	91,265
Reversal of impairment	**-**	(1,190,000)
Decrease in obligation against pipeline	**68,314**	71,182
	10,144,261	6,436,239
23. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**440,629**	(846,749)
Stock-in-trade	**(15,089)**	(89,651)
Customers' installation work-in-progress	**(18,844)**	4,530
Trade debts	**(2,032,658)**	3,868,401
Advances, deposits and short term prepayments	**(48,645)**	314,408
Other receivables	**(41,856,699)**	(136,014)
	(43,531,306)	3,114,925
Increase / (decrease) in current liabilities		
Dividend payable		
Trade and other payables	**28,070,376**	(6,347,097)
	(15,460,930)	(3,232,172)

24. TRANSACTIONS WITH RELATED PARTIES

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

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

		Nine months period ended	
		March 31 2018	March 31 2017
		(Un-audited)	
	Relationship	**(Rupees in '000)**	
Astro Plastic (Private) Limited	**Associate**		
- Billable charges		**65,226**	114,212
Attock Cement Limited	**Associate**		
- Billable charges		**45,916**	34,479
* **Gadoon Textile Mills Limited**	**Associate**		
- Billable charges		**-**	114
Government related entities			
- Purchase of fuel and lubricant		**51,751**	31,389
- Billable charges		**21,518,534**	38,943,386
- Markup on short term finance		**8,274**	10,114
- Markup on long term finance		**308,559**	48,310
- Sharing of expenses		**-**	15,400
- Income from net investment in finance lease		**42,724**	50,811
- Gas purchases		**61,923,290**	49,268,234
- Sale of gas meters & Spare Parts		**177,845**	5,896
- Rent of premises		**11,301**	594
- Insurance premium expense		**91,635**	92,937
- Uniform Cost of gas		**8,330,685**	15,896,510
- Electricity expenses		**140,322**	136,751
- Interest income		**515,549**	888,654
- RLNG transportation income		**4,604,409**	3,068,278
- Income against LNG service agreement		**465,428**	339,475
- Professional Charges		**239**	-
Habib Bank Limited	**Associate**		
- Profit on investment		**565**	10,625
- Markup on short term finance		**165,344**	44,025
- Markup on long term finance		**418,858**	207,809
- Billable charges		**10,293**	8,886

	Relationship	Nine months period ended March 31 2018 (Un-audited)	March 31 2017
		-------------(Rupees in '000)-------------	
* **International Industries Limited**	**Associate**		
- Billable charges		**-**	57,325
Key management personnel			
- Remuneration		**182,499**	160,547
Minto & Mirza	**Associate**		
- Professional charges		**3,000**	7,200
* **Pakistan Cables Limited**	**Associate**		
- Billable charges		**-**	25,166
Petroleum Institute of Pakistan	**Associate**		
- Subscription/Contribution		**3,378**	2,032
SSGC LPG (Private) Limited	**Wholly owned subsidiary**		
- Interest on loan		**95,896**	81,702
- Purchase of LPG		**-**	-
- LPG Sales		**324,833**	473,926
- Rental Income		**566**	538
- Recoveries of Management Fee		**8,458**	8,985
Staff retirement benefit plans	**Associate**		
- Contribution to provident fund		**245,659**	225,514
- Contribution to pension fund		**206,496**	147,686
- Contribution to gratuity fund		**214,574**	239,437
Thatta Cement Company Limited	**Associate**		
- Billable charges		**3,469**	4,415

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

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

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

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

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

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

	Relationship	March 31 2018 (Un-audited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
* **Astro Plastic (Private) Limited**	**Associate**		
- Billable charges		**-**	16,623
Attock Cement Limited	**Associate**		
- Billable charges		**5,467**	4,737
- Gas supply deposit		**(588)**	(588)
Government related entities - various			
- Billable charges		**56,525,910**	58,566,349
- Mark up accrued on borrowings		**(6,296,875)**	(4,123,310)
- Net investment in finance lease		**155,354**	5,529
- Gas purchases		**(154,533,091)**	(134,227,691)
- Gas meters		**1,071,262**	703,971
- Uniform cost of gas		**12,807,041**	10,906,950
- Cash at bank		**38,471**	21,487
- Stock Loan		**42,188**	10,602
- Payable to insurance		**(2,301)**	(2,631)
- Gas supply deposit		**(39,211)**	(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		**9,602,964**	9,087,415
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**20,689,025**	9,217,988
- RLNG Transportation Income		**4,633,875**	4,663,562
- LSA Margins		**899,179**	400,853
Habib Bank Limited	**Associate**		
- Long term finance		**(7,711,459)**	(6,816,226)
- Short term finance		**(5,995,787)**	-
- Cash at bank		**33,215**	82,211
- Accrued markup		**(1,012,167)**	(298,100)
- Billable charges		**1,087**	1,436
- Gas supply deposit		**363**	-
SSGC LPG (Private) Limited	**Wholly owned subsidiary**		
- Long term investment		**1,000,000**	1,000,000
- Short term loan		**1,710,103**	1,710,103
- Interest on loan		**674,952**	579,056
- Purchase of LPG		**-**	(1,825)
- Sale of LPG		**(4,002)**	62,015
- Rental Income receivable		**139**	77
- receivable of management fee		**8,458**	11,861
Thatta Cement Company Limited	**Associate**		
- Billable charges		**51**	764

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

25. OPERATING SEGMENTS

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

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

Segment revenue and results

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

	Nine months period ended			
	Segment revenue		Segment (loss) / profit	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	(Un-audited)			
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**112,533,833**	122,618,885	**(5,701,245)**	65,342
Meter manufacturing	**1,349,211**	1,065,605	**(48,202)**	4,979
Total segment results	**113,883,044**	123,684,490	**(5,749,447)**	70,321
Unallocated - other expenses				
- Other operating expenses			**(2,383,561)**	(370,779)
Unallocated - other income				
- Non-operating income			**674,846**	1,891,554
Loss before tax			**(7,458,162)**	1,591,096

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 930 million (March 31, 2017: Rs. 614 million).

Segment assets and liabilities

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**334,066,799**	290,070,787
Meter manufacturing	**2,431,557**	2,902,230
Total segment assets	**336,498,356**	292,973,017
Unallocated		
- Loans and advances	**2,544,963**	2,813,640
- Taxation - net	**19,275,784**	18,867,146
- Interest accrued	**490,543**	490,196
- Cash and bank balances	**494,605**	896,852
	22,805,895	23,067,834
Total assets as per Statement of Financial Position	**359,304,251**	316,040,851
Segments liabilities		
Gas transmission and distribution	**348,079,305**	294,370,570
Meter manufacturing	**779,897**	701,008
Total segment liabilities	**348,859,202**	295,071,578
Unallocated		
- Employee benefits	**5,263,129**	4,886,461
Total liabilities as per Statement of Financial Position	**354,122,331**	299,958,039

26. FAIR VALUE OF MEASUREMENT

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

26.1. Fair value of financial instruments

Financial assets which are 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 March 31, 2018 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	--------------------------------Rupees in '000--------------------------------			
Available for sale financial assets				
Quoted equity securities	**417,117**	**-**	**-**	**417,117**

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

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

26.2. Fair value of other assets

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

	As at March 31, 2018 (Unaudited)	
	Level 2	**Fair Value**
	--------------Rupees in '000-------	
Freehold land	**5,476,034**	**5,476,034**
Leasehold land	**6,938,632**	**6,938,632**
	12,414,666	**12,414,666**

	As at June 30, 2017 (Audited)	
	Level 2	Fair Value
	--------------Rupees in '000--------	
Freehold Land	5,476,034	5,476,034
Leasehold Land	6,938,632	6,938,632
	12,414,666	12,414,666

27. RECLASSIFICATION

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

Description	(Rupees in '000)	Reclassified From	Reclassified To
Late payment surcharge	2,580,025	Other Non-Operating Income	Other Income
Income for receivable against asset contribution	28,781	Other Non-Operating Income	Other Income
Term deposits and profit or loss bank accounts	52,281	Other Non-Operating Income	Other Income
interest income on loan to related party	81,702	Other Non-Operating Income	Other Income
Jamshoro Joint Venture Limited (JJVL)	110,170	Other Non-Operating Income	Other Income
Water & Power Development Authority (WAPDA)	212,934	Other Non-Operating Income	Other Income
Sui Northern Gas Pipelines Limited (SNGPL)	675,720	Other Non-Operating Income	Other Income
Dividend income	1,688	Other Non-Operating Income	Other Income
Income from net investment in finance lease - SNGPL	50,811	Other Non-Operating Income	Other Income
Sale of gas condensate - net	(68,762)	Other Non-Operating Income	Other Income
Income from LPG NGL - net	528,381	Other Non-Operating Income	Other Income
Meter manufacturing division profit - net	4,979	Other Non-Operating Income	Other Income
Amortization of Government grant	146,277	Other Non-Operating Income	Other Income
Rental income from SSGC LPG (Pvt) Limited	538	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	339,475	Other Non-Operating Income	Other Income
Meter rentals	549,390	Other Non-Operating Income	Other Income
RLNG transportation income	3,068,278	Other Operating Income	Other Income
Recognition of income against deferred credit	232,615	Other Operating Income	Other Income
Income from new service connections and asset	162,228	Other Operating Income	Other Income
Income from LPG air mix distribution - net	106,889	Other Operating Income	Other Income
Recoveries from consumers	76,433	Other Operating Income	Other Income
Liquidated damages recovered	300,105	Other Operating Income	Other Income
Advertising income	1,715	Other Operating Income	Other Income
Income from sale of tender documents	3,597	Other Operating Income	Other Income
Scrap sales	50,550	Other Operating Income	Other Income
Miscellaneous	58,640	Other Operating Income	Other Income
Gain on disposal of property, plant and equipment	50,583	Other Operating Income	Other Income
Unclaimed Dividend	285,721	Trade and Other Payable	Unclaimed dividend

28. GENERAL

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

28.2 The unconsolidated condensed interim financial information are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

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

29. DATE OF AUTHORISATION

This unconsolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on September 12, 2020.

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

SSGC | Sui Southern Gas Company Limited

Sui Southern Gas Company Limited

SSGC

Un-Audited Consolidated Condensed Interim Financial Information
for the nine months period ended March 31, 2018

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	Note	March 31, 2018 (Un-audited)	(Restated) June 30, 2017 (Audited)	(Restated) June 30, 2016 (Audited)
		--------(Rupees in '000)--------		
ASSETS				
Non-current assets				
Property, plant and equipment	6	**119,770,041**	117,174,550	98,877,569
Intangible assets		**65,088**	81,574	24,643
Deferred tax	7	**185,889**	2,681,027	2,882,244
Long term investments	8	**422,219**	560,327	243,415
Net investment in finance lease		**264,475**	304,579	362,394
Long term loans and advances		**188,755**	171,407	162,426
Long-term deposits		**60,520**	68,169	9,872
Total non-current assets		**120,956,987**	121,041,633	102,562,563
Current assets				
Stores, spares and loose tools		**2,011,732**	2,474,530	2,150,514
Stock-in-trade		**1,192,021**	1,288,147	834,656
Current maturity of net investment in finance lease		**57,815**	57,815	110,161
Customers' installation work-in-progress		**184,246**	165,402	184,508
Trade debts	9	**83,311,372**	82,150,985	86,307,335
Loans and advances		**646,105**	932,959	934,200
Advances, deposits and short term prepayments		**279,950**	177,445	497,052
Interest accrued	10	**10,697,099**	10,015,313	8,728,073
Other receivables	11	**119,445,709**	77,318,693	54,943,899
Taxation - net		**19,410,814**	18,970,646	20,053,925
Other financial assets		**516,000**	116,000	-
Cash and bank balances		**559,104**	1,147,188	1,357,962
Total current assets		**238,311,967**	194,815,123	176,102,285
Total assets		**359,268,954**	315,856,756	278,664,848

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

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	Note	March 31, 2018 (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		**380,589**	518,699	201,787
Surplus on revaluation of fixed assets		**11,728,265**	11,728,265	11,728,265
Accumulated losses		**(21,129,355)**	(10,427,085)	(12,185,561)
Total equity		**4,696,063**	15,536,443	13,461,055
LIABILITIES				
Non-current liabilities				
Long term finance	12	**51,321,081**	48,790,294	22,573,040
Long term deposits		**15,374,466**	14,216,851	12,456,759
Employee benefits		**5,283,470**	4,902,390	4,716,523
Obligation against pipeline		**946,108**	982,731	1,027,886
Deferred credit	13	**5,009,231**	5,320,034	5,842,485
Long term advances		**2,395,458**	2,207,355	1,092,831
Total non-current liabilities		**80,329,814**	76,419,655	47,709,524
Current liabilities				
Current portion of long term finance	12	**10,608,786**	7,045,427	5,756,246
Short term borrowings	14	**20,425,669**	2,900,655	4,860,212
Trade and other payables	15	**224,223,217**	196,047,840	189,398,243
Short term deposits		**279,902**	254,338	192,438
Current portion of obligation against pipeline		**48,293**	45,155	41,287
Current portion of deferred credit		**422,793**	422,867	427,547
Unclaimed Dividend		**285,494**	285,721	285,837
Interest accrued	16	**17,948,923**	16,898,655	16,532,459
Total current liabilities		**274,243,077**	223,900,658	217,494,269
Total liabilities		**354,572,891**	300,320,313	265,203,793
Contingencies and commitments	17			
Total equity and liabilities		**359,268,954**	315,856,756	278,664,848

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

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

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

For the period ended March 31, 2018

	Note	Nine months period ended		Quarter ended	
		March 31, 2018	March 31, 2017	**'March 31, 2018**	'March 31, 2017
		--------------------(Rupees in '000)--------------------			
Sales		**130,283,888**	142,170,378	**43,448,259**	41,599,846
Sales tax		**(17,750,055)**	(19,551,493)	**(5,780,587)**	(5,601,540)
		112,533,833	122,618,885	**37,667,672**	35,998,306
Gas development surcharge		**12,587,169**	(20,299,185)	**1,662,920**	(4,135,372)
Net sales		**125,121,002**	102,319,700	**39,330,592**	31,862,934
Cost of sales	18	**(132,735,389)**	(103,935,811)	**(42,931,085)**	(34,192,398)
Gross loss		**(7,614,387)**	(1,616,111)	**(3,600,493)**	(2,329,464)
Administrative and selling expenses		**(3,330,664)**	(3,201,228)	**(1,122,021)**	(1,046,197)
Other operating expenses	19	**(3,259,016)**	(2,615,110)	**(1,153,102)**	(744,765)
		(6,589,680)	(5,816,338)	**(2,275,123)**	(1,790,962)
		(14,204,067)	(7,432,449)	**(5,875,616)**	(4,120,426)
Other income	20	**10,662,137**	10,925,712	**4,493,231**	3,241,774
Operating (loss) / profit		**(3,541,930)**	3,493,263	**(1,382,385)**	(878,652)
Finance cost		**(3,832,883)**	(1,653,086)	**(1,489,549)**	(569,574)
(Loss) / profit before taxation		**(7,374,813)**	1,840,177	**(2,871,934)**	(1,448,226)
Taxation	21	**(3,327,457)**	(1,797,012)	**(216,594)**	229,386
(Loss) / profit for the period		**(10,702,270)**	43,165	**(3,088,528)**	(1,218,840)
Basic and diluted (loss) / earning per share		**(12.15)**	0.05	**(3.51)**	(1.38)

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

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the period ended March 31, 2018

	Nine months period ended		Quarter ended	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	--------(Rupees in '000)--------			
(Loss) / profit for the period	**(10,702,270)**	43,165	**(3,088,529)**	(1,218,840)
Other comprehensive income				
Item that may be reclassified subsequently to statement of profit or loss				
Unrealised (loss) / gain on re-measurement of available for sale securities	**(138,110)**	384,415	**55,595**	260,031
Item that will not be reclassified subsequently to statement of profit or loss		-	**-**	-
Total comprehensive (loss) / income for the period	**(10,840,380)**	427,580	**(3,032,934)**	(958,809)

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

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

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

For the period ended March 31, 2018

	Note	March 31, 2018	March 31, 2017
		--------------(Rupees in '000)----------	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(7,374,813)	1,840,177
Adjustments for non-cash and other items	22	10,393,277	6,639,721
Working capital changes	23	(15,472,607)	(3,486,616)
Financial charges paid		(3,043,945)	(1,873,727)
Employee benefits paid		(87,463)	(61,305)
Payment for retirement benefits		(592,924)	(353,010)
Long term deposits received - net		1,152,170	1,387,007
Deposits paid - net		33,212	(61,765)
Loans and advances to employees - net		268,677	137,298
Interst income and return on term deposits received		39,631	82,756
Income taxes paid		(1,272,476)	(217,424)
Net cash (used in) / generated from operating activities		(15,957,261)	4,033,112
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(7,888,764)	(18,337,619)
Payments for intangible assets		(9,019)	(48,917)
Proceeds from sale of property, plant and equipment		76,341	68,209
Lease rental from net investment in finance lease		82,828	120,384
Payment for obligation against pipeline		(101,799)	(101,799)
Other financial assets		(400,000)	-
Dividend received		18,818	1,688
Net cash used in investing activities		(8,221,595)	(18,298,054)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		9,215,896	11,986,440
Repayments of local currency loans		(3,150,000)	(3,807,803)
Consumer finance received		11,145	5,819
Repayment of consumer finance		(11,056)	(17,943)
Dividend paid		(227)	577
Net cash generated from financing activities		6,065,758	8,167,090
Net (decrease) / increase in cash and cash equivalents		(18,113,098)	(6,097,852)
Cash and cash equivalents at beginning of the period		(1,753,467)	(3,502,250)
Cash and cash equivalents at end of the period		(19,866,565)	(9,600,102)
Cash and cash equivalent comprises:			
Cash and bank balances		559,104	521,515
Short term borrowings		(20,425,669)	(10,121,617)
		(19,866,565)	(9,600,102)

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

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

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

For the period ended March 31, 2018

	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 March 31, 2017							
Profit for the period	-	-	-	-	-	43,165	43,165
Other comprehensive income for the period	-	-	-	384,415	-	-	384,415
Total comprehensive income for the period	-	-	-	384,415	-	43,165	427,580
Balance as at March 31, 2017	8,809,163	234,868	4,672,533	586,202	11,728,265	(12,142,396)	13,888,635
Balance as at June 30, 2017 (Restated)	**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 March 31, 2018							
Loss for the period	-	-	-	-	-	**(10,702,270)**	**(10,702,270)**
Other comprehensive loss for the period	-	-	-	**(138,110)**	-	-	**(138,110)**
Total comprehensive loss for the period	-	-	-	**(138,110)**	-	**(10,702,270)**	**(10,840,380)**
Balance as at March 31, 2018	**8,809,163**	**234,868**	**4,672,533**	**380,589**	**11,728,265**	**(21,129,355)**	**4,696,063**

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

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

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of holding	
	2018	2017
Subsidiary Companies		
- SSGC LPG (Private) Limited	**100**	100
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	**100**	100

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

Sui Southern Gas Company Limited

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 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. 10,763 million resulting in increase of its accumulated losses by Rs. 10,763 million and diminishing equity to Rs. 5,182 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. 34,063 million and accumulated losses stood at Rs. 20,643 million. The Holding Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Holding Company's petitions by Sindh High Court (refer note 1.5).

The Holding Company's financial performance for the period has deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers and staggering of losses due to dismissal of Holding Company's petitions by Sindh High Court (refer note 1.5).

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

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue requirement for FY 2017-18 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with Sui Northern Gas Pipelines Limited (SNGPL) in consultation with Ministry of Energy (Petroleum Division). The Holding Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

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

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

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

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

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

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

1.5 Determination of revenue requirement

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

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

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

2. BASIS FOR PREPARATION

2.1 Statement of compliance

The consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in this consolidated condensed interim financial information is based on FRR determined by OGRA for the financial year ended June 30, 2018.

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

2.2 Staggering of Losses arising due to Sindh High Court decision

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

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

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

Therefore, the remaining accumulated losses of Rs. 18,359 million have been staggered and will be recorded in equal amounts of Rs. 3,672 million in five years form FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 2,754 million in this consolidated condensed interim financial information.

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

	Rupees in million
- Increase in loss before tax	11,933
- Increase in loss after tax / accumulated losses	8,353
- Increase in loss per share - Rupees	9.48

3. Significant accounting policies

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

3.1. Change in accounting policy

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

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires 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 financial statements for the year ended June 30, 2016. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Holding Company.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this consolidated condensed interim financial information except certain additional disclosures as given in note 26.

5. FINANCIAL RISK MANAGEMENT

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

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	------------(Rupees in '000)-----------	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	**109,513,962**	108,383,400
Capital work-in-progress	**10,256,079**	8,791,150
	119,770,041	117,174,550

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

	Nine months period ended			
	March 31, 2018		March 31, 2017	
	(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				
Land	**-**	**-**	9,895	-
Buildings on leasehold land	**48,029**	**-**	108,619	-
Gas transmission pipelines	**2,325,442**	**-**	10,664,525	-
Gas distribution system	**3,663,786**	**(76,914)**	2,682,350	(9,176)
Telecommunication	**15,884**	**-**	92,804	-
Plant and machinery	**228,526**	**(453)**	278,054	-
Tools and equipment	**11,019**	**-**	53,774	-
Motor vehicles	**105,052**	**(21,908)**	618,742	(25,891)
Furniture and fixtures	**2,405**	**-**	9,278	-
Office equipment	**70,840**	**-**	45,119	-
Computers and ancillary equipments	**98,152**	**-**	93,300	-
Construction equipment	**77,084**	**(61)**	724,655	-
SCADA	**7,393**	**-**	-	-
Row	**-**	**-**	137,761	-
Compressors	**377,676**	**-**	3,815,844	-
	7,031,288	**(99,336)**	19,334,720	(35,067)

	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	**3,798,839**	**(3,663,786)**	3,457,824	(2,682,350)
- Gas transmission system	**2,065,853**	**(2,325,442)**	12,991,522	(10,664,525)
- Buildings on leasehold land	**83,604**	**(48,029)**	105,320	(108,619)
	5,948,296	**(6,037,257)**	16,554,666	(13,455,494)

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 710 million (March 31, 2017: Rs. (4,239) million).

7. As at March 31,2018, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs.20,762 million (June 30, 2017: Rs. 16,836 million) out of which deferred tax asset amounting to Rs. 14,804 million has been recognised and remaining balance of Rs 5,958 million is unrecognised. As at period end, the Holding Company's minimum tax credit amounted to Rs.1,526 million (June 30, 2017: Rs. 849 million) having expiry period ranging between 2022 and 2023.

		Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
			--------(Rupees in '000)--------	
8.	**LONG TERM INVESTMENTS**			
	Investment in related parties	8.1	**277,203**	364,619
	Other investments		**145,016**	195,708
			422,219	560,327

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

ECC in its meeting dated December 15, 2016 has decided that Government Holding (Private) Limited, being the parent Holding 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	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
9.	**TRADE DEBTS**		--------(Rupees in '000)--------	
	Secured		**19,585,375**	18,077,128
	Unsecured		**78,408,756**	77,881,881
		9.1 & 9.2	**97,994,131**	95,959,009
	Provision against doubtful debts		**(14,682,759)**	(13,808,024)
			83,311,372	82,150,985

9.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Holding Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Holding Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per IAS 18 “Revenue“ based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 31,080 million (June 30, 2017: Rs. 32,378 million) as at March 31, 2018 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2017: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 81,807 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 hasn't been finalised till the filling 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.

9.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per IAS 18 “Revenue“ based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 22,771 million (June 30, 2017: Rs. 22,310 million) including overdue balance of Rs. 22,721 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. 53,502 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	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		-----------(Rupees in '000)-----------	
10. INTEREST ACCRUED			
Interest accrued on late payment of bills / invoices from:			
- WAPDA		**3,372,612**	3,231,947
- SNGPL		**6,230,353**	5,855,468
- JJVL		**688,417**	522,092
		10,291,382	9,609,507
Interest accrued on bank deposits		**2,370**	2,459
Interest accrued on sales tax refund		**487,739**	487,739
		10,781,491	10,099,705
Provision against impaired accrued income		**(84,392)**	(84,392)
		10,697,099	10,015,313
11. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	11.1	**41,963,272**	21,264,629
Staff pension fund		**570,215**	383,727
Receivable for sale of gas condensate		**52,202**	42,949
Sui Northern Gas Pipelines Limited	11.2	**39,188,009**	25,198,417
Jamshoro Joint Venture Limited	11.3	**11,941,224**	10,794,328
Sales tax receivable	11.4	**27,476,170**	21,314,419
Sindh sales tax		**112,568**	112,569
Pipeline rentals		**-**	18,154
Receivable against asset contribution	11.5	**378,057**	359,348
Accrued markup		**7,070**	906
Miscellaneous receivables		**103,281**	175,606
		121,792,068	79,665,052
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		119,445,709	77,318,693

		Note	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
			--------(Rupees in '000)--------	
11.1	**Gas Development Surcharge**			
	GDS payable / (receivable)		**21,264,629**	(18,604,884)
	Recovered during the period		**(8,270,996)**	(37,006,536)
	Paid during the period		**7,708,861**	43,152,007
	Impact of staggering	2.2	**(2,753,839)**	(3,671,785)
	Price increase / (decrease) adjustment during the period		**24,014,617**	36,449,350
	Claim under IAS 19 during the year		**-**	946,477
			41,963,272	21,264,629
11.2.	As at period end, receivable balance from SNGPL comprises of the following:			
	Uniform cost of gas		**12,807,041**	10,906,950
	Lease rentals		**155,354**	5,529
	Contingent rent		**3,535**	3,535
	LSA Margins		**899,179**	400,853
	Capacity and utilisation charges of RLNG	11.2.1	**20,689,025**	9,217,988
	RLNG transportation income		**4,633,875**	4,663,562
			39,188,009	25,198,417

11.2.1 The Holding Company has invoiced an amount of Rs. 41,011 million, including Sindh Sales Tax of Rs. 4,965 million, till March 31, 2018 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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

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

On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Holding Company. On September 10, 2018, and on February 7, 2019, another 18 BCF and 11 BCF respectively. Up to March 2020 71 BCF of RLNG volume has been allocated to the Holding Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Holding Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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

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

As at period end, amount payable to JJVL in respect of processing charges is disclosed in note 15 to these consolidated condensed interim financial information.

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

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

		Note	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
			--------(Rupees in '000)--------	
12.	**LONG-TERM FINANCE**			
	Secured			
	Loans from banking companies	12.1,12.2 & 12.3	**58,546,142**	52,467,981
	Unsecured			
	Front end fee of foreign currency loan		**23,950**	23,950
	Consumer financing		**203,111**	203,021
	Government of Sindh loan	12.4	**3,156,664**	3,140,769
			3,383,725	3,367,740
			61,929,867	55,835,721
	Less: current portion shown under current liabilities			
	Loans from banking companies		**(9,945,833)**	(6,383,333)
	Consumer financing		**(12,953)**	(12,094)
	Government of Sindh loan		**(650,000)**	(650,000)
			(10,608,786)	(7,045,427)
			51,321,081	48,790,294

12.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at March 31, 2018, the Holding Company has utilised total sanctioned amount.

12.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at March 31, 2018 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

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

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

13. DEFERRED CREDIT

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	------------(Rupees in '000)------------	
Government contributions / grants		
Additions / adjustments during the period / year	**22,330**	106,418
Transferred to consolidated statement of profit or loss	**206,495**	273,855
Contribution from customers		
Transferred to consolidated statement of profit or loss	**114,842**	157,936
Government of Sindh grants		
Transferred to consolidated statement of profit or loss	**11,870**	201,758

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs.22,978 million (June 30, 2017: Rs. 14,625 million) and subject to mark-up to 0.10% (June 30, 2017: 0.60%) above the average one month KIBOR. These facilities are secured by first pari passu first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs.2,552 million (June 30, 2017: Rs 11,725 million).

15. TRADE AND OTHER PAYABLES

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
- gas supplies	15.1	**192,985,411**	167,238,726
- supplies		**1,096,912**	941,703
		194,082,323	168,180,429
Amount received from customers for laying of mains, etc.		**2,318,558**	2,361,457
Engro Elengy Terminal (Private) Limited		**547,740**	2,098,162
Accrued liabilities		**3,585,145**	3,193,262
Advance from LPG customers		**77,591**	12,177
Provision for compensated absences - non executives		**304,387**	266,887
Payable to staff gratuity fund		**3,792,967**	3,778,334
Deposits / retention money		**766,204**	895,166
Bills payable		**1,255,453**	59,498
Advance for sharing right of way		**18,088**	18,088
Withholding tax payable		**160,535**	95,497
Sales tax and Federal excise duty		**225,725**	282,275
Sindh sales tax		**16,653**	54,322
Processing Charges payable to JJVL		**9,083,667**	7,115,280
Gas infrastructure development cess payable		**7,231,502**	7,264,457
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Workers' Profit Participation Fund		**12,860**	12,860
Advances from customers and distributors		**-**	45,356
Transport and advertisement services		**13,988**	8,473
Hospitality services		**2,441**	
Inter State Gas System (Private) Limited (ISGSL)		**-**	1,555
Others		**725,590**	302,505
		224,223,217	196,047,840

15.1 As at March 31, 2018, amount of Rs. 150,583 million (June 30, 2017: Rs. 121,487 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2017: Rs. 15,832 million) on their balances. The management has reversed the LPS expense in the financial statements for the year ended June 30, 2017. During the period, management has not recorded the LPS expense in these consolidated condensed interim financial information.

16. INTEREST ACCRUED

	Note	**March 31, 2018 (Un-audited)**	June 30, 2017 (Audited)
		------------(Rupees in '000)------------	
Long term financing - loans from banking companies		**1,340,929**	419,156
Long term deposits from customers		**291,959**	355,318
Short term borrowings		**181,270**	94,839
Late payment surcharge on processing charges		**297,528**	192,105
Late payment surcharge on gas development surcharge		**4,826**	4,826
Late payment surcharge on gas supplies	16.1	**15,832,411**	15,832,411
		17,948,923	16,898,655

16.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Holding 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 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 March 31, 2018 amounting to Rs. 13,085 million on outstanding payables to Government Controlled E&P Companies, the effect on these consolidated condensed interim financial information would be as follows:

	March 31, 2018 (Un-audited)
	(Rupees in million)
- Increase in loss before tax	**39,307**
- Increase in loss after tax / accumulated losses	**27,515**
- Increase in loss per share - Rupees	**31.23**

17. CONTINGENCIES AND COMMITMENTS

		March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
		-------- (Rupees in '000)--------	
17.1	Commitments for capital expenditure	**4,095,799**	4,423,511
17.2	Guarantees issued on behalf of the Group	**4,128,241**	4,288,801

In respect of Holding Company:

17.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Holding Company amounting to Rs. 144,120 million (June 30, 2017: Rs. 39,463 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Holding Company and JPCL. JPCL has raised another claim of Rs. 5.793 million (June 30, 2017: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Holding Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

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

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

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

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

17.4 As disclosed in note 16.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense from July 01, 2016 to March 31, 2018 amounting to Rs. 13,085 million. The Holding Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

17.5 M/s Habibullah Coastal Power 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 this consolidated condensed interim financial information, the above amounts are appearing under the head of Trade Debts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In respect of SSGC LPG (Private) Limited:

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

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

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

17.19 During FY 2015, the Subsidiary Company received notice from ACIR against short payment of sales tax for the tax year 2013 and 2014 and created a demand of Rs. 2.6 million. The Subsidiary Company has filed an appeal before Commissioner Appeals which is pending for hearing.

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

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

17.21 The ACIR passed order dated July 11, 2014 and created demand of Rs. 5.9 million pertaining to the tax year 2013 and 2014. the Subsidiary Company has filed an appeal before the Commissioner Appeals. During the process of appeal, the tax department issued a recovery notice and recovered entire demand amount from the Subsidiary Company's bank account.

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

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

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

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

		Nine months period ended		Quarter ended	
		March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
			(Un-audited)		
	Note	-----------(Rupees in '000)--------------			
18. COST OF SALES					
Cost of gas	18.1	**119,097,206**	91,703,799	**38,253,959**	29,973,760
Transmission and distribution costs		**13,638,183**	12,232,012	**4,677,126**	4,218,638
		132,735,389	103,935,811	**42,931,085**	34,192,398
18.1 Cost of gas					
Opening gas in pipelines		**463,978**	336,034	**675,855**	304,850
Gas purchases		**130,011,677**	109,971,269	**44,117,166**	35,730,554
		130,475,655	110,307,303	**44,793,021**	36,035,404
Gas consumed internally		**(2,432,778)**	(2,324,722)	**(860,839)**	(718,080)
Inward price adjustment		**(8,330,685)**	(15,896,510)	**(5,063,237)**	(4,961,291)
Closing gas in pipelines		**(614,986)**	(382,272)	**(614,986)**	(382,273)
		(11,378,449)	(18,603,504)	**(6,539,062)**	(6,061,644)
				-	
		119,097,206	91,703,799	**38,253,959**	29,973,760
19 OTHER OPERATING EXPENSES					
Auditors' remuneration		**14,598**	15,588	**4,000**	5,418
Sports expenses		**56,006**	50,802	**20,222**	19,391
Corporate social responsibility		**3,736**	12,343	**1,710**	2,570
Provision against impaired debts and other receivables		**874,735**	2,244,331	**136,691**	551,409
Provision against impaired stores and spares		**47,006**	14,020	**23,073**	9,034
Exchange loss on payment of gas purchases		**2,262,935**	194,284	**967,406**	238,833
Workers' Profit Participation Fund		**-**	83,742	**-**	(81,890)
		3,259,016	2,615,110	**1,153,102**	744,765

		Nine months period ended		Quarter ended	
		March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
		(Un-audited)			
		-----------(Rupees in '000)--------------			
20. OTHER INCOME					
Income from financial assets					
Income for receivable against asset contribution		**27,518**	28,782	**9,311**	9,427
Return on term deposits and profit and loss bank accounts		**33,196**	68,488	**15,002**	29,669
		60,714	97,270	**24,313**	39,096
Interest income on late payment of gas bills from				**-**	-
- Jamshoro Joint Venture Limited		**166,326**	110,170	**61,173**	29,667
- Water and Power Development Authority		**140,665**	212,934	**48,950**	78,022
		306,991	323,104	**110,123**	107,689
Dividend income		**18,818**	1,688	**18,106**	-
		386,523	422,062	**152,542**	146,785
Income from other financial assets					
Late payment surcharge		**2,004,662**	2,580,025	**737,674**	645,122
Interest income on late payment of gas bills from					
- Sui Northern Gas Pipelines Limited		**374,885**	675,720	**109,155**	230,730
Income from net investment in finance lease		**42,724**	50,811	**14,241**	16,937
Sale of gas condensate		**(23,173)**	(68,762)	**(12,171)**	(12,894)
Income on LPG and NGL - net	19.1	**1,040,726**	923,179	**296,567**	584,733
Meter manufacturing division profit / (loss) - net		**(48,202)**	4,979	**(28,759)**	626
Meter rentals		**564,703**	549,390	**189,907**	184,541
RLNG transportation income		**4,604,409**	3,068,278	**2,335,238**	1,064,392
Recognition of income against deferred credit		**295,135**	232,615	**98,548**	39,810
Income from new service connections and asset contribution		**634,364**	162,228	**409,285**	33,136
Income from LPG air mix distribution - net		**99,264**	106,889	**32,392**	34,948
Recoveries from consumers		**75,182**	76,433	**29,860**	26,166
Liquidity damaged recovered		**73,224**	300,105	**3,628**	19,598
Advertising income		**591**	2,306	**591**	591
Income from sale of tender documents		**6,764**	3,597	**2,105**	1,195
Gain on sale of property, plant and equipment		**22,995**	50,583	**(51,743)**	2,278
Scrap sales		**4,327**	50,550	**(5,188)**	16,116
Amortization of Government grant		**11,870**	146,276	**8,784**	53,849
Reversal of impairment on operating assets		**-**	1,190,000	**-**	-
Income against LNG service agreement		**465,428**	339,475	**163,296**	136,085
Miscellaneous		**25,736**	58,973	**7,279**	17,030
		10,662,137	10,925,712	**4,493,231**	3,241,774

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

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

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

21. TAXATION

	Nine months period ended March 31, 2018	Nine months period ended March 31, 2017	Quarter ended March 31, 2018	Quarter ended March 31, 2017
	(Un-audited) (Rupees in 000)			
- Current	**851,104**	1,543,070	**235,378**	(682,470)
- Deferred	**2,476,353**	253,942	**(18,784)**	453,084
	3,327,457	1,797,012	**216,594**	(229,386)

22. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	Nine months period ended March 31, 2018	Nine months period ended March 31, 2017
	(Un-audited) **--------(Rupees in '000)--------**	
Provisions	**1,896,963**	3,109,059
Depreciation	**5,544,018**	4,626,469
Amortization of intangibles	**25,505**	14,066
Finance cost	**3,825,983**	1,442,221
Amortization of transaction cost	**28,161**	192,197
Amortization of Government grant	**(11,870)**	(146,277)
Transfer of Assets from Net investment in finance lease to Operating Assets	**-**	(26,211)
Recognition of income against deferred credit	**321,337**	(255,486)
Dividend income	**(18,818)**	(1,688)
Interest income and return on term deposits	**(788,355)**	(1,132,629)
Income from net investment in finance lease	**(42,724)**	(50,811)
Gain on disposal of property plant and equipment	**(22,995)**	(50,583)
Decrease in long term advances	**188,103**	(53,054)
Increase / (Decrease) in deferred credit	**(620,345)**	91,265
Reversal of impairment	**-**	(1,190,000)
Decrease in obligation against pipeline	**68,314**	71,183
	10,393,277	6,639,721

23. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets		
Stores, spares and loose tools	**425,338**	(847,119)
Stock-in-trade	**96,231**	(248,031)
Customers' installation work-in-progress	**(18,844)**	4,530
Trade debts	**(2,031,002)**	3,871,959
Advances, deposits and short term prepayments	**(55,096)**	452,467
Other receivables	**(41,858,523)**	(10,865)
	(43,441,896)	3,222,941
Increase / (decrease) in current liabilities		
Dividend payable		-
Trade and other payables	**27,969,289**	(6,709,557)
	(15,472,607)	(3,486,616)

24. TRANSACTIONS WITH RELATED PARTIES

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

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

	Relationship	Nine months period ended	
		March 31 2018	March 31 2017
		(Un-audited)	
		----------------(Rupees in '000)----------------	
Astro Plastic (Private) Limited	**Associate**		
- Billable charges		**65,226**	114,212
Attock Cement Limited	**Associate**		
- Billable charges		**45,916**	34,479
* **Gadoon Textile Mills Limited**	**Associate**		
- Billable charges		**-**	114
Government related entities			
- Purchase of fuel and lubricant		**51,751**	31,389
- Billable charges		**21,518,534**	38,943,386
- Markup on short term finance		**8,274**	10,114
- Markup on long term finance		**308,559**	48,310
- Sharing of expenses		**-**	15,400
- Income from net investment in finance lease		**42,724**	50,811
- Gas purchases		**61,923,290**	49,268,234
- Sale of gas meters & spare parts		**177,845**	5,896
- Rent of premises		**11,301**	594
- Insurance premium expense		**91,635**	92,937
- Uniform cost of gas		**8,330,685**	15,896,510
- Electricity expenses		**140,322**	136,751
- Interest income		**515,549**	888,654
- RLNG transportation income		**4,604,409**	3,068,278
- Income against LNG service agreement		**465,428**	339,475
- Professional Charges		**239**	-
Habib Bank Limited	**Associate**		
- Profit on investment		**565**	10,625
- Markup on short term finance		**165,344**	44,025
- Markup on long term finance		**418,858**	207,809
- Billable charges		**10,293**	8,886
* **International Industries Limited**	**Associate**		
- Billable charges		**-**	57,325

	Relationship	Nine months period ended March 31 2018 (Un-audited)	March 31 2017
		----------------(Rupees in '000)----------------	
Key management personnel			
- Remuneration		**182,499**	160,547
Minto & Mirza	**Associate**		
- Professional charges		**3,000**	7,200
* **Pakistan Cables Limited**	**Associate**		
- Billable charges		**-**	25,166
Petroleum Institute of Pakistan	**Associate**		
- Subscription / Contribution		**3,378**	2,032
Staff retirement benefit plans	**Associate**		
- Contribution to provident fund		**245,659**	225,514
- Contribution to pension fund		**206,496**	147,686
- Contribution to gratuity fund		**214,574**	239,437
Thatta Cement Company Limited	**Associate**		
- Billable charges		**3,469**	4,415

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

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

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

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

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

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

	Relationship	March 31 2018 (Un-audited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
* **Astro Plastic (Private) Limited**	**Associate**		
- Billable charges		**-**	16,623
Attock Cement Limited	**Associate**		
- Billable charges		**5,467**	4,737
- Gas supply deposit		**(588)**	(588)

	Relationship	March 31 2018 (Un-audited)	June 30, 2017 (Audited)
		--------(Rupees in '000)--------	
Government related entities - various			
- Billable charges		**56,525,910**	58,566,349
- Mark up accrued on borrowings		**(6,296,875)**	(4,123,310)
- Net investment in finance lease		**155,354**	5,529
- Gas purchases		**(154,533,091)**	(134,227,691)
- Gas meters		**1,071,262**	703,971
- Uniform cost of gas		**12,807,041**	10,906,950
- Cash at bank		**38,471**	21,487
- Stock Loan		**42,188**	10,602
- Payable to insurance		**(2,301)**	(2,631)
- Gas supply deposit		**(39,211)**	(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		**9,602,964**	9,087,415
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**20,689,025**	9,217,988
- RLNG Transportation Income		**4,633,875**	4,663,562
- LSA Margins		**899,179**	400,853
Habib Bank Limited	**Associate**		
- Long term finance		**(7,711,459)**	(6,816,226)
- Short term finance		**(5,995,787)**	-
- Cash at bank		**33,215**	82,211
- Accrued markup		**(1,012,167)**	(298,100)
- Billable charges		**1,087**	1,436
- Gas supply deposit		**363**	-
Thatta Cement Company Limited	**Associate**		
- Billable charges		**51**	764

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

25. OPERATING SEGMENTS

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

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

Segment revenue and results

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

	Nine months ended			
	Segment revenue		Segment (loss) / profit	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	(Un-audited)			
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**112,533,833**	122,618,885	**(5,541,884)**	380,457
Meter manufacturing	**1,349,211**	1,065,605	**(48,202)**	4,979
Total segment results	**113,883,044**	123,684,490	**(5,590,086)**	385,436
Unallocated - other expenses				
- Other operating expenses			**(2,384,281)**	(370,779)
Unallocated - other income				
- Non-operating income			**599,554**	1,825,520
(Loss) / profit before tax			**(7,374,813)**	1,840,177

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 930 million (March 31, 2017: Rs. 614 million).

Segment assets and liabilities

	March 31, 2018 (Un-audited)	June 30, 2017 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**335,542,510**	291,242,128
Meter manufacturing	**2,431,557**	2,902,230
Total segment assets	**337,974,067**	294,144,358
Unallocated		
- Loans and advances	**834,860**	1,104,366
- Taxation - net	**19,410,814**	18,970,646
- Interest accrued	**490,109**	490,198
- Cash and bank balances	**559,104**	1,147,188
	21,294,887	21,712,398
Total assets as per Statement of Financial Position	**359,268,954**	315,856,756
Segments liabilities		
Gas transmission and distribution	**348,509,524**	294,716,915
Meter manufacturing	**779,897**	701,008
Total segment liabilities	**349,289,421**	295,417,923
Unallocated		
- Employee benefits	**5,283,470**	4,902,390
Total liabilities as per Statement of Financial Position	**354,572,891**	300,320,313

26. FAIR VALUE OF MEASUREMENT

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

26.1. Fair value of financial instruments

Financial assets which are 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, 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 March 31, 2018 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	-----------------------------------Rupees in '000-----------------------------------			
Available for sale financial assets				
Quoted equity securities	**417,117**	**-**	**-**	**417,117**

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

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

26.2. Fair value of other assets

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

	As at March 31, 2018 (Unaudited)	
	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 (Audited)	
	Level 2	Fair Value
	--------------Rupees in '000----------	
Freehold Land	5,453,582	5,453,582
Leasehold Land	6,937,190	6,937,190
	12,390,772	12,390,772

27. RECLASSIFICATION

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

Description	(Rupees in '000)	Reclassified From	Reclassified To
Late payment surcharge	2,580,025	Other non operating income	Other Income
Income for receivable against asset contribution	28,781	Other Non-Operating Income	Other Income
Term deposits and profit or loss bank accounts	68,488	Other Non-Operating Income	Other Income
Jamshoro Joint Venture Limited (JJVL)	110,170	Other Non-Operating Income	Other Income
Water & Power Development Authority (WAPDA)	212,934	Other Non-Operating Income	Other Income
Sui Northern Gas Pipelines Limited (SNGPL)	675,720	Other Non-Operating Income	Other Income
Dividend income	1,688	Other Non-Operating Income	Other Income
Income from net investment in finance lease - SNGPL	50,811	Other Non-Operating Income	Other Income
Sale of gas condensate - net	(68,762)	Other Non-Operating Income	Other Income
Income from LPG NGL - net	923,179	Other Non-Operating Income	Other Income
Meter manufacturing division profit - net	4,979	Other Non-Operating Income	Other Income
Amortization of Government grant	146,276	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	339,475	Other Operating Income	Other Income
Meter rentals	549,390	Other Operating Income	Other Income
RLNG transportation income	3,068,278	Other Operating Income	Other Income
Recognition of income against deferred credit	232,615	Other Operating Income	Other Income
Income from new service connections and asset contribution	162,228	Other Operating Income	Other Income
Income from LPG air mix distribution - net	106,889	Other Operating Income	Other Income
Recoveries from consumers	76,433	Other Operating Income	Other Income
Liquidated damages recovered	300,105	Other Operating Income	Other Income
Advertising income	2,306	Other Operating Income	Other Income
Income from sale of tender documents	3,597	Other Operating Income	Other Income
Scrap sales	50,550	Other Operating Income	Other Income
Miscellaneous	58,973	Other Operating Income	Other Income
Gain on disposal of property, plant and equipment	50,583	Other Operating Income	Other Income
Unclaimed Dividend	285,721	Trade and Other Payable	Unclaimed dividend

28. GENERAL

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

28.2 The consolidated condensed interim financial information are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

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

29. DATE OF AUTHORISATION

This consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on September 12, 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**	
	Nine months period ended March 31,	
	2018	2017
NATURAL GAS SALES VOLUME (MMCF)	268,113	267,224
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	4,202	4,190
COMMERCIAL	22,537	22,957
DOMESTIC	2,870,683	2,794,812
TOTAL	2,897,422	2,821,959
GAS METERS MANUFACTURED (NOS.)	349,490	232,180
TRANSMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	36	36
12"	545	522
16"	558	558
18"	940	970
20"	844	844
24"	751	687
30"	9	9
42"	371	163
	4,054	3,789
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	36,253	35,301
SERVICES	10,574	10,016
	46,827	45,317

دعوے کی قانونی حیثیت پر غور کرتے ہوئے فیصلہ کیا کہ معاملہ کو نئے سرے سے اٹھایا جائے اور تمام اسٹیک ہولڈرز کی مشاورت کے بعد ای سی سی کو ایک اور سمری بھیجی گئی تھی تا کہ ای سی سی کے پہلے دیئے گئے فیصلہ کو نافذ کروایا جا سکے۔

متذکرہ بالا مسئلہ کا حل نہایت اہم ہے حتیٰ کہ مستقبل میں بھی اس کی غیر موجودگی میں، ایکیوٹی میں کٹوتی سے فنانشل پوزیشن میں مزید بگاڑ پیدا ہو سکتا ہے جو مستقبل میں اسٹیک ہولڈرز بشمول GoP کی توقعات کے مطابق کمپنی کے موثر اور پائیدار آپریشنز پر شدید شکوک وشبہات پیدا ہو سکتے ہیں۔

گزشتہ غیر مستحکم نقصانات کو ضم کرنا

سندھ ہائی کورٹ کے فیصلے مورخہ 25 نومبر 2016، جس میں ایس ایس جی سی کے یو ایف جی کی حد اور بعض نان آپریشنل انکم کے دعوے کو مسترد کر دیا گیا تھا، اس سے متعلق 2.7 بلین روپے کے غیر مستحکم نقصانات کو ضم کیا گیا۔ اس فیصلے کے نتیجے میں ایس ایس جی سی کو مالی سال 2011 تا 2015 سے متعلق 36.7 بلین روپے کا نقصان ضم کرنا پڑا۔ ایس ایس جی سی نے مجاز اتھارٹی کی منظوری سے ان نقصانات کو چھ سال کے عرصہ تک موخر کر دیا ہے ور 31 مارچ 2018 تک ایس ایس جی سی نے 24.7 بلین روپے شامل کر لئے تھے۔

بلند مالیاتی لاگت

مذکورہ مدت کیلئے مالیاتی چارجز 3.8 بلین روپے تھے جو گزشتہ سال کی اسی مدت کے مقابلے میں 2.2 بلین روپے زیادہ ہیں۔ اس اضافے کی بڑی وجہ RLNG کی پورٹ قاسم کراچی سے ساوان تک SNGPL نیٹ ورک کو RLNG کی ترسیل کیلئے پائپ لائن انفرااسٹرکچر کیلئے حاصل کیا گیا طویل مدت کا قرضہ تھا۔ اس کے علاوہ گردشی قرضہ کی وجہ سے کمپنی کے کیش فلو کا سلسلہ طویل ہو گیا جس کے نتیجے میں قلیل المدت قرضہ جات پر اضافی مالی لاگت آئی۔

مستقبل کا منظر نامہ

کمپنی کو مالیاتی اور آپریشنل امور جاری رکھنے کیلئے یو ایف جی میں کمی ناگزیر ہے۔ نیز یہ بات بھی اہم ہے کہ کمپنی کو کیبنٹ کی ای سی سی کے فیصلے کی بنیاد پر RLNG کی ہینڈلنگ پر یو ایف جی الاؤنس کا حساب کرنے کی اجازت دی جائے۔

اعتراف

بورڈ آف ڈائریکٹرز شیئر ہولڈرز اور معزز صارفین کے مستقل تعاون پر ان کا دلی شکریہ ادا کرتا ہے۔ بورڈ اپنے ملازمین کے خلوص کا بھی معترف ہے جنہوں نے کمپنی کو درپیش متعدد چیلنجز کے باوجود جرأت مندی کے ساتھ اپنے کام انجام دیئے۔ ڈائریکٹرز حکومت پاکستان، وزارت پیٹرولیم اور قدرت وسائل اور آئل اینڈ گیس ریگولیٹری اتھارٹی کی مسلسل رہنمائی اور تعاون کیلئے بھی ممنون ہے۔

منجانب بورڈ

چیئرپرسن

کراچی

ڈائریکٹرز کا جائزہ

برائے 9 ماہ مختتمہ 31 مارچ 2018

میں کمپنی کے غیر آڈٹ شدہ نتائج برائے 9 ماہ مختتمہ 31 مارچ، 2018 پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ زیر جائزہ مدت کے دوران میں کمپنی کو سنگین چیلنجوں کا سامنا رہا۔ جن میں سے کچھ کمپنی کی ترقی اور استحکام کے لئے اہم ہیں۔

فنانشل جائزہ

زیر جائزہ مدت کے دوران، کمپنی نے اوگرا کی جانب سے بڑی پابندیوں کے بعد 10,763 ملین بعد از ٹیکس خالص نقصان ریکارڈ کیا۔

فنانشل جھلکیوں کا خلاصہ ذیل میں درج ہے:

9 ماہ مختتمہ 31 مارچ 2018 (روپے ملین میں)	
نقصان قبل از ٹیکس	(7,458)
ٹیکس	(3,305)
نقصان بعد از ٹیکس	(10,763)

ایس ایس جی سی کا منافع اوگرا کے متعین کردہ گارنٹیڈ ریٹرن فامولا کے تحت اخذ کیا جاتا ہے۔ اس فارمولے کے تحت ایس ایس جی سی کو اپنے اوسط خالص آپریٹنگ فکسڈ اثاثوں پر فنانشل چارجز اور ٹیکسز سے قبل 17% آمدنی کی اجازت ہے۔ البتہ، اوگرا کارکردگی سے متعلق بینچ مارک کے ساتھ ساتھ غیر شمار شدہ گیس (یو ایف جی)، ہیومن ریسورس بینچ مارک کی لاگت اور مشکوک قرضوں کی فراہمی اور دیگر اخراجات پر مبنی مالی ضروریات کا تعین کرتے وقت ایڈجسمنٹس کرتی ہے۔

یہ ایڈجسٹمنٹس کمپنی کی نچلی حد کو متاثر کرتی ہیں جو بنیادی طور پر فنانشل چارجز اور ٹیکسز کے 17% خالص گارنٹیڈ ریٹرن پر منحصر ہے۔

زیر جائزہ سال کے دوران میں بعد از ٹیکس نقصان کی اہم وجوہات درج ذیل تھیں۔

مالی سال 18-2017 کے حتمی مالی ضروریات کے بارے میں اوگرا کے فیصلے مجریہ 23 اپریل 2020 کے مطابق اثاثہ جات پر 11.3 بلین روپے آمدنی کے مقابلے میں ڈس الاؤنسز کو مکمل طور پر ان نو ماہ کے مالیاتی نتائج مبلغ 13.2 بلین روپے میں ضم کر دیا گیا۔

یو ایف جی میں اضافہ پر بڑے پیمانے پر روک تھام

انتہائی بلند یو ایف جی نقصانات کی حقیقی وجہ یہ ہے کہ اوگرا 11 مئی 2018 کو اکنامک کوآرڈینیشن کمیٹی کی جانب سے جاری کردہ سمری کے مطابق ایس ایس جی سی کو منظور شدہ آر ایل این جی والیوم بینیفٹ کو قبول نہیں کر رہی ہے۔ اگر اس فائدے کی اجازت ایس ایس جی سی کو دی گئی ہوتی تو خالص یو ایف جی ڈس الاؤنس 9.1 ملین (بشمول 4.2 روپے برائے مالی سال 2017) تک کم ہو جاتا۔

یہ تذکرہ ضروری ہے کہ آر ایل این جی سپلائی چین میں تمام اسٹیک ہولڈرز آر ایل این جی کی ترسیل کے عمل میں اصل کی بنیاد پر حادثاتی اخراجات / نقصانات وصول کر رہے ہیں۔ مذکورہ بالا ECC کی سمری کی رو سے ایس ایس جی سی کو اس طرح کا فائدہ یو ایف جی بینچ مارک کے تعین کے بعد والیوم ہینڈلنگ کے فائدے کی صورت میں حاصل کرنے کی اجازت تھی۔ البتہ، اوگرا نے اس پر عملدرآمد سے انکار کر دیا جس کی وجہ سے ایس ایس جی سی کو یو ایف جی ڈس الاؤنس کی صورت میں زبردست مالی نقصان ہوا۔

کمپنی کو درپیش خطرناک صورتحال پر قابو پانے کے لئے اور مذکورہ بالا سمری پر عملدرآمد نہ ہونے کی وجہ سے اوگرا کے خدشات کو دور کرنے کیلئے، MoE-PD کمپنی کے

SSGC Sui Southern Gas Company Limited

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

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