SSGC Sui Southern Gas Company Limited

Un-Audited Condensed Interim Financial Information for the half year ended December 31, 2018

TAKING INSPIRATION FROM HISTORY AND MOVING FORWARD

SSGC

Sui Southern Gas Company Limited

Un-Audited Unconsolidated Condensed Interim Financial Information
for the half year ended December 31, 2018

CORPORATE PROFILE

BOARD OF DIRECTORS

AS ON DECEMBER 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. Sher Afgan Khan	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Muhammad Riaz Khan	Member
Dr. Ahmed Mujtaba Memon	Member
(Two Casual Vacancies)	

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

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CDC Share Registrar Services Limited,
CDC House, 99-B, Block B, SMCHS,
Main Sharah-e-Faisal, Karachi.
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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
Nawabzada Riaz Nosherwani	Member
Mirza Mahmood Ahmad	Member
Mr. Sher Afgan Khan	Member

Board Finance and Procurement Committee

Mirza Mahmood Ahmad	Chairman
Mr. Muhammad Amin Rajput	AMD
Mr. Azher Ali Choudhry	Member
Qazi Mohammad Saleem Siddiqui	Member
Dr. Ahmed Mujtaba Memon	Member

Board Audit Committee

Sardar Rizwan Kehar	Chairman
Qazi Mohammad Saleem Siddiqui	Member
Mr. Muhammad Riaz Khan	Member
Dr. Ahmed Mujtaba Memon	Member

Board Risk Management, Litigation and HSEQA Committee

Mr. Muhammad Riaz Khan	Chairman
Mr. Muhammad Amin Rajput	AMD
Mirza Mahmood Ahmad	Member
Nawabzada Riaz Nosherwani	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
Qazi Mohammad Saleem Siddiqui	Member
Mr. Sher Afgan Khan	Member

Board Nomination Committee

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

DIRECTORS' REVIEW

For Six Months Period Ended December 31, 2018

I am pleased to share the Company's results for six months ended December 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. 7,524 million after incorporating major disallowances by OGRA.

The summary of financial highlights is given below:

	Six Months ended December 31, 2018 (Rupees in Million)
Loss before taxation	(6,805)
Taxation	(719)
Loss after taxation	(7,524)

SSGC Profitability is derived from Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed 17.43% return on its average net operating fixed assets before financial charges and taxes. However, OGRA makes adjustments while determining the revenue requirements based on efficiency related benchmarks viz a viz Unaccounted for Gas (UFG), Human Resource Benchmark Cost and Provision for Doubtful Debts and some other expenses. These adjustments affect the bottom line of the Company, which is primarily based on guaranteed return of 17.43% 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 (DFRR) for FY 2017-18 issued on April 23, 2020, total disallowances absorbed in these half-yearly financial results amounted to Rs. 10.1 billion against Rs. 7.7 billion return on assets. However, in these unconsolidated financial information exceptional UFG disallowances made in DFRR for FY 2017-18 have not been followed which have been re-claimed in the Motion for Review (MFR) Petition already filed.

High UFG Disallowance

The extremely high UFG disallowance is due to the fact that OGRA is not accepting RLNG Volume Handling benefit allowed to SSGC vide a summary approved by Economic Coordination Committee (ECC) dated May 11, 2018. Had this benefit been allowed to SSGC the net UFG disallowance would have been reduced by Rs. 5 billion.

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, Ministry of Energy – Petroleum Division 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.

Latest update on the matter is that the ECC considered the summary in its three meetings but no decision could be arrived at. Now as per the directives of the Advisor Finance a two members' committee comprising Secretary Ministry of Finance and Secretary Ministry of Energy (Petroleum Division) have been mandated to resolve the issue in consultation with the stakeholders. In this regards first meeting of the committee has already been held which was attended by MoE / OGRA officials, SSGC and SNGPL teams, Chairpersons of both the utilities and various directors.

Resolution of the above said issue is significant even for future periods, in the absence of which further deterioration in the financial position would be unabated which will cast serious doubt on the sustainable and efficient operations of the Company in the manner expected by its stakeholders.

Absorption of Past Staggered Losses

Absorption of Rs. 1.8 billion of staggered losses pertaining Sindh High Court decision dated November 25, 2016 wherein SSGC claim on UFG Benchmark and on the treatment of certain Non-Operating Incomes have been rejected. As a consequence of this decision, SSGC had to absorb losses of Rs. 36.7 billion pertaining to FY 2011 to FY 2015. With the approval of competent authorities, SSGC had staggered these losses in six years and up till December 31, 2018 SSGC has absorbed Rs. 27.5 billion.

High Financial Cost

Financial charges of Rs. 3.4 billion which is mainly on Long Term Loan obtained to finance Pipeline Infrastructure for transmission of RLNG from Karachi Port to Sawan for delivering RLNG to SNGPL network.

Modification in External Auditor's Report

The External Auditors, M/s. Deloitte Yousuf Adil Chartered Accountants had expressed qualified opinion in their audit report for the six months ended December 31, 2018 for the amounts due from KE and PSML, late payment surcharge (LPS) receivable from SNGPL and WAPDA and Receivable from Habibullah Costal Power Company (Private) Limited (HCPCL).

Receivables from KE and PSML

Receivable dispute situation of K-Electric (KE) and Pakistan Steel Mills Limited (PSML) remained the same as in previous years. The Management is vigorously pursuing recovery suit filed against KE. At the same time, the Management is in constant liaison with the concerned ministries to expedite the recovery of outstanding dues from KE and PSML. It is expected that as soon as the matter is permanently resolved by the Government of Pakistan, the overall financial position of the Company will improve. It is pertinent to mention that during the period from February 2020 to June 2020, PSML made payments of Rs. 350 million against monthly gas bills out of the allocations made by the Finance Division for the purpose. The claim of the Company against KE and PSML, as of December 31, 2018 is Rs. 91,354 million and Rs. 58,066 million, respectively.

LPS Receivable from SNGPL and WAPDA

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

Receivable from HCPCL

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

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

However, liquidated damages of Rs. 3.8 billion claimed by HCPCL from the Company was a consequence of Liquidated damages charged to HCPCL by WAPDA/CPPA-G, it clearly depicts the flow of payment from one GoP entity i.e. the Company to another GoP entity i.e. WAPDA without yielding any substantial benefit to any claimant party. Therefore, ECC in its meeting held on February 07, 2018 approved in principle the proposal regarding waiver of liquidated damages with the direction to Petroleum Division & Power Division to work out modalities in consultation with all the stakeholders.

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

Accordingly, Rs. 3.8 billion was “Recoverable from HCPC” and remaining amount of Rs. 4.2 billion pertaining to Reversal of LPS, Interest on LD Charges and Legal expenses was claimed from OGRA. However, OGRA has not allowed Rs. 4.2 billion in its Decision on Final Revenue Requirement (DFRR) for FY 2017-18 and decided to defer the matter until its conclusion between the parties as per the ECC decision.

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

Emphasis of matter

Based on Financial performance discussed in Note 1.3 of Financial Statements mainly focusing on allow-ability of RLNG volume handling and reduction in UFG based on “UFG reduction strategy”, Auditors have concluded that material uncertainty exists that may cast significant doubt on the Company’s ability to continue as going concern. However, the Company has obtained a support letter from Government of Pakistan, Finance Division dated July 06, 2020 that commits support to maintain the going concern status of the Company. The Auditors have expressly stated that their opinion is not modified in respect of this matter.
To evaluate the financial resilience of the Company, the following major factors are relevant:

a) UFG allowance based on RLNG handling on volumetric basis would be sought from OGRA as already elaborated in preceding paragraph.
b) New Tariff Regime would provide guaranteed return on operating assets at 17.43% effective from FY 2018-19.
c) UFG is planned to gradually reduce to 10.44% by 2022. Further, after UFG study report finalized by a firm of Chartered Accountants, revised UFG allowance has already been set from 4.5% to 7.6% i.e. 5% base benchmark plus 2.6% subject to achievement of Key Monitoring Indicators (KMIs). Although, the Company achieved 95% KMIs in FY 2017-18 and based on 95% KMI achievement, benchmark was claimed at 7.47% from OGRA which was reduced by 0.56% and allowed benchmark was set at 6.91% by reducing our KMI achievement from 95% to 73.46% without describing any specific reason in DFRR for FY 2017-18. Since this was the latest benchmark, thus this has been followed in preparation of Six Months Financial Statements. This matter has been pursued with OGRA in the Motion for Review against DFRR FY 2017-18 filed with OGRA. In respect of FY 2018-19 OGRA will decide the benchmark based on the KMI Audit report to be submitted to OGRA in due course of time. Thus final adjustment would be made in yearly Financial Statements after DFRR for FY 2018-19.
d) Government of Pakistan (Finance Division) (GoP) in its letter dated July 06, 2020, being majority shareholder has acknowledged the funding requirements of the Company and has shown commitment to extend all support to maintain the going concern status of the Company.

In addition to the above the External Auditors, M/s. Deloitte Yousuf Adil Chartered Accountants have drawn attention on certain issues in their audit report for six months ended December 31, 2018. Comments on these matters are as under:

i. The company has absorbed Rs. 27.5 billion out of total Rs. 36.7 billion of losses arising due to Sindh High Court decision. Management is confident that remaining staggered loss will be absorbed by 2021.
ii. Litigation and other matters mentioned in Contingencies and Commitment are being pursued aggressively for favorable resolution.
iii. SSGC has discontinued recognition of LPS expenses payable to the Government controlled E&P companies (OGDCL, PPL & GHPL) effective from July 01, 2012 till the time SSGC receives LPS income from PSML and K-E.

Acknowledgements

The Board of Directors wish to express their appreciation for the continued support received from the shareholders and its valued customers. The Board also acknowledges the dedication of all the employees. The directors also thank the Government of Pakistan, the Ministry of Energy and the Oil and Gas Regulatory Authority, for their continued guidance and support.
On behalf of the Board.

Dr. Shamshad Akhtar	**Muhammad Amin Rajput**
Chairperson	Acting Managing Director

Dated: November 07, 2020
Place: Karachi

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **Sui Southern Gas Company Limited** ("the Company") as at December 31, 2018, and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of cash flows, unconsolidated condensed interim statement of changes in equity and notes for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the unconsolidated condensed interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

a) As disclosed in notes 8.1 and 8.2 to the unconsolidated condensed interim financial information, trade debts include receivables of Rs. 30,929 million (June 30,2018: Rs. 31,948 million) and Rs. 23,275 million (June 30, 2018: Rs. 22,924 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. Significant portion of such receivables include overdue amounts, which have been considered good by management and classified as current assets in the unconsolidated interim financial information. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances due to which management has decided to recognise LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

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

b) As disclosed in note 9 to the unconsolidated condensed interim financial information, interest accrued includes interest receivable of Rs. 6,983 million and Rs. 3,530 million (June 30, 2018: Rs. 6,416 million and Rs. 3,421 million) from Sui Northern Gas Pipeline Limited (SNGPL) and Water and Power Development Authority (WAPDA) respectively. These have been accounted for in line with Company's practice of charging LPS on overdue amounts, but have not been acknowledged by the counter-party. Due to dispute with WAPDA, and large accumulation of their respective overdue amounts of interest, we were unable to determine the extent to which the interest accrued amounts due from SNGPL and WAPDA are likely to be recovered and the timeframe over which such recovery will be made;

c) We refer to note 10.2 of the unconsolidated condensed interim financial information which includes amount of Rs. 3,845 million receivable from Habibullah Coastal Private Company Limited (HCPCL) in respect of liquidated damages imposed in arbitration on April 30, 2018 by The International Court of Arbitration. Prior to the decision, the Economic Coordination Committee (ECC) through its meeting held on February 07, 2018 had proposed waiver of liquidated damages and directed Ministry of Energy – Petroleum Division to work out modalities in consultation with all stakeholders. However, to date, no agreement has been finalized between the relevant stakeholders. In the absence of the agreement, there is no contractual right to receive cash or financial asset from HCPCL and the requirements of IAS 39 – Financial Instruments are not met. Had management not recognised this receivable, the loss before tax would have increased by Rs. 3,845 million and net assets would have reduced by Rs. 2,730 million.

Qualified Conclusion

Except for the adjustments, if any, to the unconsolidated condensed interim financial information due to matters described in (a), (b) and (c) above, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the half year ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter Paragraphs

We draw attention to the following matters:

1) note 1.3 of the unconsolidated condensed interim financial information, which indicates that the Company has incurred net loss after tax of Rs. 7,524 million during the period ended December 31, 2018, and as of that date, the Company's current liabilities exceed current assets by Rs. 50,242 million. Further, staggering of losses and matters discussed in the Basis of Qualified Conclusion Section of the report along with other conditions as set forth in Note 1.3, indicate that material uncertainty exists that may cast significant doubt on the Company ability to continue as a going concern; however, the Company has obtained a support letter from Government of Pakistan Finance Division dated July 06, 2020 that commits support to maintain the going concern status of the Company. Our opinion is not modified in respect of this matter.

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

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

4) note 16.1 to the unconsolidated condensed interim financial information that describes that the Company has reversed the late payment surcharge (LPS) expense of Rs. 26,222 million on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2016 and not recorded LPS expense for the year ended June 30, 2017, for the year ended June 30, 2018 and for the half year ended December 31, 2018 amounting to Rs. 7,569 million, Rs. 7,477 million and Rs. 4,288 million respectively for reasons described in the said note.

Our conclusion is not qualified in respect of above matters.

Other matters

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

The engagement partner on the review resulting in this independent auditor's report is Hena Sadiq.

Yousuf Adil

Chartered Accountants

Dated: November 07, 2020
Place: Karachi

Unconsolidated condensed interim statement of financial position
As at December 31, 2018

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-------------(Rupees in '000)-------------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**120,524,830**	120,523,674
Intangible assets		**35,310**	48,853
Long term investments	7	**1,275,325**	1,376,433
Net investment in finance lease		**220,029**	246,764
Long term loans and advances		**212,208**	180,117
Long term deposits		**17,438**	17,438
Total non-current assets		**122,285,140**	122,393,279
Current assets			
Stores, spares and loose tools		**2,418,746**	2,015,195
Stock-in-trade		**1,621,866**	1,125,441
Current maturity of net investment in finance lease		**57,815**	57,815
Customers' installation work-in-progress		**206,027**	179,691
Trade debts	8	**80,309,114**	76,761,352
Loans and advances		**2,686,912**	2,492,061
Advances, deposits and short term prepayments		**333,851**	171,729
Interest accrued	9	**12,532,166**	11,690,562
Other receivables	10	**204,792,187**	151,756,310
Taxation - net		**19,455,333**	19,549,064
Cash and bank balances		**448,003**	410,399
Total current assets		**324,862,020**	266,209,619
Total assets		**447,147,160**	388,602,898

The annexed notes from 1 to 32 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 December 31, 2018

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (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
Issued, subscribed and paid-up capital		**8,809,163**	8,809,163
Reserves		**4,907,401**	4,907,401
Surplus on re-measurement of available for sale securities		**233,697**	334,805
Surplus on revaluation of fixed assets		**13,673,415**	13,673,415
Accumulated losses		**(31,842,049)**	(24,318,479)
Total Equity		**(4,218,373)**	3,406,305
LIABILITIES			
Non-current liabilities			
Long term finance	11	**40,838,634**	44,721,775
Long term deposits		**16,149,014**	15,181,333
Employee benefits		**6,283,871**	5,935,400
Obligation against pipeline		**906,942**	933,345
Deferred credit	12	**4,994,208**	5,161,453
Contract liabilties	13	**3,951,863**	3,554,115
Long term advances		**3,137,432**	3,148,848
Total non-current liabilities		**76,261,964**	78,636,269
Current liabilities			
Current portion of long term finance	11	**10,685,277**	11,573,691
Short term borrowings	14	**20,439,517**	9,759,947
Trade and other payables	15	**325,245,183**	267,091,731
Current portion of obligation against pipeline		**51,648**	49,386
Current portion of deferred credit	12	**417,483**	430,416
Current portion of contract liabilties	13	**157,874**	140,557
Unclaimed Dividend		**285,441**	285,565
Interest accrued	16	**17,821,146**	17,229,031
Total current liabilities		**375,103,569**	306,560,324
Total liabilities		**451,365,533**	385,196,593
Total equity and liabilities		**447,147,160**	388,602,898
Contingencies and commitments	17		

The annexed notes from 1 to 32 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 profit or loss (Un-audited)
For the half year ended December 31, 2018

	Note	Half year ended December 31, 2018	Half year ended December 31, 2017	Quarter ended December 31, 2018	Quarter ended December 31, 2017
		-----------------------------------	(Rupees in '000)	-----------------------------------	
Sales		**123,433,876**	86,835,629	**67,625,232**	43,559,932
Sales tax		**(16,009,423)**	(11,969,468)	**(8,881,667)**	(6,175,290)
	18	**107,424,453**	74,866,161	**58,743,565**	37,384,642
Gas development surcharge	19	**34,423,083**	10,924,249	**18,935,847**	8,869,509
RLNG differetial margins	20	**(7,086,092)**	-	**(2,873,240)**	-
Net sales		**134,761,444**	85,790,410	**74,806,172**	46,254,151
Cost of sales	21	**(135,689,381)**	(89,798,543)	**(73,989,573)**	(50,012,321)
Gross (loss) / profit		**(927,937)**	(4,008,133)	**816,599**	(3,758,170)
Administrative and selling expenses		**(2,275,277)**	(2,156,969)	**(1,151,957)**	(1,079,654)
Other operating expenses	22	**(7,069,672)**	(2,105,469)	**(5,659,075)**	(1,140,470)
		(9,344,949)	(4,262,438)	**(6,811,032)**	(2,220,124)
		(10,272,886)	(8,270,571)	**(5,994,433)**	(5,978,294)
Other income	23	**6,858,312**	6,009,203	**3,734,145**	3,577,513
Operating loss		**(3,414,574)**	(2,261,368)	**(2,260,288)**	(2,400,781)
Finance cost		**(3,390,073)**	(2,342,538)	**(1,633,123)**	(1,254,278)
Loss before taxation		**(6,804,647)**	(4,603,906)	**(3,893,411)**	(3,655,059)
Taxation	24	**(718,923)**	(3,088,025)	**(406,435)**	(322,419)
Loss for the period		**(7,523,570)**	(7,691,931)	**(4,299,846)**	(3,977,478)
Basic and diluted loss per share		**(8.54)**	(8.73)	**(4.88)**	(4.52)

The annexed notes from 1 to 32 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 half year ended December 31, 2018

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	---(Rupees in '000)---			
Loss for the period	**(7,523,570)**	(7,691,931)	**(4,299,846)**	(3,977,478)
Other comprehensive income				
Item that may be reclassified subsequently to statement profit or loss				
Unrealised loss on re-measurement of available for sale securities	**(101,108)**	(193,706)	**(66,547)**	(133,761)
Total comprehensive loss for the period	**(7,624,678)**	(7,885,637)	**(4,366,393)**	(4,111,239)

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

Unconsolidated condensed interim statement of cash flows (Un-audited)
For the half year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		--------(Rupees in '000)--------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(6,804,647)	(4,603,906)
Adjustments for non-cash and other items	25	7,639,097	6,548,924
Working capital changes	26	336,190	(19,020,719)
Financial charges paid		(2,829,406)	(2,415,551)
Employee benefits paid		(15,285)	(59,553)
Payment for retirement benefits		(786,615)	(379,200)
Long term deposits received - net		967,681	677,577
Deposits paid - net		-	(1,073)
Loans and advances to employees - net		(226,942)	(14,444)
Interest income and return on term deposits received		101,525	23,181
Income taxes paid		(625,192)	(737,346)
Net cash used in operating activities		(2,243,594)	(19,982,110)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,649,092)	(4,286,163)
Payments for intangible assets		(1,566)	(3,188)
Payment for obligation againt pipeline		(67,866)	(67,866)
Proceeds from sale of property, plant and equipment		66,788	90,093
Lease rental from net investment in finance lease		50,039	55,219
Dividend received		-	712
Net cash used in investing activities		(3,601,697)	(4,211,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		9,523	9,200,000
Repayments of local currency loans		(4,800,000)	(1,416,667)
Consumer finance received		-	11,145
Repayment of consumer finance		(6,074)	(7,857)
Dividend paid		(124)	(62)
Net cash (used in) / generated from financing activities		(4,796,675)	7,786,559
Net decrease in cash and cash equivalents		(10,641,966)	(16,406,744)
Cash and cash equivalents at beginning of the period		(9,349,548)	(2,003,801)
Cash and cash equivalents at end of the period		(19,991,514)	(18,410,545)
Cash and cash equivalent comprises:			
Cash and bank balances		448,003	572,858
Short term borrowings		(20,439,517)	(18,983,403)
		(19,991,514)	(18,410,545)

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

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

Unconsolidated condensed interim statement of changes in equity (Un-audited)

For the half year ended December 31, 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 assets	Accumulated losses	Total
	---(Rupees in '000)---						
Balance as at June 30, 2017 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**518,699**	**11,728,265**	**(9,880,716)**	**16,082,812**
Total comprehensive income for the period ended December 31, 2017							
Loss for the period	-	-	-	-	-	(7,691,931)	(7,691,931)
Other comprehensive loss for the period	-	-	-	(193,706)	-	-	(193,706)
Total comprehensive loss for the period	-	-	-	(193,706)		(7,691,931)	(7,885,637)
Balance as at December 31, 2017	8,809,163	234,868	4,672,533	324,993	11,728,265	(17,572,647)	8,197,175
Balance as at June 30, 2018 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**334,805**	**13,673,415**	**(24,318,479)**	**3,406,305**
Total comprehensive income for the period ended December 31, 2018							
Loss for the period	-	-	-	-	-	(7,523,570)	(7,523,570)
Other comprehensive loss for the period	-	-	-	(101,108)	-	-	(101,108)
Total comprehensive loss for the period	-	-	-	(101,108)	-	(7,523,570)	(7,624,678)
Balance as at December 31, 2018	**8,809,163**	**234,868**	**4,672,533**	**233,697**	**13,673,415**	**(31,842,049)**	**(4,218,373)**

The annexed notes from 1 to 32 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. LEGAL 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	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 of 17.43% 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 and taxation. The determination of annual required return is reviewed by OGRA, under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Financial Performance

During the period, the Company has incurred loss after tax of Rs. 7,524 million resulting in increase of its accumulated losses by Rs. 7,524 million and negative equity to Rs. 4,218 million after including the impact of staggering as disclosed in note 2.3. As at period end, current liabilities exceed its current asset by Rs. 50,242 million and accumulated losses stood at Rs. 31,842 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 (FRR) for Financial Year (FY) 2017-18 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

- GoP (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.

- Under new tariff regime, the company will also be entitled to the guaranteed return on operating assets 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 which are breached in the current period. The Company has obtained letters from banks providing necessary relaxation of financial covenants for the FY 2017-18. The Company is confident that banks will also provide the same support letter for the FY 2018-19. In these letters, the banks have reiterated that they do not plan to call the debts due to breach of covenants. 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

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, June 30, 2018 and FRR of June 30, 2019, 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

This 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. However, in these unconsolidate condensed interim financial information, exceptional UFG disallowances made in DFRR for FY 2017-18 pertaining to internal consumption, UFG on transmission and distribution of RLNG, OGRA disallowed Line pack as well as Loss due to sabotage have not been followed which have been re-claimed and expected to be allowed in the decision on Motion for Review (MFR) Petition already filed and also reclaimed in FRR petition for FY 2018-19.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

This unconsolidated condensed interim financial information does not include all information required for annual audited condensed interim financial informations and should be read in conjunction with the unconsolidated condensed interim financial informations of the Company for the year ended June 30, 2018.

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

2.3 Staggering of Losses arising due to Sindh High Court decision

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

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

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for FY 2010-11 to 2014-15 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 proportionally (Rs. 1,836 million) for in this unconsolidated condensed interim financial information.

Further, the OGRA, in its decision dated December 24, 2018 also directed the Company to review its dividend payout policy for future year till such time the above adjustment impact dispelled (i.e. FY 2020-21).

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, 2018, except for change in accounting policy as disclosed in note 3.1 in this unconsolidated condensed interim financial information.

3.1 IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 from July 01, 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company has elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognised in the statement of financial position:

Description	Carrying amount as previously reported	Reclassification due to adoption of IFRS 15	IFRS 15 carrying amount
	July 01, 2018 (Rupees in 000)		
Deferred credit	6,037,795	(876,342)	5,161,453
Current portion of deferred credit	570,973	(157,874)	413,099
Trade and other payables	269,769,504	(2,677,773)	267,091,731
Contract liabilities	-	3,554,115	3,554,115
Current portion of contract liabilities	-	140,557	140,557

The core business of the Company is transmission and sale of gas and is the only performance obligation towards its customers based on the contracts with customers.

From July 01, 2018, as per the requirements of the IFRS 15, these contributions are being amortised over the useful lives of the related assets as laying of the pipelines is not a distinct performance obligation, instead is considered a part of the Company's only performance obligation to deliver gas to the customers. For balances prior to application date, in accordance with the opinion of the Accounting Standard Board (ASB) of ICAP dated July 08, 2020, retrospective adjustment to the opening statement of financial position is not required with respect to the deferment of the previously recognized revenues against the contributions received towards the cost of supplying and laying transmission, service and main lines on contract as these do not have a continuing performance obligations under IFRIC 18.

3.2 IFRS 9 Financial Instruments

The IASB introduced IFRS 9 – Financial Instruments (IFRS 9) for annual period beginning or after January 01, 2018, however, the Securities and Exchange Commission of Pakistan (SECP) deferred the effective date of IFRS 9 from above mentioned date to July 1, 2018.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 985 (I)/2019 dated September 02, 2019 and further clarification vide its letter No. EMD/IACC/4/2009 dated September 08, 2020 to the Company has exempted the application of IFRS 9 with respect to recognition requirements of Expected Credit Losses on financial assets due from Government of Pakistan or ultimately due from the Government of Pakistan (including receivables in context of circular debt) till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39, in respect of such financial assets.

Based on the above mentioned SECP Circulars/SROs the Company has not taken impact of IFRS 9 in this unconsolidated condensed interim financial information for the period ended December 31, 2018.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unconsolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the unconsolidated financial statements for the year ended June 30, 2018. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Company.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the unconsolidated financial statements as at and for the year ended June 30, 2018.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	------------(Rupees in '000)-----------	
Operating assets	**110,231,730**	109,452,905
Capital work in progress	**10,293,100**	11,070,769
	120,524,830	120,523,674

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

	December 31, 2018		December 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				
Buildings on leasehold land	**35,672**	**-**	35,830	-
Gas transmission pipelines	**1,831,516**	**-**	1,726,546	-
Gas distribution system	**2,582,405**	**-**	2,066,723	-
Telecommunication	**3,601**	**-**	1,139	-
Plant and machinery	**39,794**	**-**	159,958	(309)
Tools and equipment	**8,744**	**-**	6,347	-
Motor vehicles	**156,036**	**(22,967)**	67,432	(15,046)
Furniture and fixtures	**4,248**	**-**	1,168	-
Office equipment	**15,393**	**-**	57,600	-
Computers and ancillary equipments	**1,569**	**-**	95,755	-
Construction equipment	**23,858**	**-**	77,084	-
Supervisory control and data acquisition system	**29,320**	**-**	790	-
Compressors	**33,632**	**-**	353,039	-
	4,765,788	**(22,967)**	4,649,411	(15,355)

	Capital expenditure incurred	**Transfer to operating assets**	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	**2,862,924**	**(2,582,405)**	2,187,416	(2,066,723)
- Gas transmission system	**404,861**	**(1,831,516)**	1,898,402	(1,726,546)
- Cost of buildings under construction and others	**36,093**	**(35,672)**	66,270	(35,830)
	3,303,878	**(4,449,593)**	4,152,088	(3,829,099)

During the period, there has been a net (decrease) / increase in respect of stores and spares held for capital projects and others amounting to Rs. (60.5) million (December 31, 2017: Rs. 677 million).

		Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
			-----------(Rupees in '000)-----------	
7.	**LONG TERM INVESTMENTS**			
	Investment in related parties	7.1 & 7.2	**1,260,776**	1,247,050
	Other investments		**14,549**	129,383
			1,275,325	1,376,433

7.1 Investments in SNGPL and ISGSL represent investment in 'associated companies' in terms of provisions of Companies Act 2017. However, the Company has not accounted for them as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Company does not have significant influence in these associated companies.

7.2. 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 Holdings (Private) Limited, being the parent company, shall make all future funding of ISGSL project. Based on this, OGRA in its decision dated December 24, 2018, allowed Rs. 15 million and considered the same as full and final payment in this regard. Subsequent to the period end, the investment was disposed at par value / cost to Government Holding (Private) Limited in accordance with the resolution of the Board.

		Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
			-----------(Rupees in '000)-----------	
8.	**TRADE DEBTS**			
	Secured		**26,768,649**	24,166,537
	Unsecured		**68,681,219**	67,378,158
		8.1 & 8.2	**95,449,868**	91,544,695
	Provision against impaired debts		**(15,140,754)**	(14,783,343)
			80,309,114	76,761,352

8.1 As K-Electric Limited (KE) has been defaulting and not making payment of 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 International Financial Reporting Standards – 15 “Revenue from Contracts with Customers” based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 30,929 million (June 30, 2018: Rs. 31,948 million) as at December 31, 2018 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2018: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 91,354 million (June 30, 2018: Rs. 85,763 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.

Management has consulted its legal counsel, who is of the view that the Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel is also of the opinion that the Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

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.

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017. Currently, management is in a process to negotiate payment plan, which has not been finalised till the filling of this unconsolidated condensed interim financial information but the supply of gas and payment is continuing as per old plan.

It has been agreed during various meetings with KE and the Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending. Subsequent to period end term of reference has been signed and shared with KE however no response received from KE yet.

An Inter Ministerial committee nominated by the Prime Minister of Pakistan is mandated to resolve KE issues inter alia National Security Clearance Certificate, KE's receivables / payables against GoP / GoS entities. Since June 2020 a proposal of finalization of ToRs for arbitration agreement remained under discussion.

The Company took the following position:

- The arbitration should be done under Pakistan Arbitration Act 1940 and the seat should be in Karachi.
- Being a separate corporate entity the Company has no relation / nexus with KE's disputes with other entities therefore it needs to be clearly mentioned in the arbitration agreement that pursuant to the arbitral award Federal Government should ensure.
- The Company emphasized for the need of engagement of a Chartered Accountants firm as per the decision of CCOE dated April 23, 2018 which may even facilitate the arbitration proceedings.

8.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of LPS, the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per International Financial Reporting Standards – 15 "Revenue from Contracts with Customers" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 23,275 million (June 30, 2018: Rs. 22,924 million) including overdue balance of Rs. 23,210 million (June 30, 2018: Rs. 22,874 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 58,066 million (June 30, 2018: Rs. 55,001 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.

PSML has filed its counter claim of Rs. 38,660 million approximately on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal council of the Company is of the view that due to various litigation nothing could be expressed with any degree of certainty in the contested matters.

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	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	
9. INTEREST ACCRUED			
Interest accrued on late payment of bills / invoices from:			
- WAPDA		**3,529,546**	3,421,488
- SNGPL		**6,983,235**	6,416,359
- JJVL		**839,276**	745,157
		11,352,057	10,583,004
Interest accrued on bank deposits		**2,316**	2,370
Interest accrued on sales tax refund		**487,739**	487,739
Interest accrued to related party	9.1	**774,446**	701,841
		12,616,558	11,774,954
Provision against impaired accrued income		**(84,392)**	(84,392)
		12,532,166	11,690,562

9.1 This amount represents interest accrued on amount due from SSGC LPG (Private) Limited (a wholly owned subsidiary). The amount includes interest accrued on a short term loan amounting to Rs. 738 million (June 30, 2018: Rs. 666 million) and interest accrued on late payment of bills against sale of LPG amounting to Rs. 36 million (June 30, 2018: Rs. 36 million).

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	
10. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	10.1	**88,154,871**	53,499,313
Receivable from HCPCL	10.2	**3,845,839**	3,787,690
Expenses deferred by OGRA	10.3	**4,167,196**	4,167,196
Staff pension fund		**319,596**	319,596
Receivable for sale of gas condensate		**42,107**	42,949
Sui Northern Gas Pipelines Limited	10.4	**59,905,855**	49,025,870
Jamshoro Joint Venture Limited	10.5 & 10.6	**11,494,275**	12,033,292
SSGC LPG (Private) Limited		**30,829**	22,988
Sales tax receivable	10.7	**38,561,766**	30,593,988
Sindh sales tax		**112,976**	112,976
Pipeline rentals		**-**	-
Receivable against asset contribution	10.8	**411,048**	382,469
Miscellaneous receivables		**92,188**	114,342
		207,138,546	154,102,669
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		204,792,187	151,756,310

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	-----------(Rupees in '000)-----------	

10.1 Gas Development Surcharge (GDS)

GDS receivable / (payable)	**53,499,313**	21,264,629
Recognized in statement of profit or loss	**34,423,083**	22,645,175
Recognized in OCI claim under IAS 19	**-**	1,368,151
Payment made during the year	**-**	7,708,862
Subsidy for LPG air mix operations	**232,475**	512,496
	88,154,871	53,499,313

10.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)

Amount of LD Charges as per Arbitration Award	**3,626,382**	3,626,382
Subsequent LDs raised by HCPCL on Award Principle	**219,457**	161,308
Total Receivable	**3,845,839**	3,787,690

HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Company for claiming Liquidated damages (LD) due to non-supply of contractual gas volumes and disputed compounding of interest i.e. Late Payment Surcharge on gas bills thereon for the period from January 2009 to March 2017.

On April 30, 2018, ICC issued decision in favor of HCPCL and the Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, LD, interest and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Company.

Earlier in January 2018, the Company approached Ministry of Energy (Petroleum Division) regarding waiver of LDs claimed by WAPDA / CCPA-G from HCPCL against non-supply of Electricity to WAPDA which was being passed to the Company by HCPCL. The matter was submitted to Economic Coordination Committee of the Cabinet (ECC) for consideration and ECC in its meeting held on February 07, 2018 approved in principle, the proposal regarding waiver of LDs with the direction to Petroleum Division to work out modalities in consultation with stakeholders.

LDs adjusted by HCPCL against gas bills are recoverable from HCPCL as per ECC aforementioned decision and are transferred from Trade Debts to Other Receivables amounting to Rs. 3,626 million for the Award Period and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million up till June 30, 2018 and for the period ended December 31, 2018 respectively.

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	-----------(Rupees in '000)-----------	

10.3 Expenses Deferred by OGRA

LPS (up to FY 2016-17)	**3,243,503**	3,243,503
Total interest on LD charges	**352,768**	352,768
Total legal charges	**570,925**	570,925
	4,167,196	4,167,196

Consequent to the Arbitration Award as mentioned in Note 10.2, the Company was required to pay Interest on LD charges Rs. 353 million and Legal Charges Rs. 571 million to HCPCL. The same has been adjusted by HCPCL against Gas Bills and the Company was required to reverse the LPS previously charged to HCPCL.

Since the LPS so reversed was previously offered to OGRA as Operating Income and Interest on LD Charges and Legal charges are operating expense the total amount of Rs. 4,167 was claimed from OGRA in Petition for FRR of FY 2017-18. However, OGRA in its decision dated April 23, 2020 has deferred its decision on the matter until the conclusion of matter between WAPDA / CPPA-G and HCPCL as per ECC directives.

		Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
			-----------(Rupees in '000)-----------	
10.4	As at period end, receivable balance from SNGPL comprises of the following:			
	Uniform cost of gas		**15,818,846**	16,011,846
	Lease rentals		**101,757**	64,864
	Contingent rent		**3,535**	3,535
	Capacity and utilisation charges of RLNG	10.4.1	**26,546,025**	19,835,414
	RLNG transportation income		**15,952,542**	12,026,912
	LSA margins of RLNG		**1,483,150**	1,083,299
			59,905,855	49,025,870

10.4.1 The Company has invoiced an amount of Rs. 58,570 million, including Sindh Sales Tax of Rs. 6,881 million, till December 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 (PAFL) 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 PAFL, PAFL is making payment directly to the Company according to the payment plan finalised subsequent to end of reporting date, that requires PAFL to make eight equal monthly instalments of Rs. 201 million per month. Till July 2019, the Company has received all eight instalments.

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, 18 BCF, on February 7, 2019, 11 BCF, on June 14, 2019, 08 BCF, on November 18, 2019, 11 BCF, on March 03, 2020, 11 BCF (in total 71 BCF) of RLNG volume has been allocated to the Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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

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

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

10.6 During the FY 2013-14, the Supreme Court of Pakistan (SCP) passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Company and Jamshoro Joint Venture Limited (JJVL) was declared void from the date of its inception. The SCP constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the “Reference Price” for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the SCP has appointed an Advocate Supreme Court to determine the matter and accordingly the same has been submitted by him.

As per court order dated June 13, 2018 a firm of Chartered Accountants was appointed to determine the receivable / payable from / to JJVL wherein freight matter was also included and the report has been submitted by the firm. However the freight matter is still pending and the SCP will settle the same and an appropriate order shall be passed in this respect. As per SCP order dated January 9, 2019, in respect of freight matter charges, SCP directed JJVL to deposit Rs. 249 million as JJVL's admitted liability for freight charges for the period 2005-2013. The Company has received such amount as directed by SCP on February 24, 2020 and further amount in this respect will be settled by SCP in due course.

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

10.8 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	**December 31, 2018 (Un-audited)**	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	
11. LONG-TERM FINANCE			
Secured			
Loans from banking companies	11.1,11.2 & 11.3	**50,561,851**	55,336,852
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Customer finance		**195,547**	201,624
Government of Sindh loans		**742,563**	733,040
		962,060	958,614
		51,523,911	56,295,466
Less: current portion shown under current liabilities			
Loans from banking companies		**(10,487,500)**	(11,375,000)
Customer finance		**(11,110)**	(12,024)
Government of Sindh loans		**(186,667)**	(186,667)
		(10,685,277)	(11,573,691)
		40,838,634	44,721,775

11.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. During the period, repayment of Rs. 1,500 million has been made.

11.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2018 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 1,250 million has been made. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

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

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		------------(Rupees in '000)------------	
12. DEFERRED CREDIT			
Government of Pakistan contributions / grants			
Opening balance		**3,285,092**	3,539,596
Additions / adjustments during the year		**27,530**	24,182
Transferred to unconsolidated statement of profit or loss		**(139,929)**	(278,686)
Closing balance		**3,172,693**	3,285,092
Government of Sindh (Conversion of loan into grant)			
Opening balance		**2,133,559**	-
Additions during the year		**1,034**	2,288,772
Transferred to unconsolidated statement of profit or loss		**(57,219)**	(155,213)
Closing balance		**2,077,374**	2,133,559
Government of Sindh grants			
Opening balance		**173,218**	1,034,396
Transferred to unconsolidated statement of profit or loss	12.1	**(11,594)**	(54,938)
Adjustment		**-**	(806,240)
Closing balance		**161,624**	173,218
		5,411,691	5,591,869
Less: Current portion of deferred credit		**(417,483)**	(430,416)
		4,994,208	5,161,453

12.1 This represents the benefit of lower interest rate on Government of Sindh Loan III, IV and V, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan III, IV and V and its initial fair value. The amount of Government of Sindh loan after conversion amounting to Rs. 940 million and its initial fair value is amounting to Rs. 170 million based on Rs. 398 million. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised in unconsolidated statement of profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		------------(Rupees in '000)------------	
13. CONTRACT LIABILITIES			
Contribution from consumers	13.1	**1,189,249**	876,342
Advance received from customers for laying of mains, etc.		**2,762,614**	2,677,773
		3,951,863	3,554,115
13.1 Contribution from consumers			
Opening balance		**1,016,899**	1,168,909
Additions / adjustments during the year		**409,161**	-
Transferred to unconsolidated statement of profit or loss		**(78,937)**	(152,010)
		1,347,123	1,016,899
Less: Current portion of contributions from consumers		**(157,874)**	(140,557)
Closing balance		**1,189,249**	876,342

13.2 As explained in Note 3.1 to this unconsolidated condensed financial information, after the first time adoption of IFRS 15 in Pakistan, the Company has applied the provisions of IFRS 15 “Revenue from Contract with Customers” for the first time in its unconsolidated condensed financial information and accordingly, has recognised the contract liabilities in respect of the amount received from the customers as contribution towards the cost of supplying and laying transmission, service and main lines. These contributions were being treated as deferred credit previously under IFRIC 18 from the year ended June 30, 2010 to June 30, 2018 and the revenue was being recognised when the lines were laid and commissioned based on the management’s judgment under IFRIC 18.

14. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 25,000 million (June 30, 2018: Rs. 23,000 million) and subject to markup to 0.20% (June 30, 2018: 0.10%) 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. 4,560 million (June 30, 2018: Rs. 13,240 million).

15. TRADE AND OTHER PAYABLES

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
- Gas supplies	15.1	**260,427,711**	226,212,893
- RLNG		**24,120,468**	7,264,401
- Supplies		**1,014,988**	1,138,227
		285,563,167	234,615,521
Payable to SNGPL for differential tariff	15.2	**5,130,158**	1,487,714
Payable to GOP for differential tariff	15.3	**5,960,015**	2,516,367
Engro Elengy Terminal Limited		**1,830,216**	1,764,281
Accrued liabilities		**4,461,896**	3,902,232
Advance from LPG customers		**-**	51,617
Provision for compensated absences - non executives		**277,764**	309,391
Payable to staff gratuity fund		**4,314,904**	4,549,836
Deposits / retention money		**721,512**	678,233
Bills payable		**12,503**	129,430
Advance for sharing right of way		**18,082**	18,088
Withholding tax		**82,628**	102,946
Sales tax and Federal excise duty		**323,459**	280,403
Sindh sales tax		**199**	111,761
Processing charges payable to JJVL		**8,528,447**	8,528,447
Gas infrastructure development cess payable		**7,304,111**	7,425,827
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Worker's Profit Participation Fund		**174,515**	12,860
Others		**539,807**	604,977
		325,245,183	267,091,731

15.1 Creditors of gas supplies includes Rs. 203,506 million (June 30, 2018: Rs. 167,492 million) 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, 2018: Rs. 15,832 million) on their balances which have been presented in note 16.1 in this unconsolidated condensed interim financial information.

15.2 The OGRA vide its decision dated November 20, 2018 has directed that the stock of RLNG withheld by the Company to be purchased from SNGPL based on historical weighted average cost price in Pakistan Rupees. Subsequently, the Company shall record sales as per relevant applicable OGRA notified rates. Any gain / loss owing to the difference between the current and historical rates shall be passed on to the SNGPL after deducting cost of supply and T&D losses.

15.3 As per the policy guideline issued by the Economic Coordination Committee of the Cabinet (ECC) on pricing of RLNG, the Company is allowed to earn an annual return as a percentage of the value of its average fixed assets in RLNG operation, to be determined by OGRA. Any deficit or surplus on account of this is recoverable from or payable to the RLNG consumers through adjustment in future RLNG prices. The surplus or the shortfall, if any, are included in “trade and other payables” or “other receivables” respectively with the corresponding charge or credit respectively, recognised in the unconsolidated condensed interim statement of profit or loss.

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	
16. INTEREST ACCRUED			
Long term financing - loans from banking companies		**685,159**	522,464
Long term deposits from customers		**571,548**	370,987
Short term borrowings		**288,810**	159,280
Late payment surcharge on processing charges		**438,392**	339,061
Late payment surcharge on gas development surcharge		**4,826**	4,828
Late payment surcharge on gas supplies	16.1	**15,832,411**	15,832,411
		17,821,146	17,229,031

16.1 As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per International Financial Reporting Standards – 15 “Revenue from Contracts with Customers”. However, the Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their condensed interim financial information only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense from July 1, 2016 to December 31, 2018 amounting to Rs.19,334 on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim statement of financial position would be as follows:

	December 31, 2018 (Un-audited) (Rupees in million)
- Increase in loss before tax	**45,556**
- Increase in loss after tax / accumulated losses	**31,889**
- Increase in earning per share - Rupees	**36.20**

17. CONTINGENCIES AND COMMITMENTS

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-------- (Rupees in '000)--------	
17.1	Commitments for capital and other expenditures	**3,870,383**	4,563,809
17.2	Guarantees issued on behalf of the Company	**5,236,009**	4,323,217

17.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 144,120 million (June 30, 2018: Rs. 144,120 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, 2018: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

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

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

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

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

17.4 As disclosed in note 16.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense from July 01, 2016 to December 31, 2018 amounting to Rs. 18,546 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 April 23, 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.

The 20 year GSA with HCPCL expired in December 2019 and the customer has since then been disconnected. The Company has also invoked the bank guarantee on which HCPCL has obtained a stay order from Sindh High Court, however, HCPCL is in negotiations with the Company to sign a new GSA to resume gas supply.

17.6 As disclosed in note 10.6, and 23.1 and for other matters arbitration proceedings between JJVL and the Company has been initiated under the Pakistan Arbitration Act 1940 to settle the outstanding disputes between the parties. Accordingly, both the parties have appointed their respective arbitrators and filed their respective claims.

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

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

SCP also directed the Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement is valid for 1.5 years and is set to expire on June 20, 2020 and until renewed by the parties with mutual written consent it shall stand terminated automatically. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

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 Honorable 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 favour of the Company.

17.8 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 Appellate Tribunal Inland Revenue had 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.

17.9 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2007 to 2015 intending to disallow accrued interest expense 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 and depreciation on fixed assets held under musharka arrangement.

On issue of interest expense, tax authorities have positively closed the proceedings for Tax Years 2009, 2012, 2013 & 2014 while similar Orders are expected for other years.

On issue of depreciation, tax authorities passed adverse Orders for Tax Years 2007, 2008, 2009, 2013 & 2014, 2015 however Commissioner (Appeals) decided the case in the Company's favour for Tax Years 2009, 2013 & 2014 while similar Orders are expected for other years.

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 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, 2014-15 and 2015-16.

All the Orders were contested before Commissioner (Appeals) who decided the cases in the Company's favour except for 2014-15 wherein order of Commissioner (Appeals) is pending which is expected to be decided in Company's favor. However, the said Orders have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue.

Further, the said issue has also been raised for 2016-17 on which the Company filed detailed reply.

Since the said issue has already been decided in favour of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Principle is in field which has also been upheld by Commissioner (Appeals) in the Company's 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.

17.11 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 favour 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 the Company's favor.

The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Orders of Commissioner (Appeals) for FY 2010-11 to 2016-17.

Tax authorities have also issued a notice for FY 2017-18 confronting the same issue of disallowance of input tax claimed on excess UFG on which the Company has filed detailed reply.

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).

17.13 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million alongwith 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 Honorable 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 issues decided in 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 the Company 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 Honorable 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.

			Half year ended		**Quarter ended**	
			December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
			(Un-audited)			
18.	**SALES**	**Note**	-----(Rupees in '000)-----			
	Sale of Indigenous gas		**96,721,119**	86,835,629	**54,697,567**	43,559,932
	Sale of RLNG		**26,712,757**	-	**12,927,665**	-
			123,433,876	86,835,629	**67,625,232**	43,559,932
	Less: Sales tax					
	Indigenous gas		**(12,697,292)**	(11,969,468)	**(7,039,493)**	(6,175,290)
	RLNG		**(3,312,131)**	-	**(1,842,174)**	-
			(16,009,423)	(11,969,468)	**(8,881,667)**	(6,175,290)
			107,424,453	74,866,161	**58,743,565**	37,384,642
19.	**GAS DEVELOPMENT SURCHARGE (GDS)**					
	GDS recovered during the year		**3,942,609**	(8,440,045)	**3,120,016**	2,241,601
	Price increase adjustment for the year		**32,548,842**	21,458,728	**16,860,954**	7,691,655
	Impact of staggering		**(1,835,893)**	(1,835,893)	**(917,946)**	(917,946)
	Subsidy for LPG air mix operations		**(232,475)**	(258,541)	**(127,177)**	(145,801)
			34,423,083	10,924,249	**18,935,847**	8,869,509
20.	**RLNG DIFFERENTIAL MARGINS**					
	RLNG differential margins - OGRA		**(3,443,648)**	-	**(1,906,948)**	-
	RLNG differential margins - SNGPL		**(3,642,444)**	-	**(966,292)**	-
			(7,086,092)	-	**(2,873,240)**	-
21.	**COST OF SALES**					
	Cost of gas	21.1	**125,845,749**	80,843,247	**68,966,840**	45,357,834
	Transmission and distribution costs		**9,843,632**	8,955,296	**5,022,733**	4,654,487
			135,689,381	89,798,543	**73,989,573**	50,012,321

	Note	Half year ended December 31, 2018	Half year ended December 31, 2017	Quarter ended December 31, 2018	Quarter ended December 31, 2017
		(Un-audited)			
21.1 Cost of gas		----(Rupees in '000)----			
Opening gas in pipelines		689,805	463,978	917,458	466,351
RLNG purchases		16,339,045	-	8,477,594	-
Gas purchases		110,581,795	85,894,511	60,954,084	44,706,474
		127,610,645	86,358,489	70,349,136	45,172,825
Gas consumed internally		(731,370)	(1,571,939)	(348,770)	(881,498)
Inward price adjustment		-	(3,267,448)	-	1,742,362
Closing gas in pipelines		(1,033,526)	(675,855)	(1,033,526)	(675,855)
		(1,764,896)	(5,515,242)	(1,382,296)	185,009
		125,845,749	80,843,247	68,966,840	45,357,834
22. OTHER OPERATING EXPENSES					
Auditors' remuneration		5,404	10,153	2,503	3,750
Sports expenses		45,229	35,784	27,075	19,884
Corporate social responsibility		2,029	2,026	689	(3,380)
Provision against impaired debts and other receivables		357,412	738,044	224,487	194,685
Provision against impaired stores and spares		13,566	23,933	2,919	12,904
Exchange loss on payment of gas purchases		6,646,032	1,295,529	5,401,402	912,627
		7,069,672	2,105,469	5,659,075	1,140,470
23. OTHER OPERATING INCOME					
Income from financial assets					
Income for receivable against asset contribution		20,391	18,207	10,562	9,081
Interest income on loan to related party		72,604	60,690	38,867	30,457
Return on term deposits and profit bank accounts		14,357	4,888	9,516	2,280
		107,352	83,785	58,945	41,818
Interest income on late payment of gas bills from:					
- Jamshoro Joint Venture Limited		160,843	105,153	83,397	55,500
- Water and Power Development Authority		108,057	91,715	71,968	40,418
		268,900	196,868	155,365	95,918
Dividend income		-	712	-	356
		376,252	281,365	214,310	138,092
Income from other financial assets					
Late payment surcharge		660,462	1,266,988	402,144	652,807
Interest income on late payment of gas bills from - SNGPL - Related Party		566,877	265,730	286,301	165,694
Sale of gas condensate		(11,180)	(11,002)	(5,372)	(9,391)
Income on LPG and NGL - net	23.1	6,944	537,196	-	410,425
Meter manufacturing division profit / (loss) - net		7,064	(19,443)	5,772	(20,278)
Meter rentals		384,444	374,796	192,766	188,467
RLNG transportation income		4,007,462	2,269,171	2,205,947	1,593,510
Recognition of income against deferred credit		260,838	196,587	132,099	98,448
Income from new service connections and asset contribution		-	225,080	-	154,006
Income from LPG air mix distribution - net		63,759	66,872	31,587	33,164
Recoveries from consumers		40,596	45,322	20,791	24,468
Liquidity damages recovered		(12,164)	69,596	756	(76,964)
Income from sale of tender documents		2,507	4,659	1,341	2,491
Gain on disposal of property, plant and equipment		43,821	74,738	20,424	42,844
Scrap sales		27,514	9,515	3,484	6,115
Income from net investment in finance lease		23,304	28,483	11,652	14,241
Amortisation of Government Grant		11,594	3,086	5,764	1,771
Rental income from SSGC LPG (Pvt) Limited		385	373	192	190
Income against LNG service agreement		389,560	302,132	199,379	148,958
Miscellaneous		8,273	17,959	4,808	8,455
		6,858,312	6,009,203	3,734,145	3,577,513

23.1 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.

Refer note 17.6 of this unconsolidated condensed interim financial information for status of arbitration proceedings with JJVL.

24. TAXATION

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	(Un-audited)			
	-----------------------------(Rupees in '000)---------------------------------			
- Current	**718,923**	611,672	**406,435**	322,419
- Deferred	**-**	2,476,353	**-**	-
	718,923	3,088,025	**406,435**	322,419

25. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	Note	**December 31, 2018**	December 31, 2017
		(Un-audited)	
		--------(Rupees in '000)--------	
Provisions	25.1	**1,303,217**	1,400,829
Depreciation		**3,729,075**	3,555,063
Amortisation of intangibles		**15,109**	16,821
Finance cost		**3,321,349**	2,260,040
Amortisation of transaction cost		**24,998**	36,699
Amortisation of Government Grant		**(11,594)**	(3,086)
Recognition of (loss) / income against deferred credit		**(287,679)**	211,834
Dividend income		**-**	(712)
Interest income and return on term deposits		**(943,129)**	(546,383)
Income from net investment in finance lease		**(23,304)**	(28,483)
Loss on disposal of property, plant and equipment		**(43,821)**	(74,738)
(Decrease) / Increase in long term advances		**(11,416)**	84,538
Decrease / (Increase) in deferred credit and contract liabilties		**522,566**	(409,297)
Decrease in obligation against pipeline		**43,726**	45,799
		7,639,097	6,548,924

25.1. PROVISIONS

Provision against slow moving / obsolete stores	**30,366**	36,239
Provision against doubtful debts	**357,412**	738,044
Provision for compensated absences	**38,016**	75,834
Provision for post retirement medical and free gas supply facilities	**325,740**	269,275
Provision against retirement benefit	**551,683**	281,437
	1,303,217	1,400,829

	December 31, 2018	December 31, 2017
	(Un-audited)	
	--------(Rupees in '000)--------	

26. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets		
Stores, spares and loose tools	**(409,458)**	66,516
Stock-in-trade	**(513,225)**	(191,677)
Customers' installation work-in-progress	**(26,336)**	(15,845)
Trade debts	**(3,905,173)**	(768,937)
Advances, deposits and short term prepayments	**(162,122)**	(116,868)
Other receivables	**(53,035,877)**	(26,692,031)
	(58,052,191)	(27,718,842)
Decrease in current liabilities		
Trade and other payables	**58,388,381**	8,698,123
	336,190	(19,020,719)

27. 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 OGRA. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. Other transactions with the related parties are carried out as per agreed terms.

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

	Relationship	Half year ended December 31, 2018	Half year ended December 31, 2017
		(Un-audited)	
		-------------(Rupees in '000)------------	
***Astro Plastic (Private) Limited**	Associate		
- Billable charges		**-**	65,226
Attock Cement Limited	Associate		
- Billable charges		**47,042**	25,226
Government related entities			
- Purchase of fuel and lubricant		**22,693**	45,003
- Billable charges		**14,564,697**	16,221,683
- Mark-up expense on short term finance		**32,263**	6,906
- Mark-up expense on long term finance		**255,175**	198,191
- Income from net investment in finance lease		**23,304**	28,483
- Gas purchases		**53,090,488**	40,658,707
- Sale of gas meters and spare parts		**9,213**	125,444
- Rent of premises		**-**	6,659
- Insurance premium		**52,199**	55,834
- Uniform cost of gas		**-**	3,267,448
- Electricity expense		**129,199**	101,831
- Interest income		**674,934**	357,445
- Professional charges		**-**	239

	Relationship	Half year ended December 31, 2018 (Un-audited)	December 31, 2017
		-------------(Rupees in '000)------------	
- RLNG transportation income		**4,007,462**	2,269,171
- Income against LNG service agreement		**389,560**	302,132
Habib Bank Limited			
- Profit on deposit accounts	Associate	**315**	345
- Markup expense on short term finance		**114,910**	88,956
- Markup expense on long term finance		**176,575**	251,519
- Billable charges		**6,743**	7,902
Key management personnel			
- Remuneration		**114,838**	125,253
Minto & Mirza	Associate		
- Professional charges		**1,500**	3,000
Petroleum Institute of Pakistan	Associate		
- Subscription/Contribution		**980**	2,378
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest income on loan		**72,604**	60,690
- LPG sales		**-**	247,412
- Rental Income		**385**	373
- Recovery of management fee		**6,831**	5,761
Staff retirement benefit plans	Associate		
- Contribution to provident fund		**171,697**	164,526
- Contribution to pension fund		**336,796**	138,020
- Contribution to gratuity fund		**214,887**	143,417
Thatta Cement Company Limited	Associate		
- Gas sales		**2,481**	2,872

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

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

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

27.3 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 GoP.

27.4 Amount (due to) / receivable from related parties

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

	Relationship	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		--------(Rupees in '000)--------	
***Attock Cement Limited**	Associate		
- Billable charges		**-**	5,280
- Gas supply deposit		**-**	(588)
Government related entities - various			
- Billable charges		**58,510,863**	62,534,749
- Mark up accrued on borrowings		**(5,627,460)**	(6,096,830)
- Net investment in finance lease		**101,757**	64,864
- Gas purchases		**206,193,785**	172,448,498
- Gas meters		**705,932**	1,467,999
- Uniform cost of gas		**15,818,846**	16,011,845
- Cash at bank		**57,844**	3,619
- Stock loan		**48,639**	45,595
- Payable to insurance		**(1,415)**	(2,301)
- Gas supply deposit		**(33,325)**	(39,211)
- Interest expense accrued - late payment surcharge on gas bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**10,512,781**	9,837,847
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**26,546,025**	19,835,414
- RLNG transportation income		**15,952,542**	12,026,912
- LSA margins		**1,483,150**	1,083,299
- Professional charges		**57**	57
***Habib Bank Limited**	Associate		
- Long term finance		**-**	(7,478,125)
- Short term finance		**-**	(5,966,125)
- Cash at bank		**-**	61,008
- Accrued mark-up		**-**	(449,258)
- Billable charges		**-**	1,530
- Gas supply deposit		**-**	363
***Mari Petroleum Company Limited**			
- Billable charges		**-**	9
- Gas supply deposit		**-**	(65)
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		**774,446**	701,842
- LPG sales		**6,795**	6,795
- Rent on premises		**252**	129
- Receivable against management fees		**23,782**	16,064
***Thatta Cement Company Limited**	Associate		
- Billable charges		**-**	310

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

28. OPERATING SEGMENTS

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

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

Segment revenue and results

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

	Segment revenue		Segment profit or loss	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
		(Un-audited)		
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**107,424,453**	74,866,161	**(631,646)**	(3,635,609)
Meter manufacturing	**870,159**	826,963	**7,064**	(19,443)
Total segment results	**108,294,612**	75,693,124	**(624,582)**	(3,655,052)
Unallocated				
- Other operating expenses			**(6,712,260)**	(1,367,425)
Unallocated				
- Other income			**532,195**	418,571
Loss before tax			**(6,804,647)**	(4,603,906)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 845 million (December 31, 2017: Rs. 719 million).

Segment assets and liabilities

	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**421,851,025**	362,487,805
Meter manufacturing	**2,003,624**	2,993,343
Total segment assets	**423,854,649**	365,481,148
Unallocated		
- Loans and advances	**2,899,120**	2,672,178
- Taxation - net	**19,455,333**	19,549,064
- Interest accrued	**490,055**	490,109
- Cash and bank balances	**448,003**	410,399
	23,292,511	23,121,750
Total assets as per statement of financial position	**447,147,160**	388,602,898
Segments liabilities		
Gas transmission and distribution	**444,036,651**	378,304,674
Meter manufacturing	**1,045,011**	956,519
Total segment liabilities	**445,081,662**	379,261,193
Unallocated		
- Employee benefits	**6,283,871**	5,935,400
Total liabilities as per statement of financial position	**451,365,533**	385,196,593

29. 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.

29.1 Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below analyses financial instruments carried at fair value. The different levels has been defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

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

	As at December 31, 2018 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees in '000			
Assets				
Available for sale investments				
Quoted equity securities	**270,224**	**-**	**-**	**270,224**

	As at June 30, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Assets				
Available for sale investments				
Quoted equity securities	371,331	-	-	371,331

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.

29.2 Fair value of other assets

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

	As at December 31, 2018 (Unaudited)	
	Level 3	**Fair Value**
	Rupees in '000	
Freehold land	**6,309,707**	**6,309,707**
Leasehold land	**8,026,216**	**8,026,216**
	14,335,923	**14,335,923**

	As at June 30, 2018 (Audited)	
	Level 3	Fair Value
	Rupees in '000	
Freehold Land	6,309,707	6,309,707
Leasehold Land	8,026,216	8,026,216
	14,335,923	14,335,923

30. RECLASSIFICATION

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

Description	(Rupee in 000)	Reclassified From	Reclassified To
Payable to SNGPL against purchases of RLNG	7,264,401	Creditors for: Indigenous gas - Trade and other payables	Creditors for: RLNG - Trade and other payables
RLNG differential margin payable to GoP	2,516,367	Gas development surcharge receivable from GoP - Other receivables	RLNG differential margin payable to GoP - Trade and other payables

31. GENERAL

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

31.2 This unconsolidated condensed interim financial information is presented in Pakistan Rupees, which is the Company's functional and presentation currency.

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

32. DATE OF AUTHORISATION

This unconsolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on November 07, 2020.

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

SSGC

Sui Southern Gas Company Limited

SSGC | Sui Southern Gas Company Limited

Un-Audited Consolidated Condensed Interim Financial Information
for the half year ended December 31, 2018

Consolidated condensed interim statement of financial position
As at December 31, 2018

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-------------(Rupees in '000)-------------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**122,683,397**	122,690,750
Intangible assets		**43,054**	56,597
Deferred Tax		**191,264**	179,595
Long term investments	7	**275,325**	376,432
Net investment in finance lease		**220,029**	246,764
Long term loans and advances		**212,208**	180,117
Long term deposits		**53,815**	61,105
Total non-current assets		**123,679,093**	123,791,360
Current assets			
Stores, spares and loose tools		**2,420,013**	2,015,992
Stock-in-trade		**1,647,242**	1,198,474
Current maturity of net investment in finance lease		**57,815**	57,815
Customers' installation work-in-progress		**206,027**	179,691
Trade debts	8	**80,330,494**	76,782,729
Loans and advances		**976,809**	782,814
Advances, deposits and short term prepayments		**470,764**	295,456
Interest accrued	9	**11,757,720**	10,988,723
Other receivables	10	**204,822,679**	151,811,933
Taxation - net		**19,620,039**	19,699,217
Other financial assets		**116,000**	116,000
Cash and bank balances		**1,067,083**	791,931
Total current assets		**323,492,685**	264,720,775
Total assets		**447,171,778**	388,512,135

The annexed notes from 1 to 32 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 December 31, 2018

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (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
Issued, subscribed and paid-up capital		**8,809,163**	8,809,163
Reserves		**4,907,401**	4,907,401
Surplus on re-measurement of available for sale securities		**233,696**	334,805
Surplus on revaluation of fixed assets		**13,673,415**	13,673,415
Accumulated losses		**(32,339,231)**	(24,820,442)
Total Equity		**(4,715,556)**	2,904,342
LIABILITIES			
Non-current liabilities			
Long term finance	11	**40,838,634**	44,721,775
Long term deposits		**16,436,953**	15,446,335
Employee benefits		**6,307,337**	5,956,657
Obligation against pipeline		**906,942**	933,345
Deferred credit	12	**4,994,208**	5,161,453
Contract liabilities	13	**3,951,863**	3,554,115
Long term advances		**3,137,432**	3,148,848
Total non-current liabilities		**76,573,369**	78,922,528
Current liabilities			
Current portion of long term finance	11	**10,685,277**	11,573,691
Short term borrowings	14	**20,439,517**	9,759,947
Trade and other payables	15	**325,435,837**	267,194,068
Short term deposits		**19,743**	22,604
Current portion of obligation against pipeline		**51,648**	49,386
Current portion of deferred credit	12	**417,483**	430,416
Current portion of contract liabilities	13	**157,874**	140,557
Unclaimed Dividend		**285,441**	285,565
Interest accrued	16	**17,821,146**	17,229,031
Total current liabilities		**375,313,965**	306,685,265
Total liabilities		**451,887,334**	385,607,793
Total equity and liabilities		**447,171,778**	388,512,135
Contingencies and commitments	17		

The annexed notes from 1 to 32 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 profit or loss (Un-audited)
For the half year ended December 31, 2018

	Note	Half year ended December 31, 2018	Half year ended December 31, 2017	Quarter ended December 31, 2018	Quarter ended December 31, 2017
		---------------------	-(Rupees in '000)-	---------------------	
Sales		**123,433,876**	86,835,629	**67,625,232**	43,559,932
Sales tax		**(16,009,423)**	(11,969,468)	**(8,881,667)**	(6,175,290)
	18	**107,424,453**	74,866,161	**58,743,565**	37,384,642
Gas development surcharge	19	**34,423,083**	10,924,249	**18,935,846**	8,869,510
RLNG differential margins	20	**(7,086,092)**	-	**(2,873,240)**	-
Net sales		**134,761,444**	85,790,410	**74,806,171**	46,254,152
Cost of sales	21	**(135,696,212)**	(89,804,304)	**(73,992,449)**	(50,015,006)
Gross (loss) / profit		**(934,768)**	(4,013,894)	**813,722**	(3,760,854)
		-			
Administrative and selling expenses		**(2,335,450)**	(2,208,643)	**(1,186,277)**	(1,106,443)
Other operating expenses	22	**(7,070,128)**	(2,105,914)	**(5,659,306)**	(1,140,786)
		(9,405,579)	(4,314,557)	**(6,845,584)**	(2,247,229)
		(10,340,347)	(8,328,451)	**(6,031,861)**	(6,008,083)
Other operating income	23	**6,926,321**	6,168,906	**3,789,757**	3,639,119
Operating loss		**(3,414,026)**	(2,159,545)	**(2,242,104)**	(2,368,964)
Finance cost		**(3,390,692)**	(2,343,334)	**(1,633,223)**	(1,254,344)
Loss before taxation		**(6,804,717)**	(4,502,879)	**(3,875,327)**	(3,623,308)
Taxation	24	**(714,072)**	(3,110,862)	**(398,672)**	(333,553)
Loss for the period		**(7,518,789)**	(7,613,741)	**(4,273,999)**	(3,956,861)
Basic and diluted loss per share		**(8.54)**	(8.64)	**(4.85)**	(4.49)

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

Consolidated condensed interim statement of comprehensive income (Un-audited)
For the half year ended December 31, 2018

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	-----(Rupees in '000)-----			
Loss for the period	**(7,518,789)**	(7,613,741)	**(4,273,999)**	(3,956,861)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss account				
Unrealised loss on re-measurement of available for sale securities	**(101,109)**	(193,705)	**(66,549)**	(133,760)
Total comprehensive loss for the period	**(7,619,898)**	(7,807,446)	**(4,340,548)**	(4,090,621)

The annexed notes from 1 to 32 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 cash flow (Un-audited)
For the half year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		--------(Rupees in '000)--------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(6,804,717)	(4,502,879)
Adjustments for non-cash and other items	25	7,768,753	6,729,266
Working capital changes	26	459,915	(18,910,014)
Financial charges paid		(3,604,471)	(2,416,346)
Employee benefits paid		(15,285)	(59,553)
Payment for retirement benefits		(787,856)	(379,265)
Long term deposits received - net		995,200	646,268
Deposits paid - net		(2,861)	23,466
Loans and advances to employees - net		(226,942)	(14,444)
Interest income and return on term deposits received		885,571	23,181
Income taxes paid		(646,552)	(764,194)
Net cash used in operating activities		(1,979,246)	(19,624,514)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,725,209)	(4,379,308)
Payments for intangible assets		(1,566)	(3,188)
Payment for obligation against pipeline		(67,866)	(67,866)
Proceeds from sale of property, plant and equipment		72,988	90,093
Other financial assets		-	(100,000)
Lease rental from net investment in finance lease		50,039	55,219
Dividend received		-	712
Net cash used in investing activities		(3,671,613)	(4,404,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		9,523	9,200,000
Repayments of local currency loans		(4,800,000)	(1,416,667)
Consumer finance received		-	11,145
Repayment of consumer finance		(6,074)	(7,857)
Dividend paid		(124)	(62)
Net cash (used in) / generated from financing activities		(4,796,675)	7,786,559
		-	
Net decrease in cash and cash equivalents		(10,447,534)	(16,242,293)
Cash and cash equivalents at beginning of the period		(8,968,016)	(1,753,467)
Cash and cash equivalents at end of the period		(19,415,550)	(17,995,760)
		-	
Cash and cash equivalent comprises:		-	
Cash and bank balances		1,023,967	987,643
Short term borrowings		(20,439,517)	(18,983,403)
		(19,415,550)	(17,995,760)

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

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

Consolidated condensed interim statement of changes in equity (Un-audited)
For the half year ended December 31, 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 assets	Accumulated losses	Total
	---------------------			(Rupees in '000)			---------------------
Balance as at June 30, 2017 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**518,699**	**11,728,265**	**(10,427,085)**	**15,536,443**
Total comprehensive income for the period ended December 31, 2017							
Loss for the period	-	-	-	-	-	(7,613,741)	(7,613,741)
Other comprehensive loss for the period	-	-	-	(193,705)	-	-	(193,705)
Total comprehensive loss for the period	-	-	-	(193,705)	-	(7,613,741)	(7,807,446)
Balance as at December 31, 2017	8,809,163	234,868	4,672,533	324,994	11,728,265	(18,040,826)	7,728,997
Balance as at June 30, 2018 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**334,805**	**13,673,415**	**(24,820,442)**	**2,904,342**
Total comprehensive income for the period ended December 31, 2018							
Loss for the period	-	-	-	-	-	(7,518,789)	(7,518,789)
Other comprehensive loss for the period	-	-	-	(101,109)	-	-	(101,109)
Total comprehensive loss for the period	-	-	-	(101,109)	-	(7,518,789)	(7,619,898)
Balance as at December 31, 2018	**8,809,163**	**234,868**	**4,672,533**	**233,696**	**13,673,415**	**(32,339,231)**	**(4,715,556)**

The annexed notes from 1 to 32 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

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 Baluchistan. Brief profiles of the Holding Company and subsidiaries are as follows:

Sui Southern Gas Company Limited

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

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

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

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

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

SSGC LPG (Private) Limited

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

The Subsidiary Company acquired the assets including:

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

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

1.2 Basis of consolidation

- The consolidated condensed interim financial information includes the financial information of the Holding Company and its Subsidiary Companies, together "the Group".
- The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiaries have been consolidated on a line by line basis.
- Material intra-group balances and transactions have been eliminated.

1.3 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Holding Company is provided a minimum annual return of 17.43% 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 and taxation. The determination of annual required return is reviewed by OGRA, under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.4 Financial Performance

During the period, the Holding Company has incurred loss after tax of Rs. 7,524 million resulting in increase of its accumulated losses by Rs. 7,524 million and negative equity to Rs. 4,218 million after including the impact of staggering as disclosed in note 2.3. As at period end, current liabilities exceed its current asset by Rs. 50,242 million and accumulated losses stood at Rs. 31,842 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 (FRR) for Financial Year (FY) 2017-18 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Holding Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

- GoP (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.

- Under new tariff regime, the Holding Company will also be entitled to the guaranteed return on operating assets 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 which are breached in the current period. The Holding Company has obtained letters from banks providing necessary relaxation of financial covenants for the FY 2017-18. The Holding Company is confident that banks will also provide the same support letter for the FY 2018-19. In these letters, the banks have reiterated that they do not plan to call the debts due to breach of covenants. 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

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

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

On November 25, 2016, the Sindh High Court has dismissed the Holding Company's petitions through its judgment. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income and therefore while the management has considered OGRA's decision in preparation of financial statements for the year ended June 30, 2017, June 30, 2018 and FRR of June 30, 2019, it has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgment.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

This 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. However, in this consolidated condensed interim financial information, exceptional UFG disallowances made in DFRR for FY 2017-18 pertaining to internal consumption, UFG on transmission and distribution of RLNG, OGRA disallowed Line pack as well as Loss due to sabotage have not been followed which have been re-claimed and expected to be allowed in the decision on Motion for Review (MFR) Petition already filed and also reclaimed in FRR petition for FY 2018-19.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

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, 2018.

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 audited financial statements for the years ended June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis, facts and circumstances are adequately disclosed and compliance with the disclosure requirement of IFRSs for departing with IFRSs.

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for FY 2010-11 to 2014-15 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 proportionally (Rs. 1,836 million) for in this consolidated condensed interim financial information.

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

Further, the OGRA, in its decision dated December 24, 2018 also directed the Holding Company to review its dividend payout policy for future year till such time the above adjustment impact dispelled (i.e. FY 2020-21).

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, 2018, except for change in accounting policy as disclosed in note 3.1 in this consolidated condensed interim financial information.

3.1 IFRS 15 Revenue from Contracts with Customers

The Holding Company has adopted IFRS 15 from July 01, 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Holding Company has elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognised in the statement of financial position:

Description	Carrying amount as previously reported	Reclassification due to adoption of IFRS 15	IFRS 15 carrying amount
	July 01, 2018 (Rupees in 000)		
Deferred credit	6,037,795	(876,342)	5,161,453
Current portion of deferred credit	570,973	(157,874)	413,099
Trade and other payables	269,769,504	(2,677,773)	267,091,731
Contract liabilities	-	3,554,115	3,554,115
Current portion of contract liabilities	-	140,557	140,557

The core business of the Holding Company is transmission and sale of gas and is the only performance obligation towards its customers based on the contracts with customers.

From July 01, 2018, as per the requirements of the IFRS 15, these contributions are being amortised over the useful lives of the related assets as laying of the pipelines is not a distinct performance obligation, instead is considered a part of the Holding Company's only performance obligation to deliver gas to the customers. For balances prior to application date, in accordance with the opinion of the Accounting Standard Board (ASB) of ICAP dated July 08, 2020, retrospective adjustment to the opening statement of financial position is not required with respect to the deferment of the previously recognized revenues against the contributions received towards the cost of supplying and laying transmission, service and main lines on contract as these do not have a continuing performance obligations under IFRIC 18.

3.2 IFRS 9 Financial Instruments

The IASB introduced IFRS 9 – Financial Instruments (IFRS 9) for annual period beginning or after January 01, 2018, however, the Securities and Exchange Commission of Pakistan (SECP) deferred the effective date of IFRS 9 from above mentioned date to July 1, 2018.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 985 (I)/2019 dated September 02, 2019 and further clarification vide its letter No. EMD/IACC/4/2009 dated September 08, 2020 to the Holding Company has exempted the application of IFRS 9 with respect to recognition requirements of Expected Credit Losses on financial assets due from Government of Pakistan or ultimately due from the Government of Pakistan (including receivables in context of circular debt) till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39, in respect of such financial assets.

Based on the above mentioned SECP Circulars/SROs the Holding Company has not taken impact of IFRS 9 in this consolidated condensed interim financial information for the period ended December 31, 2018.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended June 30, 2018. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Holding Company.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended June 30, 2018.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	------------(Rupees in '000)------------	
Operating assets	112,331,775	111,557,090
Capital work in progress	10,351,622	11,133,660
	122,683,397	122,690,750

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

	December 31, 2018		December 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				
Buildings on leasehold land	35,672	-	35,830	-
Gas transmission pipelines	1,831,516	-	1,726,546	-
Gas distribution system	2,582,405	-	2,066,723	-
Telecommunication	3,601	-	1,139	-
Plant and machinery	39,794	-	159,958	(309)
Tools and equipment	8,744	-	6,347	-
Motor vehicles	156,036	(22,967)	67,432	(15,046)
Furniture and fixtures	4,248	-	1,168	-
Office equipment	15,393	-	57,600	-
Computers and ancillary equipments	1,569	-	95,755	-
Construction equipment	23,858	-	77,084	-
Supervisory control and data acquisition system	29,320	-	790	-
Compressors	33,632	-	353,039	-
	4,765,788	(22,967)	4,649,411	(15,355)

	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	2,862,924	(2,582,405)	2,187,416	(2,066,723)
- Gas transmission system	404,861	(1,831,516)	1,898,402	(1,726,546)
- Cost of buildings under construction and others	36,093	(35,672)	66,270	(35,830)
	3,303,878	(4,449,593)	4,152,088	(3,829,099)

During the period, there has been a net (decrease) / increase in respect of stores and spares held for capital projects and others amounting to Rs. (60.5) million (December 31, 2017: Rs. 677 million).

		Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
			-----------(Rupees in '000)-----------	
7.	**LONG TERM INVESTMENTS**			
	Investment in related parties	7.1	**191,161**	247,049
	Other investments		**84,164**	129,383
			275,325	376,432

7.1. Investments in SNGPL and ISGSL represent investment in 'associated companies' in terms of provisions of Companies Act 2017. However, the Holding Company has not accounted for them as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Holding Company does not have significant influence in these associated companies.

7.2. 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 Holdings (Private) Limited, being the parent Company, shall make all future funding of ISGSL project. Based on this, OGRA in its decision dated December 24, 2018, allowed Rs. 15 million and considered the same as full and final payment in this regard. Subsequent to the period end, the investment was disposed at par value / cost to Government Holding (Private) Limited in accordance with the resolution of the Board.

		Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
			-----------(Rupees in '000)-----------	
8.	**TRADE DEBTS**			
	Secured		**26,789,828**	24,178,091
	Unsecured		**68,723,598**	67,430,159
		8.1 & 8.2	**95,513,426**	91,608,250
	Provision against impaired debts		**(15,182,932)**	(14,825,521)
			80,330,494	76,782,729

8.1 As K-Electric Limited (KE) has been defaulting and not making payment of 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 International Financial Reporting Standards – 15 “Revenue from Contracts with Customers” based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 30,929 million (June 30, 2018: Rs. 31,948 million) as at December 31, 2018 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2018: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 91,354 million (June 30, 2018: Rs. 85,763 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

Management has consulted its legal counsel, who is of the view that the Holding Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel is also of the opinion that the Holding Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Holding Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

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.

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017. Currently, management is in a process to negotiate payment plan, which has not been finalised till the filling of this consolidated condensed interim financial information but the supply of gas and payment is continuing as per old plan.

It has been agreed during various meetings with KE and the Holding Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending. Subsequent to period end term of reference has been signed and shared with KE however no response received from KE yet.

An Inter Ministerial committee nominated by the Prime Minister of Pakistan is mandated to resolve KE issues inter alia National Security Clearance Certificate, KE's receivables / payables against GoP / GoS entities. Since June 2020 a proposal of finalization of ToRs for arbitration agreement remained under discussion.

The Holding Company took the following position:

- The arbitration should be done under Pakistan Arbitration Act 1940 and the seat should be in Karachi.

- Being a separate corporate entity the Holding Company has no relation / nexus with KE's disputes with other entities therefore it needs to be clearly mentioned in the arbitration agreement that pursuant to the arbitral award Federal Government should ensure.

- The Holding Company emphasized for the need of engagement of a Chartered Accountants firm as per the decision of CCOE dated April 23, 2018 which may even facilitate the arbitration proceedings.

8.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of LPS, the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per International Financial Reporting Standards – 15 "Revenue from Contracts with Customers" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 23,275 million (June 30, 2018: Rs. 22,924 million) including overdue balance of Rs. 23,210 million (June 30, 2018: Rs. 22,874 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 58,066 million (June 30, 2018: Rs. 55,001 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.

PSML has filed its counter claim of Rs. 38,660 million approximately on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal council of the Holding Company is of the view that due to various litigation nothing could be expressed with any degree of certainty in the contested matters.

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	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	

9. INTEREST ACCRUED

Interest accrued on late payment of bills / invoices from:			
- WAPDA		**3,529,546**	3,421,488
- SNGPL		**6,983,235**	6,416,359
- JJVL		**839,276**	745,157
		11,352,057	10,583,004
Interest accrued on bank deposits		**2,316**	2,372
Interest accrued on sales tax refund		**487,739**	487,739
		11,842,112	11,073,115
Provision against impaired accrued income		**(84,392)**	(84,392)
		11,757,720	10,988,723

10. OTHER RECEIVABLES - considered good

	Note		
Gas development surcharge receivable from GoP	10.1	**88,154,871**	53,499,313
Receivable from HCPCL	10.2	**3,845,839**	3,787,690
Expenses deferred by OGRA	10.3	**4,167,196**	4,167,196
Staff pension fund		**319,596**	319,596
Receivable for sale of gas condensate		**42,107**	42,949
Sui Northern Gas Pipelines Limited	10.4	**59,905,855**	49,025,870
Jamshoro Joint Venture Limited	10.5 & 10.6	**11,494,275**	12,033,292
Sales tax receivable	10.7	**38,610,548**	30,666,878
Sindh sales tax		**112,976**	112,976
Receivable against asset contribution	10.8	**411,048**	382,469
Accrued Markup		**8,649**	2,141
Miscellaneous receivables		**96,078**	117,922
		-	
		207,169,038	154,158,292
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		204,822,679	151,811,933

10.1 Gas Development Surcharge (GDS)

GDS receivable / (payable)		**53,499,313**	21,264,629
Recognized in statement of profit or loss		**34,423,083**	22,645,175
Recognized in OCI claim under IAS 19		**-**	1,368,151
Payment made during the year		**-**	7,708,862
Subsidy for LPG air mix operations		**232,475**	512,496
		88,154,871	53,499,313

10.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)

Amount of LD Charges as per Arbitration Award		**3,626,382**	3,626,382
Subsequent LDs raised by HCPCL on Award Principle		**219,457**	161,308
Total Receivable		**3,845,839**	3,787,690

HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Holding Company for claiming Liquidated damages (LD) due to non-supply of contractual gas volumes and disputed compounding of interest i.e. Late Payment Surcharge on gas bills thereon for the period from January 2009 to March 2017.

On April 30, 2018, ICC issued decision in favor of HCPCL and the Holding Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, LD, interest and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Holding Company.

Earlier in January 2018, the Holding Company approached Ministry of Energy (Petroleum Division) regarding waiver of LDs claimed by WAPDA / CCPA-G from HCPCL against non-supply of Electricity to WAPDA which was being passed to the Holding Company by HCPCL. The matter was submitted to Economic Coordination Committee of the Cabinet (ECC) for consideration and ECC in its meeting held on February 07, 2018 approved in principle, the proposal regarding waiver of LDs with the direction to Petroleum Division to work out modalities in consultation with stakeholders.

LDs adjusted by HCPCL against gas bills are recoverable from HCPCL as per ECC aforementioned decision and are transferred from Trade Debts to Other Receivables amounting to Rs. 3,626 million for the Award Period and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million up till June 30, 2018 and for the period ended December 31, 2018 respectively.

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	-----------(Rupees in '000)-----------	
10.3 Expenses Deferred by OGRA		
LPS (up to FY 2016-17)	**3,243,503**	3,243,503
Total interest on LD charges	**352,768**	352,768
Total legal charges	**570,925**	570,925
	4,167,196	4,167,196

Consequent to the Arbitration Award as mentioned in Note 10.2, the Holding Company was required to pay Interest on LD charges Rs. 353 million and Legal Charges Rs. 571 million to HCPCL. The same has been adjusted by HCPCL against Gas Bills and the Holding Company was required to reverse the LPS previously charged to HCPCL.

Since the LPS so reversed was previously offered to OGRA as Operating Income and Interest on LD Charges and Legal charges are operating expense the total amount of Rs. 4,167 was claimed from OGRA in Petition for FRR of FY 2017-18. However, OGRA in its decision dated April 23, 2020 has deferred its decision on the matter until the conclusion of matter between WAPDA / CPPA-G and HCPCL as per ECC directives.

	Note	**December 31, 2018 (Un-audited)**	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	
10.4 As at period end, receivable balance from SNGPL comprises of the following:			
Uniform cost of gas		**15,818,846.00**	16,011,846
Lease rentals		**101,757.00**	64,864
Contingent rent		**3,535**	3,535
Capacity and utilisation charges of RLNG	10.4.1	**26,546,025**	19,835,414
RLNG transportation income		**15,952,542**	12,026,912
LSA margins of RLNG		**1,483,150**	1,083,299
		59,905,855	49,025,870

10.4.1 The Holding Company has invoiced an amount of Rs. 58,570 million, including Sindh Sales Tax of Rs. 6,881 million, till December 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 (PAFL) 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, that requires PAFL to make eight equal monthly instalments of Rs. 201 million per month. Till July 2019, the Holding Company has received all eight instalments.

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, 18 BCF, on February 7, 2019, 11 BCF, on June 14, 2019, 08 BCF, on November 18, 2019, 11 BCF, on March 03, 2020, 11 BCF (in total 71 BCF) of RLNG volume has been allocated to the Holding Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Holding Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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

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

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

10.6 During the FY 2013-14, the Supreme Court of Pakistan (SCP) passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Holding Company and Jamshoro Joint Venture Limited (JJVL) was declared void from the date of its inception. The SCP constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the “Reference Price” for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the SCP has appointed an Advocate Supreme Court to determine the matter and accordingly the same has been submitted by him.

As per court order dated June 13, 2018 a firm of Chartered Accountants was appointed to determine the receivable / payable from / to JJVL wherein freight matter was also included and the report has been submitted by the firm. However the freight matter is still pending and the SCP will settle the same and an appropriate order shall be passed in this respect. As per SCP order dated January 9, 2019, in respect of freight matter charges, SCP directed JJVL to deposit Rs. 249 million as JJVL’s admitted liability for freight charges for the period 2005-2013. The Holding Company has received such amount as directed by SCP on February 24, 2020 and further amount in this respect will be settled by SCP in due course.

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

10.8 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.

11. LONG-TERM FINANCE	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	
Secured			
Loans from banking companies	11.1,11.2 & 11.3	**50,561,851**	55,336,852
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Consumer finance		**195,547**	201,624
Government of Sindh loans		**742,563**	733,040
		962,060	958,614
Subtotal		**51,523,911**	56,295,466
Less: current portion shown under current liabilities			
Loans from banking companies		**(10,487,500)**	(11,375,000)
Consumer finance		**(11,110)**	(12,024)
Government of Sindh loans		**(186,667)**	(186,667)
		(10,685,277)	(11,573,691)
		40,838,634	44,721,775

11.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. During the period, repayment of Rs. 1,500 million has been made.

11.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2018 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 1,250 million has been made. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

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

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	------------(Rupees in '000)------------	
12 DEFERRED CREDIT		
Government of Pakistan contributions / grants		
Balance as at July 01	**3,285,092**	3,539,596
Additions / adjustments during the year	**27,530**	24,182
Transferred to consolidated statement of profit or loss	**(139,929)**	(278,686)
Balance as at June 30	**3,172,693**	3,285,092
Government of Sindh (Conversion of loan into grant)		
Balance as at July 01	**2,133,559**	-
Additions during the year	**1,034**	2,288,772
Transferred to consolidated statement of profit or loss	**(57,219)**	(155,213)
Balance as at June 30	**2,077,374**	2,133,559
Government of Sindh grants		
Balance as at July 01	**173,218**	1,034,396
Transferred to consolidated statement of profit or loss	**(11,594)**	(54,938)
Adjustment	**-**	(806,240)
Balance as at June 30	**161,624**	173,218
	5,411,691	5,591,869
Less: Current portion of deferred credit	**(417,483)**	(430,416)
	4,994,208	5,161,453

12.1 This represents the benefit of lower interest rate on Government of Sindh Loan III, IV and V, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan III, IV and V and its initial fair value. The amount of Government of Sindh loan after conversion amounting to Rs. 940 million and its initial fair value is amounting to Rs. 170 million based on Rs. 398 million. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised in consolidated statement of profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	------------(Rupees in '000)------------	
13 CONTRACT LIABILITIES		
Contribution from customers	**1,189,249**	876,342
Advance received from customers for laying of mains, etc.	**2,762,614**	2,677,773
	3,951,863	3,554,115
13.1 Contribution from consumers		
Balance as at July 01	**1,016,899**	1,168,909
Additions / adjustments during the year	**409,161**	-
Transferred to consolidated statement of profit or loss	**(78,937)**	(152,010)
	1,347,123	1,016,899
Less: Current portion of contributions from consumers	**(157,874)**	(140,557)
Balance as at June 30	**1,189,249**	876,342

13.2 As explained in Note 3.1 to this consolidated condensed financial information, after the first time adoption of IFRS 15 in Pakistan, the Holding Company has applied the provisions of IFRS 15 “Revenue from Contract with Customers” for the first time in its consolidated condensed financial information and accordingly, has recognised the contract liabilities in respect of the amount received from the customers as contribution towards the cost of supplying and laying transmission, service and main lines. These contributions were being treated as deferred credit previously under IFRIC 18 from the year ended June 30, 2010 to June 30, 2018 and the revenue was being recognised when the lines were laid and commissioned based on the management’s judgment under IFRIC 18.

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 25,000 million (June 30, 2018: Rs. 23,000 million) and subject to markup to 0.20% (June 30, 2018: 0.10%) 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. 4,560 million (June 30, 2018: Rs. 13,240 million).

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-------------(Rupees in '000)-------------	
15 TRADE AND OTHER PAYABLES			
Creditors for:			
- Gas supplies	15.1	**260,427,711**	226,212,893
- RLNG		**24,120,468**	7,264,401
- Supplies		**1,014,988**	1,157,886
		285,563,167	234,635,180
Payable to SNGPL for differential tariff	15.2	**5,130,158**	1,487,714
Payable to GOP for differential tariff	15.3	**5,960,015**	2,516,367
Engro Elengy Terminal Limited		**1,830,216**	1,764,281
Accrued liabilities		**4,461,896**	3,902,232
Advance from LPG customers		**-**	51,617
Provision for compensated absences - non executives		**277,764**	309,391
Payable to staff gratuity fund		**4,314,904**	4,549,836
Deposits / retention money		**721,512**	678,233
Bills payable		**12,503**	129,430
Advance for sharing right of way		**18,082**	18,088
Withholding tax		**85,683**	103,275
Sales tax and Federal excise duty		**326,496**	280,403
Sindh sales tax		**6,326**	113,922
Processing charges payable to JJVL		**8,528,447**	8,528,447
Gas infrastructure development cess payable		**7,304,111**	7,425,827
Advance from customers and distributors		**84,160**	35,978
Transport and advertisement services		**14,859**	13,795
Provision		**9,879**	15,918
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Worker's Profit Participation Fund		**174,515**	12,860
Others		**609,343**	619,474
		325,435,837	267,194,068

15.1 Creditors of gas supplies includes Rs. 203,506 million (June 30, 2018: Rs. 167,492 million) 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, 2018: Rs. 15,832 million) on their balances which have been presented in note 16.1 in this Consolidated condensed interim financial information.

15.2 The OGRA vide its decision dated November 20, 2018 has directed that the stock of RLNG withheld by the Holding Company to be purchased from SNGPL based on historical weighted average cost price in Pakistan Rupees. Subsequently, the Holding Company shall record sales as per relevant applicable OGRA notified rates. Any gain / loss owing to the difference between the current and historical rates shall be passed on to the SNGPL after deducting cost of supply and T&D losses.

15.3 As per the policy guideline issued by the Economic Coordination Committee of the Cabinet (ECC) on pricing of RLNG, the Holding Company is allowed to earn an annual return as a percentage of the value of its average fixed assets in RLNG operation, to be determined by OGRA. Any deficit or surplus on account of this is recoverable from or payable to the RLNG consumers through adjustment in future RLNG prices. The surplus or the shortfall, if any, are included in “trade and other payables” or “other receivables” respectively with the corresponding charge or credit respectively, recognised in the consolidated condensed interim statement of profit or loss.

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-----------(Rupees in '000)-----------	

16 INTEREST ACCRUED

	Note	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
Long term financing - loans from banking companies		**685,159**	522,464
Long term deposits from customers		**571,548**	370,987
Short term borrowings		**288,810**	159,280
Late payment surcharge on processing charges		**438,392**	339,061
Late payment surcharge on gas development surcharge		**4,826**	4,828
Late payment surcharge on gas supplies	16.1	**15,832,411**	15,832,411
		17,821,146	17,229,031

16.1 As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per International Financial Reporting Standards – 15 "Revenue from Contracts with Customers". However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their condensed interim financial information only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense from July 1, 2016 to December 31, 2018 amounting to Rs.19,334 on outstanding payables to Government Controlled E&P Companies, the effect on these Consolidated condensed interim statement of financial position would be as follows:

	December 31, 2018 (Un-audited) (Rupees in million)
- Increase in loss before tax	**45,751**
- Increase in loss after tax / accumulated losses	**32,026**
- Increase in earning per share - Rupees	**36.35**

17 CONTINGENCIES AND COMMITMENTS

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		-------- (Rupees in '000)--------	
17.1	Commitments for capital and other expenditures	**3,969,129**	4,696,747
17.2	Guarantees issued on behalf of the Holding Company	**5,340,979**	4,428,187

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, 2018: Rs. 144,120 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, 2018: 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 December 31, 2018 amounting to Rs. 18,546 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 April 23, 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.

The 20 year GSA with HCPCL expired in December 2019 and the customer has since then been disconnected. The Holding Company has also invoked the bank guarantee on which HCPCL has obtained a stay order from Sindh High Court, however, HCPCL is in negotiations with the Holding Company to sign a new GSA to resume gas supply.

17.6 As disclosed in note 10.6, and 23.1 and for other matters 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. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

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 Honorable 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 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 Appellate Tribunal Inland Revenue had 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.

17.9 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2007 to 2015 intending to disallow accrued interest expense 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 and depreciation on fixed assets held under musharka arrangement.

On issue of interest expense, tax authorities have positively closed the proceedings for Tax Years 2009, 2012, 2013 & 2014 while similar Orders are expected for other years.

On issue of depreciation, tax authorities passed adverse Orders for Tax Years 2007, 2008, 2009, 2013 & 2014, 2015 however Commissioner (Appeals) decided the case in the Holding Company's favor for Tax Years 2009, 2013 & 2014 while similar Orders are expected for other years.

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 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, 2014-15 and 2015-16.

All the Orders were contested before Commissioner (Appeals) who decided the cases in the Holding Company's favor except for 2014-15 wherein order of Commissioner (Appeals) is pending which is expected to be decided in Holding Company's favor. However, the said Orders have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue.

Further, the said issue has also been raised for 2016-17 on which the Holding Company filed detailed reply.

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's case, therefore no provision has been made in this Consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

17.11 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 the Holding Company's favor.

The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Orders of Commissioner (Appeals) for FY 2010-11 to 2016-17.

Tax authorities have also issued a notice for FY 2017-18 confronting the same issue of disallowance of input tax claimed on excess UFG on which the Holding Company has filed detailed reply.

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

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

The Commissioner (Appeals) has decided the issue of exchange loss in Holding Company's favor while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favor of the Holding Company by the Commissioner (Appeals).

17.13 The Additional Commissioner Inland Revenue passed an order against the Holding Company with demand of Rs. 1,314 million alongwith 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 Honorable 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 issues decided in Holding Company's favor.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Holding Company. Upon appeal by the Holding Company 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 Honorable 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. 37 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 2019 amounting to Rs. 254 million under various sections which remains unadjusted due to such litigation. However the potential liability of Rs. 397 million which the Subsidiary Company needs to pay if the result of the case is against the Subsidiary company

No provision has been made in these financial statements 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 years 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 these financial statements 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 years 2013 and 2014. The Subsidiary Company has filed an appeal before the Commissioner (Appeals). During the process of appeal, the tax department issued a recovery notice and recovered entire demand amount from the Subsidiary Company's bank account.

The Subsidiary Company's legal counsel is of the opinion that the case will be decided in favor of the 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 January 13, 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.

No provision has been made in these financial statements as the Subsidiary Company and its legal counsel are confident that the outcome of the case will be in favor of the Subsidiary Company.

17.23 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 periods from 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 .

The 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.

		Note	Half year ended December 31, 2018	Half year ended December 31, 2017	Quarter ended December 31, 2018	Quarter ended December 31, 2017
			(Un-audited)			
			(Rupees in '000)			
18.	**SALES**					
	Sale of Indigenous gas		**96,721,119**	86,835,629	**54,697,567**	43,559,932
	Sale of RLNG		**26,712,757**	-	**12,927,665**	-
			123,433,876	86,835,629	**67,625,232**	43,559,932
	Less: Sales tax					
	Indigenous gas		**(12,697,292)**	(11,969,468)	**(7,039,493)**	(6,175,290)
	RLNG		**(3,312,131)**	-	**(1,842,174)**	-
			(16,009,423)	(11,969,468)	**(8,881,667)**	(6,175,290)
			107,424,453	74,866,161	**58,743,565**	37,384,642
19.	**GAS DEVELOPMENT SURCHARGE (GDS)**					
	GDS recovered during the year		**3,942,609**	(8,440,045)	**3,120,016**	2,241,601
	Price increase adjustment for the year		**32,548,842**	21,458,728	**16,860,954**	7,691,656
	Impact of staggering		**(1,835,893)**	(1,835,893)	**(917,947)**	(917,946)
	Subsidy for LPG air mix operations		**(232,475)**	(258,541)	**(127,177)**	(145,801)
			34,423,083	10,924,249	**18,935,846**	8,869,510
20.	**RLNG DIFFERENTIAL MARGINS**					
	RLNG differential margins - OGRA		**(3,443,648)**	-	**(1,906,948)**	-
	RLNG differential margins - SNGPL		**(3,642,444)**	-	**(966,292)**	-
			(7,086,092)	-	**(2,873,240)**	-
21.	**COST OF SALES**					
	Cost of gas	21.1	**125,845,749**	80,843,247	**68,966,840**	45,357,834
	Transmission and distribution costs		**9,850,463**	8,961,057	**5,025,609**	4,657,172
			135,696,212	89,804,304	**73,992,449**	50,015,006
21.1	**Cost of gas**					
	Opening gas in pipelines		**689,805**	463,978	**917,458**	466,351
	RLNG purchases		**16,339,045**	-	**8,477,594**	-
	Gas purchases		**110,581,795**	85,894,511	**60,954,084**	44,706,474
			127,610,645	86,358,489	**70,349,136**	45,172,825
	Gas consumed internally		**(731,370)**	(1,571,939)	**(348,770)**	(881,498)
	Inward price adjustment		**-**	(3,267,448)	**-**	1,742,362
	Closing gas in pipelines		**(1,033,526)**	(675,855)	**(1,033,526)**	(675,855)
			(1,764,896)	(5,515,242)	**(1,382,296)**	185,009
			125,845,749	80,843,247	**68,966,840**	45,357,834

	Note	Half year ended		Quarter ended	
		December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
		(Un-audited)			
		----------(Rupees in '000)----------			
22. OTHER OPERATING EXPENSES					
Auditors' remuneration		**5,860**	10,598	**2,734**	4,066
Sports expenses		**45,229**	35,784	**27,075**	19,884
Corporate social responsibility		**2,029**	2,026	**689**	(3,380)
Provision against impaired debts and other receivables		**357,412**	738,044	**224,487**	194,685
Provision against impaired stores and spares		**13,566**	23,933	**2,919**	12,904
Exchange loss on payment of gas purchases		**6,646,032**	1,295,529	**5,401,402**	912,627
		7,070,128	2,105,914	**5,659,306**	1,140,786
23. OTHER OPERATING INCOME					
Income from financial assets					
Income for receivable against asset contribution		**20,391**	18,207	**10,562**	9,081
Return on term deposits and profit or loss bank accounts		**30,465**	18,194	**18,357**	10,453
		50,856	36,401	**28,919**	19,534
Interest income on late payment of gas bills from:					
- Jamshoro Joint Venture Limited		**160,843**	105,153	**83,397**	55,500
- Water and Power Development Authority		**108,057**	91,715	**71,968**	40,418
		268,900	196,868	**155,365**	95,918
Dividend income		**-**	712	**-**	356
		319,756	233,981	**184,284**	115,808
Income from other financial assets					
Late payment surcharge		**660,462**	1,266,988	**402,144**	652,807
Interest income on late payment of gas bills from					
- SNGPL - Related Party		**566,877**	265,730	**286,301**	165,694
Sale of gas condensate		**(11,180)**	(11,002)	**(5,372)**	(9,391)
Income on LPG and NGL - net	23.1	**125,276**	744,159	**79,440**	494,156
Meter manufacturing division (loss) / profit - net		**7,064**	(19,443)	**5,772**	(20,278)
Meter rentals		**384,444**	374,796	**192,766**	188,467
RLNG transportation income		**4,007,462**	2,269,171	**2,205,947**	1,593,510
Recognition of income against deferred credit		**260,838**	196,587	**132,099**	98,448
Income from new service connections and asset contribution		**-**	225,080	**-**	154,006
Income from LPG air mix distribution - net		**63,759**	66,872	**31,587**	33,164
Recoveries from consumers		**40,596**	45,322	**20,791**	24,468
Liquidity damages recovered		**(12,164)**	69,596	**756**	(76,964)
Income from sale of tender documents		**2,507**	4,659	**1,341**	2,491
Gain on disposal of property, plant and equipment		**50,021**	74,738	**26,624**	42,844
Scrap sales		**27,514**	9,515	**3,484**	6,115
Income from net investment in finance lease		**23,304**	28,483	**11,652**	14,241
Amortisation of Government Grant		**11,594**	3,086	**5,764**	1,771
Income against LNG service agreement		**389,560**	302,132	**199,379**	148,958
Miscellaneous		**8,631**	18,456	**4,998**	8,803
		6,926,321	6,168,906	**3,789,757**	3,639,119

23.1 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.

Refer note 17.6 of this consolidated condensed interim financial information for status of arbitration proceedings with JJVL.

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	(Un-audited)			
	------(Rupees in '000)------			
24. TAXATION				
- Current	**725,825**	615,725	**410,425**	317,401
- Prior year	**(83)**	-	**(83)**	
- Deferred	**(11,670)**	2,495,137	**(11,670)**	16,152
	714,072	3,110,862	**398,672**	333,553

	Note	**December 31, 2018**	December 31, 2017
		(Un-audited)	
		----(Rupees in '000)----	
25. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	25.1	**1,297,332**	1,440,574
Depreciation		**3,813,701**	3,634,174
Amortisation of intangibles		**15,109**	16,821
Finance cost		**3,394,572**	2,260,836
Amortisation of transaction cost		**24,998**	36,699
Amortisation of Government Grant		**(11,594)**	(3,086)
Recognition of income against deferred credit		**(287,679)**	211,834
Dividend income		**-**	(712)
Interest income and return on term deposits		**(959,237)**	(485,693)
Income from net investment in finance lease		**(23,304)**	(28,483)
Loss on disposal of property, plant and equipment		**(50,021)**	(74,738)
Increase / (Decrease) in long term advances		**(11,416)**	84,538
(Increase) / Decrease in deferred credit and contract liabilities		**522,566**	(409,297)
Decrease in obligation against pipeline		**43,726**	45,799
		7,768,753	6,729,266
25.1. PROVISIONS			
Provision against slow moving / obsolete stores		**30,366**	36,239
Provision against doubtful debts		**357,412**	738,044
Provision for compensated absences		**38,016**	75,834
Provision for post retirement medical and free gas supply facilities		**325,740**	269,275
(Reversal) / provision for LPG Cost		**(10,420)**	32,750
Provision against retirement benefit		**556,218**	288,432
		1,297,332	**1,440,574**

	December 31, 2018	December 31, 2017
	(Un-audited)	
	--------(Rupees in '000)--------	

26. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets		
Stores, spares and loose tools	**(409,928)**	52,467
Stock-in-trade	**(465,569)**	(65,397)
Customers' installation work-in-progress	**(26,336)**	(15,845)
Trade debts	**(3,927,708)**	(765,406)
Advances, deposits and short term prepayments	**(171,880)**	(98,693)
Other receivables	**(53,039,698)**	(26,702,235)
	(58,041,119)	(27,595,109)
Decrease in current liabilities		
Trade and other payables	**58,501,034**	8,685,095
	459,915	(18,910,014)

27. TRANSACTIONS WITH RELATED PARTIES

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

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

		Half year ended	
		December 31, 2018	December 31, 2017
		(Un-audited)	
	Relationship	-------------(Rupees in '000)-------------	
***Astro Plastic (Private) Limited**	Associate		
- Billable charges		**-**	65,226
Attock Cement Limited	Associate		
- Billable charges		**47,042**	25,226
Government related entities			
- Purchase of fuel and lubricant		**22,693**	45,003
- Billable charges		**14,564,697**	16,221,683
- Mark-up expense on short term finance		**32,263**	6,906
- Mark-up expense on long term finance		**255,175**	198,191
- Income from net investment in finance lease		**23,304**	28,483
- Gas purchases		**53,090,488**	40,658,707
- Sale of gas meters and spare parts		**9,213**	125,444
- Rent of premises		**-**	6,659
- Insurance premium		**52,199**	55,834
- Uniform cost of gas		**-**	3,267,448
- Electricity expense		**129,199**	101,831
- Interest income		**674,934**	357,445
- Professional charges		**-**	239

	Relationship	Half year ended December 31, 2018 (Un-audited)	Half year ended December 31, 2017 (Un-audited)
		-------------(Rupees in '000)-------------	
- RLNG transportation income		**4,007,462**	2,269,171
- Income against LNG service agreement		**389,560**	302,132
Habib Bank Limited			
- Profit on deposit accounts	Associate	**323**	345
- Markup expense on short term finance		**114,910**	88,956
- Markup expense on local currency finance		**176,575**	251,519
- Billable charges		**6,743**	7,902
Key management personnel			
- Remuneration		**114,838**	125,253
Minto & Mirza	Associate		
- Professional charges		**1,500**	3,000
Petroleum Institute of Pakistan	Associate		
- Subscription/Contribution		**980**	2,378
Staff retirement benefit plans	Associate		
- Contribution to provident fund		**171,697**	164,526
- Contribution to pension fund		**336,796**	138,020
- Contribution to gratuity fund		**214,887**	143,417
Thatta Cement Holding Company Limited	Associate		
- Gas sales		**2,481**	2,872

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

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

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

27.3 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.

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

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

	Relationship	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		--------(Rupees in '000)--------	
***Attock Cement Limited**	Associate		
- Billable charges		**-**	5,280
- Gas supply deposit		**-**	(588)
Government related entities - various			
- Billable charges		**58,510,863**	62,534,749
- Mark up accrued on borrowings		**(5,627,460)**	(6,096,830)
- Net investment in finance lease		**101,757**	64,864
- Gas purchases		**206,193,785**	172,448,498
- Gas meters		**705,932**	1,467,999
- Uniform cost of gas		**15,818,846**	16,011,845
- Cash at bank		**57,844**	3,619
- Stock loan		**48,639**	45,595

		December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		--------(Rupees in '000)--------	
Government related entities - various			
- Payable to insurance		**(1,415)**	(2,301)
- Gas supply deposit		**(33,325)**	(39,211)
- Interest expense accrued - late payment surcharge on gas bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**10,512,781**	9,837,847
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**26,546,025**	19,835,414
- RLNG transportation income		**15,952,542**	12,026,912
- LSA margins		**1,483,150**	1,083,299
- Professional charges		**57**	57
***Habib Bank Limited**	Associate		
- Long term finance		**-**	(7,478,125)
- Short term finance		**-**	(5,966,125)
- Cash at bank		**-**	61,008
- Accrued mark-up		**-**	(449,258)
- Billable charges		**-**	1,530
- Gas supply deposit		**-**	363
***Mari Petroleum Holding Company Limited**			
- Billable charges		**-**	9
- Gas supply deposit		**-**	(65)
***Thatta Cement Holding Company Limited**	Associate		
- Billable charges		**-**	310

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

** Comparative balances with these parties have not been disclosed as these parties were not related parties in last period.

28. OPERATING SEGMENTS

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

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

Segment revenue and results

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

	Segment revenue		Segment loss	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	(Un-audited)			
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**107,424,453**	74,866,161	**(574,309)**	(3,486,380)
Meter manufacturing	**870,159**	826,963	**7,064**	(19,443)
Total segment results	**108,294,612**	75,693,124	**(567,245)**	(3,505,823)
Unallocated				
- Other operating expenses			**(6,712,716)**	(1,367,870)
Unallocated				
- Other income			**475,314**	370,814
Loss before tax			**(6,804,647)**	(4,502,879)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 845 million (December 31, 2017: Rs. 719 million).

Segment assets and liabilities

	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**422,777,341**	363,574,602
Meter manufacturing	**2,003,624**	2,993,343
Total segment assets	**424,780,966**	366,567,945
Unallocated		
- Loans and advances	**1,189,017**	962,931
- Taxation - net	**19,620,039**	19,699,217
- Interest accrued	**490,055**	490,111
- Cash and bank balances	**1,067,083**	791,931
	22,366,194	21,944,190
Total assets as per statement of financial position	**447,147,160**	388,512,135
Segments liabilities		
Gas transmission and distribution	**444,013,184**	378,694,617
Meter manufacturing	**1,045,011**	956,519
Total segment liabilities	**445,058,196**	379,651,136
Unallocated		
- Employee benefits	**6,307,337**	5,956,657
Total liabilities as per statement of financial position	**451,365,533**	385,607,793

29. 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.

29.1. Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below analyses financial instruments carried at fair value. The different levels has been defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

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

	As at December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees in '000			
Assets				
Available for sale investments				
Quoted equity securities	**270,224**	**-**	**-**	**270,224**

	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Assets				
Available for sale investments				
Quoted equity securities	371,331	-	-	371,331

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.

29.2. Fair value of other assets

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

	As at December 31, 2018 (Unaudited)	
	Level 3	**Fair Value**
	Rupees in '000	
Freehold land	**6,309,707**	**6,309,707**
Leasehold land	**8,026,216**	**8,026,216**
	14,335,923	**14,335,923**

	As at June 30, 2018 (Audited)	
	Level 3	Fair Value
	Rupees in '000	
Freehold Land	6,309,707	6,309,707
Leasehold Land	8,026,216	8,026,216
	14,335,923	14,335,923

30. RECLASSIFICATION

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

Description	(Rupee in 000)	Reclassified From	Reclassified To
Payable to SNGPL against purchases of RLNG	7,264,401	Creditors for: Indigenous gas - Trade and other payables	Creditors for: RLNG - Trade and other payables
RLNG differential margin payable to GoP	2,516,367	Gas development surcharge receivable from GoP - Other receivables	RLNG differential margin payable to GoP - Trade and other payables

31. GENERAL

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

31.2 This consolidated condensed interim financial information is presented in Pakistani Rupees, which is the Groups functional and presentation currency.

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

32. DATE OF AUTHORISATION

This consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on November 07, 2020.

Dr. Shamshad Akhtar
Chairperson

Muhammad Amin Rajput
Acting Managing Director

Syed Fasihuddin Fawad
Acting Chief Financial Officer

KEY DATA

FRANCHISE AREA	SINDH AND BALOCHISTAN	
	Six months period ended December 31,	
	2018	2017
NATURAL GAS SALES VOLUME (MMCF)	181,942	179,577
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	4,196	4,197
COMMERCIAL	22,559	22,600
DOMESTIC	2,935,676	2,853,014
TOTAL	2,962,431	2,879,811
GAS METERS MANUFACTURED (NOS.)	289,365	193,940
TRANSMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	36	36
12"	545	522
16"	558	558
18"	940	940
20"	844	844
24"	751	717
30"	9	9
42"	371	371
	4,054	3,997
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	36,112	36,112
SERVICES	10,505	10,505
	46,617	46,617

NOTES

i. کمپنی نے سندھ ہائی کورٹ کے فیصلے کے باعث پیش آنے والے کل 36.7 بلین روپے کے نقصانات میں سے 27.5 بلین شامل کر لئے ہیں۔ انتظامیہ کو یقین ہے کہ بقیہ جمع شدہ نقصانات 2021 تک شامل کر لئے جائیں گے۔

ii. کنٹی جنسیز اینڈ کمٹ منٹ میں درج قانونی اور دیگر معاملات کے موافقانہ حل کیلیئے پرزور کوششیں جاری ہیں۔

iii. ایس ایس جی سی نے حکومت کے زیر کنٹرول ای اینڈ پی کمپنیز (او جی ڈی سی ایل، پی پی ایل اور جی ایچ پی ایل) کو قابل ادائیگی ایل پی ایس کے اخراجات کی یکم جولائی 2012 سے موثر ادائیگی روک دی ہے تاوقتیکہ ایس ایس جی سی کو پی ایس ایم ایل اور کے ای سے ایل پی ایس کی آمدنی شروع نہ ہو جائے۔

اعتراف

بورڈ آف ڈائریکٹرز اپنے شیئر ہولڈرز اور معزز صارفین کی جانب سے مستقل تعاون پر شکریئے کا اظہار کرتا ہے۔ بورڈ اپنے ملازمین کی خلوص دل سے خدمات کا بھی اعتراف کرتا ہے۔ ڈائریکٹرز حکومت پاکستان، وزارت توانائی اور آئل اینڈ گیس ریگولیٹری اتھارٹی کی جانب سے مستقل رہنمائی اور تعاون پر بھی شکر گزار ہے۔

بحکم بورڈ

ڈاکٹر شمشاد اختر
چیئرپرسن، بورڈ آف ڈائریکٹرز

محمد امین راجپوت
ایکٹنگ منیجنگ ڈائریکٹر

تاریخ: نومبر 07، 2020
کراچی

اس کے مطابق 3.8 بلین روپے کی رقم "HCPC سے قابل وصولی" ہے اور بقیہ 4.2 بلین روپے اوگرا سے ایل پی ایس کو ریورس ایبل، ایل ڈی چارجز پر سود اور قانونی اخراجات سے متعلق کلیم کئے گئے ہیں۔ تاہم اوگرا نے مالی سال 18-2017 کیلئے فائنل ریونیو کی شرائط کے اپنے فیصلے میں 4.2 بلین روپے کی اجازت نہیں دی ہے اور معاملے کو ای سی سی کے فیصلے کی روشنی میں پارٹیز کے درمیان کسی نتیجے کے برآمد ہونے تک موخر کر دیا ہے۔

اس مرحلے پر اتھارٹیز کے جائزے کی طلبی پر اوگرا کے ساتھ پہلے ہی جائزے کی درخواست کیلئے تحریک فائل کر دی گئی ہے۔ ای سی سی کے 7 فروری 2018 کے فیصلے پر عمل درآمد کے نتیجے پر مبنی آخری ثالثی کے فیصلے کے مطابق اوگرا سے مطلوبہ مالیاتی اثر کا دعویٰ کیا جائے گا۔

معاملے پر زور

مالیاتی اسٹیٹمنٹس کے نوٹ 1.3 میں مالیاتی کارکردگی پر مبنی آر ایل این جی والیوم ہینڈلنگ اور "UFG کی کمی کی پالیسی" پر مبنی UFG میں کمی کی اجازت کی دستیابی پر گفت و شنید کی گئی ہے۔ آڈیٹرز نے نتیجہ اخذ کیا ہے کہ مادی غیر یقینی موجود ہے جو کمپنی کے ایک ادارے کے طور پر کام جاری رکھنے پر نمایاں شبہ پیدا کرتی ہے۔ تاہم کمپنی نے حکومت پاکستان سے، فنانس ڈویژن سے تعاون کے بارے میں ایک خط مورخہ 06 جولائی 2020 حاصل کر لیا ہے جس میں کمپنی کی موجودہ حیثیت میں کام کرنے کو جاری رکھنے کیلئے معاونت کا وعدہ کیا گیا ہے۔

آڈیٹرز نے واضح طور پر بیان کیا ہے کہ اس معاملے میں ان کی رائے میں کوئی تبدیلی نہیں ہے۔

کمپنی کی مالیاتی حالت کے بہتر ہونے کی جانچ کیلئے درج ذیل عوامل متعلقہ ہیں:

ا) اوگرا سے آر ایل این جی کی والیوم میٹرک پر مبنی ہینڈلنگ کی بنیاد پر یو ایف جی الاؤنس طلب کیا جائے جیسا کہ گزشتہ پیراگراف میں پہلے ہی واضح کر دیا گیا ہے۔

ب) نئی ٹیرف رجیم مالی سال 19-2018 سے موثر آپریٹنگ اثاثہ جات پر 17.43% کی شرح سے گارنٹیڈ ریٹرن فراہم کرے گی۔

ج) یو ایف جی میں 2022 تک 10.44% تک درجہ بدرجہ کمی کرنے کا منصوبہ ہے۔ اس کے علاوہ چارٹرڈ اکاؤنٹنٹس کی ایک فرم سے فائنل کی گئی یو ایف جی مطالعاتی رپورٹ کے بعد تبدیل شدہ یو ایف جی الاؤنس میں پہلے ہی 4.5% سے 7.6% یعنی 5% بینچ مارک جمع کی مانیٹرنگ انڈیکیٹرز (KMIs) کے حصول سے مشروط 2.6% کر دیا گیا ہے۔ اگرچہ کمپنی نے مالی سال 18-2017 میں KMIs 95% حاصل کر لئے ہیں اور KMIs 95% کے حصول پر مبنی اوگرا سے 7.47% بینچ مارک کلیم کیا گیا ہے جو 0.56% کم کر دیا گیا تھا اور ہمارے KMIs 95% کو 73.46% تک کم کر کے 6.91% کی اجازت دی گئی جس کیلئے مالی سال 18-2017 کیلئے DFRR کی کوئی وجہ نہیں بیان کی گئی۔ چونکہ یہ تازہ ترین بینچ مارک تھا، اس اس لئے چھ ماہ کے مالیاتی اسٹیٹمنٹس میں اسی کی پیروی کی گئی ہے۔ اس معاملے کو 18-2017 کیلئے DFRR کے خلاف اوگرا کے ساتھ تحریک برائے جائزہ فائل کی گئی ہے۔ مالی سال 19-2018 کیلئے اوگرا KMI پر مبنی بینچ مارک کا فیصلہ کرے گا۔ اس دوران میں اوگرا کو آڈٹ رپورٹ پیش کی جائے گی۔ اس لحاظ سے مالی سال 19-2018 کیلئے DFRR کے بعد سالانہ مالیاتی اسٹیٹمنٹس تیار کئے جائیں گے۔

د) حکومت پاکستان (فنانس ڈویژن) نے اپنے خط مورخہ 06 جولائی 2020 میں اکثریتی شیئر ہولڈر کے طور پر کمپنی کی فنڈنگ کی ضروریات کا اعتراف کیا ہے اور کمپنی کی موجودہ حیثیت میں کام جاری رکھنے میں تعاون کا وعدہ کیا ہے۔

درج بالا کے علاوہ بیرونی آڈیٹرز میسرز ڈیلوائٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس نے اپنی رپورٹ برائے ششماہی مختتمہ 31 دسمبر 2018 میں بعض مسائل پر توجہ دلائی ہے۔ ان معاملات پر ان کی رائے درج ذیل ہے:

کے ای اور پی ایس ایم ایل سے قابل وصولی رقوم

کے الیکٹرک (کے ای) اور پاکستان اسٹیل ملز لمیٹڈ (پی ایس ایم ایل) سے قابل وصولی رقوم کے تنازع کی صورتحال گزشتہ سال کے مطابق رہی۔ انتظامیہ کے ای کے خلاف فائل کئے گئے وصولیابی کے مقدمہ کیلئے شد و مد سے کوشاں ہے۔ اس کے ساتھ انتظامیہ کے ای اور پی ایس ایم ایل کے واجبات کی وصولی کے سلسلے میں متعلقہ وزارتوں کے ساتھ مستقل رابطے میں ہے۔ توقع ہے کہ جیسے ہی حکومت پاکستان کی جانب سے اس مسئلے کا مستقل حل سامنے آجائے گا تو کمپنی کی مجموعی مالی حالت کافی بہتر ہو جائے گی۔ یہاں یہ بتانا بھی ضروری ہے کہ فروری 2020 تا جون 2020 کی مدت میں پی ایس ایم ایل نے فنانشل ڈویژن کی جانب سے اس مقصد کیلئے مختص رقم میں سے گیس کے ماہانہ بلوں کی مد میں 350 ملین روپے کی ادائیگی کر دی ہے۔ کمپنی کی جانب سے 31 دسمبر 2018 تک کے ای اور پی ایس ایم ایل کے ذمے واجب الادا رقم بالترتیب 91,354 ملین روپے اور 58,066 ملین روپے ہے۔

ایس این جی پی ایل اور واپڈا سے قابل وصول ایل پی ایس

کمپنی کو مجموعی گردشی قرضے کی صورتحال کے سبب ایس این جی پی ایل اور واپڈا سے قابل وصولی کے جمع ہونے کا سامنا ہے۔ تاہم متفقہ شرائط و ضوابط پر مبنی، کمپنی حد سے زیادہ واجبات کی رقم کے عوض ایل پی ایس حاصل کر رہی ہے۔ کمپنی اس صورتحال کے بارے میں حکومتی اتھارٹیز کو روزانہ کی بنیاد پر آگاہ کر رہی ہے اور توقع ہے کہ جیسے ہی گردشی قرضے کے بارے میں قومی سطح پر کوئی فیصلہ ہو گیا تو یہ مسئلہ حل ہو جائے گا۔

ایچ سی پی سی ایل سے قابل وصولی رقوم

میسرز حبیب اللہ کوسٹل پاور کمپنی پرائیویٹ لمیٹڈ (HCPCL) نے انٹرنیشنل چیمبر آف کامرس، سنگاپور کے قوانین کے تحت 30 نومبر 2015 کو ثالثی کی درخواست دائر کی تھی۔ یہ تنازع ایس ایس جی سی کی جانب سے دسمبر 2009 اور اس کے بعد ایچ سی پی سی ایل کو گیس کی عدم یا کم فراہمی (جی ایس اے کے تحت گیس کی فراہمی کی وعدہ پر فرم کے خلاف) کا تھا۔

30 اپریل 2018 کو انٹرنیشنل کورٹ آف آربیٹریشن نے ایچ سی پی سی ایل کے حق میں ثالثی کی کارروائی کا فیصلہ جاری کر دیا جس کے مطابق کمپنی کو معاوضے، لیکویڈیٹڈ نقصانات، سود اور قانونی اور پیشہ ورانہ چارجز کی ادائیگی کرنا ہوگی۔ درج بالا کی مجموعی رقم 8.0 بلین روپے بنتی ہے۔

تاہم ایچ سی پی سی ایل کی جانب سے کمپنی سے لیکویڈیٹڈ نقصانات کی مد میں 3.8 بلین روپے کی رقم واپڈا/ سی پی پی اے۔ جی کی جانب سے ایچ سی پی سی ایل کو چارج کئے گئے لیکویڈیٹڈ نقصانات کا سلسلہ تھی۔ اس سے صاف ظاہر ہوتا ہے کہ حکومت پاکستان کے ایک ادارے سے حکومت پاکستان کے دوسرے ادارے کو رقم کی ادائیگی کا بہاؤ یعنی کمپنی سے حکومت پاکستان کے دوسرے ادارے واپڈا کو بہاؤ سے کسی بھی دعویدار پارٹی کو کوئی بڑا فائدہ نہیں پہنچتا ہے۔ لہٰذا ای سی سی نے 07 فروری 2018 کو ہونے والی اپنی میٹنگ میں اصولی طور پر لیکویڈیٹڈ نقصانات کی چھوٹ کے بارے میں تجویز کو منظور کر لیا اور پیٹرولیم ڈویژن اور پاور ڈویژن کو تمام اسٹیک ہولڈرز سے مشاورت کے بعد ترمیم کرنے پر کام کیلئے ہدایات جاری کر دیں۔

تمام اسٹیک ہولڈرز (ایس ایس جی سی، سی پی پی اے۔ جی اور ایچ سی پی سی ایل) "Other Force Majeure Event (OME)" کے طور پر نو ڈسپیچ کی مدت سمجھتے ہوئے ترمیم کو فائنل کرنے کی کارروائی پر کام کر رہے ہیں اور اس طرح جی ایس اے کے عرصہ میں نو ڈسپیچ پیریڈ کے ساتھ توسیع کر دی گئی ہے۔ ایس ایس جی سی اور ایچ سی پی سی ایل کے درمیان جی ایس اے ستمبر 2019 میں ختم ہو چکا ہے جب کہ ایچ سی پی سی ایل اور سی پی پی اے کے درمیان پاور پرچیز ایگریمنٹ (پی پی اے) 2029 تک کارآمد ہے۔

فائدے کی صورت میں اسی طرح کے فائدے کی اجازت دی گئی تھی۔ تاہم اوگرا نے اس کیلئے انکار کر دیا ہے جس کی وجہ سے ایس ایس جی سی کو UFG ڈس الاؤنسز کی صورت میں بھاری مالی نقصان اٹھانا پڑا۔

کمپنی کو درپیش ایسی خطرناک صورتحال پر قابو پانے اور اوگرا کے تحفظات کا ازالہ کرنے کیلئے جس کے باعث درج بالا سمری کا نفاذ نہ ہو سکا، وزارت توانائی۔ پیٹرولیم ڈویژن نے کمپنی کے دعوے کی قانونی حیثیت پر غور کرتے ہوئے تمام اسٹیک ہولڈرز سے مشاورت کے بعد معاملے پر دوبارہ پیش روی کا فیصلہ کیا ہے اور ای سی سی کو ایک دوسری سمری ارسال کی ہے تا کہ ای سی سی کے پہلے والے فیصلے کے نفاذ پر عمل درآمد کیا جا سکے۔

معاملے کی تازہ ترین صورتحال یہ ہے کہ ای سی سی نے اپنی تین میٹنگز میں سمری پر غور کیا ہے لیکن وہ کسی فیصلے پر نہیں پہنچ سکی ہے۔ اب ایڈوائزر فنانس کی ہدایات پر اسٹیک ہولڈرز کی مشاورت سے مسئلے کا حل نکالنے کیلئے سیکرٹری وزارت مالیات اور سیکرٹری وزارت توانائی (پیٹرولیم ڈویژن) پر مشتمل دورکنی کمیٹی تشکیل دی گئی ہے۔ اس سلسلے میں کمیٹی کی پہلی میٹنگ منعقد ہو چکی ہے جس میں MoE/OGRA کے عہدیداروں، ایس ایس جی سی اور ایس این جی پی ایل کی ٹیموں، دونوں یوٹیلیٹی اداروں کے چیئرمین اور مختلف ڈائریکٹر صاحبان نے شرکت کی۔

درج بالا مسئلے پر قرارداد سے نمایاں ہے کہ مستقبل کے عرصے میں بھی درج بالا کی غیر موجودگی سے مالیاتی حالت مزید خراب ہو سکتی ہے جس کے باعث اپنے اسٹیک ہولڈرز کی توقعات کے مطابق کمپنی کے استحکام اور آپریشنز کی استعداد کے بارے میں شدید شبہ پیدا ہو سکتا ہے۔

گزشتہ جمع شدہ نقصانات کو برداشت کرنا

سندھ ہائی کورٹ کے 25 نومبر 2016 کے فیصلے کے مطابق 1.8 بلین روپے کے جمع شدہ نقصانات برداشت کرنا پڑے جس میں SSGC کے UFG کے بنچ مارک کے دعوے اور بعض نان آپریٹنگ آمدنیوں کی ٹریٹمنٹ کو مسترد کر دیا گیا تھا۔ اس فیصلے کے نتیجے میں SSGC کو مالی سال 2011 تا مالی سال 2015 سے متعلق 36.7 بلین روپے کے نقصانات برداشت کرنا پڑے۔ مجاز اتھارٹیز کی منظوری سے SSGC نے 6 سال کے عرصے میں جمع شدہ نقصانات اور 31 دسمبر 2018 تک 27.5 بلین روپے کے نقصانات برداشت کئے۔

زیادہ مالیاتی اخراجات

RLNG اور SNGPL نیٹ ورک کو کراچی پورٹ سے سیون تک RLNG کی ترسیل کے سلسلے میں پائپ لائن انفرااسٹرکچر کے حصول کے لئے طویل المدت قرضہ پر 3.4 بلین روپے کے مالیاتی چارجز ادا کئے گئے۔

بیرونی آڈیٹرز کی رپورٹ میں ترمیم

بیرونی آڈیٹرز میسرز ڈیلوائٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس نے اپنی آڈٹ رپورٹ بابت ششماہی مختتمہ 31 دسمبر 2018 میں کے ای اور پی ایس ایم ایل کے واجبات کی رقم، ایس این جی پی ایل کی جانب سے قابل وصولی تاخیر سے ادئیگی کے سرچارج (LPS)، ایس این جی پی ایل اور واپڈا سے قابل وصولی رقوم اور حبیب اللہ کوسٹل پاور کمپنی (پرائیویٹ) لمیٹڈ (HCPCL) سے قابل وصولی رقوم کے بارے میں اپنی ماہرانہ رائے کا اظہار کیا ہے۔

ڈائریکٹرز کا جائزہ

برائے ششماہی مختتمہ 31 دسمبر 2018

میں کمپنی کے نتائج برائے ششماہی مختتمہ 31 دسمبر 2018 پیش کرتے ہوئے خوشی محسوس کر رہی ہوں۔
زیرِ جائزہ مدت کے دوران میں کمپنی کیلئے مشکل چیلنجز کا سلسلہ جاری رہا جن میں سے بعض کمپنی کی ترقی اور استحکام کیلئے نہایت اہم تھے۔

مالیاتی عمومی جائزہ

زیرِ جائزہ مدت کے دوران میں اوگرا کی جانب سے بڑے ڈس الاؤنسز شامل کرنے کے بعد بھی بعد از ٹیکس 7,524 ملین روپے کا نقصان ہوا۔
مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:

ششماہی مختتمہ 31 دسمبر 2018 (روپے ملین میں)	
نقصان قبل از ٹیکس	(6,805)
ٹیکس	(719)
نقصان بعد از ٹیکس	(7,524)

ایس ایس جی سی کی منفعت اوگرا کے مجوزہ Guaranteed Return Formula سے حاصل ہوتی ہے۔ اس فارمولے کے تحت اس کے اوسط خالص آپریٹنگ فکسڈ اثاثہ جات پر قبل از مالیتی چارجز اور ٹیکسز 17.43% کی اجازت ہے۔ تاہم اوگرا استعداد سے متعلق بینچ مارکس کے ساتھ ساتھ غیر شمار گیس (UFG)، انسانی وسائل کے بینچ مارک، مشتبہ قرضہ جات کے اخراجات اور پرووِیژن اور بعض دیگر اخراجات کی بنیاد پر آمدنی کی ضروریات کا تعین کر کے ایڈجسٹمنٹ کرتا ہے۔ یہ ایڈجسٹمنٹس کمپنی کی سب سے نچلی سطح پر اثر انداز ہوتے ہیں جو ابتدائی طور پر مالیاتی چارجز اور ٹیکسز کے بعد خالص 17.43% گارنٹیڈ آمدنی پر مبنی ہوتے ہیں۔ مذکورہ مدت کے دوران میں بعد از ٹیکس نقصان کی بنیادی وجوہات درج ذیل ہیں:

اوگرا کی جانب سے مالی سال 18-2017 کیلئے فائنل ریونیو کی ضروریات کا تعین (DFRR) 23 اپریل 2020 کو جاری کیا گیا، جس میں اس ششماہی کے مالیاتی نتائج شامل کردہ کل ڈس الاؤنسز کے ساتھ اثاثہ جات کی آمدنی 7.7 بلین روپے کے مقابلے میں 10.1 بلین روپے رہے۔ تاہم ان غیر مجموعی مالیاتی معلومات میں مالی سال 18-2017 کیلئے DFRR میں کئے گئے غیر معمولی UFG ڈس الاؤنسز کی پیروی نہیں کی گئی جس کو تحریک برائے جائزہ (MFR) کی درخواست میں پہلے ہی دوبارہ کلیم کیا جا چکا ہے۔

زیادہ UFG کی نامنظوریاں

زیادہ UFG کی نامنظوریوں کی وجہ یہ حقیقت ہے کہ اوگرا RLNG والیوم ہینڈلنگ کے فوائد کی اجازت نہیں دے رہا جس کی منظوری اکنامک کوآرڈینیشن کمیٹی (ECC) کی جانب سے 11 مئی 2018 کو ایک سمری میں دی گئی تھی۔ اگر SSGC کو یہ فائدہ دے دیا جاتا تو خالص UFG نامنظوریاں 5 بلین روپے تک کم ہو جاتیں۔

اس سلسلے میں یہ بتانا بھی ضروری ہے کہ RLNG سپلائی چین میں شامل تمام اسٹیک ہولڈرز RLNG سپلائی کے طریقہء کار میں اصل کی بنیاد پر حادثاتی اخراجات / نقصانات کا معاوضہ حاصل کر رہے ہیں۔ درج بالا محولہ ای سی سی کی سمری کے ذریعہ ایس ایس جی سی کو UFG بینچ مارک کے تعین میں والیوم ہینڈلنگ کے

NOTES

Sui Southern Gas
Company Limited

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