

**SUI SOUTHERN GAS
COMPANY LIMITED**

**UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED
MARCH 31, 2021**

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	135,945,444	134,346,216
Intangible assets		122,005	2,079
Right of use assets	7	146,795	221,352
Long term investments	8	1,190,978	1,180,018
Net investment in finance lease		87,774	131,135
Long term loans and advances		194,138	180,062
Long-term deposits		18,733	19,104
		<u>137,705,867</u>	<u>136,079,966</u>
CURRENT ASSETS			
Stores, spares and loose tools		3,034,902	2,716,971
Stock-in-trade		1,903,000	2,105,878
Current maturity of net investment in finance lease		57,814	57,814
Customers' installation work-in-progress		280,366	241,566
Trade debts	9	90,096,671	91,808,904
Loans and advances		960,917	1,989,598
Advances, deposits and short term prepayments		582,306	699,192
Interest accrued	10	16,300,181	15,112,554
Other receivables	11	363,836,170	337,782,168
Taxation - net		18,381,339	19,192,406
Cash and bank balances		623,108	699,689
		<u>496,056,774</u>	<u>472,406,740</u>
TOTAL ASSETS		<u>633,762,641</u>	<u>608,486,706</u>

The annexed notes from 1 to 33 form an integral part of these unconsolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of FVTOCI securities		154,450	143,490
Surplus on revaluation of property, plant and equipment		24,347,314	24,347,314
Accumulated losses		(64,147,042)	(61,897,994)
		(25,928,714)	(23,690,626)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finance	12	24,667,384	29,087,535
Long term deposits		21,428,533	20,339,702
Employee benefits		5,342,899	5,096,484
Obligation against pipeline		772,344	820,255
Deferred credit	13	4,323,740	4,604,521
Contract liabilities	14	7,187,935	6,197,497
Lease liability		40,679	105,235
Long term advances		3,093,735	2,968,518
		66,857,249	69,219,748
CURRENT LIABILITIES			
Current portion of long term finance	12	8,084,118	8,086,064
Short term borrowings	15	22,660,657	14,979,552
Trade and other payables	16	543,503,059	521,363,559
Current portion of obligation against pipeline		63,179	59,075
Current portion of deferred credit	13	422,503	432,236
Current portion of contract liabilities	14	197,415	192,203
Current portion of lease liability		81,495	117,409
Unclaimed dividend		285,426	285,430
Interest accrued	17	17,536,254	17,442,056
		592,834,106	562,957,584
TOTAL EQUITY AND LIABILITIES		633,762,641	608,486,706
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes from 1 to 33 form an integral part of these unconsolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2021

		Nine months period ended		Quarter ended	
		March 31	March 31	March 31	March 31
		2021	2020	2021	2020
		(Un-Audited)			
	Note	----- (Rupees in '000) -----			
Sales		228,971,597	231,957,317	75,736,189	70,596,422
Sales tax		(33,282,664)	(34,575,152)	(10,962,912)	(10,516,087)
	19	195,688,933	197,382,165	64,773,277	60,080,335
Gas development surcharge	20	24,855,649	15,655,748	5,613,078	13,897,056
RLNG differential margin	21	(3,221,360)	(1,939,585)	(1,622,498)	(515,432)
		21,634,289	13,716,163	3,990,580	13,381,624
Net sales		217,323,222	211,098,328	68,763,857	73,461,959
Cost of sales	22	(223,480,120)	(230,529,010)	(71,926,827)	(76,826,433)
Gross loss		(6,156,898)	(19,430,682)	(3,162,970)	(3,364,474)
Administrative and selling expenses		(3,430,587)	(3,645,694)	(1,164,331)	(1,238,496)
Other operating expenses	23	(173,680)	(132,044)	(62,710)	(42,105)
Impairment loss against financial assets		(2,057,166)	(1,081,550)	129,875	(159,998)
		(5,661,433)	(4,859,288)	(1,097,166)	(1,440,599)
		(11,818,331)	(24,289,970)	(4,260,136)	(4,805,073)
Other income	24	14,644,401	12,241,753	5,082,788	1,139,923
Operating Profit / (loss)		2,826,070	(12,048,217)	822,652	(3,665,150)
Finance cost		(3,320,113)	(5,361,943)	(846,267)	(1,388,290)
Loss before taxation		(494,043)	(17,410,160)	(23,615)	(5,053,440)
Taxation	25	(1,755,005)	(1,689,348)	(557,690)	(563,739)
Loss for the period		(2,249,048)	(19,099,508)	(581,305)	(5,617,179)
Basic and diluted loss per share (Rupees)		(2.55)	(21.68)	(0.66)	(6.38)

The annexed notes from 1 to 33 form an integral part of these unconsolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2021

	Nine months period ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-Audited)			
	----- (Rupees in '000) -----			
Loss for the period	(2,249,048)	(19,099,508)	(581,305)	(5,617,179)
Other comprehensive income				
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss				
Unrealised gain / (loss) on re-measurement of FVTOCI securities	10,960	(101,653)	(6,130)	(134,804)
Total comprehensive loss for the period	<u>(2,238,088)</u>	<u>(19,201,161)</u>	<u>(587,435)</u>	<u>(5,751,983)</u>

The annexed notes from 1 to 33 form an integral part of these unconsolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED MARCH 31, 2021

		Nine months period ended	
		March 31,	March 31,
		2021	2020
		(Un-audited)	
		----- (Rupees in '000) -----	
		Note	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation			(494,043)
Adjustments for non-cash and other items	26	12,542,287	13,166,520
Working capital changes	27	(4,150,233)	28,514,891
Financial charges paid		(3,467,508)	(5,429,690)
Employee benefits paid		(115,003)	(89,401)
Payment for retirement benefits		(964,229)	(938,765)
Long term deposits received - net		1,088,831	2,735,115
Deposits paid - net		371	(303)
Loans and advances to employee - net		1,014,604	511,741
Interest income received		49,208	101,469
Income taxes paid		(943,939)	(1,107,818)
Net cash (used in) / generated from operating activities		4,560,346	20,053,601
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(7,780,569)	(7,508,837)
Payment for obligation against pipeline		(101,799)	(101,799)
Proceeds from sale of property, plant and equipment		50,398	93,056
Lease rental from net investment in finance lease		63,271	70,550
Dividend received		4,828	1,849
Net cash used in investing activities		(7,763,870)	(7,445,182)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of local currency loans		(4,407,832)	(6,154,280)
Repayment of consumer finance		(14,264)	(17,520)
Repayment of lease liability		(132,062)	(133,601)
Dividend paid		(4)	(4)
Net cash used in financing activities		(4,554,162)	(6,305,405)
Net decrease in cash and cash equivalents		(7,757,686)	6,303,015
Cash and cash equivalents at beginning of the period		(14,279,863)	(15,955,943)
Cash and cash equivalents at end of the period		(22,037,549)	(9,652,928)
Cash and cash equivalent comprises:			
Cash and bank balances		623,108	1,775,531
Short term borrowings		(22,660,657)	(11,428,459)
		(22,037,549)	(9,652,928)

The annexed notes from 1 to 33 form an integral part of these unconsolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2021

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re- measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	----- (Rupees in '000) -----						
Balance as at July 1, 2019 (Audited)	8,809,163	234,868	4,672,533	199,621	21,043,031	(42,981,531)	(8,022,315)
Total comprehensive loss for the period ended 'March 31, 2020							
Loss for the period	-	-	-	-	-	(19,099,508)	(19,099,508)
Other comprehensive loss for the period	-	-	-	(101,653)	-	-	(101,653)
	-	-	-	-	-	(19,099,508)	(19,201,161)
Balance as at March 31, 2020	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>97,968</u>	<u>21,043,031</u>	<u>(62,081,039)</u>	<u>(27,223,476)</u>
Balance as at June 30, 2020 (Audited)	8,809,163	234,868	4,672,533	143,490	24,347,314	(61,897,994)	(23,690,626)
Total comprehensive loss for the period ended March 31, 2021							
Loss for the period	-	-	-	-	-	(2,249,048)	(2,249,048)
Other comprehensive income for the period	-	-	-	10,960	-	-	10,960
	-	-	-	10,960	-	(2,249,048)	(2,238,088)
Balance as at March 31, 2021	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>154,450</u>	<u>24,347,314</u>	<u>(64,147,042)</u>	<u>(25,928,714)</u>

The annexed notes from 1 to 33 form an integral part of these unconsolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

1 STATUS AND NATURE OF BUSINESS

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

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

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

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

1.2 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17.43% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial cost and other non-operating expenses and non-operating income.

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

1.3 Financial performance

During the period, the Company has incurred a loss after tax of Rs. 2,249 million resulting in increase in its accumulated losses to Rs. 64,147 million and diminishing equity to Rs. 25,929 million. As at period end, current liabilities exceed its current asset by Rs.96,777 million.

The Company's financial performance for the period has been deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers.

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

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue Requirement for (FRR) FY 2017-18 OGRA did not consider implementing the aforementioned decision and advised the Company to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.
- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, GoP being majority shareholder has acknowledged the funding requirements of the Company and has shown commitment to extend all support to maintain the going concern status of the Company.
- The Company has devised a strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.
- Under new tariff regime, the Company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next three years.
- Banks have also waived debt to equity covenant for financial years 2018-19 and 2019-20. However, the Company has never defaulted in payment of any installment of principal and interest thereon and few of the loans have been totally paid off to date.
- Board / management believes that in view of above-mentioned steps / plans, the Company's profitability and financial position will improve in the next few years.

1.4 Determination of revenue requirement

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

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

On November 25, 2016, the Sindh High Court 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 allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, profit from meter manufacturing, late payment surcharge, and sale of gas condensate as operating income. The Company 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. But the management has considered OGRA's decision in preparation of this unconsolidated condensed interim financial statement for the period ended March 31, 2021.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

These unconsolidated condensed interim financial statements have 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 these unconsolidated condensed interim financial statements is based on FRR determined by OGRA for the financial year ended June 30, 2020.

These unconsolidated condensed interim financial statements do not include all information required for annual audited unconsolidated financial statements and should be read in conjunction with the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of these unconsolidated condensed interim financial statements are the same as those applied in preparation of the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2020.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited unconsolidated financial statements for the year ended June 30, 2020. 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.

5 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited unconsolidated financial statements as at and for the year ended June 30, 2020.

6 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
Operating assets	122,812,673	122,483,833
Capital work-in-progress	13,132,771	11,862,383
	<u>135,945,444</u>	<u>134,346,216</u>

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

	March 31, 2021		March 31, 2020
		(Un-audited)	
	----- (Rupees in '000) -----		
	Cost of additions / transfers from CWIP	Written down value of (transfers / disposals)	Cost of additions / transfers from CWIP
			Written down value of (transfers / disposals)
Operating assets			
Leasehold land	-	-	3,423
Buildings on leasehold land	26,060	-	133,372
Gas distribution system	4,100,758	(43,910)	3,707,749
Gas transmission pipelines	1,415,519	-	2,111,667
Telecommunication	36,511	(19)	1,055
Plant and machinery	89,861	(271)	178,754
Tools and equipment	4,512	-	8,896
Motor vehicles	49,557	(20,296)	168,686
Furniture and fixtures	2,655	-	20,985
Office equipment	29,119	-	13,589
Computers and ancillary equipments	86,351	-	77,229
Construction equipment	-	-	-
Compressors	1,186,430	-	632,016
	<u>7,027,333</u>	<u>(64,496)</u>	<u>7,057,421</u>
			<u>(27,634)</u>
Capital work in progress:			
Projects:			
Gas distribution system	5,955,193	(4,100,758)	4,809,761
Gas transmission system	1,353,958	(1,415,519)	1,763,918
Cost of buildings under construction and others	2,039,245	(1,511,056)	548,503
	<u>9,348,396</u>	<u>(7,027,333)</u>	<u>7,122,182</u>
			<u>(5,949,365)</u>

During the period, there has been net (decrease) / increase in respect of stores and spares held for capital projects and others amounting to Rs. (1,363) million (March 31, 2020: Rs. 366 million).

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
7 RIGHT OF USE ASSETS		
Cost	353,011	347,263
Accumulated depreciation	(206,216)	(125,911)
Net book value	<u>146,795</u>	<u>221,352</u>
Cost		
Opening balance	347,263	-
Impact on application of IFRS 16	-	347,263
Additions during the period	18,033	-
Derecognition during the period	(12,285)	-
Closing balance	<u>353,011</u>	<u>347,263</u>
Accumulated depreciation		
Opening balance	125,911	-
Depreciation charge for the period	92,590	125,911
Derecognition during the period	(12,285)	-
Closing balance	<u>206,216</u>	<u>125,911</u>

The rate of depreciation is based on the term of the respective agreement and ranges from 33% to 40% per annum.

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
8 LONG TERM INVESTMENTS		
Investment at cost	1,000,001	1,000,001
Investments - fair value through other comprehensive income	190,977	180,017
	<u>1,190,978</u>	<u>1,180,018</u>

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
9 TRADE DEBTS			
Secured		26,357,049	32,655,739
Unsecured		85,033,323	78,389,700
	9.1&9.2	111,390,372	111,045,439
Provision against doubtful debts		(21,293,701)	(19,236,535)
		<u>90,096,671</u>	<u>91,808,904</u>

- 9.1** As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per 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, the trade debts includes Rs. 30,783 million (June 30, 2020: Rs. 33,415 million) as at March 31, 2021 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2020: Rs. 29,652 million) as at March 31, 2021 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs 127,544 million (June 30, 2020: Rs. 116,743 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 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 instalments, 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 accounts which confirm management’s assertion that the Company has legal claim over KE for charging of LPS.

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

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

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017. Currently, management is in a process to negotiate payment plan, which hasn't been finalised till the issuance of these unconsolidated condensed interim financial statements 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. Term of reference has been signed and shared with KE however no response received from KE.

- 9.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per 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, the trade debts includes Rs. 24,626 million (June 30, 2020: Rs. 24,332 million) including overdue balance of Rs. 24,548 million (June 30, 2020: Rs. 24,282 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 72,692 million (June 30, 2020: Rs. 67,665 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 counsel of the Company is of the view that due to vagaries of 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.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
10 INTEREST ACCRUED			
Interest accrued on late payment of bills / invoices from:			
WAPDA		4,639,502	4,390,715
SNGPL		9,538,158	8,685,480
JJVL		578,798	578,798
		<u>14,756,458</u>	<u>13,654,993</u>
Interest accrued on sales tax refund		487,739	487,739
Interest accrued on loan to related party		<u>1,168,384</u>	<u>1,082,222</u>
		<u>16,412,581</u>	<u>15,224,954</u>
Provision against impaired accrued income		<u>(112,400)</u>	<u>(112,400)</u>
		<u>16,300,181</u>	<u>15,112,554</u>
11 OTHER RECEIVABLES			
Gas development surcharge receivable from Government of Pakistan (GoP)	11.1	203,926,002	178,411,641
Receivable from SNGPL for differential tariff		4,284,080	4,284,080
Receivable from staff pension fund		51,122	-
Receivable from HCPCL	11.2	4,157,839	4,157,839
Balance receivable for sale of gas condensate		52,064	46,438
Receivable from SNGPL - a related party	11.3	101,564,265	99,834,232
Receivable from Jamshoro Joint Venture Limited (JJVL)	11.4 & 11.5	11,030,271	11,427,831
Receivable from SSGC LPG (Private) Limited		8,031	19,829
Sales tax receivable	11.6	40,859,624	41,588,995
Sindh sales tax		112,976	112,976
Receivable against asset contribution	11.7	330,328	418,118
Miscellaneous		<u>46,442</u>	<u>67,063</u>
		<u>366,423,044</u>	<u>340,369,042</u>
Impairment loss against financial assets		<u>(2,586,874)</u>	<u>(2,586,874)</u>
		<u>363,836,170</u>	<u>337,782,168</u>
11.1 Gas development surcharge receivable from GOP			
Opening Balance		178,411,641	140,160,555
Recognized in statement of profit or loss		24,855,649	37,600,501
Subsidy for LPG air mix operations		658,712	650,585
Closing Balance		<u>203,926,002</u>	<u>178,411,641</u>
11.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)			
Amount of LD charges as per arbitration award		3,938,382	3,938,382
Subsequent LDs raised by HCPCL on Award Principle		<u>219,457</u>	<u>219,457</u>
		<u>4,157,839</u>	<u>4,157,839</u>

- 11.2.1** HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Company on account of short / 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, liquidated damages (LD), interest on LD 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 running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
Note	------(Rupees in '000)-----	

- 11.3** As at year end, receivable balance from SNGPL comprises of the following:

Uniform cost of gas		15,818,845	15,818,845
Lease rentals		876,631	593,033
Contingent rent		3,535	3,535
LSA Margins		3,023,105	2,877,266
Capacity and utilisation charges of RLNG	11.3.1	51,921,834	51,063,909
RLNG transportation income		29,920,315	29,477,644
		<u>101,564,265</u>	<u>99,834,232</u>

- 11.3.1** The Company has invoiced an amount of Rs. 123,545 million, including sindh sales tax of Rs. 14,356 million, till March 31, 2021 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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

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

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume 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 volumes 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.

Based on initialed agreement between the Company and SNGPL dated January 25, 2021, SNGPL is raising invoice for RLNG volumes retained by the Company from June 01, 2020 based on RLNG reconciliation statement mutually agreed. The rate is based on OGRA decision dated November 20, 2018. SNGPL has started payments of such invoices issued by the Company from June 2020 onwards on monthly basis.

- 11.4 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 16 & 17 to these unconsolidated condensed interim financial statements.

- 11.5 During the year 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 SCP 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 determined / settled by SCP in due course.

- 11.6 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 through a letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012.

After withdrawal of said dispensation, the deferred refunds are issued to the Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds.

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

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
12 LONG-TERM FINANCE			
Secured			
Loans from banking companies	12.1 & 12.2	31,792,042	36,210,321
Unsecured			
Front end fee of foreign currency loan		23,950	23,950
Consumer financing		156,340	170,605
Government of Sindh loans		779,170	768,723
		959,460	963,278
		32,751,502	37,173,599
Less: Current portion shown under Current liabilities			
Loans from banking companies		(7,875,000)	(7,875,000)
Consumer financing		(22,451)	(24,397)
Government of Sindh loans		(186,667)	(186,667)
		(8,084,118)	(8,086,064)
		24,667,384	29,087,535

- 12.1 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.
- 12.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at March 31, 2021 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 2,493 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 (RLNG) assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
13 DEFERRED CREDIT			
Government of Pakistan contributions / grants			
Opening balance		2,911,647	3,064,028
Additions / adjustments during the period / year		12,711	139,427
Transferred to unconsolidated statement of profit or loss	24	(215,351)	(291,808)
Closing balance		2,709,007	2,911,647
Government of Sindh (Conversion of loan into grant)			
Opening balance		1,995,985	2,025,211
Additions during the period / year		13,653	86,808
Transferred to unconsolidated statement of profit or loss	24	(89,495)	(116,034)
Closing balance		1,920,143	1,995,985
Government of Sindh grants			
Opening balance		129,125	149,967
Transferred to unconsolidated statement of profit or loss	24 & 13.1	(12,031)	(20,842)
Closing balance		117,094	129,125
		4,746,243	5,036,757
Less: Current portion of deferred credit		(422,503)	(432,236)
		4,323,740	4,604,521

- 13.1 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.

14 CONTRACT LIABILITIES

Contribution from consumers	14.1	1,962,210	1,823,259
Advance received from customers for laying of mains, etc.		5,225,725	4,374,239
		7,187,935	6,197,497
14.1 Contribution from consumers			
Opening balance		2,015,462	1,573,394
Additions / adjustments during the period / year		292,225	623,385
Transferred to unconsolidated statement of profit or loss		(148,061)	(181,317)
		2,159,626	2,015,462
Less: Current portion of contributions from consumers		(197,415)	(192,203)
Closing balance		1,962,211	1,823,259

- 14.2 The Company has recognised the contract liabilities in respect of the amount received from the consumers as contribution towards the cost of supplying and laying transmission, service and main lines.

15 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, 2020: Rs. 25,000 million) and subject to mark-up to 0.00% to 0.20% (June 30, 2020: 0.00% to 0.20%) above the average one month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 2,339 million (June 30, 2020: Rs. 10,021 million).

16	TRADE AND OTHER PAYABLES	Note	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
			------(Rupees in '000)-----	
	Creditors for:			
	Indigenous Gas	16.1	391,261,062	386,072,492
	RLNG		105,182,729	92,860,338
			<u>496,443,791</u>	<u>478,932,830</u>
	RLNG differential margin payable to GoP		17,651,996	14,430,636
	Engro Elengy Terminal Limited		1,366,661	1,901,685
	Accrued liabilities		5,680,374	3,794,449
	Provision for compensated absences - non executives		303,441	303,441
	Payable to staff gratuity fund		4,076,195	4,076,196
	Payable to pension		-	129,230
	Payable to provident fund		62,337	74,872
	Deposits / retention money		615,143	622,876
	Advance for sharing right of way		18,088	18,088
	Withholding tax payable		224,875	114,457
	Sales tax and FED payable		632,550	456,824
	Sindh sales tax on services		209,687	130,433
	Processing Charges payable to JJVL		8,528,447	8,528,447
	Gas infrastructure development cess payable		7,066,186	7,234,826
	Unclaimed term finance certificate redemption profit		1,800	1,800
	Workers's profit participation fund		174,515	174,515
	Others		446,973	437,954
			<u>543,503,059</u>	<u>521,363,559</u>

- 16.1 As at March 31, 2021, amount of Rs. 329,120 million (June 30, 2020: Rs. 308,399 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2020: Rs. 15,832 million) on their balances which have been presented in note 17.1 in these unconsolidated condensed interim financial statement.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
17 INTEREST ACCRUED			
Long term financing - loans from banking companies		669,528	562,364
Long term deposits from customers		376,604	481,020
Short term borrowings		214,493	123,043
Late payment surcharge on processing charges		438,392	438,392
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	17.1	15,832,411	15,832,411
		<u>17,536,254</u>	<u>17,442,056</u>

- 17.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 "Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.. However, the Company continued recognition of the LPS expense 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. The Company's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017; June 30, 2018; June 30, 2019; June 30, 2020 and for the period ended March 31, 2021 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 million; Rs 26,335 million and Rs. 20,946 million respectively on outstanding payables to Government Controlled E&P Companies, the effect on this unconsolidated condensed interim financial statements would be as follows:

(Rupees in million)

- Increase in loss before tax	20,946
- Increase in loss after tax / accumulated loss	14,872
- Increase in loss per share - rupees	16.88
- Increase in accumulated losses	99,074
- Increase trade payables	99,074
- Increase deferred tax liability	29,744

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	------(Rupees in '000)-----	
18 CONTINGENCIES AND COMMITMENTS		
18.1 Commitments for capital and other expenditures	<u>5,947,214</u>	<u>5,550,445</u>
18.2 Guarantees issued on behalf of the Company	<u>7,008,136</u>	<u>6,908,524</u>

- 18.3** Jamshoro Power Company Limited (JPCL) has lodged claims against the Company amounting to Rs. 144,120 million (2020: 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 (2020: 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 Ministry of Energy in its letter dated August 12, 2021, has decided that the matter will be referred to the Secretaries' Committee for deliberation and resolution.

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 customer and the customer 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 customer 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.

18.4 As disclosed in note 17.1, 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 for the year ended June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020 and for the period ended March 31, 2021 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million, Rs. 26,335 million and Rs. 20,946 million in this unconsolidated condensed interim financial statements. 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.

18.5 Arbitration proceedings between JJVL and the Company were 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.

Supreme Court of Pakistan (SCP) through its decision dated June 13, 2018 upheld the termination by the Company and stated that the termination was validly done and the Company was within its legal and contractual right to do so and appointed a firm of Chartered Accountant 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. Based on the Court order, the Company shut down the supply of gas to JJVL plant accordingly.

Subsequently, 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, which has been accordingly received by the Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

After cancellation of MoUs by SCP on June 13, 2018, JJVL submitted a proposal based on profit sharing to SCP which was forwarded to the Company by SCP. The SCP was also informed that the Company is in the process of hiring a consultant for providing professional advice on the best option available with respect to the LPG/NGL Extraction business.

The Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties. After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the Court and would supervise the Project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the firm of chartered accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Company and 43% to JJVL on ad-hoc basis and an agreement was signed between the Company and JJVL and submitted to SCP for its approval and the same was validated by SCP 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 from the date of agreement and unless renewed by the parties through 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.

- 18.6** 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 these unconsolidated financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

- 18.7** Income tax authorities have passed Orders for the Tax Years 2007, 2008, 2009, 2013, 2014, 2015 & 2017 disallowing tax depreciation on fixed assets held under musharka arrangement.

All the Orders were contested before Commissioner (Appeals) who decided the case in Company's favour.

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

- 18.8** Income tax authorities have passed Orders disallowing Cost of Gas purchased but lost as UFG (in excess of OGRA Benchmark) for FY 2008-09, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19.

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

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 Company's case, therefore no provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 18.9** 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 the Company's favor thus setting a Legal Principle.

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

The 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 but no adverse inference was drawn in light of Binding Precedent set by ATIR for FY 2009-10.

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 these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

- 18.10** The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million alongwith default surcharge and penalty for incorrect 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 these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 18.11** 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.

Commissioner (Appeals) order was contested before Appellate Tribunal Inland Revenue (ATIR) remanded back the issue of exchange loss, decided interest free loans in Company's favour while minimum tax adjustment for loss making year of 2007-08 was decided against the Company.

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 2007-08 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 these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 18.12** As disclosed in note 9.1 & 9.2 to these unconsolidated financial statements – trade debts, interest income from K-Electric (KE) and Pakistan Steel Mills Limited (PSML) is not being recognized in the unconsolidated financial statements, in accordance with requirements of International Accounting Standards as well as Legal and Accounting Opinions obtained by the Company. However, tax authorities have passed orders for FY 2014-15 to 2018-19 on said unrecognized interest income from KE and PSML. Appeal against the said orders have been filed before Commissioner (Appeals), who decided the case against the Company upon which the Company has filed appeal before Appellate Tribunal Inland Revenue.

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

- 18.13** Tax Authorities' have passed Federal Excise Duty (FED) Order for FY 2017-18 raising FED Demand on Re-gasification of LNG into RLNG, supply of RLNG to customers and supply of Natural Gas to customers (on which LPG / NGL extraction process was performed).

Upon appeal, the Commissioner (Appeals) decided the issues of re-gasification and supply of RLNG to customers against the Company while issue of supply of natural gas to customers was remanded back to Tax Officer.

Against Commissioner (Appeals) Order on RLNG, Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

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

- 18.14** Tax Authorities have passed Order for Tax Year 2015 disallowing Interest Expense on delayed payment to E&P companies for gas purchases as well as taxing benefit of lower interest rate on Government of Sindh Loans, among other observations.

The matter was contested before Commissioner (Appeals) who decided the case in Company's favor. The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Order of Commissioner (Appeals)

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

- 18.15** Tax Authorities have passed Sales Tax Order for FY 2017-18 on issues of non-charging of Sales Tax on RLNG – Indigenous Gas Swap, Gas Development Surcharge (GDS), RLNG Transportation Income among other observations.

Said Order was contested before Commissioner (Appeals) who confirmed Demand on RLNG Swap & transportation while other GDS & other observations were remanded back to Tax Officer.

Against Commissioner (Appeals) Order on RLNG, Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

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

- 18.16** The Company is subject to various other claims totaling Rs. 8,896 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

- 18.17** 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 these unconsolidated financial statements.

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-audited)			
	------(Rupees in '000)-----			
19 SALES				
Sale of Indigenous gas	168,724,574	193,903,623	51,937,158	58,439,288
Sale of RLNG	60,247,023	38,053,694	23,799,031	12,157,134
	<u>228,971,597</u>	<u>231,957,317</u>	<u>75,736,189</u>	<u>70,596,422</u>
Less: Sales tax				
Indigenous gas	(25,123,776)	(28,974,635)	(7,794,611)	(8,725,666)
RLNG	(8,158,888)	(5,600,517)	(3,168,301)	(1,790,421)
	<u>(33,282,664)</u>	<u>(34,575,152)</u>	<u>(10,962,912)</u>	<u>(10,516,087)</u>
	<u>195,688,933</u>	<u>197,382,165</u>	<u>64,773,277</u>	<u>60,080,335</u>
20 GAS DEVELOPMENT SURCHARGE (GDS)				
GDS recovered during the period	21,402,558	(4,709,010)	26,344,196	(2,352,870)
Price increase adjustment for the period	4,111,813	26,391,697	(20,423,169)	18,305,861
Impact of staggering	-	(5,507,678)	-	(1,835,893)
Subsidy for LPG air mix operations	(658,722)	(519,261)	(307,949)	(220,042)
	<u>24,855,649</u>	<u>15,655,748</u>	<u>5,613,078</u>	<u>13,897,056</u>
21 RLNG DIFFERENTIAL MARGINS				
RLNG Differential Margin - OGRA	(3,221,360)	(5,742,888)	(1,622,498)	(2,010,735)
RLNG Differential Margin - SNGPL	-	3,803,303	-	1,495,303
	<u>(3,221,360)</u>	<u>(1,939,585)</u>	<u>(1,622,498)</u>	<u>(515,432)</u>
22 COST OF SALES				
Cost of gas	207,850,334	213,904,458	66,673,000	71,283,115
Transmission and distribution costs	15,629,786	16,624,552	5,253,827	5,543,318
	<u>223,480,120</u>	<u>230,529,010</u>	<u>71,926,827</u>	<u>76,826,433</u>
Cost of gas				
Opening gas in pipelines	1,248,028	1,214,410	1,258,734	1,193,123
RLNG purchases	47,662,458	31,314,173	18,465,089	10,295,308
Gas purchases	160,917,616	187,268,505	48,401,203	62,855,102
	<u>209,828,102</u>	<u>219,797,088</u>	<u>68,125,026</u>	<u>74,343,533</u>
Gas consumed internally	(741,372)	(4,539,881)	(215,630)	(1,707,669)
Closing gas in pipelines	(1,236,395)	(1,352,749)	(1,236,395)	(1,352,749)
	<u>(1,977,767)</u>	<u>(5,892,630)</u>	<u>(1,452,025)</u>	<u>(3,060,418)</u>
	<u>207,850,335</u>	<u>213,904,458</u>	<u>66,673,001</u>	<u>71,283,115</u>

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-audited)			
	----- (Rupees in '000) -----			
23 OTHER OPERATING EXPENSES				
Auditors' remuneration	4,363	5,305	985	1,768
Sports expenses	84,502	113,118	22,847	37,886
Corporate social responsibility	10,478	13,621	3,493	2,451
Provision against impaired stores and spares	60,176	-	35,914	-
Loss / (gain) on sale of property, plant and equipment	14,161	-	(529)	-
	<u>173,680</u>	<u>132,044</u>	<u>62,710</u>	<u>42,105</u>
24 OTHER INCOME				
Income from financial assets				
Income for receivable against asset	28,750	32,442	8,951	10,557
Interest income on loan to related party	86,162	147,158	17,735	39,259
Income from net investment in finance lease from -SNGPL-Related party	19,910	27,188	6,636	9,063
Return on term deposits and profit and loss bank accounts	20,458	69,026	4,863	30,609
	<u>155,280</u>	<u>275,814</u>	<u>38,185</u>	<u>89,488</u>
Interest income on late payment of gas bills				
Water & Power Development Authority (WAPDA)	248,787	528,042	76,647	169,237
Dividend income	4,828	1,849	-	-
	<u>408,895</u>	<u>805,705</u>	<u>114,832</u>	<u>258,725</u>
Income from other than financial assets				
Late payment surcharge	1,652,499	1,364,578	578,889	648,315
Interest income on late payment of gas bills from SNGPL - related party	852,678	855,790	280,077	283,189
Sale of gas condensate - net loss	(56,384)	(12,844)	(15,159)	(3,871)
Income from LPG / NGL - net	-	475,670	-	254,470
Meter manufacturing division profit - net	13,048	13,642	3,177	4,421
Meter rentals	706,539	597,877	300,522	201,060
RLNG Transportation income	5,039,808	6,037,903	1,506,358	1,788,521
Recognition of income against deferred credit and contract liability	424,768	405,320	142,287	137,486
Income from LPG air mix distribution - net	98,437	82,853	32,413	31,708
Income from sale of tender documents	3,876	3,782	1,450	2,045
Scrap sales	63,939	(2,867)	(536)	(33,108)
Recoveries from consumers	55,746	53,563	22,620	26,190
Liquidity damaged recovered	71,593	26,640	31,008	12,701
Exchange gain	4,578,675	278,777	1,856,314	(2,726,346)
Reversal of excess Provision against impaired stores and spares	-	8,792	-	1,312
Gain on sale of property, plant and	-	65,422	-	20,647
Amortization of Govt Grant	12,031	15,685	4,043	5,229
Rental income from SSGC LPG (Pvt)	620	578	235	193
LSA margins against RLNG	698,817	669,647	219,318	220,005
Miscellaneous	18,816	495,240	4,940	7,031
	<u>14,644,401</u>	<u>12,241,753</u>	<u>5,082,788</u>	<u>1,139,923</u>

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-audited)			
	----- (Rupees in '000) -----			
25 TAXATION				
Current	1,755,005	1,689,348	557,690	563,739
Deferred	-	-	-	-
	<u>1,755,005</u>	<u>1,689,348</u>	<u>557,690</u>	<u>563,739</u>

As at March 31, 2021, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 39,533 million (June 30, 2020: Rs. 36,796 million) out of which deferred tax asset amounting to Rs.14,979 million has been recognised and remaining balance of Rs 24,554 million is unrecognised. As at period end, the Company's minimum tax credit amounted to Rs.6,900 million (June 30, 2020: Rs. 5,161 million) having expiry period ranging between 2022 and 2026.

	Note	Nine months ended	
		March 31, 2021	March 31, 2020
		(Un-audited)	
		----- (Rupees in '000) -----	
26 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	26.1	3,259,189	2,608,377
Depreciation on owned assets		6,289,399	5,905,923
Depreciation on right of use assets		92,066	94,257
Amortization of intangibles		10,673	18,078
Finance cost		3,223,816	5,249,719
Amortization of transaction cost		24,221	25,743
Amortization of Government grant		(12,031)	(15,685)
Recognition of income against deferred credit and contract liability		(464,938)	(444,772)
Dividend income		(4,828)	(1,849)
Interest income and return on term deposits		(1,236,835)	(1,632,459)
Income from net investment in finance lease		(19,910)	(27,188)
Loss / (Gain) on disposal of property plant and equipment		14,098	(65,422)
Decrease in long term advances		125,217	(57,851)
Increase in deferred credit and contract liability		1,170,075	1,423,169
Impact of IFRS 16: Finance cost		14,083	24,735
Decrease in obligation against pipeline		57,992	61,745
		<u>12,542,287</u>	<u>13,166,520</u>
26.1 Provision			
Provision against slow moving / obsolete stores		56,728	8,271
Impairment loss against financial assets		2,057,166	1,081,550
Provision for post retirement medical and free gas supply facilities		361,418	689,263
Provision against retirement benefit		783,878	829,293
		<u>3,259,190</u>	<u>2,608,377</u>

27 WORKING CAPITAL CHANGES

	Nine months ended	
	March 31, 2021	March 31, 2020
	(Un-audited)	
	------(Rupees in '000)-----	
Decrease / (increase) in current assets		
Stores and spares	(355,561)	(228,954)
Stock-in-trade	206,326	(197,117)
Customers' installation work-in-progress	(38,800)	(25,273)
Trade debts	(344,933)	(7,300,513)
Advances, deposits and short term prepayments	116,886	(476,223)
Other receivables	(26,002,883)	(39,918,545)
	(26,418,965)	(48,146,625)
Increase in current liabilities		
Trade and other payables	22,268,731	76,661,516
	(4,150,234)	28,514,891

28 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary company, 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 details of transactions with related parties not disclosed elsewhere in these unconsolidated condensed interim financial statement are as follows:

	Nine months ended	
	March 31, 2021	March 31, 2020
	(Un-audited)	
	------(Rupees in '000)-----	
Relationship		
Government related entities		
- Purchase of fuel and lubricant	57,626	35,850
- Billable charges	60,023,631	32,593,911
- Mark-up expense on short term finance	41,860	75,629
- Mark-up expense on long term finance	265,375	532,155
- Income from net investment in finance lease	19,910	27,188
- Gas purchases	133,318,083	94,336,613
- Sale of gas meters	12,142	30,311
- Insurance premium	87,149	82,651
- Electricity expenses	185,182	235,370
- Interest income	1,101,465	1,383,832
- RLNG Transportation income	5,039,808	6,037,903
- Income against LNG service agreement	698,817	669,647
- LPG Purchases	481,240	357,501
- Professional charges	40	6,830
* Karachi Grammar School	Associate	
- Billable charges	30	-

		Nine months ended	
		March 31 2021	March 31, 2020
		(Un-audited)	
Relationship		------(Rupees in '000)-----	
Key management personnel			
- Remuneration		142,131	145,367
Pakistan Institute of Corporate Governance	Associate		
- Subscription / Trainings		998	4,624
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest on loan		86,162	147,158
- Rental Income		620	578
Staff retirement benefit plans	Associate		
- Contribution to provident fund		280,226	291,524
- Contribution to pension fund		411,671	594,343
- Contribution to gratuity fund		372,207	234,950

- 28.1 Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.
- 28.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 28.3 Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.
- 28.4 Amount (due to) / receivable from / investment in related parties.

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

		March 31 2021	June 30 2020
		(Un-audited)	(Audited)
Relationship		------(Rupees in '000)-----	
Government related entities	Associate		
- Billable charges		59,240,192	63,591,878
- Accured mark up on borrowings		(5,249,245)	(4,221,975)
- Net investment in finance lease		876,631	593,033
- Gas purchases		(439,891,948)	(316,626,683)
- Gas meters & Spare parts		43,401	73,432
- Uniform cost of gas		15,818,845	15,818,845
- Cash at bank		16,435	24,951
- Stock loan		5,321	4,912
- Payable to insurance		(2,244)	(837)

Relationship	March 31 2021 (Un-audited)	June 30 2020 (Audited)
	----- (Rupees in '000) -----	
- Gas supply deposit	(51,263)	(51,263)
Interest expense accrued -		
- late payment surcharge	(15,832,411)	(15,832,411)
Interest income accrued -		
- late payment on gas bills	14,177,660	13,076,195
- Professional charges	57	57
- Contingent rent	3,535	3,535
- Capacity and utilisation charges of RLNG	51,921,834	51,063,909
- RLNG transportation income	29,920,315	29,477,644
- LSA margins	3,023,105	2,877,266
- Advance for Sharing Right of Way	(18,088)	(18,088)
Karachi Grammar School	Associate	
- Billable charges	5	5
- Gas supply deposit	(22)	22
SSGC LPG (Private) Limited	Wholly owned subsidiary	
- Long term investment	1,000,000	1,000,000
- Short term loan	835,103	1,535,103
- Interest on loan	1,168,384	1,082,222
- LPG Sales	5,698	5,698
- Rent on Premises	926	1,442
- Receivable of management fee	1,408	12,688

29 OPERATING SEGMENTS

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

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

SEGMENT AND REVENUE RESULTS

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

	Nine months ended			
	Segment revenue		Segment (loss) / Profit	
	March 31 2021	March 31 2020	March 31 2021	March 31 2020
	(Un-audited)			
	----- (Rupees in '000) -----			
Gas transmission and distribution	195,688,933	197,382,165	(1,204,987)	(18,255,333)
Meter manufacturing	1,266,171	1,542,582	13,048	13,642
Total segment results	<u>196,955,104</u>	<u>198,924,747</u>	<u>(1,191,938)</u>	<u>(18,241,691)</u>
Unallocated				
- Other operating expenses			(173,680)	(132,044)
- Other income			871,576	963,573
Loss before tax			<u>(494,042)</u>	<u>(17,410,160)</u>

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs 1,266 million (March 31, 2020: Rs. 1,516 million).

SEGMENT ASSETS AND LIABILITIES

	March 31 2021 (Un-audited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
Segment assets		
Gas transmission and distribution	612,319,718	584,900,720
Meter manufacturing	795,681	1,036,492
Total segment assets	613,115,399	585,937,212
Unallocated		
Loans and advances	1,155,056	2,169,660
Taxation - net	18,381,339	19,192,406
Interest accrued	487,739	487,739
Cash and bank balances	623,108	699,689
	20,647,242	22,549,494
Total assets as per unconsolidated condensed interim statement of financial position	<u>633,762,641</u>	<u>608,486,706</u>
Segments liabilities		
Gas transmission and distribution	659,608,972	631,885,178
Meter manufacturing	82,383	292,154
Total segment liabilities	659,691,355	632,177,332
Total liabilities as per unconsolidated condensed interim statement of financial position	<u>659,691,355</u>	<u>632,177,332</u>

30 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.

30.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

As at March 31, 2021 (Un-audited)				
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	190,977	-	-	190,977
As at June 30, 2020 (Audited)				
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	180,017	-	-	180,017

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.

30.2 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 March 31, 2021	
		(Un-audited)	
	Level 2	Fair Value	
		-----Rupees in '000-----	
Freehold land	12,339,027	12,339,027	
Leasehold land	12,698,110	12,698,110	
	<u>25,037,137</u>	<u>25,037,137</u>	

		As at June 30, 2020	
		(Audited)	
	Level 2	Fair Value	
		-----Rupees in '000-----	
Freehold Land	12,339,027	12,339,027	
Leasehold Land	12,698,110	12,698,110	
	<u>25,037,137</u>	<u>25,037,137</u>	

31 EVENTS AFTER THE REPORTING DATE

The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predicting at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations except those disclosed in notes to these unconsolidated condensed interim financial statements.

32 GENERAL

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

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

33 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on 13-October-2022.

**SUI SOUTHERN GAS
COMPANY LIMITED**
**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)**
**FOR THE NINE MONTHS PERIOD ENDED
MARCH 31, 2021**

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	138,943,374	137,364,439
Intangible assets		127,373	9,747
Deferred tax		127,585	187,577
Right of use assets	7	167,822	241,120
Long term investments	8	190,977	180,017
Net investment in finance lease		87,774	131,135
Long term loans and advances		194,138	180,062
Long-term deposits		19,741	28,617
		<u>139,858,784</u>	<u>138,322,714</u>
CURRENT ASSETS			
Stores, spares and loose tools		3,039,313	2,719,897
Stock-in-trade		2,094,207	2,221,947
Current maturity of net investment in finance lease		57,814	57,814
Customers' installation work-in-progress		280,366	241,566
Trade debts	9	90,110,061	91,835,466
Loans and advances		125,814	454,495
Advances, deposits and short term prepayments		719,982	831,984
Interest accrued	10	15,131,797	14,030,332
Other receivables	11	363,925,660	337,818,379
Taxation - net		18,639,173	19,406,544
Other financial asset		129,223	129,000
Cash and bank balances		1,244,296	1,550,683
		<u>495,497,706</u>	<u>471,298,107</u>
TOTAL ASSETS		<u>635,366,198</u>	<u>609,620,821</u>

The annexed notes from 1 to 33 form an integral part of these consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of FVTOCI securities		154,450	143,490
Surplus on revaluation of property, plant and equipment		25,254,815	25,254,815
Accumulated losses		(64,213,934)	(62,242,789)
		(25,088,105)	(23,127,920)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finance	12	24,667,384	29,087,535
Long term deposits		21,786,651	20,690,732
Employee benefits		5,342,899	5,136,092
Obligation against pipeline		772,344	820,255
Deferred credit	13	4,323,740	4,604,521
Contract liabilities	14	7,187,935	6,197,498
Lease liability		61,257	127,250
Long term advances		3,093,735	2,968,518
		67,235,945	69,632,401
CURRENT LIABILITIES			
Current portion of long term finance	12	8,084,118	8,086,064
Short term borrowings	15	22,660,657	14,979,552
Trade and other payables	16	543,853,679	521,503,284
Short term deposits		32,569	18,440
Current portion of obligation against pipeline		63,179	59,075
Current portion of deferred credit	13	422,503	432,236
Current portion of contract liabilities	14	197,415	192,203
Current portion of lease liability		82,558	118,000
Unclaimed dividend		285,426	285,430
Interest accrued	17	17,536,254	17,442,056
		593,218,358	563,116,340
TOTAL EQUITY AND LIABILITIES		635,366,198	609,620,821
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes from 1 to 33 form an integral part of these consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2021

		Nine months period ended		Quarter ended	
		March 31	March 31	March 31	March 31
		2021	2020	2021	2020
		(Un-Audited)			
	Note	----- (Rupees in '000) -----			
Sales		228,971,597	231,957,317	75,736,189	70,596,422
Sales tax		(33,282,664)	(34,575,152)	(10,962,912)	(10,516,087)
	19	195,688,933	197,382,165	64,773,277	60,080,335
Gas development surcharge	20	24,855,649	15,655,748	5,613,078	13,897,056
RLNG differential margin	21	(3,221,360)	(1,939,585)	(1,622,498)	(515,432)
		21,634,289	13,716,163	3,990,580	13,381,624
Net sales		217,323,222	211,098,328	68,763,857	73,461,959
Cost of sales	22	(223,480,120)	(230,529,010)	(71,926,827)	(76,826,433)
Gross loss		(6,156,898)	(19,430,682)	(3,162,970)	(3,364,474)
Administrative and selling expenses		(3,551,246)	(3,763,306)	(1,208,275)	(1,281,079)
Other operating expenses	23	(174,402)	(132,642)	(62,867)	(42,336)
Impairment loss against financial assets		(2,057,166)	(1,081,550)	129,875	(159,998)
		(5,782,814)	(4,977,498)	(1,141,267)	(1,483,413)
		(11,939,712)	(24,408,180)	(4,304,237)	(4,847,887)
Other income	24	15,178,047	12,454,752	5,183,266	1,220,926
Operating Profit / (loss)		3,238,335	(11,953,428)	879,029	(3,626,961)
Finance cost		(3,323,578)	(5,363,874)	(847,713)	(1,388,477)
Loss before taxation		(85,243)	(17,317,302)	31,316	(5,015,438)
Taxation	25	(1,885,902)	(1,716,575)	(577,577)	(574,854)
Loss for the period		(1,971,145)	(19,033,877)	(546,261)	(5,590,292)
Basic and diluted loss per share (Rupees)		(2.55)	(21.61)	(0.62)	(6.35)

The annexed notes from 1 to 33 form an integral part of these consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2021

	Nine months period ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-Audited)			
	----- (Rupees in '000) -----			
Loss for the period	(1,971,145)	(19,033,877)	(546,261)	(5,590,292)
Other comprehensive income				
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss				
Unrealised gain / (loss) on re-measurement of FVTOCI securities	10,960	(101,653)	(6,130)	(134,804)
Total comprehensive loss for the period	<u>(1,960,185)</u>	<u>(19,135,530)</u>	<u>(552,391)</u>	<u>(5,725,096)</u>

The annexed notes from 1 to 33 form an integral part of these consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED MARCH 31, 2021

		Nine months period ended	
		March 31, 2021	March 31, 2020
		(Un-audited)	
		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(85,243)	(17,317,302)
Adjustments for non-cash and other items	26	12,752,877	13,394,584
Working capital changes	27	(4,064,277)	28,467,632
Financial charges paid		(4,638,916)	(6,414,417)
Employee benefits paid		(116,387)	(90,065)
Payment for retirement benefits		(1,011,672)	(939,750)
Long term deposits received - net		1,095,919	2,767,165
Deposits paid - net		14,500	(2,719)
Loans and advances to employee - net		314,604	511,741
Interest income received		1,217,592	1,117,037
Income taxes paid		(1,058,522)	(1,155,571)
Net cash (used in) / generated from operating activities		4,420,475	20,338,335
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(7,870,280)	(7,572,765)
Payment for obligation against pipeline		(101,799)	(101,799)
Proceeds from sale of property, plant and equipment		50,398	93,072
Lease rental from net investment in finance lease		63,271	70,550
Short term investment		(223)	(254,154)
Dividend received		4,828	1,849
Net cash used in investing activities		(7,853,805)	(7,763,247)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of local currency loans		(4,407,832)	(6,154,280)
Repayment of consumer finance		(14,264)	(17,520)
Repayment of lease liability		(132,062)	(133,601)
Dividend paid		(4)	(4)
Net cash used in financing activities		(4,554,162)	(6,305,405)
Net decrease in cash and cash equivalents		(7,987,492)	6,269,683
Cash and cash equivalents at beginning of the period		(13,428,869)	(15,457,754)
Cash and cash equivalents at end of the period		(21,416,361)	(9,188,071)
Cash and bank balances		1,244,296	2,240,388
Short term borrowings		(22,660,657)	(11,428,459)
		(21,416,361)	(9,188,071)

The annexed notes from 1 to 33 form an integral part of these consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2021

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re- measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	(Rupees in '000)						
Balance as at July 1, 2019 (Audited)	8,809,163	234,868	4,672,533	199,621	21,950,532	(43,450,758)	(7,584,041)
Total comprehensive loss for the period ended March 31, 2020							
Loss for the period	-	-	-	-	-	(19,033,877)	(19,033,877)
Other comprehensive loss for the period	-	-	-	(101,653)	-	-	(101,653)
Balance as at March 31, 2020	8,809,163	234,868	4,672,533	97,968	21,950,532	(62,484,635)	(19,135,530)
Balance as at June 30, 2020 (Audited)	8,809,163	234,868	4,672,533	143,490	25,254,815	(62,242,789)	(23,127,920)
Total comprehensive loss for the period ended March 31, 2021							
Loss for the period	-	-	-	-	-	(1,971,145)	(1,971,145)
Other comprehensive income for the period	-	-	-	10,960	-	-	10,960
Balance as at March 31, 2021	8,809,163	234,868	4,672,533	154,450	25,254,815	(64,213,934)	(25,088,105)

The annexed notes from 1 to 33 form an integral part of these consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of Holding	
	March 31 2021	June 30, 2020
Subsidiary Companies	%	%
- SSGC LPG (Private) Limited	100	100
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	100	100

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

Sui Southern Gas Company Limited

Sui Southern Gas Company Limited ("the 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 Holding Company are as follows:

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

Sui Southern Gas Provident Fund Trust Company (Private) Limited

Sui Southern Gas Provident Fund Trust Company (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at ST-4/B, Block-14, Sir Shah 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:

- LPG import terminal, bulk storage at North West industrial Zone, Port Qasim Karachi and
- 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

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

1.3 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Holding Company is provided a minimum annual return before taxation of 17.43% 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. 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 a loss after tax of Rs. 2,249 million resulting in increase in its accumulated losses to Rs. 64,147 million and diminishing equity to Rs. 25,929 million. As at period end, current liabilities exceed its current asset by Rs.96,777 million.

The Holding Company's financial performance for the period has been deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers.

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

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue Requirement for (FRR) FY 2017-18 OGRA did not consider implementing the aforementioned decision and advised the Holding Company to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Holding Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.
- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, GoP being majority shareholder has acknowledged the funding requirements of the Holding Company and has shown commitment to extend all support to maintain the going concern status of the Holding Company.
- The Holding Company has devised a strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.
- Under new tariff regime, the Holding Company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next three years.
- Banks have also waived debt to equity covenant for financial years 2018-19 and 2019-20. However, the Holding Company has never defaulted in payment of any installment of principal and interest thereon and few of the loans have been totally paid off to date.
- Board / management believes that in view of above-mentioned steps / plans, the Holding Company's profitability and financial position will improve in the next few years.

1.5 Determination of revenue requirement

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

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

On November 25, 2016, the Sindh High Court dismissed the Holding Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, profit from meter manufacturing, late payment surcharge, and sale of gas condensate as operating income. The Holding Company 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. But the management has considered OGRA's decision in preparation of this consolidated condensed interim financial statement for the period ended March 31, 2021.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

These consolidated condensed interim financial statements have 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 these consolidated condensed interim financial statements is based on FRR determined by OGRA for the financial year ended June 30, 2020.

These consolidated condensed interim financial statements do not include all information required for annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended June 30, 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of these consolidated condensed interim financial statements are the same as those applied in preparation of the annual audited consolidated financial statements of the Group for the year ended June 30, 2020.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended June 30, 2020. 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.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2020.

6 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
Operating assets	125,742,475	125,445,038
Capital work-in-progress	13,200,899	11,919,401
	<u>138,943,374</u>	<u>137,364,439</u>

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

	March 31, 2021		March 31, 2020	
	(Un-audited)			
	(Rupees in '000)			
	Cost of additions / transfers from CWIP	Written down value of (transfers / disposals)	Cost of additions / transfers from CWIP	Written down value of (transfers / disposals)
Operating assets				
Leasehold land	-	-	3,423	-
Buildings on leasehold land	26,060	-	133,372	-
Gas distribution system	4,100,758	(43,910)	3,707,749	-
Gas transmission pipelines	1,415,519	-	2,111,667	-
Telecommunication	36,511	(19)	1,055	(698)
Plant and machinery	89,861	(271)	178,754	(1,396)
Tools and equipment	4,512	-	8,896	(71)
Motor vehicles	49,557	(20,296)	168,686	(25,215)
Furniture and fixtures	2,655	-	20,985	-
Office equipment	29,119	-	13,589	-
Computers and ancillary equipments	86,351	-	77,229	(17)
Construction equipment	-	-	-	(237)
Compressors	1,186,430	-	632,016	-
	<u>7,027,333</u>	<u>(64,496)</u>	<u>7,057,421</u>	<u>(27,634)</u>
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
Gas distribution system	5,955,193	(4,100,758)	4,809,761	(3,707,749)
Gas transmission system	1,353,958	(1,415,519)	1,763,918	(2,111,667)
Cost of buildings under construction and others	2,039,245	(1,511,056)	548,503	(129,949)
	<u>9,348,396</u>	<u>(7,027,333)</u>	<u>7,122,182</u>	<u>(5,949,365)</u>

During the period, there has been net (decrease) / increase in respect of stores and spares held for capital projects and others amounting to Rs. (1,363) million (March 31, 2020: Rs. 366 million).

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	------(Rupees in '000)-----	
7 RIGHT OF USE ASSETS		
Cost	377,975	369,281
Accumulated depreciation	(210,153)	(128,161)
Net book value	<u>167,822</u>	<u>241,120</u>
Cost		
Opening balance	369,281	-
Impact on application of IFRS 16	-	369,281
Additions during the period	18,033	-
Derecognition during the period	(12,285)	-
Closing balance	<u>375,029</u>	<u>369,281</u>
Accumulated depreciation		
Opening balance	128,161	-
Depreciation charge for the period	94,277	128,161
Derecognition during the period	(12,285)	-
Closing balance	<u>210,153</u>	<u>128,161</u>

The rate of depreciation is based on the term of the respective agreement and ranges from 33% to 40% per annum.

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	------(Rupees in '000)-----	
8 LONG TERM INVESTMENTS		
Investments - fair value through other comprehensive income	190,977	180,017
	<u>190,977</u>	<u>180,017</u>

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
9 TRADE DEBTS			
Secured		26,363,141	32,675,005
Unsecured		85,077,220	78,433,595
	9.1&9.2	111,440,361	111,108,600
Provision against doubtful debts		(21,330,300)	(19,273,134)
		<u>90,110,061</u>	<u>91,835,466</u>

- 9.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Holding Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Holding Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per 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, the trade debts includes Rs. 30,783 million (June 30, 2020: Rs. 33,415 million) as at March 31, 2021 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2020: Rs. 29,652 million) as at March 31, 2021 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs 127,544 million (June 30, 2020: Rs. 116,743 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 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 instalments, 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 accounts which confirm management’s assertion that the Holding Company has legal claim over KE for charging of LPS.

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

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

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017. Currently, management is in a process to negotiate payment plan, which hasn't been finalised till the issuance of these consolidated condensed interim financial statements 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. Term of reference has been signed and shared with KE however no response received from KE.

- 9.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the 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, the trade debts includes Rs. 24,626 million (June 30, 2020: Rs. 24,332 million) including overdue balance of Rs. 24,548 million (June 30, 2020: Rs. 24,282 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 72,692 million (June 30, 2020: Rs. 67,665 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 counsel of the Holding Company is of the view that due to vagaries of 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.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
10 INTEREST ACCRUED			
Interest accrued on late payment of bills / invoices from:			
WAPDA		4,639,502	4,390,715
SNGPL		9,538,158	8,685,480
JJVL		578,798	578,798
		<u>14,756,458</u>	<u>13,654,993</u>
Interest accrued on sales tax refund		487,739	487,739
		<u>15,244,197</u>	<u>14,142,732</u>
Provision against impaired accrued income		(112,400)	(112,400)
		<u>15,131,797</u>	<u>14,030,332</u>
11 OTHER RECEIVABLES			
Gas development surcharge receivable from Government of Pakistan (GoP)	11.1	203,926,002	178,411,641
Receivable from SNGPL for differential tariff		4,284,080	4,284,080
Receivable from staff pension fund		51,122	-
Receivable from HCPCL	11.2	4,157,839	4,157,839
Balance receivable for sale of gas condensate		52,064	46,438
Receivable from SNGPL - a related party	11.3	101,564,265	99,834,232
Receivable from Jamshoro Joint Venture Limited (JJVL)	11.4 & 11.5	11,030,271	11,427,831
Receivable from SSGC LPG (Private) Limited		-	-
Sales tax receivable	11.6	40,957,106	41,639,396
Sindh sales tax		112,976	112,976
Receivable against asset contribution	11.7	330,328	418,118
Accrued markup			5,450
Miscellaneous		46,481	67,252
		<u>366,512,534</u>	<u>340,405,253</u>
Impairment loss against financial assets		(2,586,874)	(2,586,874)
		<u>363,925,660</u>	<u>337,818,379</u>
11.1 Gas development surcharge receivable from GOP			
Opening Balance		178,411,641	140,160,555
Recognized in statement of profit or loss		24,855,649	37,600,501
Subsidy for LPG air mix operations		658,712	650,585
Closing Balance		<u>203,926,002</u>	<u>178,411,641</u>
11.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)			
Amount of LD charges as per arbitration award		3,938,382	3,938,382
Subsequent LDs raised by HCPCL on Award Principle		219,457	219,457
		<u>4,157,839</u>	<u>4,157,839</u>

- 11.2.1** HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Holding Company on account of short / 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, liquidated damages (LD), interest on LD 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 running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
Note	------(Rupees in '000)-----	

- 11.3** As at year end, receivable balance from SNGPL comprises of the following:

Uniform cost of gas		15,818,845	15,818,845
Lease rentals		876,631	593,033
Contigent rent		3,535	3,535
LSA Margins		3,023,105	2,877,266
Capacity and utilisation charges of RLNG	11.3.1	51,921,834	51,063,909
RLNG transportation income		29,920,315	29,477,644
		<u>101,564,265</u>	<u>99,834,232</u>

- 11.3.1** The Holding Company has invoiced an amount of Rs. 123,545 million, including sindh sales tax of Rs. 14,356 million, till March 31, 2021 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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

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

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume 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 volumes 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.

Based on initialed agreement between the Holding Company and SNGPL dated January 25, 2021, SNGPL is raising invoice for RLNG volumes retained by the Holding Company from June 01, 2020 based on RLNG reconciliation statement mutually agreed. The rate is based on OGRA decision dated November 20, 2018. SNGPL has started payments of such invoices issued by the Holding Company from June 2020 onwards on monthly basis.

- 11.4 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 16 & 17 to these consolidated condensed interim financial statements.

- 11.5 During the year 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 SCP 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 determined / settled by SCP in due course.

- 11.6 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 through a letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012.

After withdrawal of said dispensation, the deferred refunds are issued to the Holding Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds.

- 11.7 This represents receivable from Mari Petroleum Holding 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.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
12 LONG-TERM FINANCE			
Secured			
Loans from banking companies	12.1 & 12.2	31,792,042	36,210,321
Unsecured			
Front end fee of foreign currency loan		23,950	23,950
Consumer financing		156,340	170,605
Government of Sindh loans		779,170	768,723
		959,460	963,278
		32,751,502	37,173,599
Less: Current portion shown under Current liabilities			
Loans from banking companies		(7,875,000)	(7,875,000)
Consumer financing		(22,451)	(24,397)
Government of Sindh loans		(186,667)	(186,667)
		(8,084,118)	(8,086,064)
		<u>24,667,384</u>	<u>29,087,535</u>

- 12.1 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.
- 12.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at March 31, 2021 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 2,493 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 (RLNG) assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
13 DEFERRED CREDIT			
Government of Pakistan contributions / grants			
Opening balance		2,911,647	3,064,028
Additions / adjustments during the period / year		12,711	139,427
Transferred to consolidated statement of profit or loss	24	(215,351)	(291,808)
Closing balance		2,709,007	2,911,647
Government of Sindh (Conversion of loan into grant)			
Opening balance		1,995,985	2,025,211
Additions during the period / year		13,653	86,808
Transferred to consolidated statement of profit or loss	24	(89,495)	(116,034)
Closing balance		1,920,143	1,995,985
Government of Sindh grants			
Opening balance		129,125	149,967
Transferred to consolidated statement of profit or loss	24 & 13.1	(12,031)	(20,842)
Closing balance		117,094	129,125
		4,746,243	5,036,757
Less: Current portion of deferred credit		(422,503)	(432,236)
		<u>4,323,740</u>	<u>4,604,521</u>
13.1	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.		
14 CONTRACT LIABILITIES			
Contribution from consumers	14.1	1,962,210	1,823,259
Advance received from customers for laying of mains, etc.		5,225,725	4,374,239
		<u>7,187,935</u>	<u>6,197,498</u>
14.1 Contribution from consumers			
Opening balance		2,015,462	1,573,394
Additions / adjustments during the period / year		292,225	623,385
Transferred to consolidated statement of profit or loss		(148,061)	(181,317)
		2,159,626	2,015,462
Less: Current portion of contributions from consumers		(197,415)	(192,203)
Closing balance		<u>1,962,211</u>	<u>1,823,259</u>
14.2	The Holding Company has recognised the contract liabilities in respect of the amount received from the consumers as contribution towards the cost of supplying and laying transmission, service and main lines.		

15 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, 2020: Rs. 25,000 million) and subject to mark-up to 0.00% to 0.20% (June 30, 2020: 0.00% to 0.20%) above the average one month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 2,339 million (June 30, 2020: Rs. 10,021 million).

16	TRADE AND OTHER PAYABLES	Note	March 31, 2021 (Un-audited) ------(Rupees in '000)-----	June 30, 2020 (Audited)
	Creditors for:			
	Indigenous Gas	16.1	391,410,730	386,072,492
	RLNG		105,182,729	92,860,338
			<u>496,593,459</u>	<u>478,932,830</u>
	RLNG differential margin payable to GoP		17,651,996	14,430,636
	Engro Elengy Terminal Limited		1,366,661	1,901,685
	Accrued liabilities		5,720,970	3,807,597
	Provision for compensated absences - non executives		303,441	303,441
	Payable to staff gratuity fund		4,078,265	4,076,196
	Payable to pension		-	129,230
	Payable to provident fund		62,337	74,872
	Deposits / retention money		615,143	622,876
	Advance for sharing right of way		18,088	18,088
	Withholding tax payable		226,204	119,004
	Sales tax and FED payable		635,922	459,627
	Sindh sales tax on services		219,301	135,594
	Processing Charges payable to JJVL		8,528,447	8,528,447
	Gas infrastructure development cess payable		7,066,186	7,234,826
	Unclaimed term finance certificate redemption profit		1,800	1,800
	Advance from customers and distributors		101,940	59,036
	Transport and advertisement services		29,459	23,581
	Provision		6,480	9,394
	Workers's profit participation fund		174,515	174,515
	Others		453,065	460,009
			<u>543,853,679</u>	<u>521,503,284</u>

- 16.1 As at March 31, 2021, amount of Rs. 329,120 million (June 30, 2020: Rs. 308,399 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2020: Rs. 15,832 million) on their balances which have been presented in note 17.1 in these consolidated condensed interim financial statement.

		March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
17	INTEREST ACCRUED		
Long term financing - loans from banking companies		669,528	562,364
Long term deposits from customers		376,604	481,020
Short term borrowings		214,493	123,043
Late payment surcharge on processing charges		438,392	438,392
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	17.1	15,832,411	15,832,411
		<u>17,536,254</u>	<u>17,442,056</u>

- 17.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 "Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.. However, the Holding Company continued recognition of the LPS expense payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Holding Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding 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. The Holding Company's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017; June 30, 2018; June 30, 2019; June 30, 2020 and for the period ended March 31, 2021 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 million; Rs 26,335 million and Rs. 20,946 million respectively on outstanding payables to Government Controlled E&P Companies, the effect on this consolidated condensed interim financial statements would be as follows:

(Rupees in million)

- Increase in loss before tax	20,946
- Increase in loss after tax / accumulated loss	14,872
- Increase in loss per share - rupees	16.88
- Increase in accumulated losses	99,074
- Increase trade payables	99,074
- Increase deferred tax liability	29,744

	March 31, 2021 (Un-audited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
18 CONTINGENCIES AND COMMITMENTS		
18.1 Commitments for capital and other expenditures	5,947,214	5,550,445
18.2 Guarantees issued on behalf of the Group	7,008,136	7,013,494

18.3 In respect of the Holding Company

- 18.3.1 Jamshoro Power Company Limited (JPCL) has lodged claims against the Holding Company amounting to Rs. 144,120 million (2020: 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 (2020: 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 Ministry of Energy in its letter dated August 12, 2021, has decided that the matter will be referred to the Secretaries' Committee for deliberation and resolution.

"Subject to availability and the terms and conditions specified herein the Holding Company agrees to sell and deliver to the customer and the customer 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 customer 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.

18.3.2 As disclosed in note 17.1, 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 for the year ended June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020 and for the period ended MArch 31, 2021 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million, Rs. 26,335 million and Rs. 20,946 million in these consolidated condensed interim financial statements. 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.

18.3.3 Arbitration proceedings between JJVL and the Holding Company were 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.

Supreme Court of Pakistan (SCP) through its decision dated June 13, 2018 upheld the termination by the Holding Company and stated that the termination was validly done and the Holding Company was within its legal and contractual right to do so and appointed a firm of Chartered Accountants 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. Based on the Court order, the Holding Company shut down the supply of gas to JJVL plant accordingly.

Subsequently, 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, which has been accordingly received by the Holding Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

After cancellation of MoUs by SCP on June 13, 2018, JJVL submitted a proposal based on profit sharing to SCP which was forwarded to the Holding Company by SCP. The SCP was also informed that the Holding Company is in the process of hiring a consultant for providing professional advice on the best option available with respect to the LPG/NGL Extraction business.

The Holding Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties. After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the Court and would supervise the Project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the 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 on ad-hoc basis and an agreement was signed between the Holding Company and JJVL and submitted to SCP for its approval and the same was validated by SCP 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 from the date of agreement and unless renewed by the parties through 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.

- 18.3.4** 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 these consolidated condensed interim financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Holding Company.

- 18.3.5** Income tax authorities have passed Orders for the Tax Years 2007, 2008, 2009, 2013, 2014, 2015 & 2017 disallowing tax depreciation on fixed assets held under musharka arrangement.

All the Orders were contested before Commissioner (Appeals) who decided the case in Holding Company's favour.

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

- 18.3.6** 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, 2015-16, 2016-17, 2017-18 and 2018-19.

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

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

- 18.3.7** 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 the Holding Company's favor thus setting a Legal Principle.

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

The 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 but no adverse inference was drawn in light of Binding Precedent set by ATIR for FY 2009-10.

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 these consolidated condensed interim financial statements as the Holding Company and its legal counsel is confident that the outcome of the cases will be in favor of the Holding Company.

- 18.3.8** 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 incorrect 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 these consolidated condensed interim financial statements as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

- 18.3.9** 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.

Commissioner (Appeals) order was contested before Appellate Tribunal Inland Revenue (ATIR) remanded back the issue of exchange loss, decided interest free loans in Holding Company's favour while minimum tax adjustment for loss making year of 2007-08 was decided against the Holding Company.

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 2007-08 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 these consolidated condensed interim financial statements as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

- 18.3.10** As disclosed in note 9 to these consolidated condensed interim financial statements – trade debts, interest income from K-Electric (KE) and Pakistan Steel Mills Limited (PSML) is not being recognized in the consolidated condensed interim financial statements, in accordance with requirements of International Accounting Standards as well as Legal and Accounting Opinions obtained by the Holding Company. However, tax authorities have passed orders for FY 2014-15 to 2018-19 on said unrecognized interest income from KE and PSML. Appeal against the said orders have been filed before Commissioner (Appeals), who decided the case against the Holding Company upon which the Holding Company has filed appeal before Appellate Tribunal Inland Revenue.

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

- 18.3.11** Tax Authorities' have passed Federal Excise Duty (FED) Order for FY 2017-18 raising FED Demand on Re-gasification of LNG into RLNG, supply of RLNG to customers and supply of Natural Gas to customers (on which LPG / NGL extraction process was performed).

Upon appeal, the Commissioner (Appeals) decided the issues of re-gasification and supply of RLNG to customers against the Holding Company while issue of supply of natural gas to customers was remanded back to Tax Officer.

Against Commissioner (Appeals) Order on RLNG, Holding Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

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

- 18.3.12** Tax Authorities have passed Order for Tax Year 2015 disallowing Interest Expense on delayed payment to E&P companies for gas purchases as well as taxing benefit of lower interest rate on Government of Sindh Loans, among other observations.

The matter was contested before Commissioner (Appeals) who decided the case in Holding Company's favor. The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Order of Commissioner (Appeals).

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

- 18.3.13** Tax Authorities have passed Sales Tax Order for FY 2017-18 on issues of non-charging of Sales Tax on RLNG – Indigenous Gas Swap, Gas Development Surcharge (GDS), RLNG Transportation Income among other observations.

Said Order was contested before Commissioner (Appeals) who confirmed Demand on RLNG Swap & transportation while other GDS & other observations were remanded back to Tax Officer.

Against Commissioner (Appeals) Order on RLNG, Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

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

- 18.3.14** The Holding Company is subject to various other claims totaling Rs. 8,896 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

- 18.3.15** 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 these consolidated condensed interim financial statements.

18.4 In respect of the Subsidiary Company

- 18.4.1** 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 sale of LPG is not covered by SRO 586 of 1991 and created a demand of Rs. 46.2 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 thrice but to date no order has been passed.

ACIR passed appeal effect order u/s 124 dated June 20, 2015 to give appeal effect as per CIR (Appeals) order and reduced the amount to Rs. 36.9 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 2021 amounting to Rs. 358.7 million under various sections which remains unadjusted due to such litigation. The potential liability amounts to Rs. 469 million to which the Subsidiary Company may be subject to in case of adverse decision.

- 18.4.2** For tax year 2014, under similar case, the Deputy Commissioner Inland Revenue (DCIR) passed order dated January 11, 2017 and created demand of Rs. 116.6 million. The Subsidiary Company filed an appeal before the CIR (Appeals) against the said order. CIR (Appeals) passed the order dated March 21, 2017 and remanded back the case. To date, the tax department has not filed any appeal against the CIR (Appeals) order with any appellate authority. As per tax advisor, as appeal is not filed within 60 days of decision of CIR (Appeals), it will be considered as if the tax department has no objection against decision of CIR (Appeal).

As per tax advisor, the decision of CIR (Appeal) for tax year 2014 will support the pending appeal relating to tax year 2013 as issue involved is similar in nature. Hence, management is confident that the outcome of this case will be in favour of the Subsidiary Company and no provision is recorded in these consolidated condensed interim financial statements.

- 18.4.3** The ACIR passed order dated July 11, 2014 and created demand of Rs. 5.91 million pertaining to the tax year 2013 and 2014. The Subsidiary Company has filed an appeal before the Commissioner Appeals. During the process of appeal, the tax department issued a recovery notice and recovered entire demand amount from the Subsidiary Company's bank account.

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

- 18.4.4** 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 the Subsidiary Company to submit 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, tax department has not gone in appeal against the decision of SHC.

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

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

- 18.4.6** During the current period, Sindh Revenue Board has issued notice regarding payment of Sindh Workers' Profit Participation Fund contribution. According to said notice, the Subsidiary Company fall under the definition of "Industrial Undertaking" mentioned in Sindh Workers Profit Participation Act, 2015. As a result of which the WPPF contribution of amounting Rs. 2.783 million and 9.237 million has been claimed by SRB for two immediate profitable years of 2017 and 2018 respectively.

The Subsidiary Company has filed a petition against the said notice and granted a stay from Sindh High Court on the basis that Sindh Workers Profit Participation Act, 2015 is not applicable due to trans-provincial operations. The management is confident that outcome of this case will be in favour of the Subsidiary Company.

- 18.4.7** Subsequent to the year ended June 30, 2020, on August 05, 2020, the Subsidiary Company has received a legal notice and summon through the Bailiff of the Sindh High Court against a suit filed by one of the importers M/s Cress LPG (Private) Limited against their claim of Rs. 265.5 million. The Subsidiary Company's legal counsel is of the opinion that the case will be decided in favour of the Subsidiary Company.

- 18.4.8** During the current period Subsidiary Company has received notice from SRB in which the department has disallowed the input tax on transportation and construction services. Against the said notice, the Subsidiary Company has filed petition in SHC. The SHC has granted stay to the Subsidiary Company and the final decision is pending before the learned SHC.

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-audited)			
	----- (Rupees in '000) -----			
19 SALES				
Sale of Indigenous gas	168,724,574	193,903,623	51,937,158	58,439,288
Sale of RLNG	60,247,023	38,053,694	23,799,031	12,157,134
	<u>228,971,597</u>	<u>231,957,317</u>	<u>75,736,189</u>	<u>70,596,422</u>
Less: Sales tax				
Indigenous gas	(25,123,776)	(28,974,635)	(7,794,611)	(8,725,666)
RLNG	(8,158,888)	(5,600,517)	(3,168,301)	(1,790,421)
	<u>(33,282,664)</u>	<u>(34,575,152)</u>	<u>(10,962,912)</u>	<u>(10,516,087)</u>
	<u>195,688,933</u>	<u>197,382,165</u>	<u>64,773,277</u>	<u>60,080,335</u>
20 GAS DEVELOPMENT SURCHARGE (GDS)				
GDS recovered during the period	21,402,558	(4,709,010)	26,344,196	(2,352,870)
Price increase adjustment for the period	4,111,813	26,391,697	(20,423,169)	18,305,861
Impact of staggering	-	(5,507,678)	-	(1,835,893)
Subsidy for LPG air mix operations	(658,722)	(519,261)	(307,949)	(220,042)
	<u>24,855,649</u>	<u>15,655,748</u>	<u>5,613,078</u>	<u>13,897,056</u>
21 RLNG DIFFERENTIAL MARGINS				
RLNG Differential Margin - OGRA	(3,221,360)	(5,742,888)	(1,622,498)	(2,010,735)
RLNG Differential Margin - SNGPL	-	3,803,303	-	1,495,303
	<u>(3,221,360)</u>	<u>(1,939,585)</u>	<u>(1,622,498)</u>	<u>(515,432)</u>
22 COST OF SALES				
Cost of gas	207,850,334	213,904,458	66,673,000	71,283,115
Transmission and distribution costs	15,629,786	16,624,552	5,253,827	5,543,318
	<u>223,480,120</u>	<u>230,529,010</u>	<u>71,926,827</u>	<u>76,826,433</u>
Cost of gas				
Opening gas in pipelines	1,248,028	1,214,410	1,258,734	1,193,123
RLNG purchases	47,662,458	31,314,173	18,465,089	10,295,308
Gas purchases	160,917,616	187,268,505	48,401,203	62,855,102
	<u>209,828,102</u>	<u>219,797,088</u>	<u>68,125,026</u>	<u>74,343,533</u>
Gas consumed internally	(741,372)	(4,539,881)	(215,630)	(1,707,669)
Closing gas in pipelines	(1,236,395)	(1,352,749)	(1,236,395)	(1,352,749)
	<u>(1,977,767)</u>	<u>(5,892,630)</u>	<u>(1,452,025)</u>	<u>(3,060,418)</u>
	<u>207,850,335</u>	<u>213,904,458</u>	<u>66,673,001</u>	<u>71,283,115</u>

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-audited)			
	----- (Rupees in '000) -----			
23 OTHER OPERATING EXPENSES				
Auditors' remuneration	5,095	5,903	1,152	1,999
Sports expenses	84,502	113,118	22,847	37,886
Corporate social responsibility	10,478	13,621	3,493	2,451
Provision against impaired stores and spares	60,176	-	35,914	-
Loss / (gain) on sale of property, plant and equipment	14,151	-	(539)	-
	<u>174,402</u>	<u>132,642</u>	<u>62,867</u>	<u>42,336</u>
24 OTHER INCOME				
Income from financial assets				
Income for receivable against asset	28,750	32,442	8,951	10,557
Interest income on loan to related party	-	-	-	-
Income from net investment in finance lease from -SNGPL-Related party	19,910	27,188	6,636	9,063
Return on term deposits and profit and loss bank accounts	64,168	119,897	16,970	47,947
	<u>112,828</u>	<u>179,527</u>	<u>32,557</u>	<u>67,567</u>
Interest income on late payment of gas bills				
Water & Power Development Authority (WAPDA)	248,787	528,042	76,647	169,237
Dividend income	4,828	1,849	-	-
	<u>366,443</u>	<u>709,418</u>	<u>109,204</u>	<u>236,804</u>
Income from other than financial assets				
Late payment surcharge	1,652,499	1,364,578	578,889	648,315
Interest income on late payment of gas bills from SNGPL - related party	852,678	855,790	280,077	283,189
Sale of gas condensate - net loss	(56,384)	(12,844)	(15,159)	(3,871)
Income from LPG / NGL - net	575,905	784,696	106,087	357,242
Meter manufacturing division profit - net	13,048	13,642	3,177	4,421
Meter rentals	706,539	597,877	300,522	201,060
RLNG Transportation income	5,039,808	6,037,903	1,506,358	1,788,521
Recognition of income against deferred credit and contract liability	424,768	405,320	142,287	137,486
Income from LPG air mix distribution - net	98,437	82,853	32,413	31,708
Income from sale of tender documents	3,876	3,782	1,450	2,045
Scrap sales	63,939	(2,867)	(536)	(33,108)
Recoveries from consumers	55,746	53,563	22,620	26,190
Liquidity damaged recovered	71,593	26,640	31,008	12,701
Exchange gain	4,578,675	278,777	1,856,314	(2,726,346)
Reversal of excess Provision against impaired stores and spares	-	8,792	-	1,312
Gain on sale of property, plant and equipment	-	65,423	-	20,648
Amortization of Govt Grant	12,031	15,685	4,043	5,229
LSA margins against RLNG	698,817	669,647	219,318	220,005
Miscellaneous	19,629	496,077	5,194	7,375
	<u>15,178,047</u>	<u>12,454,752</u>	<u>5,183,266</u>	<u>1,220,926</u>

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Un-audited)			
	----- (Rupees in '000) -----			
25 TAXATION				
Current	1,824,501	1,716,575	567,028	574,854
Prior year tax	1,409		1,409	
Deferred	59,992	-	9,140	-
	<u>1,885,902</u>	<u>1,716,575</u>	<u>577,577</u>	<u>574,854</u>

As at March 31, 2021, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 39,533 million (June 30, 2020: Rs. 36,796 million) out of which deferred tax asset amounting to Rs. 14,979 million has been recognised and remaining balance of Rs. 24,554 million is unrecognised. As at period end, the Holding Company's minimum tax credit amounted to Rs. 6,900 million (June 30, 2020: Rs. 5,161 million) having expiry period ranging between 2022 and 2026.

	Note	Nine months ended	
		March 31, 2021	March 31, 2020
		(Un-audited)	
		----- (Rupees in '000) -----	
26 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	26.1	3,267,564	2,617,388
Depreciation on owned assets		6,398,692	6,008,632
Depreciation on right of use assets		93,753	94,257
Amortization of intangibles		13,675	18,078
Finance cost		3,310,271	5,218,830
Amortization of transaction cost		24,221	25,743
Amortization of Government grant		(12,031)	(15,685)
Recognition of income against deferred credit and contract liability		(464,938)	(444,772)
Dividend income		(4,828)	(1,849)
Interest income and return on term deposits		(1,236,835)	(1,485,301)
Income from net investment in finance lease		(19,910)	(27,188)
Loss / (Gain) on disposal of property plant and equipment		14,107	(65,421)
Decrease in long term advances		125,217	(57,777)
Increase in deferred credit and contract liability		1,170,075	1,423,169
Impact of IFRS 16: Finance cost		14,083	24,735
Decrease in obligation against pipeline		59,761	61,745
		<u>12,752,877</u>	<u>13,394,584</u>
26.1 Provisions			
Provision against slow moving / obsolete stores		56,728	8,271
Impairment loss against financial assets		2,057,166	1,081,550
Provision for post retirement medical and free gas supply facilities		359,887	689,263
Provision against retirement benefit		793,783	838,304
		<u>3,267,564</u>	<u>2,617,388</u>

27 WORKING CAPITAL CHANGES

	Nine months ended	
	March 31, 2021	March 31, 2020
	(Un-audited) ------(Rupees in '000)-----	
Decrease / (increase) in current assets		
Stores and spares	(357,047)	(229,087)
Stock-in-trade	139,693	(242,467)
Customers' installation work-in-progress	(38,800)	(25,273)
Trade debts	(320,480)	(7,322,622)
Advances, deposits and short term prepayments	112,002	(518,649)
Other receivables	(26,068,212)	(39,894,023)
	<u>(26,532,844)</u>	<u>(48,232,121)</u>
Increase in current liabilities		
Trade and other payables	22,468,567	76,699,753
	<u>(4,064,277)</u>	<u>28,467,632</u>

28 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary Holding Company, 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 details of transactions with related parties not disclosed elsewhere in these consolidated condensed interim financial statement are as follows:

	Nine months ended	
	March 31 2021	March 31, 2020
	(Un-audited) ------(Rupees in '000)-----	
Government related entities		
- Purchase of fuel and lubricant	57,626	35,850
- Billable charges	60,023,631	32,593,911
- Mark-up expense on short term finance	41,860	75,629
- Mark-up expense on long term finance	265,375	532,155
- Income from net investment in finance lease	19,910	27,188
- Gas purchases	133,318,083	94,336,613
- Sale of gas meters	12,142	30,311
- Insurance premium	87,149	82,651
- Electricity expenses	185,182	235,370
- Interest income	1,101,465	1,383,832
- RLNG Transportation income	5,039,808	6,037,903
- Income against LNG service agreement	698,817	669,647
- LPG Purchases	481,240	357,501
- Professional charges	40	6,830
* Karachi Grammar School	Associate	
- Billable charges	30	-

		Nine months ended	
		March 31, 2021	March 31, 2020
		(Un-audited)	
Relationship		----- (Rupees in '000) -----	
Key management personnel			
- Remuneration		142,131	145,367
Pakistan Institute of Corporate Governance	Associate		
- Subscription / Trainings		998	4,624
Staff retirement benefit plans	Associate		
- Contribution to provident fund		280,226	291,524
- Contribution to pension fund		411,671	594,343
- Contribution to gratuity fund		372,207	234,950

- 28.1 Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.
- 28.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 28.3 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.
- 28.4 Amount (due to) / receivable from / investment in related parties.

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

		March 31, 2021	June 30, 2020
		(Un-audited)	(Audited)
Relationship		----- (Rupees in '000) -----	
Government related entities	Associate		
- Billable charges		59,240,192	63,591,878
- Accrued mark up on borrowings		(5,249,245)	(4,221,975)
- Net investment in finance lease		876,631	593,033
- Gas purchases		(439,891,948)	(316,626,683)
- Gas meters & Spare parts		43,401	73,432
- Uniform cost of gas		15,818,845	15,818,845
- Cash at bank		16,435	24,951
- Stock loan		5,321	4,912
- Payable to insurance		(2,244)	(837)

		March 31 2021 (Un-audited)	June 30 2020 (Audited)
	Relationship	----- (Rupees in '000) -----	
- Gas supply deposit		(51,263)	(51,263)
Interest expense			
- accrued - late payment		(15,832,411)	(15,832,411)
- late payment on gas			
- bills		14,177,660	13,076,195
- Professional charges		57	57
- Contingent rent		3,535	3,535
- Capacity and utilisation charges of RLNG		51,921,834	51,063,909
- RLNG transportation income		29,920,315	29,477,644
- LSA margins		3,023,105	2,877,266
- Advance for Sharing Right of Way		(18,088)	(18,088)
Karachi Grammar School	Associate		
- Billable charges		5	5
- Gas supply deposit		(22)	22

29 OPERATING SEGMENTS

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

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

SEGMENT AND REVENUE RESULTS

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

	Nine months ended			
	Segment revenue		Segment (loss) / Profit	
	March 31 2021	March 31 2020	March 31 2021	March 31 2020
			(Un-audited)	
			----- (Rupees in '000) -----	
Gas transmission and distribution	195,688,933	197,382,165	(1,101,197)	(18,255,333)
Meter manufacturing	1,266,171	1,542,582	13,048	13,642
Total segment results	<u>196,955,104</u>	<u>198,924,747</u>	<u>(1,088,149)</u>	<u>(18,241,691)</u>
Unallocated				
- Other operating expenses			174,402	(132,642)
- Other income			828,504	866,708
Loss before tax			<u>(85,243)</u>	<u>(17,317,302)</u>

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs 1,266 million (March 31, 2020: Rs. 1,516 million).

SEGMENT ASSETS AND LIABILITIES

	March 31 2021 (Un-audited) ------(Rupees in '000)-----	June 30, 2020 (Audited)
Segment assets		
Gas transmission and distribution	613,044,253	586,504,806
Meter manufacturing	795,681	1,036,492
Total segment assets	613,839,934	587,541,298
Unallocated		
Loans and advances	1,155,056	634,557
Taxation - net	18,639,173	19,406,544
Interest accrued	487,739	487,739
Cash and bank balances	1,244,296	1,550,683
	21,526,264	22,079,523
Total assets as per consolidated condensed interim statement of financial position	<u>635,366,198</u>	<u>609,620,821</u>
Segments liabilities		
Gas transmission and distribution	660,371,920	632,456,587
Meter manufacturing	82,383	292,154
Total segment liabilities	660,454,303	632,748,741
Total liabilities as per consolidated condensed interim statement of financial position	<u>660,454,303</u>	<u>632,748,741</u>

30 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.

30.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

As at March 31, 2021				
(Un-audited)				
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	190,977	-	-	190,977

As at June 30, 2020				
(Audited)				
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	180,017	-	-	180,017

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.

30.2 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 March 31, 2021		
(Un-audited)		
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold land	13,481,068	13,481,068
Leasehold land	12,463,570	12,463,570
	<u>25,944,638</u>	<u>25,944,638</u>

As at June 30, 2020		
(Audited)		
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold Land	13,481,068	13,481,068
Leasehold Land	12,463,570	12,463,570
	<u>25,944,638</u>	<u>25,944,638</u>

31 EVENTS AFTER THE REPORTING DATE

The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predicting at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Group's financial condition or results of operations except those disclosed in notes to these consolidated condensed interim financial statements.

32 GENERAL

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

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

33 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on 13 - October - 2022.