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2013

CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2013

SSGC

Sui Southern Gas Company Limited

SSGC

Sui Southern Gas Company Limited

CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2013

Board of Directors

Mr. Miftah Ismail	Chairman
Mr. Zuhair Siddiqui	Managing Director
Agha Sher Shah	
Mr. Alamuddin Bullo	
Mr. Arshad Mirza	
Mr. Aamir Amin	
Ms. Azra Mujtaba	
Mr. Mobin Saulat	
Mirza Mahmood Ahmad	
Mr. Mohammad Arif Hameed	
Mr. Muhammad Bilal Shaikh	
Nawabzada Riaz Nosherwani	
Sardar Rizwan Kehar	
Mr. Saleem Zamindar	

Board of Directors' Committees

Audit Committee of Directors

Agha Sher Shah	Chairman
Mr. Arshad Mirza	Member
Mr. Mobin Saulat	Member
Nawabzada Riaz Nosherwani	Member
Sardar Rizwan Kehar	Member

Human Resource and Remuneration Committee of Directors

Mr. Miftah Ismail	Chairman
Mr. Zuhair Siddiqui	Managing Director
Mirza Mahmood Ahmad	Member
Mr. Arshad Mirza	Member
Mr. Mohammad Arif Hameed	Member
Mr. Saleem Zamindar	Member

Finance and Procurement Committee of Directors

Ms. Azra Mujtaba	Chairperson
Mr. Zuhair Siddiqui	Managing Director
Mr. Aamir Amin	Member
Mr. Alamuddin Bullo	Member
Mirza Mahmood Ahmad	Member

Special Committee of Directors on UFG

Sardar Rizwan Kehar	Chairman
Mr. Zuhair Siddiqui	Managing Director
Agha Sher Shah	Member
Mr. Mohammad Arif Hameed	Member
Mirza Mahmood Ahmad	Member
Nawabzada Riaz Nosherwani	Member
Mr. Saleem Zamindar	Member

Risk Management / Litigation Committee of Directors

Mirza Mahmood Ahmad	Chairman
Mr. Saleem Zamindar	Member
Mr. Arshad Mirza	Member
Mr. Aamir Amin	Member
Nawabzada Riaz Nosherwani	Member

Auditors

M/s. Deloitte Yousuf Adil
Chartered Accountants

Legal Advisors

M/s. Haidermota and Company
Barrister-at-Law and Corporate Counsels

Registered Office

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

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Shares Registrar

M/s. Central Depository Company of Pakistan
CDC House, 99-B, Block B, SMCHS,
Main Sharah-e-Faisal,
Karachi - Pakistan.

Company Secretary

Ms. Faiza Kapadia Raffay

Chief Financial Officer

Mr. Abdul Malik

DIRECTORS' REVIEW
For the Six Months Period Ended December 31, 2013

I am pleased to share the Company's unaudited results for the six months ended December 31, 2013.

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

FINANCIAL OVERVIEW

During the period under review, the Company recorded a net loss after tax of Rs. 819 million after incorporating major disallowances and financial costs due to circular debt.

The summary of financial highlights is given below:

	Six Months ending 31 Dec 2013 (Rupees in million)
Loss before taxation	(1,317)
Taxation	498
Loss after taxation	(819)

This net loss after tax was recorded after incorporating major disallowances by OGRA, treatment of sale of Liquefied Petroleum Gas (LPG) / Natural Gas Liquid (NGL) and royalty as operating income, determined by OGRA and financial cost due to circular debt.

This state of affairs is based on various reasons including but not limited to:

i) High UFG volume disallowance, which is after 7% benchmark under Court stay and partial benefit of 'pilfered by non-consumer' and 'law and order' (under ECC guidelines) stands at 6.23%, i.e. 13.0 bcf having an impact of Rs. 4.4 billion in July–December 2013.

ii) OGRA not accepting ECC Guidelines for Bulk to Retail ratio, non-consumers, law and order areas and provision for doubtful debts as well as Court directives for non-operating income in letter and spirit.

iii) Change in basis for treatment of late payment surcharge (LPS), receivable from FY 2012-13 in accordance with International Accounting Standards and after considering the opinions of reputable Chartered Accountants firms and legal advice.

UNACCOUNTED FOR GAS (UFG)

Main factors responsible for high UFG volumes include gas theft, measurement errors and leakages in overhead and underground pipelines. In addition to these factors, there are some external factors that are beyond the Company's control i.e., bulk to retail ratio, volatile law and order situation, the Government's moratorium on new connections and new towns' extension, all of which contributed to marked increase in UFG. The Company made concerted efforts to control UFG by replacing defective meters, rectifying leakages, installing cyber locks at industrial premises and regularly conducting anti-gas theft raids.

The Company also raised the matter with the Ministry of Petroleum and Natural Resources at the Economic Coordination Committee (ECC) level. Subsequently, policy guidelines were issued to OGRA for allowing the volume pilfered by non-consumers, volume consumed in law and order affected areas and impact of change in Bulk-Retail Ratio on UFG, using 2003-04 as the base year. The policy guidelines emphasized that provision for doubtful debts may also be determined at minimum of 1% of sales.

TRADE AND OTHER RECEIVABLES

The Company's trade debts continued to grow significantly, thus contributing to severe liquidity crunch. This is mainly due to few customers who have continued to default on payments. They include Rs. 40,569 million from K-Electric and Rs. 14,786 million from Pakistan Steel Mills Limited (PSML). However, aggregate legal claims against K-Electric and PSML as at December 31, 2013 stand at Rs. 50,910 million and Rs. 19,683 million respectively. The management is in constant liaison with the concerned ministries to expedite the recovery of outstanding dues from KE and PSML. In addition, the Company has filed suits for recovery of dues from KE and PSML in the High Court.

FUTURE OUTLOOK

The future outlook of the Company depends on the following:

i) Development of a dedicated pipeline infrastructure to facilitate transmission of re-gasified LNG (RLNG).

ii) Significant recoveries of long outstanding receivables, providing sufficient cash flows to finance current operations and future plans.

iii) Outcome of the Company's petition in the SHC against OGRA's tariff decision, in which the Company has proposed treatment of late payment surcharge (LPS), sale of gas condensate, royalty income from JJVL and meter manufacturing plant as non-operating income.

ACKNOWLEDGEMENTS

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

On behalf of the Board,

Miftah Ismail
Chairman

Karachi: June 04, 2016

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

For the Six Months Period Ended December 31, 2013

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Sui Southern Gas Company Limited ("the Company") as at December 31, 2013, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes for the half-year then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As described in notes 8.1 and 8.2 to the unconsolidated condensed interim financial information, trade debts includes receivable of Rs. 40,569 million (June 30, 2013: Rs. 44,303 million) and Rs. 14,786 million (June 30, 2013: Rs. 12,680 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. As described in the aforesaid notes, significant portion of such receivables include overdue amounts, which have been considered good by the management and classified as current assets in this unconsolidated condensed interim financial information. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances and the financial condition of PSML is such that it has not been able to pay its obligations, due to which management has decided to recognize LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

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

Qualified Conclusion

Except for the adjustments, if any, to the unconsolidated condensed interim financial information described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the half-year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter Paragraph

We draw attention to:

(i) note 1.3 to the unconsolidated condensed interim financial information that describes that revenue requirements for the years ended June 30, 2011, 2012, 2013 and 2014, have been determined provisionally on the basis of stay orders of the High Court of Sindh (the Court) which was considered by OGRA while determining revenue requirements, except for impact of the orders dated November 20, 2015, whereby OGRA was directed to treat income from royalty (arrears) and income from LPG and NGL as non-operating income which was not considered by OGRA while determining revenue requirements of the Company for the years ended June 30, 2013 and 2014. Our conclusion is not qualified in respect of this matter.

Other Matters

The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarter ended December 31, 2013 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended December 31, 2013.

Deloitte Yousuf Adil

Deloitte Yousuf Adil
Chartered Accountants
Audit Engagement Partner:
Mushtaq Ali Hirani

Dated: June 04, 2016
Place: Karachi

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (Unaudited)
As at December 31, 2013

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited) (Restated)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	67,893,570	67,736,338
Intangible assets		93,185	124,728
Long term investments	7	1,098,896	1,094,785
Net investment in finance lease		637,753	692,789
Long term loans and advances		164,761	133,354
Long term deposits		5,105	4,530
Total non-current assets		69,893,270	69,786,524
Current assets			
Stores, spares and loose tools		2,614,227	2,165,684
Stock-in-trade		827,339	628,611
Current maturity of net investment in finance lease		110,161	110,161
Customers' installation work-in-progress		180,869	173,917
Trade debts	8	73,965,442	76,284,752
Loans and advances		2,041,626	1,838,483
Advances, deposits and short term prepayments		268,132	166,288
Interest accrued		5,846,256	5,529,119
Other receivables	9	47,926,823	36,652,321
Taxation - net		3,136,250	2,787,665
Cash and bank balances		3,893,841	847,680
Total current assets		140,810,966	127,184,681
Total assets		210,704,236	196,971,205
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital: 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		85,267	81,156
Unappropriated profit		1,265,639	2,084,959
		15,067,470	15,882,679
Surplus on revaluation of fixed assets		10,251,946	10,251,946
LIABILITIES			
Non-current liabilities			
Long term finance	10	23,245,814	24,770,608
Long term deposits		6,862,821	5,260,547
Deferred tax		4,854,778	5,864,825
Employee benefits		2,674,960	2,518,454
Deferred credit	11	5,576,407	5,747,643
Long term advances		1,112,485	1,155,230
Total non-current liabilities		44,327,265	45,317,307
Current liabilities			
Current portion of long term finance		3,596,808	3,597,649
Short term borrowings	12	1,741,698	4,017,953
Trade and other payables	13	111,757,678	95,999,207
Interest accrued		23,961,371	21,904,464
Total current liabilities		141,057,555	125,519,273
Total liabilities		185,384,820	170,836,580
Total equity and liabilities		210,704,236	196,971,205
Contingencies and commitments	14		

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the Six Months Period Ended December 31, 2013

	Note	Half year ended		Quarter ended	
		December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
		(Rupees in '000)			
Sales		**87,527,361**	78,956,406	**42,727,231**	38,027,683
Sales tax		**(11,997,765)**	(10,730,979)	**(5,764,693)**	(4,944,256)
		75,529,596	68,225,427	**36,962,538**	33,083,427
Gas development surcharge		**(2,873,058)**	4,639,915	**(3,793,235)**	4,507,327
Net sales		**72,656,538**	72,865,342	**33,169,303**	37,590,754
Cost of sales	15	**(77,525,743)**	(72,478,749)	**(39,604,901)**	(37,674,369)
Gross (loss) / profit		**(4,869,205)**	386,593	**(6,435,598)**	(83,615)
Administrative and selling expenses		**(1,688,524)**	(1,517,424)	**(851,161)**	(844,754)
Other operating expenses	16	**(1,860,144)**	(1,788,006)	**(970,621)**	(1,227,405)
		(3,548,668)	(3,305,430)	**(1,821,782)**	(2,072,159)
		(8,417,873)	(2,918,837)	**(8,257,380)**	(2,155,774)
Other operating income	17	**1,846,510**	1,630,934	**925,604**	740,612
Operating loss		**(6,571,363)**	(1,287,903)	**(7,331,776)**	(1,415,162)
Other non-operating income	18	**8,586,298**	6,971,564	**6,971,723**	3,573,407
Finance cost	19	**(3,332,091)**	(4,055,337)	**(1,666,239)**	(2,078,552)
(Loss) / profit before taxation		**(1,317,156)**	1,628,324	**(2,026,292)**	79,693
Taxation	20	**497,836**	(580,760)	**711,652**	(33,367)
(Loss) / profit for the period		**(819,320)**	1,047,564	**(1,314,640)**	46,326
		(Rupees)			
Basic and diluted (loss) / earnings per share		**(0.93)**	1.19	**(1.49)**	0.05

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

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

For the Six Months Period Ended December 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
	(Rupees in '000)			
(Loss) / profit for the period	**(819,320)**	1,047,564	**(1,314,640)**	46,326
Other comprehensive income				
Item that may be reclassified subsequently to profit and loss account:				
- Unrealised gain on re-measurement of available for sale securities	**4,111**	18,734	**3,809**	10,127
Item that will not be reclassified subsequently to profit and loss account:	**-**	-	**-**	-
Total comprehensive (loss) / income for the period	**(815,209)**	1,066,298	**(1,310,831)**	56,453

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the Six Months Period Ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(1,317,156)	1,628,324
Adjustments for non-cash and other items	21	6,193,148	4,004,429
Working capital changes	22	5,014,066	(7,260,431)
Financial charges paid		(1,395,086)	(1,189,095)
Employee benefits (paid) / refund		(29,218)	74,811
Payment for retirement benefits		(190,512)	(497,819)
Long term deposits received - net		1,602,274	315,781
Loans and advances to employees - net		(234,550)	(206,540)
Interest income and return on term deposits received		130,430	5,080,762
Income taxes paid		(860,797)	(1,310,205)
Net cash generated from operating activities		8,912,599	640,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,257,537)	(3,846,124)
Payments for intangible assets		-	(125,779)
Proceeds from sale of property, plant and equipment		20,085	4,008
Lease rental from net investment in finance lease		175,594	90,052
Deposits paid - net		(575)	-
Short term loan to a subsidiary company		-	(175,000)
Dividend received		237	475
Net cash used in investing activities		(2,062,196)	(4,052,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		-	375,000
Repayments of local currency loans		(1,614,975)	(1,689,506)
Customer finance received		126,709	7,958
Repayment of customer finance		(37,369)	(46,546)
Dividend paid		(2,352)	-
Net cash used in financing activities		(1,527,987)	(1,353,094)
Net increase / (decrease) in cash and cash equivalents		5,322,416	(4,765,445)
Cash and cash equivalents at beginning of the period		(3,170,273)	1,502,964
Cash and cash equivalents at end of the period		2,152,143	(3,262,481)
Cash and cash equivalent comprises:			
Cash and bank balances		3,893,841	1,297,252
Short term borrowings		(1,741,698)	(4,559,733)
		2,152,143	(3,262,481)

The annexed notes from 1 to 27 form an integral part of these unconsolida ed condensed interim financial information.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

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

For the Six Months Period Ended December 31, 2013

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
			(Rupees in '000)			
Balance as at July 01, 2012	8,809,163	234,868	4,672,533	57,946	4,473,742	18,248,252
- Adjustment note 3.1	-	-	-	-	(448,288)	(448,288)
Balance as at July 01, 2012 (Restated)	8,809,163	234,868	4,672,533	57,946	4,025,454	17,799,964
Total comprehensive income for the period ended December 31, 2012						
Profit for the period	-	-	-	-	1,047,564	1,047,564
Other comprehensive income for the period	-	-	-	18,734	-	18,734
Total comprehensive income for the period	-	-	-	18,734	1,047,564	1,066,298
Balance as at December 31, 2012 (Restated)	8,809,163	234,868	4,672,533	76,680	5,073,018	18,866,262
Balance as at June 30, 2013	8,809,163	234,868	4,672,533	81,156	2,707,554	16,505,274
- Adjustment note 3.1	-	-	-	-	(622,595)	(622,595)
Balance as at June 30, 2013 (Restated)	8,809,163	234,868	4,672,533	81,156	2,084,959	15,882,679
Loss for the period	-	-	-	-	(819,320)	(819,320)
Other comprehensive income for the period	-	-	-	4,111	-	4,111
Total comprehensive loss for the period	-	-	-	4,111	(819,320)	(815,209)
Balance as at December 31, 2013	8,809,163	234,868	4,672,533	85,267	1,265,639	15,067,470

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the Six Months Period ended December 31, 2013

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 the Karachi, Lahore and Islamabad Stock Exchanges (now 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.

1.2 Regulatory framework

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

1.3 Determination of revenue requirement

1.3.1 Revenue requirement for the half year ended December 31, 2013 has been determined on the same basis as determined in the annual financial statements for the year ended June 30, 2013 and 2014 which is based on interim relief provided by the Sindh High Court decision in the matter as explained below:

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 and Sale of Gas Condensate as operating income which it 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%. Aggrieved by the above decision, the Company had filed an appeal against the decision of the 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, till final order of the Court. Also, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Therefore, the revenue requirement for June 30, 2011, was determined based on the relief provided by the Court.

For subsequent years, the Company also obtained stay orders from the Court on the same principles which were fixed in the interim relief as discussed above, and thereafter, OGRA considered such principles in determining revenue requirement of the Company. Management is confident that the final decision of the Court would be in favor of the Company.

Had there been no stay in the current period, and these condensed interim financial information been prepared in accordance with the OGRA's decisions dated December 02, 2010 and May 24, 2011, the Company would have reported loss for the period amounting to Rs. 18,932 million.

1.3.2 In determining the Final Revenue Requirement (FRR) for the years ended June 30, 2013 and 2014, the OGRA treated income from royalty (arrears) and income of LPG and NGL as operating income, on which the Company filed application in the already pending Judicial Miscellaneous petitions in the High Court of Sindh that these income should have been treated as non-operating income as it was already decided by the Court in previous stay orders, while the cases are still to be finalised by the Court. The Court suspended the relevant paragraphs of OGRA orders wherein above income were treated as operating income thus requiring revision of FRR for 2013 and 2014; however, no revised FRR has been issued by the OGRA till the date of issue of these condensed interim financial information. Consequently, the impact of the new stay orders have not been taken and the income from royalty (arrears) and income of LPG and NGL amounting to Rs. 3,491 million and Rs. 978 million respectively have been treated as operating income in the condensed interim financial information of the current period.

Management, based on the opinion of its legal counsel intends to get the above Court decision enforced and is confident that the OGRA will provide benefit of the aforesaid income to the Company.

Had OGRA issued revised FRR based on the above mentioned stay orders of the Court and these condensed interim financial information been prepared in accordance with the revised FRR, the Company would have claimed Rs. 6,970 million as non-operating income which OGRA treated as operating income while determining revenue requirement of the Company and the Company would have reported profit for the period amounting to Rs. 3,594 million.

2. Basis for preparation

2.1 The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail. This unconsolidated condensed interim financial information does not include all information required for annual audited financial statements and should be read in conjunction with the unconsolidated financial statements of the Company for the year ended June 30, 2013.

2.2 This unconsolidated condensed interim financial information is un-audited but subject to limited scope review by the auditors of the Company and are being submitted to the shareholders in accordance with the Section 245 of the Companies Ordinance, 1984.

3. Significant accounting policies

The significant accounting policies and methods of computation applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual unconsolidated audited financial statements of the Company for the year ended June 30, 2013, except for change in accounting policy that is enumerated as follows:

3.1 IAS 19 - Employee Benefits (Revised 2011)

In the current period, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net asset or liability recognised in the unconsolidated statement of financial position to reflect the full value of plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (Revised 2011). The Company has applied the relevant transitional provisions and restated the comparatives on retrospective basis in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Effect of retrospective application of change in accounting policy is as follows:

	Amount as reported earlier	Effects of change in accounting policy	Amount restated
	(Rupees in '000')		
Effect on statement of changes in equity as at July 01, 2012			
Unappropriated profit	(4,473,742)	448,288	(4,025,454)
Effect on balance sheet as at June 30, 2013			
Employee benefits	(2,465,846)	(52,608)	(2,518,454)
Deferred tax	(6,179,747)	314,922	(5,864,825)
Taxation - net	2,768,165	19,500	2,787,665
Trade and other payables	(94,540,100)	(1,459,107)	(95,999,207)
Other receivables	36,097,623	554,698	36,652,321
Unappropriated profit	(2,707,554)	622,595	(2,084,959)

The effect of change in accounting policy, due to adoption of IAS 19 - Employee Benefits (Revised 2011), does not have material impact on the profit and loss account and other comprehensive income for the period ended December 31, 2012. During the period, acturial gains / losses have not arisen as the Company has not carried out actuarial valuations as at period end.

4. Accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgements that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2013 except that 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. Had there been any actuarial gains / losses in this condensed interim financial information, the same would have been offered to / claimed from OGRA in determining revenue requirement of the Company. Accordingly, there will be no impact on the condensed interim statement of comprehensive income of the Company.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2013.

6. Property, plant and equipment

	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
	(Rupees in '000)	
Operating assets	**60,356,366**	60,553,768
Capital work in progress	**7,537,204**	7,182,570
	67,893,570	67,736,338

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

	Half year ended December 31, 2013		December 31, 2012	
	(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	**-**	**-**	3,057	-
Buildings on leasehold land	**19,870**	**-**	122,910	-
Gas transmission pipelines	**134,151**	**-**	101,647	-
Gas distribution system	**1,563,323**	**(14,741)**	1,915,010	-
Telecommunication	**478**	**-**	47,033	-
Plant and machinery	**142,273**	**-**	160,471	-
Tools and equipment	**8,743**	**-**	20,175	-
Motor vehicles	**89,176**	**(3,770)**	143,565	(6,362)
Furniture and fixture	**16,547**	**-**	7,566	-
Office equipment	**27,742**	**-**	12,254	-
Computer and ancillary equipment	**4,306**	**-**	20,643	-
	2,006,609	**(18,511)**	2,554,331	(6,362)
	Capital expenditure incurred	**Transfer to operating assets**	Capital expenditure incurred	Transfer to operating assets
Capital work in progress				
Projects:				
- Gas distribution system	**1,823,042**	**(1,563,323)**	2,427,937	(1,915,010)
- Gas transmission system	**407,405**	**(134,151)**	111,976	(101,647)
- Cost of buildings under construction and others	**69,222**	**(19,870)**	14,418	(122,910)
	2,299,669	**(1,717,344)**	2,554,331	(2,139,567)

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
		(Rupees in '000)	

7. Long term invenstments

	Note	December 31, 2013	June 30, 2013
Investment in related parties		**1,056,523**	1,053,529
Other investments		**42,373**	41,256
		1,098,896	1,094,785

8. Trade debts

	Note	December 31, 2013	June 30, 2013
Secured		**13,600,764**	14,235,172
Unsecured		**68,652,540**	69,645,538
	8.1 & 8.2	**82,253,304**	83,880,710
Provision against impaired debts		**(8,287,862)**	(7,595,958)
		73,965,442	76,284,752

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

In accordance with the revised accounting treatment, the trade debts includes Rs. 40,569 million (June 30, 2013:Rs. 44,303 million) as at December 31, 2013 receivables from KE. Out of this, Rs. 38,205 million (June 30, 2013:Rs. 40,337 million) as at December 31, 2013 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 50,910 million (June 30, 2013: Rs. 50,935 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

- As per the agreement dated June 30, 2009 which was entered between the Company and KE for making outstanding payment in 18 installments, the Company was entitled to charge LPS on outstanding principal amount at rate of:
  a. Highest OD rate being paid by SSGC or;
  b. Highest rate at which interest is payable on gas producer bills.
- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

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

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

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

In accordance with the revised accounting treatment, the trade debts includes Rs. 14,786 million (June 30, 2013:Rs. 12,680 million) including overdue balance of Rs. 14,389 million (June 30, 2013: Rs. 12,232 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 19,683 million (June 30, 2013:Rs. 15,507 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 a suit in the High Court of Sindh in April 2016, for recovery of its aggregate claim amounting to Rs. 41,354 million.

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

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited) (Restated)
		(Rupees in '000)	
9. Other receivables - considered good			
Gas development surcharge receivable from GoP	9.1	**14,524,278**	17,159,475
Staff pension fund		**648,635**	648,635
Receivable for sale of gas condensate		**394,020**	75,637
Sui Northern Gas Pipelines Limited	9.2	**9,581,918**	4,085,098
Jamshoro Joint Venture Limited	9.3 & 9.4	**10,942,097**	3,955,853
SSGC LPG (Private) Limited		**964,267**	275,546
Workers' Profit Participation Fund		**552,655**	452,655
Sales tax receivable	9.5	**12,561,091**	11,876,067
Pipeline rentals		**42,651**	15,620
Miscellaneous receivables		**61,570**	135,841
		50,273,182	38,680,427
Provision against impaired receivables		**(2,346,359)**	(2,028,106)
		47,926,823	36,652,321

9.1 This includes Rs. 390 million (June 30, 2013: Rs. 390 million) recoverable from the Government of Pakistan (GoP) on account of remission of gas receivables from people of Ziarat under instructions from GoP. Although, management is confident that this amount is fully recoverable, as a matter of abundant caution full provision has been made in these condensed interm financial information.

9.2 This includes Rs. 9,439 million (June 30, 2013: Rs. 3,976 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited and lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 143 million (June 30, 2013: Rs. 109 million).

9.3 During the period, the Supreme Court of Pakistan 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 was declared void from the date of its inception. The Court 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 cost is yet to be finalised for which the Court has appointed an Advocate Supreme Court to determine the matter which is still pending.

9.4 This amount comprises of receivable in respect of royalty income, sale of liquefied petroleum gas, Federal Excise Duty and Sindh Sales Tax on Franchise Services amounting to Rs. 7,995 million (June 30, 2013: Rs. 2,247 million), Rs. 1,459 million (June 30, 2013: Rs. 312 million), Rs. 896 million (June 30, 2013: Rs. 896 million) and Rs. 592 million (June 30, 2013: Rs. 501 million) respectively.

As at period end, amount payable to JJVL is Rs. 1,134 million (June 30, 2013: Rs. 255 million) as disclosed in note 13 to these condensed interim financial information.

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

	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
	(Rupees in '000)	

10. Long term finance

Secured		
Loans from banking companies	**20,454,730**	22,070,546
Unsecured		
Front end fee of foreign currency loan	**23,950**	23,950
Customer finance	**308,900**	218,719
Government of Sindh loans	**6,055,042**	6,055,042
	6,387,892	6,297,711
	26,842,622	28,368,257
Less: current portion shown under current liabilities		
Loans from banking companies	**(3,238,095)**	(3,238,095)
Customer finance	**(60,530)**	(61,371)
Government of Sindh loans	**(298,183)**	(298,183)
	(3,596,808)	(3,597,649)
	23,245,814	24,770,608

	Half year ended	
	December 31, 2013	December 31, 2012
	(Un-audited)	
	(Rupees in '000)	

11. Deferred credit

Government contributions / grants		
Additions / adjustments during the period	**42,745**	317,954
Transferred to unconsolidated condensed interim profit and loss account	**120,698**	94,383
Contribution from customers		
Transferred to unconsolidated condensed interim profit and loss account	**93,283**	97,749

12. Short Term Borrowings

This represent facilities for short term running finance and short term loan available from various banks amounting to Rs. 1,742 million (June 30, 2013: Rs. 4,018 million) and subject to mark-up up to 0.80% (June 30, 2013: 0.50%) 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. 7,333 million (June 30, 2013: Rs. 5,657 million).

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited) (Restated)
		(Rupees in '000)	

13. Trade and other payables

	Note	December 31, 2013	June 30, 2013
Creditors for:			
- gas supplies		**95,264,047**	80,304,907
- supplies		**399,001**	217,572
		95,663,048	80,522,479
Amount received from customers for laying of mains, etc.		**2,033,465**	2,135,579
Accrued liabilities		**2,900,862**	2,686,261
Provision for compensated absences - non executives		**141,163**	138,969
Payable to staff gratuity fund		**1,459,107**	1,459,107
Deposits / retention money		**356,347**	304,242
Bills payable		**37,134**	62,301
Advance for sharing right of way		**18,088**	18,088
Unclaimed dividend		**288,549**	290,901
Withholding tax payable		**89,035**	136,485
Sales tax and Federal excise duty		**524,008**	426,592
Sindh sales tax		**68,067**	67,647
Processing charges payable to JJVL		**1,134,468**	255,013
Gas infrastructure development cess payable	13.1	**6,770,383**	7,234,262
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Inter State Gas System (Private) Limited (ISGSL)		**8,557**	11,924
Others		**263,597**	247,557
		111,757,678	95,999,207

13.1 Gas Infrastructure Development (GID) Cess has been levied since December 15, 2011 and is chargeable from industrial gas consumers at different rates as prescribed by the Federal Government through OGRA notification. GID Cess is collected and deposited with the Ministry of Petroleum and Natural Resources (MPNR) in a manner prescribed by the Federal Government.

On June 13, 2013 the Honorable Peshawar High Court declared the levy, imposition and recovery of the Cess unconstitutional with the direction to refund the "Cess" so far collected. Honorable Supreme Court of Pakistan examined the case and in its decision dated August 22, 2014 concluded that GID Cess is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was therefore not validly levied in accordance with the Constitution. However, on September 25, 2014 the President of Pakistan had passed GID Cess Ordinance 2014, which is applicable in whole Pakistan and has to be complied by all parties.

On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential order on September 25, 2014.

On May 22, 2015 the GID Cess Act is passed by Parliament applicable on all parties. Following the imposition of the said Act, many consumers filed a petition in Honorable Sindh High Court and obtained stay order against Act passed by the Parliament. The Company has obtained legal opinion, which states that management has to comply with the stay order of Honorable High Court of Sindh.

The Company is a collecting agent and depositing GID Cess to the MPNR and the Company will refund to the consumers once it will be received from MPNR.

14. Contingencies and commitments

14.1 There has been no change in the status of other contingencies as disclosed in note 17 of annual audited financial statements of the Company for the year ended June 30, 2013, except for the following:

	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
	(Rupees in '000)	
14.2 Claims against the Company not acknowledged as debt	**103,741**	97,741
14.3 Commitments for capital and other expenditure	**2,486,885**	2,101,582
14.4 Guarantees issued on behalf of the Company	**-**	24,905

14.5 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Company amounting to Rs.765.024 million (June 30, 2013: Rs. 765.024 million) for short supply of gas under the provisions of an agreement dated April 10, 1995 between the Company and JPCL. As at June 30, 2015, this amount has increased to Rs. 35,182 million. Management has not made provision against the said amounts in the books of the Company as management is confident that ultimately this claim would not be payable.

14.6 Habibullah Coastal Power Company (Private) Limited (HCPC) has claimed Rs. 1,237.32 million (June 30, 2013: Rs. 1,237.32 million) from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996 between the Company and HCPC. As at December 30, 2015, this amount has increased to Rs. 2,625.33 million. HCPC has also disputed late payment surcharge charged by the Company amounting to Rs. 360 million. HCPC has also invoked arbitration as per article of Gas Sale Agreement. In the instant arbitral proceedings, the Company has also raised a counter claim of Rs. 5,233.3 million on account of failing to take or pay for the gas made available to HCPC along with the interest thereon. Accordingly, management has not made provision against the claim of HCPC in this condensed interim financial information.

	Note	Half year ended		Quarter ended	
		December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
		(Un-audited) (Rupees in '000)			
15. Cost of sales					
Cost of gas		**71,655,480**	65,977,293	**36,563,249**	34,357,262
Transmission and distribution costs		**5,870,263**	6,501,456	**3,041,652**	3,317,107
		77,525,743	72,478,749	**39,604,901**	37,674,369
16. Other operating expenses					
Auditors' remuneration		**9,349**	8,273	**4,618**	1,113
Workers' Profit Participation Fund		**-**	85,701	**-**	4,194
Sports expenses		**12,089**	10,227	**4,970**	6,698
Corporate social responsibility		**35,720**	4,664	**31,398**	3,960
Loss on disposal of property, plant and equipment		**-**	2,355	**-**	1,721
Provision against impaired debts and other receivables		**1,010,157**	1,170,390	**715,198**	832,475
Provision against impaired stores and spares		**33,906**	28,191	**23,618**	11,337
Exchange loss on payment of gas purchases		**758,923**	478,205	**190,819**	365,907
		1,860,144	1,788,006	**970,621**	1,227,405
17. Other operating income					
Income from other than financial assets					
Meter rentals		**338,454**	330,631	**169,737**	166,241
Recognition of income against deferred credit		**200,485**	192,132	**107,857**	97,278
Income from new service connections		**105,040**	116,233	**46,286**	62,004
Gas shrinkage charged to JJVL	17.1	**1,017,393**	868,752	**492,520**	341,273
Income from gas transportation		**15,757**	14,077	**7,731**	5,498
Income from LPG air mix distribution - net		**63,495**	54,504	**31,517**	33,125
Recoveries from customers		**38,048**	20,036	**20,710**	-
Liquidity damaged recovered		**3,275**	15,697	**1,299**	-
Advertising income		**3,741**	2,297	**2,559**	1,152
Income from sale of tender documents		**858**	1,403	**383**	729
Scrap sales		**-**	434	**-**	35
Gain on disposal of property, plant and equipment		**1,575**	-	**392**	-
Miscellaneous		**58,389**	12,549	**44,613**	31,637
		1,846,510	1,628,745	**925,604**	738,972
Income from investment in debts, loans, advances and receivables from related party					
Contingent rental income - Sui Northern Gas Pipelines Limited		**-**	2,189	**-**	1,640
		1,846,510	1,630,934	**925,604**	740,612

17.1 The Company entered into Implementation Agreement with Jamshoro Joint Venture Limited (JJVL) and granted 'exclusive rights' to process and extract Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) from Composite Associated Gas Mixture (CAGM) made available at JJVL plant.

Gas Shrinkage charged to JJVL means the amount payable by JJVL to the Company as compensation for loss in volume and gross calorific value of CAGM due to recovery of LPG and NGL at the JJVL plant. This is in fact consideration for loss in volume of gas and its gross calorific value between Tie in Point and delivery point.

This amount was being recovered under the Implementation Agreement which was declared void by the Supreme Court of Pakistan vide its Order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009. Thus no shrinkage has been charged after the Supreme Court order.

		Half year ended		Quarter ended	
		December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
		(Un-audited) (Rupees in '000)			
18. Other non-operating income					
Income from financial assets					
Late payment surcharge		**732,973**	1,791,608	**386,078**	976,177
Income from net investment in finance lease		**33,830**	30,654	**17,132**	15,482
Interest income on loan to related party		**75,191**	72,710	**42,887**	28,000
Return on:					
- term deposits and profit and loss bank accounts		**105,277**	117,502	**61,361**	66,148
- staff loans		**-**	1	**-**	-
		947,271	2,012,475	**507,458**	1,085,807
Interest income on late payment of gas bills from:					
- K-Electric Limited		**-**	3,183,268	**-**	1,653,472
- Jamshoro Joint Venture Limited		**140,414**	15,631	**81,235**	(4,949)
- Water & Power Development Authority		**49,940**	117,158	**21,671**	64,524
- Sui Northern Gas Pipelines Limited		**64,112**	198,512	**42,411**	58,559
- SSGC LPG (Private) Limited		**12,633**	-	**7,033**	-
		267,099	3,514,569	**152,350**	1,771,606
Dividend income		**237**	-	**213**	-
		1,214,607	5,527,044	**660,021**	2,857,413
Income from investment in debts, loans, advances and receivables from related parties					
Dividend income - Sui Northern Gas Pipelines Limited		**-**	475	**-**	238
Income from net investment in finance lease		**86,728**	58,905	**38,374**	29,415
		86,728	59,380	**38,374**	29,653
Others					
Sale of gas condensate		**375,944**	40,147	**351,914**	10,146
Royalty income from JJVL	18.1	**5,330,644**	1,017,577	**4,805,247**	473,900
Income on LPG and NGL - net	18.2	**1,227,492**	103,458	**983,843**	103,458
Meter manufacturing division profit - net		**350,883**	223,958	**132,324**	98,837
		7,284,963	1,385,140	**6,273,328**	686,341
		8,586,298	6,971,564	**6,971,723**	3,573,407

18.1 This amount includes Royalty income of Rs. 4,257 million pursuant to the Supreme Court decision 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. A total amount of Rs. 4,257 million was worked out for the period from August 2003 to December 2013 by a committee constituted by the Supreme Court to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight, for the full period during which the Implementation Agreement had been operational. However, the difference of freight amount is yet to be finalised for which the Supreme Court has appointed an Advocate Supreme Court to determine the matter which is still pending.

18.2 The Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields. As per MoUs, 50% of extracted quantity is sold out to JJVL and 50% to other customers.

19. Finance cost

Included in finance cost is an amount of Rs 2,136.2 million (December 2012: Rs 3,050.8 million) being mark-up on delayed payment on gas supplies.

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
	(Un-audited) (Rupees in '000)			
20. Taxation				
- Current	**(512,211)**	(1,419,280)	**244,316**	(637,092)
- Deferred	**1,010,047**	838,520	**467,336**	603,725
	497,836	(580,760)	**711,652**	(33,367)

	Half year ended	
	December 31, 2013	December 31, 2012
	(Un-audited) (Rupees in '000)	
21. Adjustments for non-cash and other items		
Provisions	**1,453,730**	1,900,108
Depreciation	**2,159,702**	1,948,311
Amortisation of intangibles	**31,543**	16,874
Finance cost	**3,328,859**	4,052,464
Amortisation of transaction cost	**3,232**	2,873
Recognition of income against deferred credit	**(213,982)**	(192,132)
Dividend income	**(237)**	(475)
Interest income and return on term deposits	**(447,567)**	(3,704,781)
Income from net investment in finance lease	**(120,558)**	(30,654)
(Gain) / loss on disposal of property, plant and equipment	**(1,575)**	2,355
Decrease in long term advances	**(42,745)**	(308,468)
Decrease in deferred credit	**42,746**	317,954
	6,193,148	4,004,429
22. Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**(466,066)**	(416,697)
Stock-in-trade	**(204,352)**	(12,741)
Customers' installation work-in-progress	**(6,952)**	(8,767)
Trade debts	**1,627,406**	(10,350,440)
Advance, deposits and short term prepayments	**(101,844)**	(42,490)
Other receivables	**(11,592,755)**	(9,536,814)
	(10,744,563)	(20,367,949)
Increase in current liabilities		
Trade and other payables	**15,758,629**	13,107,518
	5,014,066	(7,260,431)

23. Transactions with related parties

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

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

	Relationship	Half year ended December 31, 2013	Half year ended December 31, 2012
		(Un-audited) (Rupees in '000)	
* **Askari Bank Limited**	Associate		
- Profit on investment		**-**	2,517
- Mark-up on short term finance		**-**	165
- Mark-up on local currency finance		**-**	102,499
- Billable charges		**-**	67
Attock Refinery Limited	Associate		
- Sale of gas condensate		**24,030**	-
** **Astro Plastic (Private) Limited**	Associate		
- Billable charges		**59,488**	-
* **Bank Al-Habib Limited**	Associate		
- Profit on investment		-	4,915
- Mark-up on short term finance		-	320
- Mark-up on long term finance		-	48,739
Fauji Fertilizer Company Limited	Associate		
- Billable charges		**46**	10
Government related entities - various			
- Purchase of fuel and lubricant		**21,797**	3,653
- Billable charges		**23,686,831**	22,451,957
- Mark-up on delayed payment on gas supplies		**2,136,250**	3,050,816
- Sharing of expenses		**35,134**	31,322
- Income from net investment in finance lease		**86,728**	36,946
- Gas purchases		**38,286,693**	20,822,849
- Sale of gas meters		**1,155,279**	1,030,412
- Rent of premises		**-**	3,026
- Interest income		**114,052**	315,670
- Insurance premium		**56,183**	67,578
- Uniform cost of gas		**19,294,693**	18,565,268
- Electricity expense		**92,846**	70,100
** **Habib Bank Limited**	Associate		
- Profit on investment		**4,612**	-
- Mark up on short term finance		**5,490**	-
- Mark up on long term finance		**51,301**	-
- Billable Charges		**5,572**	-
* **Habib Metropolitan Bank**	Associate		
- Profit on investment		**-**	2,391
- Mark-up on short term finance		**-**	12,348
Hydrocarbon Development Institute of Pakistan	Associate		
- Billable Charges		**9,334**	16,737
International Industries Limited	Associate		
- Line Pipe Purchases		**178,491**	468,496
- Billable Charges		**540,287**	473,733
** **Ismail Industries Limited**	Associate		
- Billable Charges		**152,112**	-
Key management personnel			
- Remuneration		**96,791**	70,922

	Relationship	Half year ended December 31, 2013 (Un-audited) (Rupees in '000)	December 31, 2012
** **Kohinoor Silk Mills Limited**	Associate		
- Billable Charges		**127**	-
* **Liaquat National Hospital**	Associate		
- Medical services		**-**	18,009
- Billable charges		**-**	44,144
Minto & Mirza	Associate		
- Professional charges		**7,115**	4,000
Packages Limited	Associate		
- Billable charges		**6,104**	5,986
Pakistan Cables Limited	Associate		
- Billable charges		**40,919**	30,397
* **Pak Suzuki Motor Company Limited**	Associate		
- Motor Vehicle Purchases		**-**	40,121
- Billable charges		**-**	15,301
Pakistan Engineering Company Limited	Associate		
- Billable charges		**28**	23
** **Pakistan Synthetic Limited**	Associate		
- Billable charges		**146,329**	-
** **Premiem Textile Mills Limited**	Associate		
- Billable charges		**145,380**	-
** **Security Papers Limited**	Associate		
- Billable charges		**71,109**	-
** **Shezan International Limited**	Associate		
- Billable charges		**7,503**	-
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Short term loan		**-**	175,000
- Interest on loan		**75,191**	72,710
- Interest on delayed payment of gas bill		**12,633**	-
- Purchase of LPG		**142,988**	143,515
- Sales of LPG		**901,439**	71,977
Staff retirement benefit plans	Associate		
- Contribution to provident fund		**110,312**	103,807
- Contribution to pension fund		**89,045**	137,612
- Contribution to gratuity fund		**101,530**	107,787
Thatta Cement Company Limited	Associate		
- Billable charges		**7,057**	6,717

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

** Comparative transactions with these parties have not been disclosed as these parties were not related parties in comparative period.

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

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

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

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

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

	Relationship	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
		(Rupees in '000)	
*** Askari Bank Limited**	Associate		
- Long term finance		-	(1,333,333)
- Cash at bank		-	1,385
- Accrued markup		-	(23,982)
- Billable charges		-	9
- Gas supply deposit		-	(184)
Attock Refinery Limited	Associate		
- Sale of condensate		**42,105**	75,637
**** Astro Plastic (Private) Limited**	Associate		
- Billable charges		**10,820**	-
- Gas supply deposit		**(53,208)**	-
*** Bank Al-Habib Limited**	Associate		
- Long term finance		-	(500,000)
- Short term finance		-	(1,441,865)
- Cash at bank		-	2,422
- Accrued mark-up		-	(26,850)
Fauji Fertilizer Company Limited	Associate		
- Billable charges		**17**	5
Gas supply deposit		**(124)**	(124)
Government related entities - various			
- Billable charges		**56,131,758**	58,493,193
- Mark up accrued on borrowings		**(2,401)**	(2,348)
- Late payment surcharge on gas supplies		**(23,522,557)**	(21,386,308)
- Sharing of expenses		**(8,557)**	(11,924)
- Net investment in finance lease		**142,093**	107,973
- Gas purchases		**(70,660,049)**	(62,233,608)
- Gas meters		**665,445**	288,094
- Uniform cost of gas		**9,437,476**	3,975,409
- Cash at bank		**25,755**	42,467
- Stock Loan		**(20,805)**	(28,813)
- Recoverable from insurance		**271**	(2,025)
- Gas supply deposit		**(43,658)**	(50,169)
- Interest income accrued - late payment on gas bills		**5,846,256**	4,981,091
Habib Bank Limited	Associate		
- Long term finance		**(1,000,000)**	(1,000,000)
- Short Term Finance		**-**	(1,482,788)
- Cash at bank		**85,500**	90,237
- Accrued markup		**(416,667)**	(24,258)
- Billable charges		**443**	3,354
- Gas Supply Deposit		**(3,589)**	(3,589)
*** Habib Metropolitan Bank**	Associate		
- Short term finance		**-**	(95,536)
- Accrued mark-up		**-**	(13,409)
*** Hydrocarbon Development Institute of Pakistan**	Associate		
- Billable charges		**-**	2,723
- Gas supply deposit		**-**	(4,000)
International Industries Limited	Associate		
- Billable charges		**91,626**	24,278
Gas supply deposit		**(267,882)**	(48,925)

	Relationship	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
		(Rupees in '000)	
** **Ismail Industries Limited**	Associate		
- Billable charges		**28,157**	-
- Gas supply deposit		**(70,077)**	-
Kohinoor Silk Mills Limited	Associate		
- Billable charges		**21**	21
- Gas supply deposit		**(60)**	(60)
Packages Limited	Associate		
- Billable charges		**1,183**	951
- Gas supply deposit		**(3,044)**	(3,044)
Pakistan Cables Limited	Associate		
- Billable charges		**5,901**	7,553
- Gas supply deposit		**(17,159)**	(17,159)
Pakistan Engineering Company Limited	Associate		
- Billable charges		**5**	5
- Gas supply deposit		**(12)**	(12)
Pakistan Synthetic Limited	Associate		
- Billable charges		**22,520**	24,170
- Gas supply deposit		**(70,747)**	(64,509)
* **Pak Suzuki Motor Company Limited**	Associate		
- Billable charges		**-**	2,483
- Gas supply deposit		**-**	(10,656)
PERAC - Research & Development Foundation	Associate		
- Professional charges		-	57
Premium Textile Limited	Associate		
- Billable charges		**25,336**	19,490
- Gas supply deposit		**(52,564)**	(22,300)
** **Shezan International Limited**	Associate		
- Billable charges		**1,450**	-
- Gas supply deposit		**(4,085)**	-
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long term investment		**1,000,000**	1,000,000
- Short term loan		**1,710,103**	1,710,103
- Interest on loan		**84,848**	14,021
- LPG purchases		**(143,052)**	(125,652)
- LPG sales		**964,267**	275,546
Thatta Cement Company Limited	Associate		
- Billable charges		**1,391**	500
- Gas supply deposit		**(45,000)**	(45,000)

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

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

24. Operating segments

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

1) Gas transmission and distribution (sale of gas); and

2) Meter manufacturing (manufacturing and sale of gas meters).

Segment revenue and results

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

	Half year ended			
	Segment revenue		Segment (loss) / profit	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
	(Un-audited) (Rupees in '000)			
Gas transmission and distribution	**75,529,596**	68,225,427	**(109,158)**	2,238,595
Meter manufacturing	**1,389,916**	1,130,704	**350,883**	223,958
Total segment results	**76,919,512**	69,356,131	**241,725**	2,462,553
Unallocated - other expenses				
- Other operating expenses			**(1,860,144)**	(1,114,476)
Unallocated - other income				
- Non-operating income			**301,263**	280,247
(Loss) / profit before tax			**(1,317,156)**	1,628,324

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 286 million (2012: Rs. 293 million).

Segment assets and liabilities

	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
	(Rupees in '000)	
Segment assets		
Gas transmission and distribution	**199,281,651**	189,245,672
Meter manufacturing	**1,695,998**	1,628,242
Total segment assets	**200,977,649**	190,873,914
Unallocated		
- Loans and advances	**2,206,387**	1,971,837
- Taxation - net	**3,136,250**	2,787,665
- Interest accrued	**490,109**	490,109
- Cash and bank balances	**3,893,841**	847,680
	9,726,587	6,097,291
Total assets as per balance sheet	**210,704,236**	196,971,205
Segment liabilities		
Gas transmission and distribution	**182,608,193**	168,039,463
Meter manufacturing	**101,667**	278,663
Total segment liabilities	**182,709,860**	168,318,126
Unallocated		
- Employee benefits	**2,674,960**	2,518,454
Total liabilities as per balance sheet	**185,384,820**	170,836,580

25. Corresponding figures

Following figures have been reclassified consequent upon the change in current period's presentation.

Reclassification		**Half year ended December 31, 2013**
From	**To**	**(Rs. In '000)**
Administrative and selling expenses	**Other operating expenses**	
- Provision against impaired debts and other receivables	- Provision against impaired debts and other receivables	722,267
- Legal and professional	- Auditors remuneration	5,981
Other operating expenses	**Other non-operating income**	
- LPG processing charges	- Income on LPG and NGL - net	54,718

26. General

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

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

27. Date of authorisation

This unconsolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on 04 June, 2016.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director