

Sui Southern Gas Company Limited

Consolidated condensed interim financial information

For nine months ended September 30, 2014

Sui Southern Gas Company Limited
 Consolidated Condensed Interim Balance Sheet (Un-audited)
 As at September 30, 2014

276-2

	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
Note	----- (Rupees in '000) -----	
ASSETS		
Non-current assets		
Property, plant and equipment	6 73,235,794	72,400,489
Intangible assets	72,470	88,911
Long term investments	7 136,917	136,390
Net investment in finance lease	555,176	582,716
Long term loans and advances	136,719	140,508
Long-term deposits	7,382	7,311
Total non-current assets	74,144,458	73,356,325
Current assets		
Stores, spares and loose tools	1,256,374	2,176,365
Stock-in-trade	1,122,417	999,644
Current maturity of net investment in finance lease	110,161	110,161
Customers' installation work-in-progress	182,693	179,831
Trade debts	8 83,572,663	78,911,633
Loans and advances	960,434	308,865
Trade deposits and short term prepayments	190,667	145,168
Interest accrued	6,462,860	6,111,228
Other receivables	9 67,330,408	57,918,023
Taxation - net	10,574,209	10,466,026
Cash and bank balances	8,562,006	1,613,575
Total current assets	180,324,892	158,940,519
Total assets	254,469,350	232,296,844

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.


 Chairman

 CFO


 Managing Director

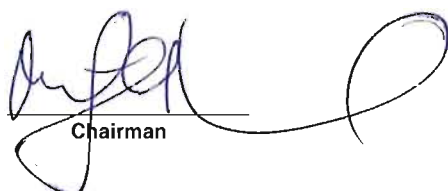
Sui Southern Gas Company Limited
 Consolidated Condensed Interim Balance Sheet (Un-audited)
 As at September 30, 2014

	September 30, 2014 (Un-audited)	June 30, 2013 (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 available for sale securities	123,289	122,762
Unappropriated profit	(1,896,761)	(1,128,372)
Total equity	11,943,092	12,710,954
Surplus on revaluation of fixed assets	10,251,946	10,251,946
LIABILITIES		
Non-current liabilities		
Long term finance - secured	10 18,715,002	20,859,892
Long term deposits	8,706,432	8,355,118
Deferred tax	2,302,674	3,177,965
Employee benefits	3,587,823	3,478,983
Deferred credit	11 5,397,285	5,448,852
Long term advances	1,023,683	1,023,678
Total non-current liabilities	39,732,899	42,344,488
Current portion of long term finance	5,374,476	4,046,274
Short term borrowings	12 234,103	3,141,237
Trade and other payables	13 158,233,964	132,885,500
Short term deposits	98,611	85,667
Interest and mark-up accrued	28,600,259	26,830,778
Total current liabilities	192,541,413	166,989,456
Total liabilities	232,274,312	209,333,944
Total equity and liabilities	254,469,350	232,296,844

Contingencies and commitments

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The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.


 Chairman


 Managing Director


 CFO

Sui Southern Gas Company Limited
 Consolidated Condensed Interim Profit and Loss Account (Un-audited)
 For the Quarter Ended September 30, 2014

		September 30, 2014	September 30, 2013
		(Un-Audited)	
		----- (Rupees in '000) -----	
Sales		47,276,787	44,800,130
Sales tax		<u>(6,751,010)</u>	<u>(6,233,072)</u>
		40,525,777	38,567,058
Gas development surcharge		1,045,856	920,177
Net sales		41,571,633	39,487,235
Cost of sales	15	<u>(42,105,582)</u>	<u>(37,920,842)</u>
Gross (Loss) / profit		(533,949)	1,566,393
Administrative and selling expenses		<u>(935,593)</u>	<u>(860,263)</u>
Other operating expenses	16	<u>(768,226)</u>	<u>(889,523)</u>
		<u>(1,703,819)</u>	<u>(1,749,786)</u>
		<u>(2,237,768)</u>	<u>(183,393)</u>
Other operating income	17	806,864	985,915
Operating (Loss) / profit		(1,430,904)	802,522
Other non-operating income	18	1,985,452	1,471,864
Finance cost	19	<u>(2,183,417)</u>	<u>(1,678,040)</u>
(Loss) / Profit before taxation		(1,628,869)	596,346
Taxation	20	860,480	(217,934)
(Loss) / Profit for the period		<u>(768,389)</u>	<u>378,412</u>
Basic / diluted (Loss) / earnings per share	(Rupees)	<u>(0.87)</u>	<u>0.43</u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.


 Chairman



 Managing Director


 CFO

Sui Southern Gas Company Limited
Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the Quarter Ended September 30, 2014

	September 30, 2014	September 30, 2013
	(Un-Audited)	
Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(1,628,869)	596,346
Adjustments for non-cash and other items	21 3,603,933	3,054,121
Working capital changes	22 11,668,515	8,317,625
Financial charges paid	(438,971)	(687,127)
Employee benefits (paid) / refund	(24,188)	(14,717)
Payment for retirement benefits	(68,303)	(106,917)
Long term deposits received - net	364,258	264,047
Deposits paid - net	(71)	(254)
Loans and advances to employees - net	(647,780)	(288,580)
Interest income and return on term deposits received	(113,077)	(64,408)
Income taxes paid	(122,994)	(49,496)
Net cash from operating activities	12,592,453	11,020,640
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,989,410)	(1,055,224)
Payments for intangible assets	(442)	
Proceeds from sale of property, plant and equipment	4,853	2,082
Lease rental from net investment in finance lease	66,491	92,570
Dividend received	-	24
Net cash used in investing activities	(1,918,508)	(960,548)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of local currency loans	(809,523)	(809,527)
Consumer finance received	5,982	65,816
Repayment of consumer finance	(14,763)	(18,700)
Dividend paid	(76)	(1,634)
Net cash used in financing activities	(818,380)	(764,045)
Net increase in cash and cash equivalents	9,855,565	9,296,047
Cash and cash equivalents at beginning of the period	(1,527,662)	(3,332,030)
Cash and cash equivalents at end of the period	8,327,903	5,964,017
Cash and cash equivalent comprises:		
Cash and bank balances	8,562,006	6,146,313
Short term borrowings	(234,103)	(182,296)
	8,327,903	5,964,017

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.


 Chairman

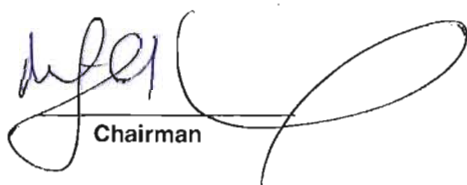

 Managing Director


 CFO

Sui Southern Gas Company Limited
 Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the Quarter Ended September 30, 2014

	September 30, 2014	September 30, 2013
	------(Rupees in '000)-----	
Net profit for the period	(768,389)	378,412
Other comprehensive income		
Item that may be reclassified subsequently to profit and loss account		
Unrealised gain on re-measurement of available for sale securities	527	303
Item that will not be reclassified subsequently to profit and loss account		
Total comprehensive (loss) / income for the period	<u>(767,862)</u>	<u>378,715</u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.


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 Managing Director

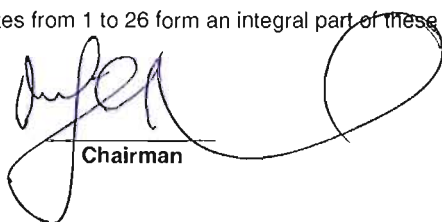

 CFO

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Sui Southern Gas Company Limited
 Consolidated condensed interim statement of changes in equity (Un-audited)
 For the Quarter Ended September 30, 2014

	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 June 30, 2013	8,809,163	234,868	4,672,533	81,156	1,697,000	15,494,720
Total comprehensive income for the period ended September 30, 2013						
Profit for the period	-	-	-	-	378,412	378,412
Other comprehensive income for the period				303		303
Total comprehensive income for the period	-	-	-	303	378,412	378,715
Balance as at September 30, 2013	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>81,459</u>	<u>2,075,412</u>	<u>15,873,435</u>
Balance as at June 30, 2014	8,809,163	234,868	4,672,533	122,762	(1,128,372)	12,710,954
Profit for the period	-	-	-	-	(768,389)	(768,389)
Unrealized loss on re-measurement of available for sale securities				527		527
Total comprehensive income for the period	-	-	-	527	(768,389)	(767,862)
Balance as at September 30, 2014	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>123,289</u>	<u>(1,896,761)</u>	<u>11,943,092</u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.


 Chairman


 Managing Director


 CFO

1. The Group and its operations

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

Subsidiary Companies

- SSGC LPG (Private) Limited

	Percentage of holding	
	2016	2015
	100	100

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

Sui Southern Gas Company Limited

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

Sui Southern Gas Provident Fund Trust Company (Private) Limited

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

SSGC LPG (Private) Limited

SSGC LPG (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at ST-4/B, Block-14, Sir Shah Muhammad Suleman Road, Gulshan-e-Iqbal, Karachi and its main activity is supply of liquefied petroleum gas and provision of terminal and storage services.

1.2 Basis of consolidation

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

1.3 Regulatory Framework

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

1.4 Determination of revenue requirement

- 1.4.1 Revenue requirement for the three months period ended September 30, 2014 has been determined on the same basis as determined in the annual financial statements for the year ended June 30, 2014 which is based on interim relief provided by the Sindh High Court decision in the matter 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.

- 1.4.2 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 Holding 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 aforesaid income was treated as operating income by the Holding Company.

The 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.

2. Basis for preparation

- 2.1 The consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and directives of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed. This consolidated condensed interim financial information does not include all of the information required for the annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2014.

3. Significant accounting policies

The significant accounting policies and methods of computation applied for the preparation of this consolidated condensed interim financial information are the same as those applied in preparation of the annual consolidated audited financial statements of the Company for the year ended June 30, 2014.

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, 2014 except that the charge in respect of staff retirement benefits has been recognized 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 the 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, 2014.

6. Property, plant and equipment

	September 30, 2014 (Un-audited) ------(Rupees in '000)-----	June 30, 2014 (Audited)
Operating assets	64,091,947	64,256,925
Capital work-in-progress	9,143,847	8,143,564
	<u>73,235,794</u>	<u>72,400,489</u>

Details of additions and disposals of property, plant and equipment during the quarter ended September 30, 2014 are as follows:

	September 30, 2014 (Un-audited) ------(Rupees in '000)-----	September 30, 2013		
	Cost of additions / transfers	Written down value of (transfers / disposals)	Cost of additions / transfers	Written down value of (transfers / disposals)
Operating assets				
Buildings on leasehold land	13,830		5,280	
Roads, pavements and related infrastructures	-		1,086	
Gas transmission pipelines	115,970		61,050	
Gas distribution system	645,791		729,108	
Telecommunication	99,249		430	
Plant and machinery	83,165		79,191	
Tools and equipment	7,445		5,621	
Motor vehicles	32,910	(6,832)	47,576	(899)
Furniture and fixtures	4,003		4,721	
Office equipment	6,112		8,496	
Computers and ancillary equipments	6,103		5,179	
Construction equipment	12		-	
	<u>1,014,590</u>	<u>(6,832)</u>	<u>947,738</u>	<u>(899)</u>
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work-in-progress:				
Gas transmission and distribution system	858,879	(645,791)	1,290,914	(664,244)
Cost of building under construction	189,143	(115,970)	268,857	(26,700)
Plant, machinery and others	41,447	(13,830)	1,861	(15,022)
	<u>1,089,469</u>	<u>(775,591)</u>	<u>1,561,632</u>	<u>(705,966)</u>

7. Long term investments

	September 30, 2014 (Un-audited) ------(Rupees in '000)-----	June 30, 2014 (Audited)
Investment in related parties	1,056,475	59,781
Other investments	80,442	76,609
	<u>1,136,917</u>	<u>136,390</u>

	Note	September 30, 2014 (Un-audited) ------(Rupees in '000)-----	June 30, 2014 (Audited)
8. Trade Debts			
Considered good			
- secured		12,756,713	16,038,080
- unsecured	8.1 & 8.2	80,352,259	72,086,833
		93,108,972	88,124,913
Provision against doubtful debts		(9,536,309)	(9,213,280)
		83,572,663	78,911,633

- 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. 41,632 million (June 30, 2014: Rs.41,302 million) as at September 30, 2013 receivables from KE. Out of this, Rs. 37,604 million (June 30, 2014: Rs. 37,450 million) as at September 30, 2013 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 57,807 million (June 30, 2014: Rs. 55,458 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 aforementioned suit against KE amounting to Rs. 55,705 million. The above suit has been filed based on the following grounds:

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

- 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. 18,154 million (June 30, 2014: Rs. 16,944 million) including overdue balance of Rs. 19,197 million June 30, 2014: Rs. 16,488 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 27,166 million (June 30, 2014: Rs. 24,443 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 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.

		September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
	Note	----- (Rupees in '000) -----	
9. Other receivables - considered good			
Gas development surcharge receivable from Government of Pakistan (GoP)	9.1	21,894,959	20,737,160
Staff pension fund		645,994	659,934
Receivable for sale of gas condensate		101,527	206,909
Sui Northern Gas Pipelines Limited		16,934,866	12,354,923
Jamshoro Joint Venture Limited (JJVL)	9.2	16,174,218	14,349,882
Workers' Profit Participation Fund		1,229,655	1,229,655
Sales tax receivable	9.3	12,002,432	10,496,392
Sindh sales tax		112,569	112,569
Pipeline rentals		52,726	33,779
Receivable against asset contribution	9.4	423,269	
Miscellaneous receivables		104,552	83,179
		<u>69,676,767</u>	<u>60,264,382</u>
Provision against impaired receivables		<u>(2,346,359)</u>	<u>(2,346,359)</u>
		<u>67,330,408</u>	<u>57,918,023</u>

- 9.1** This includes Rs. 390 million (June 30, 2014: 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 interim financial information.
- 9.2** 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. 7,502 million (June 30, 2014: Rs. 7,474 million), Rs. 5,182 million (June 30, 2014: Rs. 5,160 million), Rs. 896 million (June 30, 2014: Rs. 1,070 million) and Rs. 609 million (June 30, 2014: Rs. 646 million) respectively.

As at period end, amount payable to JJVL is Rs. 4,608 million (June 30, 2014: Rs. 3,298 million) as disclosed in note 13 to these condensed interim financial information.

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

	September 30, 2014 (Un-audited) ------(Rupees in '000)-----	June 30, 2014 (Audited)
10. Long term finance		
Secured		
Loans from banking companies	18,031,007	18,838,914
Unsecured		
Front end fee of foreign currency loan	23,950	23,950
Consumer financing	277,662	286,443
Government of Sindh loan	5,756,859	5,756,859
	<u>6,058,471</u>	<u>6,067,252</u>
	<u>24,089,478</u>	<u>24,906,166</u>
Less: current portion shown under current liabilities		
Loans from banking companies	(4,821,429)	(3,488,095)
Consumer financing	(44,701)	(49,833)
Government of Sindh loan	(508,346)	(508,346)
	<u>(5,374,476)</u>	<u>(4,046,274)</u>
	<u>18,715,002</u>	<u>20,859,892</u>
		Quarter ended
	September 30,	September 30,
	2014	2013
	(Un-audited)	(Audited)
	------(Rupees in '000)-----	
11. DEFERRED CREDIT		
- Government contributions / grants		
Additions / adjustments during the period / year	(2,555)	7,601
Transferred to consolidated profit and loss account	(4,524)	(52,734)
- Contribution from customers		
Refunds during the period / year	-	-
Transferred to consolidated profit and loss account	(44,487)	(46,641)

12. Short term borrowings

This represent facilities for short term running finance and short term loan available from various banks amounting to Rs. nil (June 30, 2014: Rs. 3,141 million) and subject to mark-up up to 0.80% (June 30, 2014: 1%) 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. 11,250 million. (June 30, 2014: Rs. 8,809 million)

	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
Note -----(Rupees in '000)-----		
13. Trade and other payables		
Creditors for:		
- gas	134,226,552	114,015,193
- supplies	621,571	483,341
	<u>134,848,123</u>	<u>114,498,534</u>
Amount received from customers for laying of mains, etc.	2,039,976	2,028,086
Accrued liabilities	2,016,295	1,649,095
Gratuity	2,236,481	2,216,268
Provision for compensated absences - non executives	143,528	143,528
Deposits / retention money	319,216	321,981
Bills payable	23,289	55,582
Advance for sharing right of way	18,088	18,088
Unclaimed dividend	288,003	288,079
Withholding tax payable	683,453	589,051
Sales tax & FED payable	311,271	297,228
Sindh sales tax	36,810	38,850
Processing Charges payable to JJVL	4,608,490	3,298,123
Gas infrastructure development cess payable	13.1 10,421,119	7,178,607
Unclaimed term finance certificate redemption profit	1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)	8,428	9,286
Advances from customers and distributors	327	15,778
Others	229,267	237,536
	<u>158,233,964</u>	<u>132,885,500</u>

- 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 Honourable 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 passed by Parliament applicable on all parties. Following the imposition of the said Act, many consumers filed a petition in Honourable Sindh High Court and obtained stay order against Act passed by the Parliament. The Holding Company has obtained legal opinion, which states the management has to comply with the stay order of Honourable 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 Holding Company for the year ended June 30, 2014, except for the following:

	September 30, 2014 (Un-audited) ----- (Rupees in '000)-----	June 30, 2014 (Audited)
Claims against the Holding Company not acknowledged as debt	<u>87,293</u>	<u>97,741</u>
Commitments for capital and other expenditure	<u>2,395,774</u>	<u>2,278,011</u>
Guarantees issued on behalf of the Group	<u>1,811,228</u>	<u>172,362</u>

- 14.2 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Holding Company amounting to Rs.23,000 million (June 30, 2014: Rs. 23,000 million) for short supply of gas under the provisions of an agreement dated April 10, 1995 between the Holding 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 Holding Company as management is confident that ultimately this claim would not be payable.

- 14.3 Habibullah Coastal Power Company (Private) Limited (HCPC) has claimed Rs. 1,899.96 million (June 30, 2014: Rs. 1,899.96 million) from the Holding Company for short supply of gas under the provisions of an agreement dated March 31, 1996 between the Company and HCPC. As at December 31, 2015, this amount has increased to Rs. 2,625.33 million. HCPC has also disputed late payment surcharge charged by the Holding Company amounting to Rs. 360 million. HCPC has also invoked arbitration as per article of Gas Sale Agreement. In the instant arbitral proceedings, the Holding 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 these condensed interim financial information.

	Quarter ended	
	September 30, 2014 (Un-audited) ----- (Rupees in '000)-----	September 30, 2013
15. Cost of sales		
Cost of gas	38,496,457	35,092,231
Transmission and distribution costs	3,609,125	2,828,611
	<u>42,105,582</u>	<u>37,920,842</u>

16. Other operating expenses

Auditors' remuneration	4,255	4,731
Workers' Profit Participation Fund	-	-
Sports expenses	6,614	7,119
Corporate social responsibility	23,415	4,322
Exchange loss on payment of gas purchases	411,278	568,104
Loss on sale of property, plant and equipment	2,149	-
Provision against impaired stores and spares	171	10,288
Provision against impaired debts and other receivables	320,344	294,959
	<u>768,226</u>	<u>889,523</u>

17. Other operating income

Income from other than financial assets

Meter rentals	173,148	168,717
Recognition of income against deferred credit	44,813	92,628
Income from new service connections and asset contribution-	436,019	58,754
Gas shrinkage charged to JJVL	17.1	524,873
Income from gas transportation	-	8,026
Income from LPG air mix distribution - net	92,587	94,642
Advertising income	1,208	1,182
Income from sale of tender documents	2,153	475
Scrap sales	-	-
Recoveries from consumers	15,928	17,338
Liquidity damaged recovered	2,276	1,976
Gain on sale of property, plant and equipment	-	1,183
Miscellaneous	38,732	16,121
	<u>806,864</u>	<u>985,915</u>

- 17.1 The Holding 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 has been 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 Supreme Court Order.

	Quarter ended	
	September 30, 2014	September 30, 2013
	(Un-audited)	
Note	----- (Rupees in '000)-----	
18. Other non-operating income		
Income from financial assets		
Late payment surcharge	432,042	346,895
Income from net investment in finance lease	16,354	16,698
Income for receivable against asset contribution	10,509	
Return on:		
- profit and loss bank accounts	69,138	44,740
	<u>528,043</u>	<u>408,333</u>
Interest income on late payment of gas bills from		
- Jamshoro Joint Venture Limited	29,947	59,179
- Water & Power Development Authority (WAPDA)	30,333	28,269
- SNGPL - Related Party	110,880	21,701
	<u>171,160</u>	<u>109,149</u>
Dividend income	-	24
	<u>699,203</u>	<u>517,506</u>
Income from investment in debts, loans, advances and receivables from related parties		
Income from net investment in finance lease - SNGPL	22,597	48,354
Others		
Sale of gas condensate	91,959	24,030
Royalty income from JJVL	-	525,397
Sale of LPG-net	1,265,126	138,018
Meter manufacturing division profit - net	(93,433)	218,559
	<u>1,263,652</u>	<u>906,004</u>
	<u>1,985,452</u>	<u>1,471,864</u>

- 18.1 The Company signed various Memorandum of Understanding (MoUs) 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. 1,545 million (September 2013: 1,033 million) being markup on delayed payment on gas supplies.

		Quarter ended	
		September 30, 2014	September 30, 2013
		(Un-audited)	
		----- (Rupees in '000)-----	
20. Taxation			
- Current		14,811	760,645
- Deferred		(875,291)	(542,711)
		<u>(860,480)</u>	<u>217,934</u>
-21. -Adjustments for non-cash and other items			
Provisions		574,322	518,974
Depreciation		1,166,106	1,051,709
Amortization of intangibles		16,883	15,772
Finance cost		2,181,801	1,676,424
Amortization of transaction cost		1,616	1,616
Recognition of income against deferred credit		(49,011)	(99,376)
Dividend income		-	(24)
Interest income and return on term deposits		(238,555)	(44,740)
Income from net investment in finance lease		(38,951)	(65,052)
(Gain) / loss on disposal of property, plant and equipment		2,149	(1,183)
Decrease in long term advances		5	(7,601)
Decrease in deferred credit		(12,432)	7,602
		<u>3,603,933</u>	<u>3,054,121</u>
22. Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		919,021	(115,929)
Stock-in-trade		(122,773)	25,091
Customers' installation work-in-progress		(2,862)	(1,077)
Trade debts		(4,981,374)	(2,717,750)
Trade deposits and short term prepayments		(45,499)	(96,026)
Other receivables		(9,426,325)	(5,543,489)
		<u>(13,659,812)</u>	<u>(8,449,180)</u>
Increase in current liabilities			
Trade and other payables		25,328,327	16,766,805
		<u>11,668,515</u>	<u>8,317,625</u>
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 Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority. The prices and other conditions are not influenced by the Holding Company.

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

		Quarter ended	
		September 30, 2014	September 30, 2013
		(Un-audited)	
		----- (Rupees in '000)-----	
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		44,635	25,907
** Attock Cement Limited	Associate		
- Billable charges		10,563	-

	Relationship	Quarter ended	
		September 30, 2014	September 30, 2013
		(Un-audited)	
		----- (Rupees in '000)-----	
* Attock Refinery Limited	Associate		
- Sale of gas condensate		-	24,030
Fauji Fertilizer Company Limited	Associate		
- Billable charges		14	-
** Gadoon Textile Mills Limited			
- Billable charges		70	-
Government related entities - various			
- Purchase of fuel and lubricant		1,140	7,322
- Billable charges		15,808,729	13,945,337
- Mark-up on delayed payment on gas supplies		1,545,254	1,033,372
- Sharing of expenses		19,051	18,437
- Income from net investment in finance lease		22,597	48,354
- Gas purchases		20,156,194	18,644,787
- Sale of gas meters		118,244	674,012
- Rent of premises		13,055	-
- Insurance premium		30,555	27,254
- Interest Income		141,213	49,970
- Uniform cost of gas		9,477,485	9,569,274
- Electricity expense		51,726	54,917
- Markup on local currency finance		7,107	-
Habib Bank Limited	Associate		
- Profit on investment		19,629	640
- Mark up on short term finance		4,689	5,490
- Markup on local currency finance		27,605	25,740
- Billable Charges		3,655	3,358
* Hydrocarbon Development Institute of Pakistan	Associate		
- Billable Charges		-	9,097
International Industries Limited	Associate		
- Line Pipe Purchases		51,335	1,127
- Billable Charges		282,437	260,746
Ismail Industries Limited	Associate		
- Billable Charges		100,584	73,419
Key management personnel			
- Remuneration		56,555	53,810
Kohinoor Silk Mills Limited	Associate		
- Billable Charges		66	63
Minto & Mirza	Associate		
- Professional charges		3,600	7,115
* Packages Limited	Associate		
- Billable charges		-	3,171
Pakistan Cables Limited	Associate		
- Billable charges		26,777	20,519
Pakistan Engineering Company Limited	Associate		
- Billable charges		14	14

		Quarter ended	
		September 30, 2014	September 30, 2013
		(Un-audited)	
		----- (Rupees in '000)-----	
	Relationship		
Pakistan Synthetic Limited	Associate		
- Billable charges		17,125	75,638
Premium Textile Mills Limited	Associate		
- Billable charges		76,235	72,762
* Security Papers Limited	Associate		
- Billable charges		-	34,592
* Shezan International Limited	Associate		
- Billable charges		-	3,463
Staff retirement benefit plans	Associate		
- Contribution to provident fund		64,013	54,768
- Contribution to pension fund		41,816	50,319
- Contribution to gratuity fund		60,640	56,597
Thatta Cement Company Limited	Associate		
- Billable charges		2,530	2,854

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

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

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

		September 30, 2014	June 30, 2014
		(Unaudited)	(Audited)
		----- (Rupees in '000)-----	
	Relationship		
Astro Plastic (Private) Limited	Associate		
- Billable charges		79,822	10,645
- Gas supply deposit		(106,416)	(53,208)
** Attock Cement Limited	Associate		
- Billable charges		5,033	
- Gas supply deposit		30,138	
* Attock Refinery Limited	Associate		
- Sale of condensate		-	42,105

		September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
	Relationship	------(Rupees in '000)-----	
Fauji Fertilizer Company Limited	Associate		
- Billable charges		18	5
- Gas supply deposit		(124)	(124)
** Gadoon Textile Mills Limited	Associate		
- Billable charges		30	-
- Gas supply deposit		(113)	-
Government related entities - various			
- Billable charges		67,082,573	60,012,605
- Mark up accrued on borrowings		-	(2,454)
- Sharing of expenses		(8,428)	(9,286)
- Net investment in finance lease		84,811	142,093
- Gas purchases		(92,206,948)	(87,021,301)
- Gas meters		255,212	390,366
- Uniform cost of gas		16,985,808	12,210,925
- Cash at bank		20,271	9,043
- Stock Loan		(14,296)	(12,796)
- Recoverable from insurance		814	271
- Gas supply deposit		(60,056)	(52,625)
- Interest expense accrued - late payment surcharge on gas bills		(27,858,172)	(26,312,920)
- Interest income accrued - late payment on gas bills		5,569,235	5,428,023
Habib Bank Limited	Associate		
- Long term finance		(1,000,000)	(1,000,000)
- Cash at bank		3,134	105,774
- Accrued markup		(13,028)	(19,913)
- Billable charges		1,353	10,401
- Gas Supply Deposit		(3,589)	(3,589)
International Industries Limited	Associate		
- Billable charges		93,793	22,705
- Gas supply deposit		(293,662)	(48,925)
Ismail Industries Limited	Associate		
- Billable charges		45,865	29,745
- Gas supply deposit		(96,288)	(5,857)
* Kohinoor Silk Mills Limited	Associate		
- Billable charges		-	22
- Gas supply deposit		-	(60)
* Packages Limited	Associate		
- Billable charges		-	1,156
- Gas supply deposit		-	(3,044)

		September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
	Relationship	----- (Rupees in '000) -----	
Pakistan Cables Limited	Associate		
- Billable charges		11,993	7,415
- Gas supply deposit		(12,690)	(17,159)
Pakistan Engineering Company Limited	Associate		
- Billable charges		5	5
- Gas supply deposit		(12)	(12)
Pakistan Synthetic Limited	Associate		
- Billable charges		6,170	5,814
- Gas supply deposit		(76,910)	(67,765)
* PERAC - Research & Development Foundation	Associate		
- Professional charges		-	57
Premium Textile Limited	Associate		
- Billable charges		24,708	25,330
- Gas supply deposit		(52,564)	(22,300)
* Shezan International Limited	Associate		
- Billable charges		-	822
- Gas supply deposit		-	(4,032)
Thatta Cement Company Limited	Associate		
- Billable charges		369	283
- 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 Group 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

- 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 Group's revenue and results by reportable segment.

	Quarter ended		Quarter ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Un-audited)		(Un-audited)	
	(Rupees in '000)			
Gas transmission and distribution	40,525,777	38,567,058	(875,299)	1,157,494
Meter manufacturing	118,244	803,207	(93,433)	218,559
Total segment results	40,644,021	39,370,265	(968,732)	1,376,053

Unallocated - other expenses				
- Other operating expenses			(768,226)	(889,523)
Unallocated - other income				
- Non-operating income			108,089	109,816
Profit before tax			(1,628,869)	596,346

Segment assets and liabilities

During the period, there were following significant increase in the assets and liabilities of transmission and distribution segment as compared to June 30, 2014:

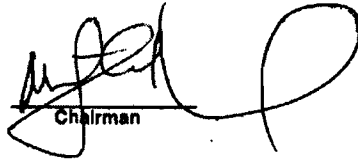
	September 30, 2014	June 30, 2014
	(Unaudited)	(Audited)
	(Rupees in '000)	
Segment assets		
Gas transmission and distribution	229,926,756	216,820,633
Meter manufacturing	3,819,117	2,457,125
Total segment assets	233,745,873	219,277,758
Unallocated		
- Loans and advances	1,097,153	449,373
- Taxation - net	10,574,209	10,466,026
- Interest accrued	490,109	490,112
- Cash and bank balances	8,562,006	1,613,575
	20,723,477	13,019,086
Total assets as per balance sheet	254,469,350	232,296,844
Segment liabilities		
Gas transmission and distribution	228,254,183	205,365,206
Meter manufacturing	432,306	489,755
Total segment liabilities	228,686,489	205,854,961
Unallocated		
- Employee benefits	3,587,823	3,478,983
Total liabilities as per balance sheet	232,274,312	209,333,944

25. General

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

26. Date of authorisation


This consolidated condensed interim financial information was authorised for issue on 04 March, 2017 by the Board of Directors of the Company.



Chairman



Managing Director



CFO