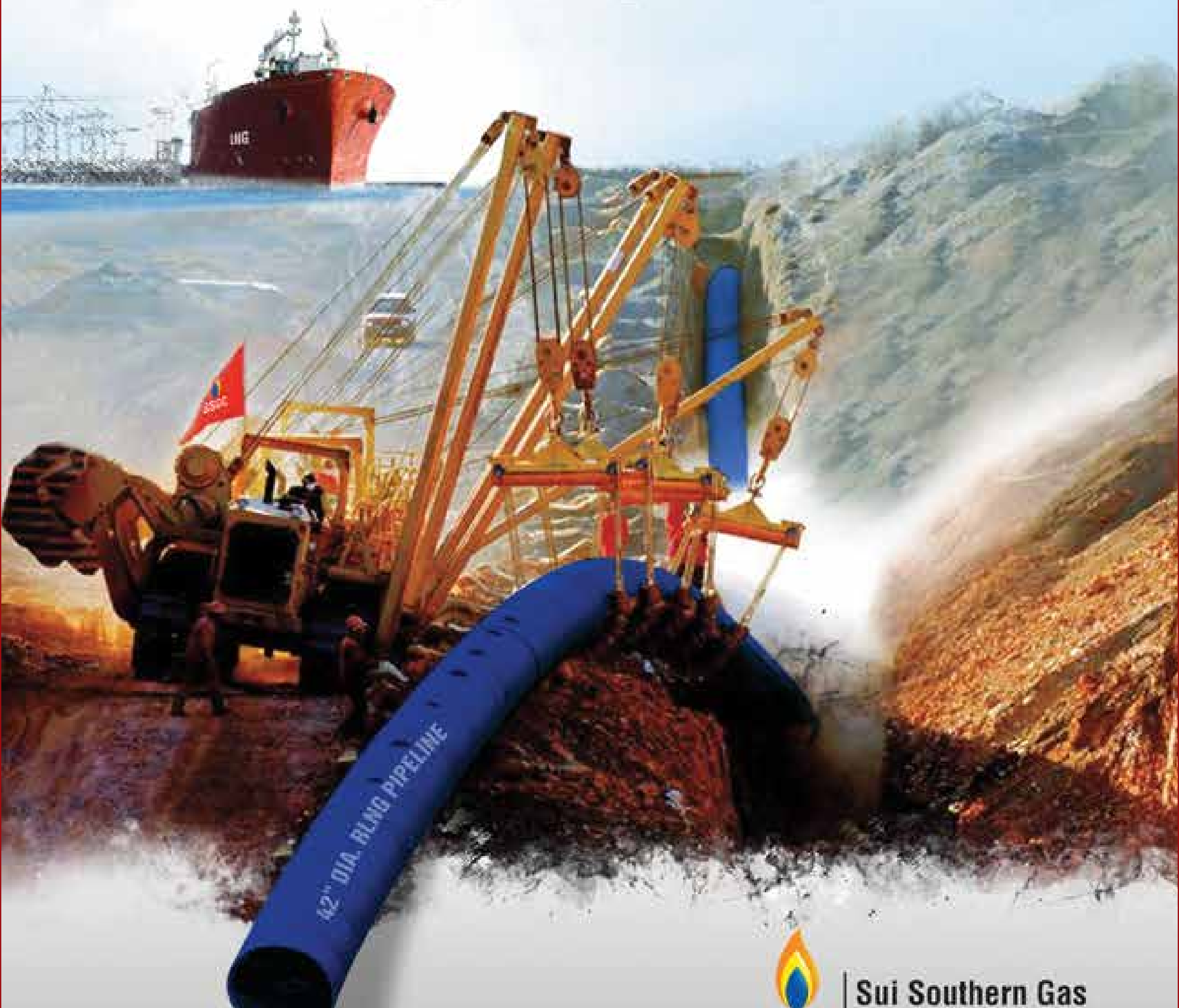
Condensed Interim Financial Information (Un-Audited) for the Period ended December 31, 2016

CONSTRUCTING A SUSTAINABLE FUTURE



SSGC | Sui Southern Gas Company Limited

SSGC

Sui Southern Gas
Company Limited

CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2016

CORPORATE PROFILE
As on December 31, 2016

Boad of Directors

Mr. Miftah Ismail	Chairman
Mr. Khalid Rahman*	Managing Director / CEO
Agha Sher Shah	Member
Nawabzada Riaz Nosherwani	Member
Sardar Rizwan Kehar	Member
Mirza Mahmood Ahmad	Member
Mr. Muhammad Riaz Khan	Member
Syed Ghazanfar Abbas Jilani	Member
Mr. Furqan Bahadur Khan	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Azher Ali Choudhry	Member
Mr. Abdul Ghufran	Member
Mr. Saleem Zamindar	Member

*Mr. Muhammad Amin Rajput was appointed as Acting Managing Director/CEO by the Ministry of Energy (then Ministry of Petroleum and Natural Resources), in the absence of Mr. Khalid Rahman who was assigned the task of Gas Sector Reforms as a Team Leader. The arrangement was also endorsed by the Board.

Board of Director's Committees

Board Human Resource and Remuneration Committee

Mr. Miftah Ismail	Chairman
Mr. Muhammad Amin Rajput*	AMD
Sardar Rizwan Kehar	Member
Mr. Azhar Ali Choudhry	Member
Mr. Furqan Bahadur Khan	Member
Nawabzada Riaz Nosherwani	Member

Board Finance and Procurement Committee

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

Board Audit Committee

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

Board Risk Management and Litigation Committee

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

Board Special Committee on UFG

Sardar Rizwan Kehar	Chairman
Mr. Muhammad Amin Rajput*	AMD
Mr. Miftah Ismail	Member
Nawabzada Riaz Nosherwani	Member
Mr. Furqan Bahadur Khan	Member
Mr. Muhammad Riaz Khan	Member
Mirza Mahmood Ahmad	Member

Board Nomination Committee

Agha Sher Shah	Chairman
Sardar Rizwan Kehar	Member
Mr. Abdul Ghufran	Member

Auditors
M/s. Deloitte Yousuf Adil
Chartered Accountants

Legal Advisors
M/s. Orr, Dignam & Co.
Advocates

Registered Office
SSGC House,
Sir Shah Suleman Road,
Gulshan-e-Iqbal, Block 14
Karachi - 73500, Pakistan

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Web: www.ssgc.com.pk

Share Registrar
Central Depository Company of Pakistan
CDC House, 99-B,Block - B, SMCHS
Main Shahrah-e- Faisal, Karachi
Ph: 021-111-111-500 Fax : 021-34326034

Company Secretary
Shoaib Ahmed

Acting Managing Director
Mr. Muhammad Amin Rajput*

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

INTRODUCTION

We have reviewed the accompanying unconsolidated condensed interim balance sheet of **Sui Southern Gas Company Limited** ("the Company") as at December 31,2016, 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 paragraph (a) and (b) below, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

(a) as described in notes 8.1 and 8.2 to the unconsolidated condensed interim financial information, trade debts includes receivable of Rs. 31,632 million (June 30, 2016: Rs. 35,949 million) and Rs. 22,004 million (June 30, 2016: Rs. 21,708 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. A 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.

(b) As disclosed in note 9 to the unconsolidated condensed interim financial information, interest accrued includes interest receivable of Rs. 5,413 million and Rs. 3,114 million from Sui Northern Gas Pipelines Limited (SNGPL) and Water and Power Development Authority (WAPDA) respectively. A significant portion of such receivables include overdue amounts, which have been considered good by the management and classified as current assets in the unconsolidated condensed interim financial information. Due to dispute with WAPDA, and large accumulation of their respective overdue amounts of interest, we were unable to determine the extent to which the interest accrued amounts due from SNGPL and WAPDA are likely to be recovered and the 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 in (a) and (b) 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, 2016 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 the following matter:

(i) note 1.3 to the unconsolidated condensed interim financial information that describes the reasons why Company's profitability and financial position and performance has been declined over the years and the steps planned by the management, which will result in improvement in the Company's profitability over the next few years;

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

(iii) note 15 to the unconsolidated condensed interim financial information that describe that the Company is subject to various material litigations and claims involving different courts. The outcome of these cases is uncertain and beyond management's control; and

(iv) note 19.2 to the unconsolidated condensed interim financial information that states that the Company has reversed the late payment surcharge (LPS) expense Rs. 26,222 million on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2016 and not recorded LPS expense for the period ended December 31, 2016 amounting to Rs. 4,046 million for reasons described in the said note.

Our conclusion is not qualified in respect of above matters.

OTHER MATTERS

The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarter ended December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Chartered Accountants

Engagement Partner:
Hena Sadiq

Dated: 13 February, 2019
Place: Karachi

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
(UN-AUDITED)
As At December 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-------------(Rupees in '000)-------------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**110,202,853**	96,711,045
Intangible assets		**17,471**	24,643
Deferred tax		**2,868,084**	2,668,942
Long term investments	7	**1,367,800**	1,243,416
Net investment in finance lease		**333,485**	362,394
Long term loans and advances		**193,067**	162,426
Long term deposits		**13,747**	8,302
Total non-current assets		**114,996,507**	101,181,168
Current assets			
Stores, spares and loose tools		**3,306,069**	2,146,869
Stock-in-trade		**833,174**	801,819
Current maturity of net investment in finance lease		**83,990**	110,161
Customers' installation work-in-progress		**180,916**	184,508
Trade debts	8	**83,161,260**	86,285,447
Loans and advances		**2,598,850**	2,643,911
Advances, deposits and short term prepayments		**170,610**	481,877
Interest accrued	9	**9,905,129**	9,191,342
Other receivables	10	**52,546,945**	55,108,009
Taxation- net		**17,847,475**	19,986,902
Cash and bank balances		**684,811**	954,239
Total current assets		**171,319,229**	177,895,084
Total assets		**286,315,736**	279,076,252

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

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
(UN-AUDITED)
As At December 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-------------(Rupees in '000)-------------	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
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		326,171	201,787
Accumulated losses		(10,362,373)	(11,500,489)
		3,680,362	2,417,862
Surplus on revaluation of fixed assets		11,728,265	11,728,265
LIABILITIES			
Non-current liabilities			
Long term finance	11	33,274,414	22,573,040
Long term deposits		13,560,074	12,462,204
Employee benefits		4,927,817	4,704,086
Obligation against pipeline		1,005,814	1,027,886
Deferred credit	12	5,569,767	5,842,485
Long term advances		1,071,574	1,092,831
Total non-current liabilities		59,409,460	47,702,532
Current liabilities			
Current portion of long term finance	11	4,502,154	5,756,246
Short term borrowings	13	8,625,886	4,860,212
Trade and other payables	14	181,359,036	189,609,842
Current portion of obligation against pipeline		43,178	41,287
Current portion of deferred credit	12	422,793	427,547
Interest accrued		16,544,602	16,532,459
Total current liabilities		211,497,649	217,227,593
Total liabilities		270,907,109	264,930,125
Total equity and liabilities		286,315,736	279,076,252
Contingencies and commitments	15		

Chairman　　　　Chief Financial Officer　　　　Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
For The Half Year Ended December 31, 2016

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
		--------(Rupees in '000)--------			
Sales		**100,570,532**	110,379,210	**48,380,114**	55,416,287
Sales tax		**(13,949,953)**	(15,971,473)	**(6,653,129)**	(8,147,214)
		86,620,579	94,407,737	**41,726,985**	47,269,073
Gas development surcharge		**(16,163,814)**	(14,055,726)	**(11,020,909)**	(10,753,280)
Net sales		**70,456,765**	80,352,011	**30,706,076**	36,515,793
Cost of sales	16	**(69,749,431)**	(85,781,922)	**(34,555,640)**	(39,869,096)
Gross Profit / (Loss)		**707,334**	(5,429,911)	**(3,849,564)**	(3,353,303)
Administrative and selling expenses		**(2,097,075)**	(1,924,063)	**(1,100,698)**	(969,800)
Other operating expenses	17	**(1,905,202)**	(1,253,064)	**(306,802)**	(660,988)
		(4,002,277)	(3,177,127)	**(1,407,500)**	(1,630,788)
		(3,294,943)	(8,607,038)	**(5,257,064)**	(4,984,091)
Other operating income	18	**3,265,978**	970,912	**2,365,783**	590,122
Operating loss		**(28,965)**	(7,636,126)	**(2,891,281)**	(4,393,969)
Other non-operating income	19	**4,255,776**	4,309,271	**1,389,787**	2,000,233
Finance cost		**(1,079,808)**	(5,426,154)	**(440,188)**	(2,856,825)
Profit / (Loss) before taxation		**3,147,003**	(8,753,009)	**(1,941,682)**	(5,250,561)
Taxation	20	**(2,008,887)**	2,685,408	**(1,109,318)**	1,583,434
Profit / (Loss) for the period		**1,138,116**	(6,067,601)	**(3,051,000)**	(3,667,127)
		Rupees		**Rupees**	
Basic and diluted earning per share		**1.29**	(6.89)	**(3.46)**	(4.16)

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

Chairman **Chief Financial Officer** **Managing Director**

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For The Half Year Ended December 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	-----(Rupees in '000)-----			
Profit / (Loss) for the period	**1,138,116**	(6,067,601)	**(3,051,000)**	(3,667,127)
Other comprehensive income				
Item that may be reclassified subsequently to profit and loss account				
Unrealised gain / (Loss) on re-measurement of available for sale securities	**124,384**	(57,690)	**178,314**	(3,760)
Total comprehensive income for the period	**1,262,500**	(6,125,291)	**(2,872,686)**	(3,670,887)

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

Chairman **Chief Financial Officer** **Managing Director**

SUI SOUTHERN GAS COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
For The Half Year Ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
		--------(Rupees in '000)--------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		3,147,003	(8,753,009)
Adjustments for non-cash and other items	21	3,813,975	8,034,388
Working capital changes	22	(5,175,294)	13,009,352
Financial charges paid		(1,527,035)	(1,188,179)
Employee benefits paid		(39,171)	(48,125)
Payment for retirement benefits		(255,008)	(377,149)
Long term deposits received - net		1,097,870	889,576
Deposits paid - net		(5,445)	(104)
Loans and advances to employees - net		14,420	(369,402)
Interest income and return on term deposits received		51,777	287,029
Income taxes paid		(68,602)	(1,288,126)
Net cash generated from operating activities		1,054,490	10,196,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(14,624,460)	(13,979,928)
Payments for intangible assets		(2,954)	(15,347)
Payment for obligation againt pipeline		(67,866)	-
Proceeds from sale of property, plant and equipment		67,964	46,567
Lease rental from net investment in finance lease		88,952	126,996
Dividend received		1,688	712
Net cash used in investing activities		(14,536,676)	(13,821,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		11,986,441	6,000,000
Repayments of local currency loans		(2,527,119)	(4,308,694)
Repayment of customer finance		(12,039)	(19,298)
Dividend paid		(199)	-
Net cash generated from financing activities		9,447,084	1,672,008
Net decrease in cash and cash equivalents		(4,035,102)	(1,952,741)
Cash and cash equivalents at beginning of the period		(3,905,973)	(5,062)
Cash and cash equivalents at end of the period		(7,941,075)	(1,957,803)
Cash and cash equivalent comprises:			
Cash and bank balances		684,811	1,204,654
Short term borrowings		(8,625,886)	(3,162,457)
		(7,941,075)	(1,957,803)

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

Chairman **Chief Financial Officer** **Managing Director**

SUI SOUTHERN GAS COMPANY LIMITED

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

For The Half Year Ended December 31, 2016

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Accumulated losses	Total
	---(Rupees in '000)---					
Balance as at June 30, 2015	**8,809,163**	**234,868**	**4,672,533**	**239,992**	**(5,381,402)**	**8,575,154**
Total comprehensive income for the period ended December 31, 2015						
Loss for the period	-	-	-	-	(6,067,601)	(6,067,601)
Other comprehensive income for the period	-	-	-	(57,690)	-	(57,690)
Total comprehensive income for the period	-	-	-	(57,690)	(6,067,601)	(6,125,291)
Balance as at December 31, 2015	8,809,163	234,868	4,672,533	182,302	(11,449,003)	2,449,863
Balance as at June 30, 2016	**8,809,163**	**234,868**	**4,672,533**	**201,787**	**(11,500,489)**	**2,417,862**
Total comprehensive income for the period ended December 31, 2016						
Profit for the period	-	-	-	-	1,138,116	1,138,116
Other comprehensive income for the period	-	-	-	124,384	-	124,384
Total comprehensive income for the period	-	-	-	124,384	1,138,116	1,262,500
Balance as at December 31, 2016	**8,809,163**	**234,868**	**4,672,533**	**326,171**	**(10,362,373)**	**3,680,362**

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

Chairman **Chief Financial Officer** **Managing Director**

1. STATUS AND NATURE OF BUSINESS

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

1.2 Regulatory Framework

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

1.3 Financial Performance

During the period, the Company has earned profit after tax of Rs. 1,138 million resulting in reduction of its accumulated losses by Rs. 1,138 million and strengthening equity to Rs. 1,263 million after including the impact of staggering as disclosed in note 2.3. As at period end, current liabilities exceed its current assets by Rs. 40,178 million and accumulated losses stood at Rs.10,362 million. The Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Company's petitions by Sindh High Court (refer note 1.4).

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

- In FY 2016, the Board of Directors of the Company has conceptually approved the construction of 30 LPG air mix plants with an estimated cost of Rs. 14 billion. Out of 30 LPG air mix plants, 10 plants are under construction and management is confident to complete all these plants by 2020.

Upon capitalisation of the above mentioned assets, the Company will be entitled to 17.43% return.

- Banks have relaxed debt to equity ratio of the Company from 80:20 to 95:05 from financial year 2016 to 2019.

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Company is allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. Based on this, management will include RLNG volumes in determining the UFG disallowance in FY 2018 and 2019.

  Management had already claimed an amount of Rs. 4,328 million in respect of the above matter from OGRA in Financial Year 2016-17 which was disallowed by OGRA through its decision dated December 24, 2018 stated that the Company's stance is technically unjustifiable. Further, the dedicated pipeline is now operational therefore the issue of handling RLNG (of SNGPL) by the Company in its distribution system and its impact on UFG, if any, that no longer prevails.

  The management is confident to seek this claim from OGRA and if required to again pursue the matter through Ministry of Energy (Petroleum division) to the Government.

- Under new tariff regime, effective from the month of July 2018, OGRA has allowed 50% of income, derived from Jamshoro Joint Venture Limited (JJVL), as retainable by the Company. Under such regime, the Company is expected to earn reasonable profits through the sale of LPG and NGL business which will result in increasing the profitability and financial performance of the Company in FY 2019 and onwards.

The Company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next three years.

- While determining the guaranteed return of the Company for the future periods, UFG has been determined based on KMI's set by OGRA dated February 28, 2018.

  As per UFG study report finalised by a firm of chartered accountants, revised UFG allowance has been determined from 4.5% to 7.6% (5% base benchmark and 2.6% based on achievement of KMIs). The Company has achieved upto 90% KMIs which will allow higher limit of UFG allowance in future years and will also result in decline of actual UFG volume which will have positive impact on financial performance of the Company.

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

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

1.4 Determination of Revenue Requirement

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

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

On November 25, 2016, the Court has dismissed the Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016, for determination of FRR for financial year 2016 has set the allowable limit of UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, LPS, and Sale of Gas Condensate as operating income and therefore the management has considered the same decision while determining the 17% guaranteed return for the financial year 2016 and 2017.

The Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgement.

Meanwhile after finalisation of UFG study report, ECC advised OGRA, to reconcile and finalize / adjust the provisional UFG benchmarks set from FY 2013 to 2017 of the Sui companies in line with the recommendations of the UFG Study report. Accordingly OGRA, in its decision dated December 24, 2018, allowed previously held up benefit in respect of volume pilfered by non-customers as well as volume consumed in law and order affected areas. Accordingly, the benefits of reduction in UFG disallowance amounting to Rs. 673 million for current period and Rs. 4,278 million for previous years has been recorded in this condensed interim financial information.

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. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed.

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, 2016.

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

2.3 Staggering of Losses Arising Due To Sindh High Court Decision

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

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

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

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

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, 2016.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unconsolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2016 except for IFRS 13. Further, the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Company.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this unconsolidated condensed interim financial information except certain additional disclosures as given in note 25.

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, 2016.

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	------------(Rupees in '000)--------	

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets	**75,379,238**	73,277,736
Capital work in progress	**34,823,615**	23,433,309
	110,202,853	96,711,045

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

	December 31, 2016		December 31, 2015	
	(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	**1,441**	**-**	-	-
Buildings on leasehold land	**81,184**	**-**	55,726	-
Gas transmission pipelines	**40,056**	**-**	434,057	-
Gas distribution system	**2,084,972**	**-**	2,135,666	-
Telecommunication	**63,870**	**-**	50,813	-
Plant and machinery	**121,056**	**-**	166,964	-
Tools and equipment	**48,541**	**-**	13,301	-
Motor vehicles	**559,354**	**(19,659)**	129,914	(10,254)
Furniture and fixtures	**6,861**	**-**	6,055	-
Office equipment	**35,717**	**-**	22,129	-
Computers and ancillary equipments	**49,208**	**-**	68,166	-
Construction equipment	**724,003**	**-**	1,329	-
Compressors	**104,944**	**-**	-	-
	3,921,207	**(19,659)**	3,084,120	(10,254)

	Capital expenditure incurred	**Transfer to operating assets**	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	**2,192,334**	**(2,084,972)**	2,364,234	(2,135,666)
- Gas transmission system	**11,453,251**	**(40,056)**	1,687,356	(434,057)
- Cost of buildings under construction and others	**53,081**	**(81,184)**	39,067	(55,726)
	13,698,666	**(2,206,212)**	4,090,657	(2,625,449)

During the period, there has been a net increase in respect of stores and spares held for capital projects and others amounting to Rs. 8,799 million (December 31, 2015: Rs. 9,628 million).

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		----------(Rupees in '000)----------	
7. LONG TERM INVESTMENTS			
Investment in related parties	7.1	**1,202,025**	1,092,711
Other investments		**165,775**	150,705
		1,367,800	1,243,416

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

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

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		----------(Rupees in '000)----------	
8. TRADE DEBTS			
Secured		**20,428,368**	17,426,817
Unsecured		**75,579,692**	80,021,993
	8.1 & 8.2	**96,008,060**	97,448,810
Provision against impaired debts		**(12,846,800)**	(11,163,363)
		83,161,260	86,285,447

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. 31,632 million (June 30, 2016: Rs. 35,949 million) as at December 31, 2016 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2016: Rs. 31,402 million) as at Dec 31, 2016 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 68,508 million (June 30, 2016: Rs. 67,838 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

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

  a. Highest OD rate being paid by the Company or;
  b. Highest rate at which interest is payable on gas producer bills.

- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE itself, acknowledged and recognised 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 recognise LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

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

It has been agreed during various meetings with KE and the Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending.

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. 22,004 million (June 30, 2016: Rs. 21,708 million) including overdue balance of Rs. 21,954 million (June 30, 2016: Rs. 21,659 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 46,144 million (June 30, 2016: Rs. 43,266 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

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

9. INTEREST ACCRUED

	Dec 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	----------(Rupees in '000)----------	
Interest accrued on late payment of bills / invoices from:		
- WAPDA	**3,113,803**	2,978,891
- SNGPL	**5,412,615**	4,967,624
- JJVL	**454,648**	375,424
	8,981,066	8,321,939
Interest accrued on bank deposits	**2,433**	2,785
Interest accrued on sales tax refund	**487,739**	487,739
Interest accrued to related party	**518,283**	463,271
	9,989,521	9,275,734
Provision against impaired accrued income	**(84,392)**	(84,392)
	9,905,129	9,191,342

10. OTHER RECEIVABLES - considered good

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		--------(Rupees in '000)--------	
Staff pension fund		**491,365**	515,263
Receivable for sale of gas condensate		**62,857**	78,972
Sui Northern Gas Pipelines Limited	10.1	**26,205,227**	25,677,084
Jamshoro Joint Venture Limited	10.2	**10,125,940**	10,435,616
SSGC LPG (Private) Limited		**89,384**	242,819
Workers' Profit Participation Fund		**-**	161,655
Sales tax receivable	10.3	**17,208,707**	19,665,771
Sindh sales tax		**112,569**	112,569
Pipeline rentals		**18,154**	18,154
Receivable against asset contribution	10.4	**374,469**	389,907
Inter State Gas System (Private) Limited (ISGSL)		**13,845**	-
Miscellaneous receivables		**190,787**	156,558
		54,893,304	57,454,368
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		52,546,945	55,108,009

10.1 As at period end, receivable balance from SNGPL comprises of the following:

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		--------(Rupees in '000)--------	
Uniform cost of gas		**15,975,256**	17,565,056
Lease rentals		**76,679**	58,729
Contingent rent		**3,535**	3,535
Capacity and utilisation charges of RLNG	10.1.1	**9,215,697**	7,191,242
RLNG transportation income		**369,362**	523,655
LSA margins of RLNG		**564,698**	334,867
		26,205,227	25,677,084

10.1.1 The Company has invoiced an amount of Rs. 21,150 million, including Sindh Sales Tax of Rs. 2,486 million, till December 31, 2016 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

SNGPL has disputed the terminal charges that have not been allowed to it by OGRA, terminal charges of a third party (i.e. Pak-Arab Fertilizer Company Limited (PAFCL)) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Company. For quantity supplied to PAFL, PAFL is now making payment directly to the company acording to the payment plan finalised.

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

Subsequent to the period end, on December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Company. On September 10, 2018, another 18 BCF (in total 30 BCF) of RLNG volume has allocated to the Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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

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

As at period end, amount payable to JJVL in respect of processing charges is disclosed in note 14 to these unconsolidated condensed interim financial information.

10.3 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 Company are deferred. Realising the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR through the letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012. After withdrawal of said dispensation, the deferred refunds are issued to the Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds. During the period FBR has released the sales tax refund amounting to Rs. 4,900 million.

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

11. LONG-TERM FINANCE

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		----------(Rupees in '000)----------	
Secured			
Loans from banking companies	11.1, 11.2 & 11.3	**33,862,740**	24,521,058
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Customer finance		**210,929**	217,149
Government of Sindh loans	11.4	**3,678,949**	3,567,129
		3,913,828	3,808,228
Subtotal		**37,776,568**	28,329,286
Less: current portion shown under current liabilities			
Loans from banking companies		**(3,833,333)**	(5,083,333)
Customer finance		**(18,821)**	(22,913)
Government of Sindh loans		**(650,000)**	(650,000)
		(4,502,154)	(5,756,246)
		33,274,414	22,573,040

11.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at December 31, 2016, the Company has utilised total sanctioned amount.

11.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2016 the Company has utilised Rs. 4,000 million out of the total sanctioned amount. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

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

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

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	------------(Rupees in '000)------------	

12. DEFERRED CREDIT

Government of Pakistan contributions / grants		
Additions / adjustments during the period	**7,760**	150,028
Transferred to unconsolidated condensed interim profit and loss account	**113,838**	264,633
Contribution from customers		
Transferred to unconsolidated condensed interim profit and loss account	**78,967**	168,457
Government of Sindh grants		
Transferred to unconsolidated condensed interim profit and loss account	**92,427**	991,743

13. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 12,000 million (June 30, 2016: Rs. 9,625 million) and subject to mark-up upto 0.60% (June 30, 2016: 0.60%) 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. 3,374 million (June 30, 2016: Rs. 4,765 million).

14. TRADE AND OTHER PAYABLES

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-------------(Rupees in '000)-------------	
Creditors for:			
- gas supplies	14.2	**126,524,390**	142,435,625
- supplies		**253,942**	1,346,667
		126,778,332	143,782,292
Amount received from customers for laying of mains, etc.		**2,217,600**	2,182,955
Engro Elengy Terminal Limited		**3,111,377**	1,392,301
Accrued liabilities		**2,963,020**	4,099,054
Advance from LPG customers		**39,785**	182,135
Provision for compensated absences - non executives		**250,135**	220,431
Payable to staff gratuity fund		**2,557,452**	2,562,657
Deposits / retention money		**787,961**	563,973
Bills payable		**112,692**	323,849
Advance for sharing right of way		**18,088**	18,088
Unclaimed dividend		**285,638**	285,837
Withholding tax		**202,250**	147,209
Sales tax and Federal excise duty		**674,353**	324,338
Sindh sales tax		**22,688**	159,174
Processing charges payable to JJVL		**6,283,520**	5,782,506
Gas infrastructure development cess payable		**7,615,436**	8,680,409
Gas development surcharge payable to GoP	14.1	**27,191,717**	18,604,884
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Inter State Gas System (Private) Limited (ISGSL)		-	20,321
Workers' Profit Participation Fund		**3,977**	-
Others		**241,215**	275,629
		181,359,036	189,609,842

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-------- (Rupees in '000)--------	
14.1 Gas Development Surcharge			
GDS payable / (receivable)		**18,604,884**	(25,798,540)
Recovered during the period		**16,004,738**	16,325,254
Paid during the period		**(7,355,441)**	-
Impact of staggering	2.3	**1,835,883**	18,358,923
Price increase / (decrease) adjustment during the period		**(1,898,347)**	9,705,468
Claim under IAS 19 during the year		**-**	13,779
		27,191,717	18,604,884

14.2 As at December 31, 2016, amount of Rs. 106,195 million (June 30, 2016: Rs. 112,690 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2016: Rs. 15,832 million) on their balances. The management has reversed the LPS expense in the financial statements for the year ended June 30, 2016. During the period, management has not recorded the LPS expense in these unconsolidated condensed interim financial information.

15. CONTINGENCIES AND COMMITMENTS

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	-------- (Rupees in '000)--------	
15.1 Commitments for capital and other expenditures	**4,095,799**	13,228,470
15.2 Guarantees issued on behalf of the Company	**4,133,211**	4,402,534

15.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 35,182 million (June 30, 2016: Rs. 35,182 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, 2018, this amount has increased to Rs. 44,989 million. JPCL has raised another claim amounting to Rs. 5.793 million (June 30, 2016: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

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

15.4 As disclosed in note 19.2, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the period ended December 31, 2016 amounting to Rs. 4,046 million. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

15.5 Habibullah Coastal Power Company (Private) Limited (HCPCL) has claimed Rs.3,067 million as at July 26, 2016, from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996, between the Company and HCPCL. HCPCL has also disputed late payment surcharge (LPS) charged by the Company and errors in previous billing amounting to Rs. 660 million and is not paying full amount of gas bills including LPS. Consequently, the receivable balance due from HCPCL has increased to Rs. 6,196 million as at year end. HCPCL 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. 9,117 million which represents claim on account of failing to ‘take or pay’ for the gas made available to HCPCL, outstanding gas deposit and unpaid gas bills.

On February 24, 2017, the International Chamber of Commerce (ICC) has issued partial award on preliminary issues wherein it was held by the Tribunal that in line with past decision, HCPCL would be eligible to claim the liquidated damages from the Company subject to verification of amount by technical expert. However, the ICC also accepted the Company right to assert its ‘take or pay’ counter claim from December 2009 which amounts to Rs. 5,233 million up to December 2015.

On April 30, 2018, the decision of arbitration proceeding has been issued by the International court of arbitration and issue an order favor of HCPCL and the Company is required to pay to HCPC as a final reward in the form of indemnity, damages, interest and legal and professional charges amounting to Rs. 4,377 million.

Management has not recorded the provision based on the ground that ECC through its meeting held on February 07, 2018 approved in principle, the proposal regarding waiver of liquidated damages claimed by WAPDA to HCPCL till June 30, 2017.

In case matter is decided against the Company, management is confident that the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Company in line with decision made by the OGRA on the similar matter in the financial year 2009.

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

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

SCP through its order dated November 16, 2018, based on the report by a firm of chartered accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL. With respect to the Freight matter, SCP will settle the same and an appropriate order shall be passed in this regard. Further, firm of chartered accountants in his 2nd report submitted in SCP proposed an agreement between the parties with a sharing ratio of 57:43 in favor of the Company against supply of wet gas to JJVL plant by the Company, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019.

SCP reviewed the agreement between the two parties as recommended by firm of chartered accountants and endorsed it as just and in national interest. SCP also directed the Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement.

Management is considering the recoverability of the receivable balance and may record further provision, if any, after the final report issued by the SCP. The arbitration is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be settled once the arbitration is completed, hence no provision is recorded in these unconsolidated condensed interim financial information.

15.7 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, and the company's investment in shares having a face value of Rs. 0.5 million (June 30, 2016: Rs. 0.5 million).

15.8 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001. Accordingly, no provision regarding the said claim has been made in these unconsolidated condensed interim financial information as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

15.9 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs. 311 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

15.10 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008 to 2015, disallowing certain expenses. The Company has filed petition in the Sindh High Court to seek the authoritative interpretation of the Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001, disallowance of depreciation on fixed assets held under musharka arrangement and disallowances for Unaccounted For Gas (UFG). No provision has been made in these unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

15.11 The Deputy Commissioner Inland Revenue passed an order for the financial year 2009-10 against the Company with a demand of Rs. 1,635 million, along with default surcharge and penalty on account of disallowance of input sales tax on line losses / Unaccounted for Gas (UFG) along with other observations.

The case was contested upto the level of Appellate Tribunal Inland Revenue (ATIR) and the ATIR, while upholding the decision of the Commissioner (Appeals), allowed credit of input Sales Tax on UFG to the extent of OGRA benchmark. This has resulted in reduction of demand to Rs. 149 million. The Company has filed Reference to High Court to avail benefit of full input tax credit. On filing of suit by the Company, the Sindh High Court of Sindh has stayed demand for FY 2009-10.

The Company and its legal counsel are of the opinion that the Company has a strong case on merits since Sales tax Law does not specifically disallow input tax credit on line losses and further the Full Bench of the Appellate Tribunal Inland Revenue, in case of SNGPL, has held that input tax credit on UFG is allowable in full and furthermore electricity distribution companies are being allowed input tax credit on line losses by FBR in normal manner.

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

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

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

In the remand back proceedings, the Deputy Commissioner Inland Revenue (DCIR) has passed an order under section 122(4)/ 122(1) of the Ordinance for the tax year 2011 whereby he has again disallowed the initial and normal depreciation on fixed assets on the ground that the Company has not provided necessary documentary evidences in relation to installation and capitalization of the projects. However, in the appeal filed before the Commissioner (Appeals) against this order, the Commissioner (Appeals) has again remanded back the matter to the Department to examine the issue afresh. No provision has been made in these unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

15.13 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million alongwith default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Sindh High Court has also stayed the recovery of the additional tax and penalties. No provision has been made in these unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

The Deputy Commissioner Inland Revenue (DCIR) had passed an order for the tax year 2010 against the Company with a demand of Rs. 432 million. The demand was in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR had not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06, 2007-08 and 2008-09 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) had maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-2006 and FY 2008-09 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under Section 34(5) and refund adjustment. Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issue decided in the Company's favor.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Company. Upon appeal by the Company against DCIR Order, the Commissioner (Appeals) upheld the disallowance of minimum tax adjustment for FY 2008-09 whereas issues of refund adjustment for FY 2008-09, partial adjustment for minimum tax for FY 2005-06 and credit of tax deducted at source were again remanded back to DCIR. No provision has been made in these unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

15.14 Income tax authorities have issued show cause notice to the Company for recovery of additional tax of Rs. 422 million for late deposit of withholding income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013 & 2014. The Company has filed an appeal in the Sindh High Court, which through its order dated March 10, 2017 has remanded back the matter to the Department. No order has been passed as yet in the remanded back proceedings. No provision has been made in these unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

15.15 The Company is subject to various other claims totaling Rs. 162 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

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

		Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
		(Un-audited)			
	Note	(Rupees in '000)			
16. COST OF SALES					
Cost of gas	16.1	**61,730,038**	78,338,748	**30,509,060**	36,045,624
Transmission and distribution costs		**8,019,393**	7,443,174	**4,046,580**	3,823,472
		69,749,431	85,781,922	**34,555,640**	39,869,096
16.1 Cost of gas					
Opening gas in pipelines		**336,034**	341,904	**307,408**	366,642
Gas purchases		**74,240,715**	97,066,836	**32,555,833**	43,306,965
		74,576,749	97,408,740	**32,863,241**	43,673,607
Gas consumed internally		**(1,606,642)**	(239,023)	**(741,200)**	(105,736)
Inward price adjustment		**(10,935,219)**	(18,519,838)	**(1,308,131)**	(7,211,116)
Closing gas in pipelines		**(304,850)**	(311,131)	**(304,850)**	(311,131)
		(12,846,711)	(19,069,992)	**(2,354,181)**	(7,627,983)
		61,730,038	78,338,748	**30,509,060**	36,045,624
17. OTHER OPERATING EXPENSES					
Auditors' remuneration		**9,963**	10,600	**4,418**	5,300
Sports expenses		**31,411**	29,121	**26,085**	20,352
Corporate social responsibility		**9,773**	16,105	**3,224**	9,709
Provision against impaired debts and other receivables		**1,683,437**	747,432	**371,066**	620,871
Provision against impaired stores and spares		**4,986**	11,119	**4,203**	4,658
Exchange loss on payment of gas purchases		**-**	438,687	**-**	98
Workers profit participation fund		**165,632**	-	**(102,194)**	-
		1,905,202	1,253,064	**306,802**	660,988

18. OTHER OPERATING INCOME

	Note	Half year ended December 31, 2016	Half year ended December 31, 2015	Quarter ended December 31, 2016	Quarter ended December 31, 2015
		(Un-audited)			
		(Rupees in '000)			
Income from other than financial assets					
Meter rentals		**364,849**	357,064	**183,106**	179,058
RLNG transportation income		**2,003,887**	-	**1,002,396**	-
Recognition of income against deferred credit		**192,805**	198,271	**152,995**	100,385
Income from new service connections and asset contribution		**129,092**	87,039	**61,481**	40,449
Income from LPG air mix distribution - net		**71,941**	54,540	**35,605**	26,979
Recoveries from customers		**50,267**	31,186	**29,139**	17,854
Liquidity damages recovered		**280,507**	18,571	**233,957**	8,924
Advertising income		**1,715**	2,419	**476**	716
Income from sale of tender documents		**2,402**	3,237	**1,297**	1,633
Gain on disposal of property, plant and equipment		**48,305**	36,313	**45,113**	34,767
Exchange gain on payment of gas purchases		**44,549**	-	**563,587**	-
Scrap sales		**34,435**	9,986	**29,545**	9,323
Miscellaneous		**41,224**	172,286	**27,086**	170,035
		3,265,978	970,912	**2,365,783**	590,123

19. OTHER NON-OPERATING INCOME

	Note	Half year ended December 31, 2016	Half year ended December 31, 2015	Quarter ended December 31, 2016	Quarter ended December 31, 2015
Income from financial assets					
Late payment surcharge		**1,934,903**	1,144,185	**560,594**	576,040
Income from net investment in finance lease		**-**	27,257	**-**	10,903
Income for receivable against asset contribution		**19,354**	20,548	**9,596**	10,283
Interest income on loan to related party		**55,014**	74,821	**26,054**	51,327
Return on term deposits and profit and loss bank accounts		**30,791**	125,332	**12,565**	34,749
		2,040,062	1,392,143	**608,809**	683,302
Interest income on late payment of gas bills from:					
- Jamshoro Joint Venture Limited		**80,503**	164,665	**35,657**	107,153
- Water and Power Development Authority		**134,912**	116,333	**74,785**	66,579
- Sui Northern Gas Pipelines Limited		**444,990**	563,031	**310,021**	288,940
- SSGC LPG (Private) Limited		**-**	103	**-**	66
		660,405	844,132	**420,463**	462,738
Dividend income		**1,688**	712	**976**	356
		2,702,155	2,236,987	**1,030,248**	1,146,396
Income from investment in debts, loans, advances and receivables from related party					
Income from net investment in finance lease		**33,874**	44,659	**16,937**	22,330
Others					
Sale of gas condensate		**(55,868)**	95,571	**(21,012)**	45,332
Income on LPG and NGL - net	19.1	**85,090**	1,910,884	**197,303**	773,541
Meter manufacturing division profit - net		**4,353**	21,170	**9,464**	12,634
Rental income from SSGC LPG (Pvt) Limited		**355**	-	**179**	-
		33,930	2,027,625	**185,934**	831,507
Reversal of impairment on operating assets		**1,190,000**	-	**-**	-
Income against LNG service agreement		**203,390**	-	**101,943**	-
Amortisation of government grant		**92,427**	-	**54,725**	-
		4,255,776	4,309,271	**1,389,787**	2,000,233

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

The net income from LPG business has declined due to steady decline in LPG prices in line with decline in global oil prices in 2016, in line with decline in global oil prices. Since, the Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Company sent termination notices of MoU with JJVL dated May 4, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016. Refer note 15.6 of these unconsolidated condensed interim financial information for status of arbitration proceedings with JJVL.

19.2. As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 ”Revenue”. However, the Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the period ended December 31, 2016 amounting to Rs. 4,046 million on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim financial information would be as follows:

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	------------(Rupees in '000)--------	
- Increase in loss before tax	**30,267,960**	26,221,647
- Increase in loss after tax / accumulated losses	**21,187,572**	18,335,153
- Increase in loss per share - Rupees	**24.05**	20.84

	Half year ended		**Quarter ended**	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	(Un-audited)			
	------(Rupees in '000)------			
20. TAXATION				
- Current	**2,208,029**	-	**392,625**	-
- Deferred	**(199,142)**	2,685,408	**716,693**	1,583,434
	2,008,887	2,685,408	**1,109,318**	1,583,434

	December 31, 2016 (Un-audited)	December 31, 2015
	--------(Rupees in '000)--------	

21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	December 31, 2016	December 31, 2015
Provisions	**2,275,303**	1,604,376
Depreciation	**2,813,109**	2,386,119
Amortisation of intangibles	**10,126**	21,734
Finance cost	**898,396**	5,421,399
Amortisation of transaction cost	**133,727**	4,755
Recognition of income against deferred credit	**(206,302)**	(198,271)
Dividend income	**(1,688)**	(712)
Interest income and return on term deposits	**(765,564)**	(1,064,833)
Income from net investment in finance lease	**(33,874)**	(71,916)
Gain on disposal of property, plant and equipment	**(48,305)**	(36,313)
Decrease in long term advances	**(21,257)**	20,028
Decrease in deferred credit	**21,257**	(33,525)
Decrease in obligation against pipeline	**47,685**	(18,453)
Amortization of government grant	**(92,427)**	-
Transfer of asset from net investment in finance lease	**(26,211)**	-
Reversal of impairment on operating assets	**(1,190,000)**	-
	3,813,975	8,034,388

22. WORKING CAPITAL CHANGES

	December 31, 2016	December 31, 2015
(Increase) / Decrease in current assets		
Stores, spares and loose tools	**(1,165,734)**	383,259
Stock-in-trade	**(27,229)**	38,516
Customers' installation work-in-progress	**3,592**	(17,328)
Trade debts	**1,440,750**	2,575,579
Advances, deposits and short term prepayments	**311,267**	(37,335)
Other receivables	**2,537,166**	7,601,470
	3,099,812	10,544,161
Decrease / (Increase) in current liabilities		
Trade and other payables	**(8,275,106)**	2,465,191
	(5,175,294)	13,009,352

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 OGRA. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. The prices and other conditions are not influenced by the company. Other transactions with the related parties are carried out as per agreed terms.

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

	Relationship	Half year ended December 31, 2016 (Un-audited)	Half year ended December 31, 2015 (Un-audited)
		(Rupees in '000)	
Astro Plastic (Private) Limited	Associate		
- Billable charges		**76,945**	85,740
Attock Cement Limited	Associate		
- Billable charges		**22,406**	20,714
* **Fauji Fertilizer Company Limited**	Associate		
- Billable charges		**-**	16
Gadoon Textile Mills Limited	Associate		
- Billable charges		**114**	235
Government related entities - various			
- Purchase of fuel and lubricant		**15,185**	-
- Billable charges		**33,538,877**	43,159,702
- Markup on short term finance		**5,829**	-
- Markup on Long term finance		**32,993**	-
- Sharing of expenses		**15,400**	44,334
- Income from net investment in finance lease		**33,874**	44,659
- Gas purchases		**32,591,487**	37,401,879
- Sale of gas meters and spare parts		**4,436**	361,847
- Rent of premises		**558**	4,119
- Insurance premium		**67,014**	69,799
- Uniform cost of gas		**10,935,219**	19,960,387
- Electricity expense		**107,455**	104,902
- Interest income		**579,902**	679,364
- Markup on delayed payment on gas supplies		**-**	4,170,136
- RLNG transportation income		**2,003,887**	-
- Income against LNG service agreement		**203,390**	-
Habib Bank Limited	Associate		
- Profit on investment		**7,564**	5,707
- Markup on short term finance		**18,519**	8,190
- Markup on local currency finance		**141,034**	52,250
- Billable charges		**7,051**	6,485
International Industries Limited	Associate		
- Line Pipe Purchases		**-**	122,858
- Billable charges		**57,325**	621,118
* **Ismail Industries Limited**	Associate		
- Billable charges		**-**	180,890

	Relationship	Half year ended December 31, 2016 (Un-audited)	December 31, 2015
		------------(Rupees in '000)------------	
Key management personnel			
- Remuneration		**112,163**	85,269
Minto & Mirza	Associate		
- Professional charges		**7,200**	1,350
Pakistan Cables Limited	Associate		
- Billable charges		**25,166**	36,084
Pakistan Engineering Company Limited	Associate		
- Billable charges		**31**	28
* **Pakistan Stock Exchange Limited**	Associate		
- Billable charges		**-**	196
PERAC - Research and Development Foundation	Associate		
- Professional charges		**651**	644
- Billable charges		**36**	-
* **Premium Textile Mills Limited**	Associate		
- Billable charges		**-**	155,323
** **Petroleum Institute of Pakistan**	Associate		
- Subscription/Contribution		**2,032**	-
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest on loan		**55,014**	81,329
- Purchase of LPG		**-**	97,801
- Sale of LPG		**211,963**	878,296
- Rental Income		**355**	-
- Recovery of management fee		**6,020**	-
Staff retirement benefit plans	Associate		
- Contribution to provident fund		**148,083**	129,325
- Contribution to pension fund		**123,003**	216,930
- Contribution to gratuity fund		**150,698**	149,016
* **Standard Chartered Bank Limited**	Associate		
- Profit on investment		**-**	2,213
- Markup on short term finance		**-**	483
- Markup on local currency finance		**-**	4,209
Thatta Cement Company Limited	Associate		
- Gas sales		**2,760**	11,246

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

** Comparative transaction with these parties have not been disclosed as these parties were not related parties in previous 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 these unconsolidated condensed interim financial information are as follows:

	Relationship	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		--------(Rupees in '000)--------	
Astro Plastic (Private) Limited	Associate		
- Billable charges		**14,849**	12,785
Attock Cement Limited	Associate		
- Billable charges		**2,547**	2,691
- Gas supply deposit		**(588)**	(566)
* **Attock Refinery Limited**	Associate		
- Sale of condensate		**-**	42,105
* **Gadoon Textile Mills Limited**	Associate		
- Billable charges		**-**	14
- Gas supply deposit		**-**	(117)
Government related entities - various			
- Billable charges		**60,093,288**	63,604,130
- Markup accrued on borrowings		**859,375**	2,186,389
- Sharing of expenses		**-**	(20,321)
- Net investment in finance lease		**76,679**	58,729
- Gas purchases		**(109,083,555)**	(115,513,943)
- Gas meters and spare parts		**497,235**	558,732
- Uniform cost of gas		**15,975,256**	17,565,056
- Cash at bank		**44,027**	103,055
- Stock loan		**3,605**	(2,304)
- Recoverable from insurance		**31,589**	950
- Gas supply deposit		**(15,352)**	(11,646)
- Interest expense accrued - late payment surcharge on gas bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**8,526,417**	7,946,515
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**9,215,697**	7,191,242
- RLNG transportation income		**369,362**	523,655
- Income against LNG service agreement		**564,698**	334,868

	Relationship	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		--------(Rupees in '000)--------	
Habib Bank Limited	Associate		
- Long term finance		**(4,015,625)**	(4,185,625)
- Short term finance		**(3,998,660)**	(1,497,943)
- Cash at bank		**2,045,442**	128,301
- Accrued mark-up		**(41,376)**	(37,641)
- Billable charges		**718**	1,371
* **International Industries Limited**	Associate		
- Billable charges		**-**	90,011
- Gas supply deposit		**-**	(333,850)
* **Pakistan Cables Limited**	Associate		
- Billable charges		**-**	8,160
- Gas supply deposit		**-**	(23,418)
Pakistan Engineering Company Limited	Associate		
- Billable charges		**5**	5
- Gas supply deposit		**(15)**	(15)
PERAC - Research & Development Foundation	Associate		
- Professional charges		**57**	57
- Billable charges		**5**	9
- Gas supply deposit		**(220)**	(220)
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		**518,285**	463,271
- LPG purchases		**(4,208)**	-
- LPG sales		**83,287**	242,439
- Capital expenditure on operating fixed assets		**10,937**	10,937
- Rent on premises		**76**	352
- Recovey of management fee		**6,020**	-
Thatta Cement Company Limited	Associate		
- Billable charges		**137**	481
- Gas supply deposit		**-**	-

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

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 assess their performance. As a result, management has identified the following two segments:

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

Segment revenue and results

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

	Segment revenue		Segment profit / (loss)	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	------ (Un-audited) ------			
	------ (Rupees in '000) ------			
Gas transmission and distribution	**86,620,579**	94,407,737	**4,703,741**	(7,814,444)
Meter manufacturing	**713,516**	1,022,085	**4,353**	21,170
Total segment results	**87,334,095**	95,429,822	**4,708,094**	(7,793,274)
Unallocated - other expenses				
- Other operating expenses			**(1,905,202)**	(1,253,064)
Unallocated - other income				
- Non-operating income			**344,111**	293,329
Profit / (Loss) before tax			**3,147,003**	(8,753,009)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 705 million (December 31, 2015: Rs. 434 million).

Segment assets and liabilities

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**261,658,001**	252,040,378
Meter manufacturing	**2,843,360**	2,797,872
Total segment assets	**264,501,361**	254,838,250
Unallocated		
- Loans and advances	**2,791,917**	2,806,337
- Taxation - net	**17,847,475**	19,986,902
- Interest accrued	**490,172**	490,524
- Cash and bank balances	**684,811**	954,239
	21,814,375	24,238,002
Total assets as per balance sheet	**286,315,736**	279,076,252
Segments liabilities		
Gas transmission and distribution	**265,237,149**	259,525,031
Meter manufacturing	**742,143**	701,008
Total segment liabilities	**265,979,292**	260,226,039
Unallocated		
- Employee benefits	**4,927,817**	4,704,086
Total liabilities as per balance sheet	**270,907,109**	264,930,125

25. FAIR VALUE OF MEASUREMENT

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

The carrying values of all financial instruments reflected in the financial information approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

25.1 Fair value of financial instruments

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

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

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

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

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

	As at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	-----Rupees in '000-----			
Assets				
Available for sale investments				
Quoted equity securities	**362,699**	**-**	**-**	**362,699**

	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Assets				
Available for sale investments				
Quoted equity securities	238,315	-	-	238,315

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

25.2 Fair value of other assets

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

	As at December 31, 2016	
	Level 2	**Fair Value**
	-----Rupees in '000-----	
Freehold land	**5,453,582**	**5,453,582**
Leasehold land	**6,938,631**	**6,938,631**
	12,392,213	**12,392,213**

	As at June 30, 2016	
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold Land	5,453,582	5,453,582
Leasehold Land	6,937,190	6,937,190
	12,390,772	12,390,772

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 13 February, 2019.

Chairman	Chief Financial Officer	Managing Director

Sui Southern Gas Company Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
As At December 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	112,413,933	98,877,569
Intangible assets		17,471	24,643
Deferred tax		3,079,118	2,882,244
Long term investments	7	367,800	243,415
Net investment in finance lease		333,485	362,394
Long term loans and advances		193,067	162,426
Long-term deposits		15,387	9,872
Total non-current assets		116,420,261	102,562,563
Current assets			
Stores, spares and loose tools		3,308,332	2,150,514
Stock-in-trade		850,251	834,656
Current maturity of net investment in finance lease		83,990	110,161
Customers' installation work-in-progress		180,916	184,508
Trade debts	8	83,144,268	86,307,335
Loans and advances		888,747	934,200
Advances, deposits and short term prepayments		259,579	497,052
Interest accrued	9	9,386,846	8,728,073
Other receivables	10	52,492,059	54,943,899
Taxation - net		17,935,075	20,053,925
Cash and bank balances		1,245,097	1,357,962
Total current assets		169,775,160	176,102,285
Total assets		286,195,421	278,664,848

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

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
As At December 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000
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		**326,171**	201,787
Unappropriated profit		**(10,923,555)**	(12,185,561)
		3,119,180	1,732,790
Surplus on revaluation of fixed assets		**11,728,265**	11,728,265
LIABILITIES			
Non-current liabilities			
Long term finance	11	**33,274,414**	22,573,040
Long term deposits		**13,560,074**	12,456,759
Employee benefits		**4,942,461**	4,716,523
Obligation against pipeline		**1,005,814**	1,027,886
Deferred credit	12	**5,569,767**	5,842,485
Long term advances		**1,071,574**	1,092,831
Total non-current liabilities		**59,424,104**	47,709,524
Current liabilities			
Current portion of long term finance	11	**4,502,154**	5,756,246
Short term borrowings	13	**8,655,081**	4,860,212
Trade and other payables	14	**181,532,460**	189,684,080
Current portion of obligation against pipeline		**43,178**	41,287
Short term deposits		**223,570**	192,438
Current portion of deferred credit		**422,793**	427,547
Interest accrued		**16,544,636**	16,532,459
Total current liabilities		**211,923,872**	217,494,269
Total liabilities		**271,347,976**	265,203,793
Total equity and liabilities		**286,195,421**	278,664,848
Contingencies and commitments	15		

Chairman Chief Financial Officer Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
For The Half Year Ended December 31, 2016

	Note	Half year ended December 31, 2016	Half year ended December 31, 2015	Quarter ended December 31, 2016	Quarter ended December 31, 2015
		--------(Rupees in '000)--------			
Sales		**100,570,532**	110,379,210	**48,380,114**	55,416,287
Sales tax		**(13,949,953)**	(15,971,473)	**(6,653,129)**	(8,147,214)
		86,620,579	94,407,737	**41,726,985**	47,269,073
Gas development surcharge		**(16,163,813)**	(14,055,726)	**(11,020,908)**	(10,753,279)
Net sales		**70,456,766**	80,352,011	**30,706,077**	36,515,794
Cost of sales	16	**(69,743,413)**	(85,781,922)	**(34,549,622)**	(39,869,095)
Gross profit / (loss)		**713,353**	(5,429,911)	**(3,843,545)**	(3,353,301)
Administrative and selling expenses		**(2,155,031)**	(1,961,171)	**(1,141,461)**	(987,934)
Other operating expenses	17	**(1,914,894)**	(1,253,064)	**(316,494)**	(660,988)
		(4,069,925)	(3,214,235)	**(1,457,955)**	(1,648,922)
		(3,356,572)	(8,644,146)	**(5,301,500)**	(5,002,223)
Other operating income	18	**3,266,697**	1,069,272	**2,366,341**	633,914
Operating loss		**(89,875)**	(7,574,874)	**(2,935,159)**	(4,368,309)
Other non-operating income	19	**4,461,792**	4,407,668	**1,530,046**	2,068,426
Finance cost		**(1,083,513)**	(5,426,438)	**(441,260)**	(2,857,109)
Profit / (Loss) before taxation		**3,288,404**	(8,593,644)	**(1,846,373)**	(5,156,992)
Taxation	20	**(2,026,398)**	(2,675,714)	**(1,119,225)**	(1,578,112)
Profit / (Loss) for the period		**1,262,006**	(11,269,358)	**(2,965,598)**	(6,735,104)
		Rupees		**Rupees**	
Basic and diluted earning per share		**1.43**	(12.79)	**(3.37)**	(7.65)

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

Chairman   Chief Financial Officer   Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For The Half Year Ended December 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	'December 31, 2015	**December 31, 2016**	'December 31, 2015
	--------(Rupees in '000)--------			
Net profit / (loss) for the period	**1,262,006**	(11,269,358)	**(2,965,598)**	(6,735,104)
Other comprehensive income				
Unrealised gain / (loss) on re-measurement of available for sale securities	**124,384**	(57,689)	**77,378**	(3,760)
Total comprehensive income / (loss) for the period	**1,386,390**	(11,327,047)	**(2,888,220)**	(6,738,864)

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

Chairman | Chief Financial Officer | Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)
For The Half Year Ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
		-----------(Rupees in '000)-----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,288,404	(8,593,644)
Adjustments for non-cash and other items	21	3,950,688	8,104,987
Working capital changes	22	(5,202,198)	12,876,320
Financial charges paid		(1,527,038)	(1,220,030)
Employee benefits paid		(39,170)	(47,876)
Payment for retirement benefits		(255,191)	(377,149)
Long term deposits received - net		1,129,002	911,906
Deposits paid		(5,515)	(8,916)
Loans and advances to staff - net		14,421	(368,098)
Interest income and return on term deposits received		51,775	376,033
Income taxes paid		(104,412)	(1,314,086)
Net cash from operating activities		1,300,766	10,339,447
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(14,743,266)	(13,911,679)
Payment for intangible assets		(2,954)	(15,348)
Payment for obligation against pipeline		(67,866)	-
Proceeds from sale of property, plant and equipment		67,964	46,567
Lease rental from net investment in finance lease		88,953	126,996
Dividend received		1,688	712
Net cash used in investing activities		(14,655,481)	(13,752,752)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		12,015,632	6,000,000
Repayments of local currency loans		(2,527,119)	(4,308,694)
Repayment of customer finance		(12,039)	(19,298)
Dividend paid		(199)	-
Net cash generated from financing activities		9,476,275	1,672,008
Net increase / (decrease) in cash and cash equivalents		(3,878,440)	(1,741,297)
Cash and cash equivalents at beginning of the period		(3,502,352)	67,739
Cash and cash equivalents at end of the period		(7,380,792)	(1,673,558)
Cash and cash equivalent comprises:			
Cash and bank balances		1,245,097	1,488,899
Short term borrowings		(8,625,889)	(3,162,457)
		(7,380,792)	(1,673,558)

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

Chairman | Chief Financial Officer | Managing Director

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For The Half Year Ended December 31, 2016

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Accumulated losses	Total
	-----(Rupees in '000)-----					
Balance as at July 1, 2015	**8,809,163**	**234,868**	**4,672,533**	**239,992**	**(6,320,809)**	**7,635,747**
Total comprehensive income for the period ended December 31, 2015						
Profit for the period	-	-	-	-	(2,339,050)	(2,339,050)
Unrealized gain on re-measurement of available for sale securities	-	-	-	(57,690)	-	(57,690)
Total comprehensive income for the period	-	-	-	(57,690)	(2,339,050)	(2,396,740)
Balance as at December 31, 2015	8,809,163	234,868	4,672,533	182,302	(8,659,859)	5,239,007
Balance as at July 01, 2016	**8,809,163**	**234,868**	**4,672,533**	**201,787**	**(12,185,561)**	**1,732,790**
Total comprehensive income for the period ended December 31, 2016						
Profit for the period	-	-	-	-	1,262,006	1,262,006
Unrealized loss on re-measurement of available for sale securities	-	-	-	124,384	-	124,384
Total comprehensive income for the period	-	-	-	124,384	1,262,006	1,386,390
Balance as at December 31, 2016	**8,809,163**	**234,868**	**4,672,533**	**326,171**	**(10,923,555)**	**3,119,180**

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

Chairman Chief Financial Officer Managing Director

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of holding	
	2016	2015
Subsidiary Companies		
- SSGC LPG (Private) Limited	**100**	100
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	**100**	100

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

Sui Southern Gas Company Limited

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

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 Financial Performance

During the period, the Holding Company has earned profit after tax of Rs. 1,138 million resulting in reduction of its accumulated losses by Rs. 1,138 million and strengthening equity to Rs. 1,263 million after including the impact of staggering as discussed in note 2.2 of this information. As at period end, current liabilities exceed its current assets by Rs. 40,178 million and accumulated losses stood at Rs.10,362 million. The Holding Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Holding Company's petitions by Sindh High Court (refer note 1.4).

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

- In FY 2016, the Board of Directors of the Holding Company has conceptually approved the construction of 30 LPG air mix plants with an estimated cost of Rs. 14 billion. Out of 30 LPG air mix plants, 10 plants are under construction and management is confident to complete all these plants by 2020.

Upon capitalisation of the above mentioned assets, the Holding Company will be entitled to 17.43% return.

- Banks have relaxed debt to equity ratio of the Holding Company from 80:20 to 95:05 from financial year 2016 to 2019.

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company is allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. Based on this, management will include RLNG volumes in determining the UFG disallowance in FY 2018 and 2019.

  Management had already claimed an amount of Rs. 4,238 million in respect of the above matter from OGRA in Financial Year 2016-17 which was disallowed by OGRA through its decision dated December 24, 2018 stated that the Holding Company's stance is technically unjustifiable. Further, the dedicated pipeline is now operational therefore the issue of handling RLNG (of SNGPL) by the Holding Company in its distribution system and its impact on UFG, if any, that no longer prevails.

  The management is confident to seek this claim from OGRA and if required to again pursue the matter through Ministry of Energy (Petroleum division) to the Government.

- Under new tariff regime, effective from the month of July 2018, OGRA has allowed 50% of income, derived from Jamshoro Joint Venture Limited (JJVL), as retainable by the Holding Company. Under such regime, the Holding Company is expected to earn reasonable profits through the sale of LPG and NGL business which will result in increasing the profitability and financial performance of the Holding Company in FY 2019 and onwards.

The Holding Company will also be entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next three years.

- While determining the guaranteed return of the Holding Company for the future periods, UFG has been determined based on KMI's set by OGRA dated February 28, 2018.

  As per UFG study report finalised by a firm of chartered accountants, revised UFG allowance has been determined from 4.5% to 7.6% (5% base benchmark and 2.6% based on achievement of KMIs). The Holding Company has achieved upto 90% KMIs which will allow higher limit of UFG allowance in future years and will also result in decline of actual UFG volume which will have positive impact on financial performance of the Holding Company.

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

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

1.5 Determination of Revenue Requirement

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

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

On November 25, 2016, the Court has dismissed the Holding Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 , for determination of FRR for financial year 2016 has set the allowable limit of UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, LPS, and Sale of Gas Condensate as operating income and therefore the management has considered the same decision while determining the 17% guaranteed return for the financial year 2016 and 2017.

The Holding Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgement.

Meanwhile after finalisation of UFG study report, ECC advised OGRA, to reconcile and finalize / adjust the provisional UFG benchmarks set from FY 2013 to 2017 of the Sui companies in line with the recommendations of the UFG Study report. Accordingly OGRA, in its decision dated December 24, 2018, allowed previously held up benefit in respect of volume pilfered by non-consumers as well as volume consumed in law and order affected areas. Accordingly, the benefits of reduction in UFG disallowance amounting to Rs. 673 million for current period and Rs. 4,278 million for previous years has been recorded in these consolidated condensed interim financial information.

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" 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.

2.2 Staggering of Losses Arising Due To Sindh High Court Decision

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

Accordingly, SECP through its letter dated December 20, 2016 has granted permission to stagger disallowed expense in the financial statements for the years ended / ending June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of this consolidated condensed interim financial information are the same as those applied in preparation of the annual consolidated audited financial statements of the Holding Company for the year ended June 30, 2016.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this consolidated condensed interim financial information except certain additional disclosures as given in note 25.

5. FINANCIAL RISK MANAGEMENT

The Holding Company's financial risk management objectives and policies are consistent with those disclosed in the Consolidated financial statements as at and for the year ended June 30, 2016.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	-----------(Rupees in '000)-----------	
Operating assets	**77,573,609**	75,433,139
Capital work-in-progress	**34,840,324**	23,444,430
	112,413,933	98,877,569

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

	December 31, 2016 (Un-audited)		December 31, 2015 (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	**1,441**	**-**	-	-
Buildings on leasehold land	**81,184**	**-**	56,767	-
Gas transmission pipelines	**40,056**	**-**	434,057	-
Gas distribution system	**2,084,972**	**-**	2,135,666	-
Telecommunication	**63,870**	**-**	50,813	-
Plant and machinery	**121,056**	**-**	215,842	-
Tools and equipment	**48,541**	**-**	13,397	-
Motor vehicles	**559,354**	**(19,659)**	129,951	(10,254)
Furniture and fixtures	**6,861**	**-**	6,055	-
Office equipment	**35,717**	**-**	22,129	-
Computers and ancillary equipments	**49,208**	**-**	68,166	-
Construction equipment	**724,003**	**-**	1,895	-
Compressors	**104,944**	**-**	-	-
	3,921,207	**(19,659)**	3,134,738	(10,254)

	Capital expenditure incurred	**Transfer to operating assets**	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	**2,192,334**	**(2,084,972)**	2,364,234	(2,135,666)
- Gas transmission system	**11,453,251**	**(40,056)**	1,687,356	(434,057)
- Cost of buildings under construction and others	**53,081**	**(81,184)**	39,067	(56,767)
	13,698,666	**(2,206,212)**	4,090,657	(2,626,490)

During the period, there has been a net (decrease) / increase in respect of stores and spares held for capital projects and others amounting to Rs. 1,319 million (December 31, 2015: Rs. 9,628 million).

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	

7. LONG TERM INVESTMENTS

	Note	December 31, 2016	June 30, 2016
Investment in related parties	7.1	**201,975**	92,710
Other investments		**165,825**	150,705
		367,800	243,415

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

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

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		--------(Rupees in '000)--------	

8. TRADE DEBTS

	Note	December 31, 2016	June 30, 2016
Considered good			
- secured		**20,804,821**	17,417,189
- unsecured		**75,186,247**	80,086,203
	8.1 & 8.2	**95,991,068**	97,503,392
Provision against doubtful debts		**(12,846,800)**	(11,196,057)
		83,144,268	86,307,335

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

In accordance with the revised accounting treatment, the trade debts includes Rs.31,632 million (June 30, 2016: Rs. 35,949 million) as at December 31, 2016 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2016: Rs. 31,402 million) as at December 31, 2016 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 68,508 million (June 30, 2016: Rs. 67,838 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

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

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

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

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

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

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

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

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

It has been agreed during various meetings with KE and the Holding Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending.

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

In accordance with the revised accounting treatment, the trade debts includes Rs. 22,004 million (June 30, 2016: Rs. 21,708 million) as at December 31, 2016 including overdue balance of Rs.21,954 million (June 30, 2016: Rs. 21,659 million) as at December 31, 2016 receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 46,144 million (June 30, 2016: Rs. 43,266 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

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

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

9. INTEREST ACCRUED	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	
Interest accrued on late payment of bills / invoices from:			
- WAPDA		**3,113,803**	2,978,891
- SNGPL		**5,412,615**	4,967,624
- JJVL		**454,648**	375,424
		8,981,066	8,321,939
Interest accrued on bank deposits		**2,433**	2,787
Interest accrued on sales tax refund		**487,739**	487,739
		9,471,238	8,812,465
Provision against impaired accrued income		**(84,392)**	(84,392)
		9,386,846	8,728,073

10. OTHER RECEIVABLES - considered good

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
Receivable from staff pension fund		**491,365**	515,263
Balance receivable for sale of gas condensate		**62,857**	78,972
Receivable from SNGPL - a related party	10.1	**26,205,226**	25,677,084
Receivable from Jamshoro Joint Venture Limited (JJVL)	10.2	**10,125,940**	10,435,616
Workers' Profit Participation Fund		**-**	161,655
Sales tax receivable	10.3	**17,250,815**	19,714,428
Sindh sales tax		**112,569**	112,569
Pipeline rentals		**18,154**	18,154
Receivable against asset contribution	10.4	**374,469**	389,907
Inter State Gas System (Private) Limited (ISGSL)		**13,845**	-
LC margin for import of cylinders		**-**	39,105
Miscellaneous receivables		**183,178**	147,505
		54,838,418	57,290,258
Provision against impaired receivables		**(2,346,359)**	(2,346,359)
		52,492,059	54,943,899

10.1 As at period end, receivable balance from SNGPL comprises of the following:

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	
Uniform cost of gas		**15,975,256**	17,565,056
Lease rentals		**76,679**	58,729
Contigent rent		**3,535**	3,535
LSA Margins of RLNG		**564,698**	334,867
Capacity and utilisation charges of RLNG	10.1.1	**9,215,696**	7,191,242
RLNG transportation income		**369,362**	523,655
		26,205,226	25,677,084

10.1.1 The Holding Company has invoiced an amount of Rs 21,150 million including Sindh Sales Tax of Rs.2,486 million, till December 31, 2016 to SNGPL in respect of capacity and utilization charges (terminal charges) relating to RLNG.

SNGPL has disputed the terminal charges that have not been allowed to it by OGRA, terminal charges of a third party (i.e. Pak-Arab Fertilizer Company Limited (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Holding Company. For quantity supplied to PAFL, PAFL is now making payment directly to the Holding company according to the payment plan finalised.

In this regard, the Holding Company has written a letter to the Ministry of Petroleum and Natural Resources (MP & NR) to resolve this matter, but the response to this letter is still awaited.

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

Subsequent to the period end, on December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Holding Company. On September 10, 2018, another 18 BCF (in total 30 BCF) of RLNG volume has been allocated to the Holding Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Holding Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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

As at period end, amount payable to JJVL in respect of processing charges is disclosed in note 15.6 to these consolidated condensed interim financial information.

10.3 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.

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

11. LONG-TERM FINANCE

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	
Secured			
Loans from banking companies	11.1, 11.2 & 11.3	**33,862,740**	24,521,058
Unsecured			
Foreign Currency Loans		**23,950**	23,950
Customer financing		**210,929**	217,149
Government of Sindh loan	11.4	**3,678,949**	3,567,129
		3,913,828	**3,808,228**
		37,776,568	**28,329,286**
Less Current portion shown under Current liabilities			
Loans from banking companies		**(3,833,333)**	(5,083,333)
Customer financing		**(18,821)**	(22,913)
Government of Sindh loan		**(650,000)**	(650,000)
		(4,502,154)	(5,756,246)
		33,274,414	**22,573,040**

11.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at December 31, 2016, the Holding Company has utilised total sanctioned amount.

11.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2016 the Holding Company has utilised Rs. 4,000 million out of the total sanctioned amount. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

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

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

12. DEFERRED CREDIT

	December 31 2016 (Un-audited)	June 30, 2016 (Audited)
	--------(Rupees in '000)--------	
Government contributions / grants		
Additions / adjustments during the period / year	**7,760**	150,028
Transferred to consolidated profit and loss account	**113,838**	264,633
Contribution from customers		
Transferred to consolidated profit and loss account	**78,967**	168,457
Government of Sindh grants		
Transferred to consolidated profit and loss account	**92,427**	991,743

13. SHORT TERM BORROWINGS

These represent Holding Company's facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 12,000 million (June 30, 2016: Rs. 9,625 million) and subject to mark-up upto 0.60% (June 30, 2016: 0.60%) 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 for the Group amounted to Rs. 3,374 million (June 30, 2016: Rs. 4,765 million).

	Note	**December 31, 2016 (Un-audited)**	June 30, 2016 (Audited)
		-----------(Rupees in '000)-----------	
14. TRADE AND OTHER PAYABLES			
Creditors for:			
- gas supplies	**14.2**	**126,536,810**	142,449,420
- supplies		**253,942**	1,332,146
		126,790,752	143,781,566
Amount received from customers for laying of mains, etc.		**2,217,600**	2,182,955
Accrued liabilities		**2,963,477**	4,099,054
Engro Energy Terminal		**3,111,377**	1,392,301
Advances from LPG customers		**39,785**	159,147
Provision for compensated absences - non executives		**255,966**	220,431
Payable to staff gratuity fund		**2,557,452**	2,562,657
Deposits / retention money		**787,961**	563,973
Bills payable		**112,692**	323,849
Advance for sharing right of way		**18,088**	18,088
Unclaimed dividend		**285,638**	285,837
Worker's Profit participation Fund		**3,977**	-
Withholding tax		**202,594**	147,378
Sales tax & FED		**674,353**	324,338
Processing Charges payable to JJVL		**6,283,520**	5,782,506
Gas infrastructure development cess payable		**7,615,436**	8,680,409
Gas development surcharge payable to GoP	**14.1**	**27,191,717**	18,604,884
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Inter State Gas System (Private) Limited (ISGSL)		**-**	20,321
Sindh sales tax		**22,688**	159,174
Advances from customers and distributors		**79,610**	38,739
Transport and advertisement services		**-**	20,474
Others		**315,977**	314,199
		181,532,460	189,684,080
14.1 Gas Development Surcharge			
GDS payable / (receivable)		**18,604,884**	(25,798,540)
Recovered during the period		**16,004,738**	16,325,254
Paid during the period		**(7,355,441)**	-
Impact of staggering	**2.2**	**1,835,883**	18,358,923
Price increase / (decrease) adjustment during the period		**(1,898,347)**	9,705,468
Claim under IAS 19 during the year		**-**	13,779
		27,191,717	18,604,884

14.2 As at December 31, 2016, amount of Rs. 106,195 million (June 30, 2016: Rs. 112,690 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2016: Rs. 15,832 million) on their balances. The management has reversed the LPS expense in the financial statements for the year ended June 30, 2016. During the period, management has not recorded the LPS expense in these consolidated condensed interim financial information.

15. CONTINGENCIES AND COMMITMENTS

		December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----------(Rupees in '000)	**-----------**
15.1	Commitments for capital expenditure	**4,114,801**	13,324,315
15.2	Guarantees issued on behalf of the Group	**4,159,861**	4,429,184

15.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Holding Company amounting to Rs. 35,182 million (June 30, 2016: Rs. 35,182 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, 2018, this amount has increased to Rs. 44,989 million. JPCL has raised another claim amounting to Rs. 5.793 million (June 30, 2016: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Holding Company. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

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

15.4 As disclosed in note 19.2, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the period ended December 30, 2016 amounting to Rs. 4,046 million. The Holding Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

15.5 Habibullah Coastal Power Company (Private) Limited (HCPCL) has claimed Rs.3,067 million as at July 26, 2016, from the Holding Company for short supply of gas under the provisions of an agreement dated March 31, 1996, between the Holding Company and HCPCL. HCPCL has also disputed late payment surcharge (LPS) charged by the Holding Company and errors in previous billing amounting to Rs. 660 million and is not paying full amount of gas bills including LPS. Consequently, the receivable balance due from HCPCL has increased to Rs. 6,196 million as at year end. HCPCL 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. 9,117 million which represents claim on account of failing to 'take or pay' for the gas made available to HCPCL, outstanding gas deposit and unpaid gas bills.

In case matter is decided against the Holding Company, management is confident that the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Holding Company in line with decision made by the OGRA on the similar matter in the financial year 2009.

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

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

SCP through its order dated November 16, 2018, based on the report by a firm of chartered accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL. With respect to the Freight matter, SCP will settle the same and an appropriate order shall be passed in this regard. Further, firm of chartered accountants in his 2nd report submitted in SCP proposed an agreement between the parties with a sharing ratio of 57:43 in favor of the Holding Company against supply of gas to JJVL plant by the Holding Company, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019.

SCP reviewed the agreement between the two parties as recommended by firm of chartered accountants and endorsed it as just and in national interest. SCP also directed the Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement.

Management is considering the recoverability of the receivable balance and may record further provision, if any, after the final report issued by the SCP. The arbitration is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be settled once the arbitration is completed, hence no provision is recorded in these consolidated condensed interim financial information.

15.7 Demand finance facilities have been given to the Holding Company's employees by certain banks for the purchase of vehicles against the Holding Company's guarantee and hypothecation of Holding Company's stock of pipes, gas meters, and the Holding Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2016: Rs. 0.5 million).

15.8 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001. Accordingly, no provision regarding the said claim has been made in these consolidated condensed interim financial information as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Holding Company.

15.9 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Holding Company with a demand of Rs. 311 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

15.10 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008 to 2015, disallowing certain expenses. The Holding Company has filed petition in the Sindh High Court to seek the authoritative interpretation of the Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001, disallowance of depreciation on fixed assets held under musharka arrangement and disallowances for Unaccounted For Gas (UFG). No provision has been made in these consolidated condensed interim financial information as the holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

15.11 The Deputy Commissioner Inland Revenue passed an order for the financial year 2009-10 against the Company with a demand of Rs. 1,635 million, along with default surcharge and penalty on account of disallowance of input sales tax on line losses / Unaccounted for Gas (UFG) along with other observations.

The case was contested upto the level of Appellate Tribunal Inland Revenue (ATIR) and the ATIR, while upholding the decision of the Commissioner (Appeals), allowed credit of input Sales Tax on UFG to the extent of OGRA benchmark. This has resulted in reduction of demand to Rs. 149 million. The Holding Company has filed Reference to High Court to avail benefit of full input tax credit. On filing of suit by the Holding Company, the Sindh High Court of Sindh has stayed demand for FY 2009-10.

The Holding Company and its legal counsel are of the opinion that the Holding Company has a strong case on merits since Sales tax Law does not specifically disallow input tax credit on line losses and further the Full Bench of the Appellate Tribunal Inland Revenue, in case of SNGPL, has held that input tax credit on UFG is allowable in full and furthermore electricity distribution companies are being allowed input tax credit on line losses by FBR in normal manner.

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

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

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

In the remand back proceedings, the Deputy Commissioner Inland Revenue (DCIR) has passed an order under section 122(4) / 122(1) of the Ordinance for the tax year 2011 whereby he has again disallowed the initial and normal depreciation on fixed assets on the ground that the Holding Company has not provided necessary documentary evidences in relation to installation and capitalization of the projects. However, in the appeal filed before the Commissioner (Appeals) against this order, the Commissioner (Appeals) has again remanded back the matter to the Department to examine the issue afresh. No provision has been made in these consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

15.13 The Additional Commissioner Inland Revenue passed an order against the Holding Company with demand of Rs. 1,314 million alongwith default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Holding Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Sindh High Court has also stayed the recovery of the additional tax and penalties. No provision has been made in these consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

The Deputy Commissioner Inland Revenue (DCIR) had passed an order for the tax year 2010 against the Holding Company with a demand of Rs. 432 million. The demand was in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR had not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06, 2007-08 and 2008-09 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) had maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-2006 and FY 2008-09 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under Section 34(5) and refund adjustment. Against the Commissioner (Appeals) order, the Holding Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issue decided in the Holding Company's favor.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Holding Company. Upon appeal by the Holding Company against DCIR Order, the Commissioner (Appeals) upheld the disallowance of minimum tax adjustment for FY 2008-09 whereas issues of refund adjustment for FY 2008-09, partial adjustment for minimum tax for FY 2005-06 and credit of tax deducted at source were again remanded back to DCIR. No provision has been made in these consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

15.14 Income tax authorities have issued show cause notice to the Holding Company for recovery of additional tax of Rs. 422 million for late deposit of withholding income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013 & 2014. The Holding Company has filed an appeal in the Sindh High Court, which through its order dated March 10, 2017 has remanded back the matter to the Department. No order has been passed as yet in the remanded back proceedings. No provision has been made in these consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

15.15 The Holding Company is subject to various other claims totaling Rs. 162 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

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

		Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
		(Un-audited)			
	Note	--------(Rupees in '000)--------			
16. COST OF SALES					
Cost of gas	**16.1**	**61,730,039**	78,338,748	**30,509,060**	36,045,624
Transmission and distribution costs		**8,013,374**	7,443,174	**4,040,562**	3,823,471
		69,743,413	85,781,922	**34,549,622**	39,869,095
Cost of gas					
Gas in pipelines as at July 1		**336,034**	341,904	**307,408**	366,642
Gas purchases		**74,240,716**	97,066,836	**32,555,832**	43,306,965
		74,576,750	97,408,740	**32,863,240**	43,673,607
Gas consumed internally		**(1,606,642)**	(239,023)	**(741,200)**	(105,736)
Inward price adjustment		**(10,935,219)**	(18,519,838)	**(1,308,130)**	(7,211,116)
Gas in pipelines as at December 31		**(304,850)**	(311,131)	**(304,850)**	(311,131)
		(12,846,711)	(19,069,992)	**(2,354,180)**	(7,627,983)
		61,730,039	78,338,748	**30,509,060**	36,045,624
17. OTHER OPERATING EXPENSES					
Workers profit participation fund		**165,632**	-	**(102,194)**	-
Auditors' remuneration		**10,170**	10,600	**4,625**	5,300
Sports expenses		**31,411**	29,121	**26,085**	20,352
Corporate social responsibility		**9,773**	16,105	**3,224**	9,709
Exchange loss on payment of gas purchases		**-**	438,687	**-**	98
Provision against impaired stores and spares		**4,986**	11,119	**4,203**	4,658
Provision against doubtful debt		**1,692,922**	747,432	**380,551**	620,871
		1,914,894	1,253,064	**316,494**	660,988

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
		(Un-audited)			
		(Rupees in '000)			
18. OTHER OPERATING INCOME					
Meter rentals		**364,849**	357,064	**183,106**	179,058
RLNG Transportation income		**2,003,887**	-	**1,002,396**	-
Recognition of income against deferred credit		**192,805**	198,271	**152,995**	100,385
Income from new service connections and asset contribution		**129,092**	87,039	**61,481**	40,449
Income from LPG air mix distribution - net		**71,941**	152,341	**35,605**	70,614
Exchange gain on payment of gas purchases		**44,549**	-	**563,587**	-
Advertising income		**1,715**	2,419	**476**	716
Income from sale of tender documents		**2,402**	3,237	**1,297**	1,633
Scrap sales		**34,435**	9,986	**29,545**	9,323
Recoveries from customers		**50,267**	31,186	**29,139**	17,854
Liquidity damaged recovered		**280,507**	18,571	**233,957**	8,924
Gain on sale of property, plant and equipment		**48,305**	36,313	**45,113**	34,767
Miscellaneous		**41,943**	172,845	**27,644**	170,191
		3,266,697	1,069,272	**2,366,341**	633,914
19. OTHER NON-OPERATING INCOME					
Income from financial assets					
Late payment surcharge		**1,934,903**	1,144,185	**560,594**	576,040
Income from net investment in finance lease		**-**	27,257	**-**	10,903
Income for receivable against asset contribution		**19,354**	20,548	**9,596**	10,283
Return on term deposits and profit and loss bank accounts		**38,819**	129,941	**17,465**	37,862
		1,993,076	1,321,931	**587,655**	635,088
Interest income on late payment of gas bills from					
- JJVL		**80,503**	164,665	**35,657**	107,153
- Water & Power Development Authority (WAPDA)		**134,912**	116,333	**74,785**	66,579
- SNGPL - Related Party		**444,990**	563,031	**310,021**	288,940
		660,405	844,029	**420,463**	462,672
Dividend income		**1,688**	712	**977**	356
		2,655,169	2,166,672	**1,009,095**	1,098,116
Income from investment in debts, loans, advances and receivables from related parties					
Income from net investment in finance lease		**33,874**	44,659	**16,937**	22,330
Others					
Sale of gas condensate		**(55,868)**	95,571	**(21,012)**	45,332
Sale of LPG / NGL	19.1	**338,447**	2,079,596	**358,893**	890,014
Meter manufacturing division profit - net		**4,353**	21,170	**9,464**	12,634
Amortization of Govt Grant		**92,427**	-	**54,726**	-
Reversal of Impairment on Operating assets		**1,190,000**	-	**-**	-
		1,569,359	2,196,337	**402,071**	947,980
LSA margins against RLNG		**203,390**	-	**101,943**	-
		4,461,792	4,407,668	**1,530,046**	2,068,426

19.1 The Holding Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Holding Company with mutually agreed quantity of LPG extracted and retain the rest for onward use. The Holding Company paid processing charges of $235/MT for the months on which JJVL's production share is below 57.1% and $220/MT if JJVL's production share is more than 57.1%.

The net income from LPG business has declined due to steady decline in LPG prices globally, in line with decline in global oil prices. Since, the Holding Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Holding Company sent termination notices of MoU with JJVL dated May 4, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016. Refer note 15.6 of these consolidated condensed interim financial information for status of arbitration proceedings with JJVL.

19.2 As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the period ended December 31, 2016 amounting to Rs. 4,046 million on outstanding payables to Government Controlled E&P Companies, the effect in these consolidated condensed interim financial information would be as follows:

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	---------(Rupees in '000)---------	
- Increase in loss before tax	**30,267,960**	26,221,647
- Increase in loss after tax / accumulated losses	**21,187,572**	18,335,153
- Increase in loss per share - Rupees	**24.05**	20.84

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	(Un-audited)			
	(Rupees in '000)			
20. TAXATION				
- Current	**2,225,540**	(9,694)	**402,532**	(5,322)
- Deferred	**(199,142)**	2,685,408	**716,693**	1,583,434
	2,026,398	2,675,714	**1,119,225**	1,578,112

	December 31, 2016	December 31, 2015
	(Un-audited)	
	(Rupees in '000)	
21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS		
Provisions	**2,277,689**	1,604,376
Depreciation	**2,889,115**	2,386,119
Amortization of intangibles	**10,126**	21,734
Finance cost	**901,706**	5,421,683
Amortization of transaction cost	**133,727**	4,755
Amortization of Government grant	**(92,427)**	-
Tranfer of Assets from Net investment in finance lease to Operating Assets	**(26,211)**	-
Recognition of income against deferred credit	**(206,303)**	(198,271)
Dividend income	**(1,688)**	(712)
Interest income and return on term deposits	**(710,550)**	(994,518)
Income from net investment in finance lease	**(33,874)**	(71,916)
Loss / (Gain) on disposal of property plant and equipment	**(48,305)**	(36,313)
Decrease in long term advances	**(21,257)**	20,028
Increase / (Decrease) in deferred credit	**21,257**	(33,525)
Reversal of impairment	**(1,190,000)**	-
Decrease in obligation under finance lease	**47,684**	(18,453)
	3,950,689	**8,104,987**
22. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	**(1,165,460)**	384,440
Stock-in-trade	**(12,019)**	100,338
Customers' installation work-in-progress	**3,592**	(17,328)
Trade debts	**1,494,148**	2,599,801
Advances, deposits and short term prepayments	**375,018**	(24,065)
Other receivables	**2,682,074**	7,334,374
	3,377,353	10,377,560
Increase / (decrease) in current liabilities		
Trade and other payables	**(8,579,551)**	2,498,760
	(5,202,198)	12,876,320

23. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies due to common directorship, Government related entities, staff retirement benefits plans, directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the OGRA. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. The prices and other conditions are not influenced by the Holding company. Other transactions with the related parties are carried out as per agreed terms.

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

		Half year ended	
		December 31, 2016	December 31, 2015
		(Un-audited)	
	Relationship	**(Rupees in '000)**	
Astro Plastic (Private) Limited	Associate		
- Billable charges		**76,945**	85,740
Attock Cement Limited	Associate		
- Billable charges		**22,406**	20,714
* **Fauji Fertilizer Company Limited**	Associate		
- Billable charges		**-**	16
Gadoon Textile Mills Limited	Associate		
- Billable charges		**114**	235
Government related entities - various			
- Purchase of fuel and lubricant		**15,185**	-
- Billable charges		**33,538,877**	43,159,702
- Markup on short term finance		**5,829**	-
- Markup on Long term finance		**32,993**	-
- Sharing of expenses		**15,400**	44,334
- Income from net investment in finance lease		**33,874**	44,659
- Gas purchases		**32,591,487**	37,401,879
- Sale of gas meters and spare parts		**4,436**	361,847
- Rent of premises		**558**	4,119
- Insurance premium		**67,014**	69,799
- Uniform cost of gas		**10,935,219**	19,960,387
- Electricity expense		**107,455**	104,902
- Interest income		**579,902**	679,364
- Markup on delayed payment on gas supplies		**-**	4,170,136
- RLNG transportation income		**2,003,887**	-
- Income against LNG service agreement		**203,390**	-
Habib Bank Limited	Associate		
- Profit on investment		**7,564**	5,707
- Markup on short term finance		**18,519**	8,190
- Markup on local currency finance		**141,034**	52,250
- Billable charges		**7,051**	6,485
International Industries Limited	Associate		
- Line Pipe Purchases		**-**	122,858
- Billable charges		**57,325**	621,118

	Relationship	Half year ended December 31, 2016	Half year ended December 31, 2015
		--------------(Rupees in '000)------------	
* **Ismail Industries Limited**	Associate		
- Billable charges		-	180,890
Key management personnel			
- Remuneration		**112,163**	85,269
Minto & Mirza	Associate		
- Professional charges		**7,200**	1,350
Pakistan Cables Limited	Associate		
- Billable charges		**25,166**	36,084
Pakistan Engineering Company Limited	Associate		
- Billable charges		**31**	28
* **Pakistan Stock Exchange Limited**	Associate		
- Billable charges		-	196
PERAC - Research and Development Foundation	Associate		
- Professional charges		**651**	644
- Billable charges		**36**	-
* **Premium Textile Mills Limited**	Associate		
- Billable charges		-	155,323
** **Petroleum Institute of Pakistan**	Associate		
- Subscription/Contribution		**2,032**	-
Staff retirement benefit plans	Associate		
- Contribution to provident fund		**148,083**	129,325
- Contribution to pension fund		**123,003**	216,930
- Contribution to gratuity fund		**150,698**	149,016
* **Standard Chartered Bank Limited**	Associate		
- Profit on investment		-	2,213
- Markup on short term finance		-	483
- Markup on local currency finance		-	4,209
Thatta Cement Company Limited	Associate		
- Gas sales		**2,760**	11,246

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

** Comparative transaction with these parties have not been disclosed as these parties were not related parties in previous period.

23.1 Sale of gas meters is made at cost plus method. The Holding 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 Holding Company and loans and advances to them are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Holding Company is received at rates prescribed by the Government of Pakistan.

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

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

	Relationship	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		(Rupees in '000)	
Astro Plastic (Private) Limited	Associate		
- Billable charges		**14,849**	12,785
Attock Cement Limited	Associate		
- Billable charges		**2,547**	2,691
- Gas supply deposit		**(588)**	(566)
* **Attock Refinery Limited**	Associate		
- Sale of condensate		**-**	42,105
* **Gadoon Textile Mills Limited**	Associate		
- Billable charges		**-**	14
- Gas supply deposit		**-**	(117)
Government related entities - various			
- Billable charges		**60,093,288**	63,604,130
- Markup accrued on borrowings		**859,375**	2,186,389
- Sharing of expenses		**-**	(20,321)
- Net investment in finance lease		**76,679**	58,729
- Gas purchases		**(109,083,555)**	(115,513,943)
- Gas meters and spare parts		**497,235**	558,732
- Uniform cost of gas		**15,975,256**	17,565,056
- Cash at bank		**44,027**	103,055
- Stock loan		**3,605**	(2,304)
- Recoverable from insurance		**(31,589)**	(950)
- Gas supply deposit		**(15,352)**	(11,646)
- Interest expense accrued - late payment surcharge on gas bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**8,526,417**	7,946,515
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**9,215,697**	7,191,242
- RLNG transportation income		**369,368**	523,655
- Income against LNG service agreement		**564,698**	334,868
Habib Bank Limited	Associate		
- Long term finance		**(4,015,625)**	(4,185,625)
- Short term finance		**(3,998,660)**	(1,497,943)
- Cash at bank		**2,045,442**	128,301
- Accrued mark-up		**(41,376)**	(37,641)
- Billable charges		**718**	1,371
* **International Industries Limited**	Associate		
- Billable charges		**-**	90,011
- Gas supply deposit		**-**	(333,850)

	Relationship	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		--------(Rupees in '000)--------	
* **Pakistan Cables Limited**			
- Billable charges		**-**	8,160
- Gas supply deposit		**-**	(23,418)
Pakistan Engineering Company Limited			
- Billable charges		**5**	5
- Gas supply deposit		**(15)**	(15)
PERAC - Research & Development Foundation			
- Professional charges		**57**	57
- Billable charges		**5**	9
- Gas supply deposit		**(220)**	(220)
Thatta Cement Company Limited			
- Billable charges		**137**	481

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

24. OPERATING SEGMENTS

Segment Revenue and Results

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

	Segment Revenue		Segment profit / (loss)	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
		(Un-audited)		
	--(Rupees in '000)----------------------			
Gas transmission and distribution	**86,620,579**	94,407,737	**4,901,820**	(7,584,867)
Meter manufacturing	**713,516**	1,022,085	**4,353**	21,170
Total segment results	**87,334,095**	95,429,822	**4,906,173**	(7,563,697)
Reconciliation of segment's profit with the profit before tax of the Company				
Unallocated - other expenses				
- Other operating expenses			**(1,914,894)**	(1,253,064)
Unallocated - other income				
- Non-operating income			**297,125**	223,117
Profit / (Loss) before tax			**3,288,404**	(8,593,644)

Segment assets and liabilities

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	262,599,903	252,867,937
Meter manufacturing	2,843,360	2,797,872
Total segment assets	265,443,263	255,665,809
Unallocated		
- Loans and advances	1,081,814	1,096,626
- Taxation - net	17,935,075	20,053,925
- Interest accrued	490,172	490,526
- Cash and bank balances	1,245,097	1,357,962
	20,752,158	22,999,039
Total assets as per balance sheet	286,195,421	278,664,848
Segments liabilities		
Gas transmission and distribution	265,663,372	259,786,262
Meter manufacturing	742,143	701,008
Total segment liabilities	266,405,515	260,487,270
Unallocated		
- Employee benefits	4,942,461	4,716,523
Total liabilities as per balance sheet	271,347,976	265,203,793

25. FAIR VALUE OF MEASUREMENT

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

25.1 Fair value of financial instruments

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

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

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

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either

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

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

	As at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	---Rupees in '000---			
Assets				
Available for sale investments				
Quoted equity securities	**362,699**	**-**	**-**	**362,699**

	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	---Rupees in '000---			
Assets				
Available for sale investments				
Quoted equity securities	238,315	-	-	238,315

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

25.2 Fair value of other assets

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

	As at December 31, 2016	
	Level 2	**Fair Value**
	---Rupees in '000---	
Freehold land	**5,453,582**	**5,453,582**
Leasehold land	**6,938,631**	**6,938,631**
	12,392,213	**12,392,213**

	As at June 30, 2016	
	Level 2	Fair Value
	---Rupees in '000---	
Freehold Land	5,453,582	5,453,582
Leasehold Land	6,937,190	6,937,190
	12,390,772	12,390,772

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

These consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on 13 February, 2019.

Chairman **Chief Financial Officer** **Managing Director**

KEY DATA

FRANCHISE AREA	**SINDH AND BALOCHISTAN**

	Six months period ended December 31,	
	2016	2015
NATURAL GAS SALES VOLUME (MMCF)	181,470	197,261
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	4,187	4,160
COMMERCIAL	22,973	23,141
DOMESTIC	2,778,528	2,718,808
TOTAL	2,805,688	2,746,109
GAS METERS MANUFACTURED (NOS.)	232,180	270,181
TRANMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	36	36
12"	522	493
16"	558	558
18"	970	950
20"	844	852
24"	687	653
30"	9	9
42"	31	17
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	35,134	34,643
SERVICES	9,964	9,684

SSGC

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