

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
(UN-AUDITED)**

As At March 31, 2017

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property, plant and equipment	6	114,626,749	98,877,569
Intangible assets		59,495	24,643
Deferred tax		1,381,138	2,882,244
Long term investments	7	627,831	243,415
Net investment in finance lease		333,485	362,394
Long term loans and advances		180,089	162,426
Long-term deposits		71,637	9,872
Total non-current assets		117,280,424	102,562,563
Current assets			
Stores, spares and loose tools		2,989,332	2,150,514
Stock-in-trade		1,086,374	834,656
Current maturity of net investment in finance lease		69,497	110,161
Customers' installation work-in-progress		179,978	184,508
Trade debts	8	80,205,567	86,307,335
Loans and advances		778,846	934,200
Advances, deposits and short term prepayments		244,099	497,052
Interest accrued	9	9,725,202	8,728,073
Other receivables	10	55,205,307	54,943,899
Taxation - net		19,975,454	20,053,925
Cash and bank balances		521,515	1,357,962
Total current assets		170,981,171	176,102,285
Total assets		288,261,595	278,664,848

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

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
(UN-AUDITED)**

As At March 31, 2017

As At March 31, 2017		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
		----- (Rupees in '000) -----	
Note			
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	586,202	201,787
	Accumulated losses	(12,142,401)	(12,185,561)
		2,160,365	1,732,790
	Surplus on revaluation of fixed assets	11,728,265	11,728,265
LIABILITIES			
Non-current liabilities			
	Long term finance	31,596,766	22,573,040
	Long term deposits	13,849,211	12,456,759
	Employee benefits	5,036,284	4,716,523
	Obligation against pipeline	994,401	1,027,886
	Deferred credit	5,536,742	5,842,485
	Long term advances	1,039,777	1,092,831
	Total non-current liabilities	58,053,181	47,709,524
Current liabilities			
	Current portion of long term finance	4,899,035	5,756,246
	Short term borrowings	10,121,617	4,860,212
	Trade and other payables	183,414,188	189,684,080
	Short term deposits	296,555	192,438
	Current portion of obligation against pipeline	44,156	41,287
	Current portion of deferred credit	422,793	427,547
	Interest accrued	17,121,440	16,532,459
	Total current liabilities	216,319,784	217,494,269
	Total liabilities	274,372,965	265,203,793
	Total equity and liabilities	288,261,595	278,664,848
Contingencies and commitments			

15

Chairman

Chief Financial Officer

Managing Director

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UN-AUDITED)**

For The Nine Months Period Ended March 31, 2017

		Nine months period ended		Quarter ended	
		March 31, 2017	March 31, 2016	'March 31, 2017	'March 31, 2016
Note		(Rupees in '000)			
	Sales	142,170,378	160,671,392	41,599,846	50,292,182
	Sales tax	(19,551,493)	(23,334,531)	(5,601,540)	(7,363,058)
		122,618,885	137,336,861	35,998,306	42,929,124
	Gas development surcharge	(20,299,185)	(20,198,984)	(4,135,372)	(6,143,258)
	Net sales	102,319,700	117,137,877	31,862,934	36,785,866
	Cost of sales	16 (103,935,811)	(124,065,695)	(34,192,398)	(38,283,773)
	Gross Loss	(1,616,111)	(6,927,818)	(2,329,464)	(1,497,907)
	Administrative and selling expenses	(3,201,228)	(2,870,591)	(1,046,197)	(909,420)
	Other operating expenses	17 (2,615,110)	(2,027,032)	(744,765)	(773,968)
		(5,816,338)	(4,897,623)	(1,790,962)	(1,683,388)
		(7,432,449)	(11,825,441)	(4,120,426)	(3,181,295)
	Other operating income	18 4,661,947	1,664,055	1,439,801	594,783
	Operating loss	(2,770,502)	(10,161,386)	(2,680,625)	(2,586,512)
	Other non-operating income	19 6,263,765	5,230,852	1,801,973	823,185
	Finance cost	(1,653,086)	(8,576,640)	(569,574)	(3,150,203)
	Profit / (loss) before taxation	1,840,177	(13,507,174)	(1,448,226)	(4,913,530)
	Taxation	20 (1,797,012)	4,127,323	229,386	1,451,609
	Profit / (loss) for the period	43,165	(9,379,851)	(1,218,840)	(3,461,921)
	Basic / diluted profit / (loss) per share	0.05	(10.65)	(1.38)	(3.93)

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

Chairman

Chief Financial Officer

Managing Director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED)**

For The Nine Months Period Ended March 31, 2017

	Nine months period ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----			
Profit / (loss) for the period	43,165	(9,379,851)	(1,218,840)	(3,461,921)
Other comprehensive income				
Item that maybe reclassified subsequently to profit and loss account				
Unrealised gain / (loss) on re-measurement of available for sale securities	384,415	(53,929)	260,031	(3,942)
Total comprehensive Income / (loss) for the period	427,580	(9,433,780)	(958,809)	(3,465,863)

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

Chairman

Chief Financial Officer

Managing Director

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)**

For The Nine Months Period Ended March 31, 2017

		March 31, 2017	March 31, 2016
	Note	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		1,840,176	(13,507,174)
Adjustments for non-cash and other items	21	6,639,721	13,212,953
Working capital changes	22	(3,486,616)	23,688,379
Financial charges paid		(1,873,727)	(1,862,266)
Employee benefits paid		(61,305)	(75,193)
Payment for retirement benefits		(353,010)	(491,794)
Long term deposits received - net		1,387,007	1,162,795
Deposits paid - net		(61,765)	(6,282)
Loans and advances to employees - net		137,299	(241,946)
Interest income and return on term deposits received		82,756	489,850
Income taxes paid		(217,424)	(1,562,476)
Net cash generated from operating activities		4,033,112	20,806,846
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(18,337,619)	(18,842,345)
Payments for intangible assets		(48,917)	(15,346)
Proceeds from sale of property, plant and equipment		68,210	105,185
Lease rental from net investment in finance lease		120,384	176,866
Payment for obligation against pipeline		(101,799)	-
Dividend received		1,688	712
Net cash used in investing activities		(18,298,053)	(18,574,928)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		11,986,440	5,972,265
Repayments of local currency loans		(3,807,803)	(5,945,811)
Customer finance received		5,819	-
Repayment of customer finance		(17,943)	(26,505)
Dividend paid		577	(106)
Net cash generated from / used in financing activities		8,167,090	(157)
Net (decrease) / increase in cash and cash equivalents		(6,097,852)	2,231,761
Cash and cash equivalents at beginning of the period		(3,502,250)	67,739
Cash and cash equivalents at end of the period		(9,600,102)	2,299,500
Cash and cash equivalent comprises:			
Cash and bank balances		521,515	2,299,500
Short term borrowings		(10,121,617)	-
		(9,600,102)	2,299,500

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

Chairman

Chief Financial Officer

Managing Director

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

For The Nine Months Period Ended March 31, 2017

	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	(6,320,809)	7,635,747
Total comprehensive loss for the quarter ended March 31, 2016						
Loss for the period	-	-	-	-	(9,379,851)	(9,379,851)
Other comprehensive loss for the period	-	-	-	(61,632)	-	(61,632)
Total comprehensive loss for the period	-	-	-	(61,632)	(9,379,851)	(9,441,483)
Balance as at March 31, 2016	8,809,163	234,868	4,672,533	178,360	(15,700,660)	(1,805,736)
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	(12,185,561)	1,732,790
Total comprehensive income for the quarter ended March 31, 2017						
Profit for the period	-	-	-	-	43,165	43,165
Other comprehensive income for the period	-	-	-	384,415	-	384,415
Total comprehensive loss for the period	-	-	-	384,415	43,165	427,580
Balance as at March 31, 2017	8,809,163	234,868	4,672,533	586,202	(12,142,396)	2,160,370

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

Chairman

Chief Financial Officer

Managing Director

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

For The Nine Months Period Ended March 31, 2017

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of holding	
	2017	2016
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 Company has incurred loss after tax of Rs. 127 million resulting in increase in its accumulated losses by Rs. 127 million and strengthening equity to Rs. 257 million after including the impact of staggering as disclosed in note 2.2 of this information. As at period end, current liabilities exceed its current assets by Rs. 43,405 million and accumulated losses stood at Rs. 11,628 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 1.5).

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

- 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. 1,063 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 1.5, 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 from FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 2,754 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 year 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 financial statements as at and for the year ended June 30, 2016.

March 31, June 30,
2017 2016
(Un-audited) (Audited)
 ----- (Rupees in '000) -----

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets	91,218,938	75,433,139
Capital work-in-progress	23,353,812	23,444,430
	<u>114,572,750</u>	<u>98,877,569</u>

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

	March 31, 2017		March 31, 2016
		(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			
Land	9,895	-	169,513
Buildings on leasehold land	108,619	-	99,598
Row	137,761	-	-
Gas distribution system	2,682,350	(9,176)	3,940,708
Gas transmission pipelines	10,664,525	-	435,962
Telecommunication	92,804	-	75,994
Plant and machinery	278,054	-	445,092
Tools and equipment	53,774	-	20,655
Motor vehicles	618,742	(25,891)	250,657
Furniture and fixtures	9,278	-	18,905
Office equipment	45,119	-	31,451
Computers and ancillary equipments	93,300	-	74,373
Construction equipment	724,655	-	104,584
Compressor	3,815,844	-	-
	19,334,720	(35,067)	5,667,492
			(26,377)
Capital work in progress:			
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred
			Transfer to operating assets
Projects:			
- Gas distribution system	3,457,824	(2,682,350)	3,900,034
- Gas transmission system	12,991,522	(10,664,525)	5,507,327
- Cost of buildings under construction and others	105,320	(108,619)	120,915
	16,554,666	(13,455,494)	9,528,276
			(4,476,268)

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. (4,239) million (March 31, 2016: Rs. 6,821 million).

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	------(Rupees in '000)-----	
7. LONG TERM INVESTMENTS			
Investment in related parties	7.1	349,773	92,710
Other investments		278,058	150,705
		<u>627,831</u>	<u>243,415</u>

- 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 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.

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
		------(Rupees in '000)-----	
8. TRADE DEBTS			
- secured		18,875,521	17,417,189
- unsecured	8.1 & 8.2	74,770,433	80,086,202
		<u>93,645,954</u>	<u>97,503,391</u>
Provision against doubtful debts		<u>(13,440,387)</u>	<u>(11,196,056)</u>
		<u>80,205,567</u>	<u>86,307,335</u>

- 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.31,348 million (June 30, 2016: Rs. 35,949 million) as at March 31,2017 receivables from KE. Out of this, Rs. 29,652 million (June 30, 2016: Rs. 31,402 million) as at March 31,2017 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 70,758 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:
 - Highest OD rate being paid by the Holding company or;
 - 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. 23,458 million (June 30, 2016: Rs. 21,708 million) as at March 31, 2017 including overdue balance of Rs.23,408 million (June 30, 2016: Rs. 21,659 million) as at March 31, 2017 receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 47,597 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

Interest accrued on late payment of bills / invoices from:

- WAPDA
- SNGPL
- JJVL

Interest accrued on bank deposits
Interest accrued on sales tax refund

Provision against impaired accrued income

March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
------(Rupees in '000)-----	
3,191,825	2,978,891
5,643,345	4,967,624
484,315	375,424
9,319,485	8,321,939
2,370	2,785
487,739	487,739
9,809,594	8,812,463
(84,392)	(84,392)
9,725,202	8,728,071

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----	
10. OTHER RECEIVABLES - considered good			
Staff pension fund		511,672	515,263
Receivable for sale of gas condensate		42,949	78,972
Sui Northern Gas Pipelines Limited	10.1	27,858,391	25,677,084
Jamshoro Joint Venture Limited	10.2	10,217,278	10,435,616
Workers' Profit Participation Fund		77,913	161,655
Sales tax receivable	10.3	18,137,250	19,714,428
Sindh sales tax		112,569	112,569
Pipeline rentals		18,154	18,154
LC margin for import of cylinders		86,831	39,105
Receivable against asset contribution	10.4	364,634	389,907
Inter State Gas System (Private) Limited (ISGSL)		13,845	-
Miscellaneous receivables		202,602	147,505
		<u>57,644,088</u>	<u>57,290,258</u>
Provision against impaired receivables		<u>(2,346,359)</u>	<u>(2,346,359)</u>
		<u>55,297,729</u>	<u>54,943,899</u>

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

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----	
Uniform cost of gas		16,202,333	17,565,056
Lease rentals		73,484	58,729
Contingent rent		3,535	3,535
LSA Margins of RLNG		293,054	334,867
Capacity and utilisation charges of RLNG	10.1.1	10,554,153	7,191,242
RLNG transportation income		731,833	523,655
		<u>27,858,392</u>	<u>25,677,084</u>

10.1.1 The Company has invoiced an amount of Rs. 24,888 million, including Sindh Sales Tax of Rs. 3,008 million, till March 31, 2017 to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----	
11. LONG-TERM FINANCE			
Secured			
Loans from banking companies	11.1, 11.2 & 11.3	32,531,967	24,521,058
Unsecured			
Front end fee of foreign currency loan		23,950	23,950
Consumer finance		205,024	217,149
Government of Sindh loans	11.4	3,734,858	3,567,129
		3,963,832	3,808,228
Subtotal		36,495,799	28,329,286
Less: current portion shown under current liabilities			
Loans from banking companies		(4,233,333)	(5,083,333)
Consumer finance		(15,701)	(22,913)
Government of Sindh loans		(650,000)	(650,000)
		(4,899,034)	(5,756,246)
		31,596,765	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 consumer 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.

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
		----- (Rupees in '000) -----	
12. DEFERRED CREDIT			
Government contributions / grants			
Additions / adjustments during the period		91,265	150,028
Transferred to Consolidated profit and loss account		137,035	264,633
Contribution from customers			
Transferred to Consolidated profit and loss account		118,451	168,457
Government of Sindh grants		146,277	991,743
Transferred to unconsolidated profit and loss account			

13 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 25,000 million (June 30, 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.14,907 million (June 30, 2016: Rs. 4,765 million).

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
		----- (Rupees in '000) -----	
14. TRADE AND OTHER PAYABLES	Note		
Creditors for:			
- gas supplies	14.2	139,828,012	142,449,420
- supplies		130,755	1,332,146
		139,958,767	143,781,566
Amount received from customers for laying of mains, etc.		2,297,730	2,182,955
Engro Elengy Terminal (Private) Limited		3,253,878	1,392,301
Accrued liabilities		2,971,786	4,099,054
Advances from LPG customers		18,789	159,147
Provision for compensated absences - non executives		255,114	220,431
Payable to staff gratuity fund		2,608,750	2,562,657
Deposits / retention money		834,891	563,973
Bills payable		6,956	323,849
Advance for sharing right of way		18,088	18,088
Unclaimed dividend		286,414	285,837
Withholding tax		160,643	147,378
Sales tax & Federal excise duty		285,476	324,338
Sindh sales tax		168,270	159,174
Processing Charges payable to JJVL		6,527,403	5,782,506
Gas infrastructure development cess payable		7,264,966	8,680,409
Gas development surcharge payable to GoP	14.1	16,202,108	18,604,884
Unclaimed Term Finance Certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		-	20,321
Advances from customers and distributors		-	38,739
Transport and advertisement services		21,790	20,474
Others		270,569	314,199
		183,414,188	189,684,080
		March 31, 2017 (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		27,290,069	16,325,254
Paid during the period		(22,357,744)	-
Impact of staggering	2.2	2,753,825	18,358,923
Price increase / (decrease) adjustment during the period		(10,088,926)	9,705,468
Claim under IAS 19 during the year		-	13,779
		16,202,108	18,604,884

- 14.2. As at March 31, 2017, amount of Rs. 130,890 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

	March 31, 2017 (Un-audited) ----- (Rupees in '000)-----	June 30, 2016 (Audited)
15.1 Commitments for capital expenditure	4,095,799	13,324,315
15.2 Guarantees issued on behalf of the Group	4,128,241	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. 5,616 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 Holding 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.

		Nine months ended		Quarter ended	
		March 31 2017	March 31 2016	March 31, 2017	March 31, 2016
		(Un-audited)			
		----- (Rupees in '000) -----			
16. COST OF SALES	Note				
Cost of gas	16.1	91,703,798	113,077,043	29,973,760	34,738,295
Transmission and distribution costs		12,232,012	10,988,652	4,218,638	3,545,478
		103,935,810	124,065,695	34,192,398	38,283,773
16.1 Cost of gas					
Opening gas in pipelines		336,034	341,904	304,850	311,131
Gas purchases		109,971,268	137,689,813	35,730,553	40,622,977
		110,307,302	138,031,717	36,035,403	40,934,108
Gas consumed internally		(2,324,722)	(395,917)	(718,080)	(156,894)
Inward price adjustment		(15,896,510)	(23,221,177)	(4,961,291)	(4,701,339)
Closing gas in pipelines		(382,272)	(1,337,580)	(382,272)	(1,337,580)
		(18,603,504)	(24,954,674)	(6,061,643)	(6,195,813)
		91,703,798	113,077,043	29,973,760	34,738,295
17. OTHER OPERATING EXPENSES					
WPPF		83,742	-	(81,890)	-
Auditors' remuneration		15,588	16,434	5,418	5,834
Sports expenses		50,802	45,073	19,391	15,952
Corporate social responsibility		12,343	24,019	2,570	7,914
Exchange loss on payment of gas purchases		194,284	376,636	238,833	(62,051)
Provision against impaired stores and spares		14,020	21,611	9,034	10,492
Provision against impaired debt and other receivables		2,244,331	1,543,259	551,409	795,827
		2,615,110	2,027,032	744,765	773,968
18. OTHER OPERATING INCOME					
Meter rentals		549,390	537,185	184,541	180,121
RLNG transportation income		3,068,278	-	1,064,392	-
Recognition of income against deferred credit		232,615	240,713	39,810	42,442
Income from new service connections and asset contribution		162,228	229,753	33,136	142,714
Income from LPG air mix distribution - net		106,889	188,599	34,948	36,258
Advertising income		2,306	3,237	591	818
Income from sale of tender documents		3,597	4,192	1,195	955
Scrap sales		50,550	10,013	16,116	27
Recoveries from customer		76,433	55,486	26,166	24,300
Liquidity damaged recovered		300,105	41,196	19,598	22,625
Gain on disposal of property, plant and equipment		50,583	78,808	2,278	42,495
Miscellaneous		58,973	274,873	17,030	102,028
		4,661,947	1,664,055	1,439,801	594,783

19. OTHER NON-OPERATING INCOME

Income from financial assets

	March 31 2017	March 31 2016	March 31, 2017	March 31, 2016
Late payment surcharge	2,580,025	1,705,098	645,122	560,913
Income from net investment in finance lease	-	27,257	-	-
Income for receivable against asset contribution	28,781	30,630	9,427	10,082
Return on term deposits and profit and loss bank accounts	68,488	164,264	29,669	34,324
	2,677,294	1,927,249	684,218	605,319

Interest income on late payment of gas bills from

- Jamshoro Joint Venture Limited	110,170	226,439	29,667	61,774
- Water and Power Development Authority	212,934	186,417	78,022	70,084
- Sui Northern Gas Pipelines Limited	675,720	861,259	230,730	298,228
	998,824	1,274,115	338,419	430,086

Dividend income

	1,688	712	-	-
	3,677,806	3,202,076	1,022,637	1,035,405

Income from investment in debts, loans, advances and receivables from related parties

Income from net investment in finance lease	50,811	66,988	16,937	22,329
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Others

Sale of gas condensate	(68,762)	128,820	(12,894)	33,249
Income on LPG and NGL - net	923,180	1,808,642	584,733	(270,954)
Meter manufacturing division profit - net	4,979	24,326	626	3,156
Amortization of Government grant	146,277	-	53,849	-
Reversal of Impairment on Operating assets	1,190,000	-	-	-
	2,195,674	1,961,788	626,314	(234,549)

LSA margins against RLNG

	339,475	-	136,085	-
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	Nine months ended		Quarter ended	
	March 31 2017	March 31 2016	March 31, 2017	March 31, 2016
	(Un-audited)			
	----- (Rupees in '000) -----			
	2,580,025	1,705,098	645,122	560,913
	-	27,257	-	-
	28,781	30,630	9,427	10,082
	68,488	164,264	29,669	34,324
	2,677,294	1,927,249	684,218	605,319
	110,170	226,439	29,667	61,774
	212,934	186,417	78,022	70,084
	675,720	861,259	230,730	298,228
	998,824	1,274,115	338,419	430,086
	1,688	712	-	-
	3,677,806	3,202,076	1,022,637	1,035,405
	50,811	66,988	16,937	22,329
	(68,762)	128,820	(12,894)	33,249
	923,180	1,808,642	584,733	(270,954)
	4,979	24,326	626	3,156
	146,277	-	53,849	-
	1,190,000	-	-	-
	2,195,674	1,961,788	626,314	(234,549)
	339,475	-	136,085	-
	6,263,766	5,230,852	1,801,973	823,185

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 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 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 March 31, 2017 amounting to Rs. 5,616 million on outstanding payables to Government Controlled E&P Companies, the effect on these consolidated condensed interim financial information would be as follows:

	March 31, 2017 (Un-audited) ------(Rupees in '000)-----	June 30, 2016 (Audited)
- Increase in loss before tax	31,837,633	26,221,647
- Increase in loss after tax / accumulated losses	22,286,343	18,335,153
- Increase in loss per share - Rupees	25.30	20.84

20. TAXATION

	Nine months ended		Quarter ended	
	March 31 2017 (Un-audited) ------(Rupees in '000)-----	March 31 2016	March 31 2017 (Un-audited) ------(Rupees in '000)-----	March 31 2016
- Current	1,543,070	13,424	(682,470)	3,730
- Deferred	253,942	(4,140,747)	453,084	(1,455,339)
	<u>1,797,012</u>	<u>(4,127,323)</u>	<u>(229,386)</u>	<u>(1,451,609)</u>

21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	Nine months ended	
	March 31 2017 (Un-audited) ------(Rupees in '000)-----	March 31 2016
Provisions	3,109,059	2,688,096
Depreciation	4,626,469	3,805,707
Amortization of intangibles	14,066	26,232
Finance cost	1,442,221	8,570,070
Amortization of transaction cost	192,197	6,570
Amortization of government grant	(146,277)	-
Transfer of Assets from Net investment in finance lease to Operating Assets	(26,211)	-
Recognition of income against deferred credit	(255,486)	(240,713)
Dividend income	(1,688)	(712)
Interest income and return on term deposits	(1,132,629)	(1,438,379)
Income from net investment in finance lease	(50,811)	(94,245)
(Gain) / Loss on disposal of property plant and equipment	(50,583)	(78,808)
Decrease in long term advances	(53,054)	37,401
Decrease in deferred credit	91,265	(40,273)
(Reversal) / Provision for Impairment of Operating Assets	(1,190,000)	-
Decrease in obligation against pipeline	71,183	(27,993)
	<u>6,639,721</u>	<u>13,212,953</u>

22. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(847,119)	390,459
Stock-in-trade	(248,031)	80,813
Customers' installation work-in-progress	4,530	(12,320)
Trade debts	3,871,959	1,512,191
Advances, deposits and short term prepayments	452,467	(111,335)
Other receivables	(10,865)	15,455,237
	<u>3,222,941</u>	<u>17,315,045</u>
Increase in current liabilities		
Trade and other payables	(6,709,557)	6,373,334
	<u>(3,486,616)</u>	<u>23,688,379</u>

23. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies due to common directorship, Government related entities, staff retirement benefits plans, directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Oil and Gas Regulatory Authority. 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 consolidated condensed interim financial information are as follows:

		Nine months ended	
		March 31 2017	March 31 2016
		(Un-audited)	
		(Rupees in '000)	
Relationship			
Astro Plastic (Private) Limited	Associate		
- Billable charges		114,212	105,009
Attock Cement Limited	Associate		
- Billable charges		34,479	20,226
Fauji Fertilizer Company Limited	Associate		
- Billable charges		-	16
Gadoon Textile Mills Limited	Associate		
- Billable charges		114	396
Government related entities - various			
- Purchase of fuel and lubricant		31,389	-
- Billable charges		38,943,386	58,737,198
- Markup on short term finance		10,114	4,482
- Markup on Long term finance		48,310	2,610
- Sharing of expenses		15,400	72,181
- Income from net investment in finance lease		50,811	66,988
- Gas purchases		49,268,234	54,919,933
- Sale of gas meters and spare parts		5,896	363,970
- Rent of premises		594	13,507
- Insurance premium		92,937	107,461
- Uniform cost of gas		15,896,510	23,221,176
- Electricity expense		136,751	151,879
- Interest income		888,654	1,047,676
- Markup on delayed payment on gas supplies		-	6,637,888
- RLNG transportation income		3,068,278	-
- Income against LNG service agreement		339,475	-
Habib Bank Limited	Associate		
- Profit on investment		10,625	6,841
- Markup on short term finance		44,025	14,598
- Markup on local currency finance		207,809	112,188
- Billable charges		8,886	8,670
* International Industries Limited	Associate		
- Line Pipe Purchases		-	122,858
- Billable charges		57,325	907,981
* Ismail Industries Limited	Associate		
- Billable charges		-	-

		Nine months ended	
		March 31 2017	March 31 2016
		(Un-audited)	
Relationship		(Rupees in '000)	
Key management personnel			
- Remuneration		160,547	119,083
Minto & Mirza	Associate		
- Professional charges		7,200	8,550
Pakistan Cables Limited	Associate		
- Billable charges		25,166	66,034
		Nine months ended	
		March 31 2017	March 31 2016
		(Un-audited)	
		(Rupees in '000)	
Pakistan Engineering Company Limited	Associate		
- Billable charges		46	45
* Pakistan Stock Exchange Limited	Associate		
- Billable charges		-	976
PERAC - Research and Development Foundation	Associate		
- Professional charges		902	472
- Billable charges		51	-
** Petroleum Institute of Pakistan	Associate		
- Subscription/Contribution		2,032	-
Staff retirement benefit plans	Associate		
- Contribution to provident fund			
- Contribution to pension fund		225,514	192,793
- Contribution to gratuity fund		147,686	260,391
		239,437	260,200
* Standard Chartered Bank Limited	Associate		
- Profit on investment		-	2,458
- Markup on short term finance		-	1,026
- Markup on local currency finance		-	4,209
Thatta Cement Company Limited	Associate		
- Gas sales		4,415	13,403

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

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

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:

		March 31 2017 (Unaudited)	June 30, 2016 (Audited)
	Relationship	----- (Rupees in '000) -----	
Astro Plastic (Private) Limited	Associate		
- Billable charges		16,325	12,785
- Gas supply deposit			
Attock Cement Limited	Associate	2,327	2,691
- Billable charges		(588)	(566)
- Gas supply deposit			
* Attock Refinery Limited	Associate	-	42,105
- Sale of condensate			
* Gadoon Textile Mills Limited	Associate	-	14
- Billable charges		-	(117)
- Gas supply deposit			
Government related entities - various			
		57,470,172	63,604,130
- Billable charges		859,375	2,186,389
- Mark up accrued on borrowings		-	(20,321)
- Sharing of expenses		73,483	58,729
- Income from net investment in finance lease		115,840,644	(115,513,943)
- Gas purchases		518,906	558,732
- Sale of gas meters		16,202,333	17,565,056
- Uniform cost of gas		60,023	103,055
- Cash at bank		9,465	(2,304)
- Stock Loan		(31,786)	(950)
- Recoverable from insurance		(15,352)	(11,646)
- Gas supply deposit		(15,832,411)	(15,832,411)
- Interest expense accrued - Late payment surcharge on gas supplies bills		8,835,170	7,946,515
- Interest income accrued - late payment on gas bills		3,535	3,535
- Contingent rent		10,554,153	7,191,242
- Capacity and utilisation charges of RLNG		731,833	523,655
- RLNG Transportation Income		293,054	334,868
- LSA Margin			
Habib Bank Limited	Associate	(3,931,625)	(4,185,625)
- Long term finance		-	(1,497,943)
- Short term finance		900	128,301
- Cash at bank		(121,581)	(37,641)
- Accrued mark-up		929	1,371
- Billable charges		-	(3,589)
* International Industries Limited	Associate	-	90,011
- Billable charges		-	(333,850)
* Pakistan Cables Limited	Associate	-	8,160
- Billable charges		-	(23,418)
- Gas supply deposit			
Pakistan Engineering Company Limited	Associate	5	5
- Billable charges		(15)	(15)
- Gas supply deposit			
PERAC - Research & Development Foundation	Associate	57	57
- Professional charges		5	9
- Billable charges		(220)	(220)
- Gas supply deposit			
Thatta Cement Company Limited	Associate		
- Billable charges		560	481

* 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 Holding Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. As a result, management has identified the following

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

Segment revenue and results

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

	Nine months ended			
	Segment revenue		Segment profit / (loss)	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Un-audited)			
	(Rupees in '000)			
Gas transmission and distribution	122,618,885	137,336,861	4,329,321	(11,794,319)
Meter manufacturing	1,065,605	1,295,784	4,979	24,326
Total segment results	123,684,490	138,632,645	4,334,300	(11,769,993)
Unallocated - other expenses				
- Other operating expenses			(2,615,110)	(2,027,032)
Unallocated - other income				
- Non-operating income			120,987	289,851
Profit / (loss) before tax			1,840,177	(13,507,174)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 614 million (2016: Rs. 930 million).

Segment assets and liabilities

	March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	(Rupees in '000)	
Segment assets		
Gas transmission and distribution	262,215,887	252,867,937
Meter manufacturing	2,857,520	2,797,872
Total segment assets	265,073,407	255,665,809
Unallocated		
- Loans and advances	2,669,038	1,096,626
- Taxation - net	19,900,364	20,053,925
- Interest accrued	490,109	490,526
- Cash and bank balances	128,677	1,357,962
	23,188,188	22,999,039
Total assets as per balance sheet	288,261,595	278,664,848
Segments liabilities		
Gas transmission and distribution	268,702,400	259,786,262
Meter manufacturing	634,281	701,008
Total segment liabilities	269,336,681	260,487,270
Unallocated		
- Employee benefits	5,036,284	4,716,523
Total liabilities as per balance sheet	274,372,965	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 directly (that is, as prices) or indirectly (that is, derived from prices).

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

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

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Assets				
Available for sale investments				
Quoted equity securities	622,730	-	-	622,730

	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 March 31, 2017	
	Level 2	Fair Value
	-----Rupees in '000-----	
Freehold land	5,462,036	5,462,036
Leasehold land	6,938,631	6,938,631
	<u>12,400,667</u>	<u>12,400,667</u>
	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
	<u>12,390,772</u>	<u>12,390,772</u>

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

Nine months period ended March 31,

2017

2016

NATURAL GAS SALES VOLUME (MMCF)

267,224

290,068

NUMBER OF CUSTOMERS (CUMULATIVE)

INDUSTRIAL

4,190

4,173

COMMERCIAL

22,957

23,178

DOMESTIC

2,794,812

2,730,537

TOTAL

2,821,959

2,757,888

GAS METERS MANUFACTURED (NOS.)

358,930

413,994

TRANSMISSION NETWORK - CUMULATIVE (KM)

DIAMETER

6"

36

36

12"

522

493

16"

558

558

18"

970

950

20"

844

852

24"

687

686

30"

9

9

42"

163

30

3,789

3,614

DISTRIBUTION NETWORK - CUMULATIVE (KM)

MAINS (1" - 30" DIAMETER)

35,301

34,793

SERVICES

10,016

9,782

45,317

44,575