

CORPORATE PROFILE

Board of Directors

As on March 31, 2017

Mr. Miftah Ismail	Chairman
Mr. Khalid Rahman*	Managing Director / CEO
Agha Sher Shah	Member
Nawabzada Riaz Noshervani	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. Muhammad Bilal Shaikh	Member
Mr. Mobin Saulat	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. Muhammad Riaz Khan	Member
Mr. Saleem Zamindar	Member
Agha Sher Shah	Member

Board Finance and Procurement Committee

Mr. Furqan Bahadur Khan	Chairman
Mr. Muhammad Amin Rajput*	AMD
Qazi Mohammad Saleem Siddiqui	Member
Nawabzada Riaz Noshervani	Member
Mirza Mahmood Ahmad	Member

Board Audit Committee

Sardar Rizwan Kehar	Chairman
Mr. Saleem Zamindar	Member
Mr. Mobin Saulat	Member

Board Risk Management and Litigation Committee

Mirza Mahmood Ahmad	Chairman
Mr. Muhammad Amin Rajput*	AMD
Agha Sher Shah	Member
Mr. Mobin Saulat	Member

Board Special Committee on UFG

Sardar Rizwan Kehar	Chairman
Mr. Muhammad Amin Rajput*	AMD
Nawabzada Riaz Noshervani	Member
Mr. Furqan Bahadur Khan	Member
Mr. Muhammad Riaz Khan	Member
Qazi Mohammad Saleem Siddiqui	Member

Board Nomination Committee

Mr. Miftah Ismail	Chairman
Mr. Muhammad Riaz Khan	Member
Sardar Rizwan Kehar	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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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*

**UNCONSOLIDATED 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	112,442,692	96,711,045
Intangible assets		59,494	24,643
Deferred tax		1,204,760	2,668,942
Long term investments	7	1,627,831	1,243,416
Net investment in finance lease		333,485	362,394
Long term loans and advances		180,089	162,426
Long-term deposits		13,761	8,302
Total non-current assets		115,862,112	101,181,168
Current assets			
Stores, spares and loose tools		2,984,138	2,146,869
Stock-in-trade		896,247	801,819
Current maturity of net investment in finance lease		69,497	110,161
Customers' installation work-in-progress		179,978	184,508
Trade debts	8	80,172,715	86,285,447
Loans and advances		2,488,949	2,643,911
Advances, deposits and short term prepayments		167,469	481,877
Interest accrued		10,270,174	9,191,342
Other receivables	10	55,240,430	55,108,009
Taxation - net		19,900,364	19,986,902
Cash and bank balances		128,677	954,239
Total current assets		172,498,638	177,895,084
Total assets		288,360,750	279,076,252

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

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
(UN-AUDITED)
As At March 31, 2017

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	------(Rupees in '000)-----	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		586,202	201,787
Accumulated losses		(11,627,522)	(11,500,489)
		2,675,244	2,417,862
Surplus on revaluation of fixed assets		11,728,265	11,728,265
LIABILITIES			
Non-current liabilities			
Long term finance	11	31,596,766	22,573,040
Long term deposits		13,849,211	12,462,204
Employee benefits		5,036,284	4,704,086
Obligation against pipeline		994,401	1,027,886
Deferred credit	12	5,536,742	5,842,485
Long term advances		1,039,776	1,092,831
Total non-current liabilities		58,053,180	47,702,532
Current liabilities			
Current portion of long term finance	11	4,899,035	5,756,246
Short term borrowings	13	10,093,806	4,860,212
Trade and other payables	14	183,323,548	189,609,842
Current portion of obligation against pipeline		44,156	41,287
Current portion of deferred credit		422,793	427,547
Interest accrued		17,120,723	16,532,459
Total current liabilities		215,904,061	217,227,593
Total liabilities		273,957,241	264,930,125
Total equity and liabilities		288,360,750	279,076,252
Contingencies and commitments			

Chairman

Chief Financial Officer

Managing Director

**UNCONSOLIDATED 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)			
		142,170,378	160,671,392	41,599,846	50,292,182
		(19,551,493)	(23,334,531)	(5,601,540)	(7,363,058)
		122,618,885	137,336,861	35,998,306	42,929,124
		(20,299,185)	(20,198,984)	(4,135,371)	(6,143,258)
		102,319,700	117,137,877	31,862,935	36,785,866
	16	(103,935,811)	(124,065,695)	(34,186,380)	(38,283,773)
		(1,616,111)	(6,927,818)	(2,323,445)	(1,497,907)
		(3,122,460)	(2,824,433)	(1,025,385)	(900,370)
	17	(2,615,110)	(2,027,033)	(754,458)	(773,969)
		(5,737,570)	(4,851,466)	(1,779,843)	(1,674,339)
		(7,353,681)	(11,779,284)	(4,103,288)	(3,172,246)
	18	4,661,023	1,555,976	1,439,596	585,064
		(2,692,658)	(10,223,308)	(2,663,692)	(2,587,182)
	19	5,935,000	5,111,836	1,679,223	802,565
		(1,651,246)	(8,574,395)	(571,440)	(3,148,241)
		1,591,096	(13,685,867)	(1,555,909)	(4,932,858)
	20	(1,718,124)	4,140,747	290,763	1,455,339
		(127,028)	(9,545,120)	(1,265,146)	(3,477,519)
		(0.14)	(10.84)	(1.44)	(3.95)

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

Chairman

Chief Financial Officer

Managing Director

**UNCONSOLIDATED 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) -----			
Loss for the period	(127,028)	(9,545,120)	(1,265,146)	(3,477,519)
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	(61,633)	260,031	(3,943)
Total comprehensive Income / (loss) for the period	257,387	(9,606,753)	(1,005,115)	(3,481,462)

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

Chairman

Chief Financial Officer

Managing Director

**UNCONSOLIDATED 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			
Profit before taxation		1,591,096	(13,685,867)
Adjustments for non-cash and other items	21	6,436,239	13,028,981
Working capital changes	22	(3,232,172)	23,871,084
Financial charges paid		(1,872,832)	(1,861,875)
Employee benefits paid		(61,305)	(76,892)
Payment for retirement benefits		(353,010)	(491,794)
Long term deposits received - net		1,387,007	1,119,328
Deposits paid - net		(5,459)	(489)
Loans and advances to employees - net		137,299	(243,250)
Interest income and return on term deposits received		82,756	396,851
Income taxes paid		(167,404)	(1,534,509)
Net cash generated from operating activities		3,942,215	20,521,568
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(18,208,026)	(18,787,412)
Payments for intangible assets		(48,917)	(15,346)
Proceeds from sale of property, plant and equipment		68,209	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		(18,168,461)	(18,519,995)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		11,986,440	5,972,265
Repayments of local currency loans		(3,807,803)	(5,945,810)
Customer finance received		5,819	-
Repayment of customer finance		(17,943)	(26,505)
Dividend paid		577	(106)
Net cash generated from financing activities		8,167,090	(156)
Net (decrease) / increase in cash and cash equivalents		(6,059,156)	2,001,417
Cash and cash equivalents at beginning of the period		(3,905,973)	(5,062)
Cash and cash equivalents at end of the period		(9,965,129)	1,996,355
Cash and cash equivalent comprises:			
Cash and bank balances		128,677	1,996,355
Short term borrowings		(10,093,806)	-
		(9,965,129)	1,996,355

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

Chairman

Chief Financial Officer

Managing Director

**UNCONSOLIDATED 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 July 1, 2015	8,809,163	234,868	4,672,533	239,992	(5,381,402)	8,575,154
Total comprehensive loss for the period ended March 31, 2016						
Loss for the period	-	-	-	-	(9,545,120)	(9,545,120)
Other comprehensive loss for the period	-	-	-	(61,633)	-	(61,633)
Total comprehensive loss for the period	-	-	-	(61,633)	(9,545,120)	(9,606,753)
Balance as at March 31, 2016	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>178,359</u>	<u>(14,926,522)</u>	<u>(1,031,599)</u>
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	(11,500,494)	2,417,857
Total comprehensive loss for the period ended March 31, 2016						
Loss for the period	-	-	-	-	(127,028)	(127,028)
Other comprehensive income for the period	-	-	-	384,415	-	384,415
Total comprehensive income for the period	-	-	-	384,415	(127,028)	257,387
Balance as at March 31, 2017	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>586,202</u>	<u>(11,627,522)</u>	<u>2,675,244</u>

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

Chairman

Chief Financial Officer

Managing Director

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

For The Nine Months Period Ended March 31, 2017

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 respectively.

1.3 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 in these financial 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 1.4).

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. 4,238 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 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-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 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.

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 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 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 from FY 2016-17 to FY 2020-21. Based on this, management has recorded amount of Rs. 2,754 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.

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

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets	89,100,001	73,277,736
Capital work-in-progress	23,342,691	23,433,309
	<u>112,442,692</u>	<u>96,711,045</u>

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

	Nine months period ended			
	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	-	98,557	-
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	-	395,739	-
Tools and equipment	53,774	-	15,920	-
Motor vehicles	618,742	(25,891)	250,620	(26,377)
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	-	104,291	-
Compressor	3,815,844	-	-	-
	19,334,720	(35,067)	5,612,033	(26,377)
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets

Capital work in progress:

Projects:

- Gas distribution system	3,457,824	(2,682,350)	3,900,034	(3,940,708)
- Gas transmission system	12,991,522	(10,664,525)	5,507,327	(435,962)
- Buildings on leasehold land	105,320	(108,619)	119,874	(98,557)
	<u>16,554,666</u>	<u>(13,455,494)</u>	<u>9,527,235</u>	<u>(4,475,227)</u>

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	1,349,773	1,092,711
Other investments		278,058	150,705
		1,627,831	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.

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	----- (Rupees in '000) -----	
8.	TRADE DEBTS		
	Secured	18,875,521	17,426,817
	Unsecured	74,704,887	80,021,993
	8.1 & 8.2	93,580,408	97,448,810
	Provision against doubtful debts	(13,407,693)	(11,163,363)
		80,172,715	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. 31,348 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 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 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:
 - Highest OD rate being paid by the 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 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. 23,458 million (June 30, 2016: Rs. 21,708 million) 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 Company from PSML amounts to Rs. 47,597 million (June 30, 2016: Rs. 43,266 million) as at March 31, 2017. 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

Interest accrued on late payment of bills / invoices from:

- WAPDA
- SNGPL
- JJVL

Interest accrued on bank deposits
Interest accrued on sales tax refund
Interest accrued to related party

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
	544,972	463,271
	10,354,566	9,275,734
	(84,392)	(84,392)
	10,270,174	9,191,342

		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
SSGC LPG (Private) Limited		101,621	242,819
Workers' Profit Participation Fund		77,913	161,655
Sales tax receivable	10.3	18,100,925	19,665,771
Sindh sales tax		112,569	112,569
Pipeline rentals		18,154	18,154
Receivable against asset contribution	10.4	364,634	389,907
Inter State Gas System (Private) Limited (ISGSL)		13,845	-
Miscellaneous receivables		166,838	156,558
		57,586,789	57,454,368
Provision against impaired receivables		(2,346,359)	(2,346,359)
		55,240,430	55,108,009
10.1. As at year end, receivable balance from SNGPL comprises of the following:			
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	10.1.1	10,554,152	7,191,242
		731,833	523,655
		27,858,391	25,677,084

- 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 Company. For quantity supplied to PAFCL, PAFCL 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 Company. On September 10, 2018, another 18 BCF (in total 30 BCF) of RLNG volume has been 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 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 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.

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	Note	------(Rupees in '000)-----	
11. LONG-TERM FINANCE - secured			
Secured			
Loans from banking companies	11.1, 11.2 & 11.3	32,531,967	19,437,725
Unsecured			
Front end fee of foreign currency loan		23,950	23,950
Consumer financing		205,024	194,236
Government of Sindh loan	11.4	3,734,858	2,917,129
		3,963,832	3,135,315
		36,495,799	22,573,040
Less: curent portion shown under current liabilities			
Loans from banking companies		(4,233,333)	(7,452,381)
Consumer financing		(15,701)	(34,697)
Government of Sindh loan		(650,000)	(658,513)
		(4,899,034)	(8,145,591)
		31,596,765	14,427,449

- 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 March 31, 2017, 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 March 31, 2017 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 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 / year	91,265	150,028
Transferred to unconsolidated profit and loss account	137,035	264,633
Contribution from customers		
Transferred to unconsolidated profit and loss account	118,451	168,457
Government of Sindh grants		
Transferred to unconsolidated profit and loss account	146,277	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. 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		
Creditors for:		
- gas supplies	139,828,012	142,435,625
- supplies	125,330	1,346,667
	139,953,342	143,782,292
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
Advance from LPG customers	18,789	182,135
Provision for compensated absences - non executives	250,135	220,431
Payable to staff gratuity fund	2,593,180	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 payable	159,224	147,209
Sales tax and 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	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
Others	229,112	275,629
	183,323,548	189,609,842

	September 30, 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	27,290,068	16,325,254
Paid during the period	(22,357,744)	-
Impact of staggering	2,753,825	18,358,923
Price increase / (decrease) adjustment during the period	(10,088,925)	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, 2017. During the period, management has not recorded the LPS expense in these unconsolidated condensed interim financial information.

15. CONTINGENCIES AND COMMITMENTS

There has been no change in the status of other contingencies as disclosed in note 17 of annual audited financial statements of the Company for the year ended June 30, 2016, except for the following:

	March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
	------(Rupees in '000)-----	
15.1 Commitments for capital expenditure	4,095,799	13,228,470
15.2 Guarantees issued on behalf of the Company	4,128,241	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, 2017, this amount has increased to Rs. 39,463 million. JPCL has raised another claim amounting to Rs. 5.793 million (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 year ended June 30, 2016 and for the period ended March 31, 2017 amounting to Rs 5,616 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 in 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.

		Nine months period ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Note	(Un-audited) (Rupees in '000)			
16. COST OF SALES					
Cost of gas	16.1	91,703,799	113,077,043	29,973,761	34,738,295
Transmission and distribution costs		12,232,012	10,988,652	4,212,619	3,545,478
		103,935,811	124,065,695	34,186,380	38,283,773

	Nine months period ended		Quarter ended	
	March 31, 2017	March 31, 2016 (Un-audited)	March 31, 2017	March 31, 2016
----- (Rupees in '000) -----				
16.1 Cost of gas				
Opening gas in pipelines	336,034	341,904	304,850	311,131
Gas purchases	109,971,269	137,689,813	35,730,554	40,622,977
	110,307,303	138,031,717	36,035,404	40,934,108
Gas consumed internally	(2,324,722)	(395,917)	(718,080)	(156,894)
Inward price adjustment	(15,896,510)	(23,221,176)	(4,961,291)	(4,701,338)
Closing gas in pipelines	(382,272)	(1,337,581)	(382,272)	(1,337,581)
	(18,603,504)	(24,954,674)	(6,061,643)	(6,195,813)
	91,703,799	113,077,043	29,973,761	34,738,295
17. OTHER OPERATING EXPENSES				
Auditors' remuneration	15,588	16,434	5,626	5,834
Workers' Profit Participation Fund	83,742	-	(81,890)	-
Sports expenses	50,802	45,073	19,391	15,952
Corporate social responsibility	12,343	24,019	2,570	7,914
Provision against impaired debts and other receivables	2,244,331	1,543,259	560,894	795,827
Provision against impaired stores and spares	14,020	21,611	9,034	10,492
Exchange loss on payment of gas purchases	194,284	376,637	238,833	(62,050)
	2,615,110	2,027,033	754,458	773,969
18. OTHER OPERATING INCOME				
Income from other than financial assets				
Meter rentals	549,390	537,185	184,541	180,121
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
RLNG Transportation income	3,068,278	-	1,064,392	-
Income from LPG air mix distribution - net	106,889	81,219	34,948	26,679
Recoveries from consumers	76,433	55,486	26,166	24,300
Liquidity damaged recovered	300,105	41,196	19,598	22,625
Advertising income	1,715	3,237	-	818
Income from sale of tender documents	3,597	4,192	1,195	955
Gain on sale of property, plant and equipment	50,583	78,808	2,278	42,495
Scrap sales	50,550	10,013	16,116	27
Miscellaneous	58,640	274,174	17,416	101,888
	4,661,023	1,555,976	1,439,596	585,064

	Nine months period ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Un-audited)			
Note	(Rupees in '000)			
19. OTHER NON-OPERATING INCOME				
Income from financial assets				
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
Interest income on loan to related party	81,702	84,151	26,688	9,330
Return on term deposits and profit and loss bank accounts	52,281	155,660	21,490	30,328
	2,742,789	2,002,796	702,727	610,653
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
- SSGC LPG (Private) Limited	-	103	-	-
	998,824	1,274,218	338,419	430,086
Dividend income	1,688	712	-	-
	3,743,301	3,277,726	1,041,146	1,040,739
Income from investment in debts, loans, advances and receivables from related party				
Income from net investment in finance lease	50,811	66,988	16,937	22,329
Others				
Sale of gas condensate	(68,762)	128,820	(12,894)	33,249
Income on LPG and NGL - net	528,381	1,613,976	443,291	(296,908)
Amortization of Govt Grant	146,277	-	53,849	-
Meter manufacturing division profit / (loss) - net	4,979	24,326	626	3,156
Rental income from SSGC LPG (Pvt) Limited	538	-	183	-
Reversal of Impairment on Operating assets	1,190,000	-	-	-
	1,801,413	1,767,122	485,055	(260,503)
LSA margins against RLNG	339,475	-	136,085	-
	5,935,000	5,111,836	1,679,223	802,565

- 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 57.1% 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 in line with decline in global oil prices in 2016. 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 March 31, 2017 amounting to Rs. 5,616 million on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim financial information would be as follows:

	2017 (Un-audited) ----- (Rupees in '000)	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

- Current
- Deferred

Nine months period ended		Quarter ended	
March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
(Un-audited)			
----- (Rupees in '000)			
1,464,182	-	(743,847)	-
253,942	4,140,747	453,084	1,455,339
1,718,124	4,140,747	(290,763)	1,455,339

21. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	March 31, 2017 (Un-audited) ----- (Rupees in '000)	March 31, 2016
Provisions	3,100,952	2,688,096
Depreciation	4,514,409	3,699,630
Amortization of intangibles	14,066	26,232
Finance cost	1,387,867	8,567,825
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	(1,161,589)	(1,514,029)
Income from net investment in finance lease	(50,811)	(94,245)
Gain on disposal of property plant and equipment	(50,583)	(78,808)
Decrease in long term advances	(53,054)	37,401
Increase / (Decrease) in deferred credit	91,264	(40,273)
Reversal of impairment	(1,190,000)	-
Decrease in obligation against pipeline	71,183	(27,993)
	6,436,239	13,028,981

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

22. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores, spares and loose tools	(846,749)	390,197
Stock-in-trade	(89,651)	96,238
Customers' installation work-in-progress	4,530	(12,320)
Trade debts	3,868,401	1,486,681
Advances, deposits and short term prepayments	314,408	(76,426)
Other receivables	(136,014)	15,759,895

Increase in current liabilities

Trade and other payables	(6,347,097)	6,226,819
	(3,232,172)	23,871,084

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 unconsolidated 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	-

		Nine months ended	
		March 31 2017	March 31 2016
		(Un-audited)	
		----- (Rupees in '000) -----	
Habib Bank Limited	Associate		
- Profit on investment		10,625	6,841
- Markup on short term finance		44,025	14,598
- Markup on long term 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
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
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	-
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest on loan		81,702	84,151
- Purchase of LPG		-	107,380
- Sale of LPG		473,926	442,653
- Interest income on delayed payment of gas bills		-	103
- Rental Income		538	-
- Recoveries of Management Fee		8,985	-
Staff retirement benefit plans	Associate		
- Contribution to provident fund		225,514	192,793
- Contribution to pension fund		147,686	260,391
- Contribution to gratuity fund		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 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:

		March 31 2017 (Un-audited)	June 30, 2016 (Audited)
	Relationship	------(Rupees in '000)-----	
Astro Plastic (Private) Limited	Associate		
- Billable charges		16,325	12,785
Attock Cement Limited	Associate		
- Billable charges		2,327	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		57,470,172	63,604,130
- Mark up accrued on borrowings		859,375	2,186,389
- Sharing of expenses		-	(20,321)
- Income from net investment in finance lease		73,483	58,729
- Gas purchases		115,840,644	(115,513,943)
- Sale of gas meters		518,906	558,732
- Uniform cost of gas		16,202,333	17,565,056
- Cash at bank		60,023	103,055
- Stock Loan		9,465	(2,304)
- Recoverable from insurance		(31,786)	(950)
- Gas supply deposit		(15,352)	(11,646)
- Interest expense accrued - Late payment surcharge on gas supplies bills		(15,832,411)	(15,832,411)
- Interest income accrued - late payment on gas bills		8,835,170	7,946,515
- Contingent rent		3,535	3,535
- Capacity and utilisation charges of RLNG		10,554,153	7,191,242
- RLNG Transportation Income		731,833	523,655
- LSA Margin		293,054	334,868

		March 31 2017 (Unaudited)	June 30, 2016 (Audited)
		----- (Rupees in '000) -----	
Habib Bank Limited	Associate		
- Long term finance		(3,931,625)	(4,185,625)
- Short term finance		-	(1,497,943)
- Cash at bank		900	128,301
- Accrued mark-up		(121,581)	(37,641)
- Billable charges		929	1,371
* International Industries Limited	Associate		
- Billable charges		-	90,011
* Pakistan Cables Limited	Associate		
- Billable charges		-	8,160
- Gas supply deposit		-	(1,071)
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		544,972	463,271
- LPG purchases		(1,144)	-
- LPG sales		92,569	242,439
- Capital expenditure on operating fixed assets		-	10,937
- Rent on premises		66	352
- Recoveries of Management Fees		8,985	-
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 period 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.

	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	3,646,489	(12,048,558)
Meter manufacturing	1,065,605	1,295,784	4,979	24,326
Total segment results	123,684,490	138,632,645	3,651,468	(12,024,232)
Unallocated - other expenses				
- Other operating expenses			(2,615,110)	(2,027,033)
Unallocated - other income				
- Non-operating income			554,738	365,398
Profit / (Loss) before tax			1,591,096	(13,685,867)

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	262,314,608	252,040,378
Meter manufacturing	2,857,520	2,797,872
Total segment assets	265,172,128	254,838,250
Unallocated		
- Loans and advances	2,669,038	2,806,337
- Taxation - net	19,900,364	19,986,902
- Interest accrued	490,543	490,524
- Cash and bank balances	128,677	954,239
	23,188,622	24,238,002
Total assets as per balance sheet	288,360,750	279,076,252
Segments liabilities		
Gas transmission and distribution	268,156,857	259,525,031
Meter manufacturing	764,100	701,008
Total segment liabilities	268,920,957	260,226,039
Unallocated		
- Employee benefits	5,036,284	4,704,086
Total liabilities as per balance sheet	273,957,241	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.

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 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
	12,400,667	12,400,667
	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 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