

**SUI SOUTHERN GAS
COMPANY LIMITED**

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property, plant and equipment	6	137,139,147	137,364,439
Intangible assets		13,459	9,747
Deferred tax		177,302	187,577
Right of use assets	7	213,728	241,120
Long term investments	8	221,662	180,017
Net investment in finance lease		116,681	131,135
Long term loans and advances		167,023	180,062
Long term deposits		25,601	28,617
Total non-current assets		138,074,604	138,322,714
Current assets			
Stores, spares and loose tools		3,024,318	2,719,897
Stock-in-trade		2,350,349	2,221,947
Current maturity of net investment in finance lease		57,814	57,814
Customers' installation work-in-progress		254,314	241,566
Trade debts	9	90,493,533	91,835,466
Loans and advances		375,130	454,495
Advances, deposits and short term prepayments		993,196	831,984
Interest accrued	10	14,408,484	14,030,332
Other receivables	11	352,865,149	337,818,379
Taxation - net		18,882,206	19,406,544
Other financial asset		129,223	129,000
Cash and bank balances		1,755,880	1,550,683
Total current assets		485,589,595	471,298,107
Total assets		623,664,199	609,620,821

The annexed notes 1 to 33 form an integral part of this consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		September 30, 2020 (Un-audited)	June 30, 2020 (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 FVTOCI securities		185,135	143,490
Surplus on revaluation of property plant and equipment		25,254,815	25,254,815
Accumulated losses		(62,907,893)	(62,242,789)
Total equity		(23,751,379)	(23,127,920)
LIABILITIES			
Non-current liabilities			
Long term financing	12	28,582,355	29,087,535
Long term deposits		20,879,979	20,690,732
Employee benefits		5,228,249	5,136,092
Obligation against pipeline		804,641	820,255
Deferred credit	13	4,504,838	4,604,521
Contract liabilities	14	6,386,784	6,197,498
Lease liability		74,587	127,250
Long term advances		2,965,334	2,968,518
Total non-current liabilities		69,426,767	69,632,401
Current liabilities			
Current portion of long term financing	12	8,085,462	8,086,064
Short term borrowings	15	24,203,099	14,979,552
Trade and other payables	16	526,708,764	521,503,284
Short term deposits		18,615	18,440
Current portion of obligation against pipeline		60,413	59,075
Current portion of Deferred credit	13	428,083	432,236
Current portion of contract liabilities	14	193,032	192,203
Current portion lease liability		103,356	118,000
Unclaimed dividend		285,430	285,430
Interest accrued	17	17,902,557	17,442,056
Total current liabilities		577,988,811	563,116,340
Total liabilities		647,415,578	632,748,741
Contingencies and commitments	18		
Total equity and liabilities		623,664,199	609,620,821

The annexed notes 1 to 33 form an integral part of this consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

		Quarter ended	
		September 30,	September 30,
		2020	2019
		(Un-Audited)	
		----- (Rupees in '000) -----	
Note			
Sales	19	74,277,457	82,184,702
Sales tax	19	(11,115,365)	(12,233,736)
		<u>63,162,092</u>	<u>69,950,966</u>
Gas development surcharge	20	11,150,639	742,311
RLNG differential margins	21	2,479,559	(272,479)
		<u>13,630,198</u>	<u>469,832</u>
Net sales		76,792,290	70,420,798
Cost of sales	22	(77,470,436)	(79,005,383)
Gross Loss		<u>(678,146)</u>	<u>(8,584,585)</u>
Administrative and selling expenses		(1,160,931)	(1,205,692)
Other operating expenses	23	(60,828)	(32,241)
Impairment loss against financial assets		(1,136,504)	(325,439)
		<u>(2,358,263)</u>	<u>(1,563,372)</u>
		<u>(3,036,409)</u>	<u>(10,147,957)</u>
Other income	24	3,981,873	7,300,958
Operating profit / (loss)		<u>945,464</u>	<u>(2,846,999)</u>
Finance cost		(975,367)	(1,161,583)
Loss before taxation		<u>(29,903)</u>	<u>(4,008,582)</u>
Taxation	25	(635,201)	(586,357)
Loss for the period		<u>(665,104)</u>	<u>(4,594,939)</u>
Basic and diluted loss per share (Rupees)		<u>(0.76)</u>	<u>(5.22)</u>

The annexed notes 1 to 33 form an integral part of this consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Quarter ended	
	September 30,	September 30,
	2020	2019
	(Un-Audited)	
	----- (Rupees in '000) -----	
Loss for the period	(665,104)	(4,594,939)
Other comprehensive income	-	
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss		
Unrealised income / (loss) on re-measurement of FVTOCI securities	41,645	(29,331)
Total comprehensive loss for the period	<u>(623,459)</u>	<u>(4,624,270)</u>

The annexed notes 1 to 33 form an integral part of this consolidated condensed interim financial

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

Quarter ended
September 30, September 30,
2020 2019
(Un-Audited)
Note ----- (Rupees in '000) -----

CASH FLOW FROM OPERATING ACTIVITIES			
		(40,223)	(4,008,582)
	26	4,484,460	3,657,941
	27	(10,239,633)	9,318,702
		(1,697,566)	(1,790,911)
		(30,113)	(25,551)
		(485,724)	(488,289)
		188,618	514,180
		174	185
		92,404	(85,390)
		1,137,985	932,259
		(100,570)	(56,880)
		(6,690,187)	7,967,664
CASH FLOW FROM INVESTING ACTIVITIES			
		(1,733,841)	(2,769,670)
		(6,353)	(288)
		(223)	-
		(33,933)	(33,933)
		255	52,603
		23,517	23,517
		-	1,849
		(1,750,578)	(2,725,922)
CASH FLOW FROM FINANCING ACTIVITIES			
		(500,773)	(1,374,334)
		(5,009)	(6,253)
		(71,803)	(75,568)
		(577,585)	(1,456,155)
		(9,018,350)	3,785,587
		(13,428,869)	(15,457,754)
		(22,447,219)	(11,672,167)
Cash and cash equivalent comprises:			
		1,755,880	1,128,988
		(24,203,099)	(12,801,155)
		(22,447,219)	(11,672,167)

The annexed notes 1 to 33 form an integral part of this consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re- measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	(Rupees in '000)						
Balance as at June 30, 2019 (Audited)	8,809,163	234,868	4,672,533	199,621	21,950,532	(43,450,758)	(7,584,041)
Total comprehensive loss for the quarter ended September 30, 2019							
Loss for the period	-	-	-	-	-	(4,594,939)	(4,594,939)
Other comprehensive loss for the period	-	-	-	(29,331)	-	-	(29,331)
Total comprehensive loss for the period	-	-	-	(29,331)	-	(4,594,939)	(4,624,270)
Balance as at September 30, 2019	8,809,163	234,868	4,672,533	170,290	21,950,532	(48,045,697)	(12,208,311)
Balance as at June 30, 2020 (Audited)	8,809,163	234,868	4,672,533	143,490	25,254,815	(62,242,789)	(23,127,920)
Total comprehensive loss for the quarter ended September 30, 2020							
Loss for the period	-	-	-	-	-	(665,104)	(665,104)
Other comprehensive income for the period	-	-	-	41,645	-	-	41,645
Total comprehensive loss for the period	-	-	-	41,645	-	(665,104)	(623,459)
Balance as at September 30, 2020	8,809,163	234,868	4,672,533	185,135	25,254,815	(62,907,893)	(23,751,379)

The annexed notes 1 to 33 form an integral part of this consolidated condensed interim financial statements.

SUI SOUTHERN GAS COMPANY LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage of Holding	
	2020	2019
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 Balochistan. Brief profiles of the Holding Company and subsidiaries are as follows:

Sui Southern Gas Company Limited

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.

The registered office of the Company is situated at SSGC House, Sir Shah Suleman Road, Block 14, Gulshan e Iqbal, Karachi. The Company's pipe coating plant is situated at Plot No. F-76 Site Avenue Karachi (Here 3/4", 1" & 2" pipe is coated for Distribution South Karachi and the Company Khadeji P&C Base Camp M-9 Motorway Karachi).

The addresses of other regional offices of the Company are as follows:

Region	Address
Karachi West	Site Office, Karachi. Plot No. F/36 & F/37 Site Area Karachi.
Karachi East	Plot # 21/1, Sector 22, Korangi Industrial Area, Karachi.
Karachi Central	Azad Trade Center Near Civic Center Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway Qasimabad, Hyderabad.
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing Society, Nawabshah.
Sukkur	SSGC Regional Office, Golimar Road, SITE Area Sukkur.
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital, Larkana.
Quetta	SSGC Office, Samungli Road, Quetta.

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 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 LDC building Karachi terminal main university road, Karachi and its main activity is supply of liquefied petroleum gas and provision of terminal and storage services.

The Subsidiary Company acquired the assets including:

- LPG import terminal, bulk storage at North West industrial Zone, Port Qasim Karachi and
- Bottling plants at Sara-e-Gadai Stop, Kot Najeebullah Road, Industrial Estate Hattar-22610 Haripur, KPK and Sheikhhupura Bedad Road, Muridke Punjab through the High Court of Sindh auction during October 2011.

The main activity of the Subsidiary Company is sourcing, marketing and sales of Liquefied Petroleum Gas (LPG) and provision of terminal and storage services.

1.2 Basis of consolidation

- This consolidated condensed interim financial statements include the financial statements of the Holding Company and its Subsidiary Companies, together "the Group".
- The condensed interim financial statements of the subsidiaries are prepared for the same reporting period 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 17.43% 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 quarter, the Holding Company has incurred a loss after tax of Rs. 721 million resulting in increase in its accumulated losses to Rs. 62,619 million and diminishing equity to Rs. 24,370 million. As at period end, current liabilities exceed its current asset by Rs. 91,207 million.

The Holding Company's financial performance for the quarter has deteriorated mainly because of higher UFG, certain additional disallowances by OGRA on account of UFG, continued non-implementation / disallowances by OGRA of the impact of UFG due to RLNG Volume Handling already approved by the ECC and staggering of losses due to dismissal of Holding 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:

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company was 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. However, in its determination on Final Revenue requirement for FY 2018-19 OGRA did not consider implementing the aforementioned decision and advised to take up the matter with SNGPL in consultation with Ministry of Energy (Petroleum Division). The Holding Company has reiterated its earlier position of higher UFG due to RLNG and as a result OGRA has initiated a process of hiring of services of International Technical, Commercial and Management Auditors for determining actual UFG of Gas Companies in respect of Indigenous gas as well as imported RLNG. ECC also constituted a Committee comprising Secretaries, Petroleum & Finance to sort out the issue between the Holding Company & Sui Northern Gas Pipeline Company Limited (SNGPL).
- Government of Pakistan (Finance Division) in its letter dated July 06, 2020, being majority shareholder has acknowledged the funding requirements of the Holding Company and has shown commitment to extend all support to maintain the going concern status of the Holding Company.
- The Holding Company has devised a Board approved Strategy to control UFG in coming years and the same is under implementation.
- Under new tariff regime, the Holding Company is entitled to the guaranteed return on operating asset from 17% to 17.43% from FY 2019 for next two years.
- Banks have also waived the debt to equity covenant for financial years 2018-19 and 2019-20. However, the Holding Company has never defaulted in payment of any installment of principal and interest thereon and some of the loans have been totally paid off to date.

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, whereby, OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, pertaining to FY 2010 till 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. Afterwards, management estimated the revenue requirement of the Holding Company for the financial years 2011 to 2015 based on the interim relief granted by the Court, and OGRA also accepted position taken up by the Holding Company for the said financial years, subject to the final decision of the Court.

On November 25, 2016, the Sindh High Court dismissed the Holding Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge, and Sale of Gas Condensate as operating income. 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. But the management has considered OGRA's decision in preparation of this consolidated condensed interim financial statements for the quarter ended September 30, 2020.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

The consolidated condensed interim financial Statements 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 Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in this consolidated condensed interim financial statements is based on Final Reveue Requirement determined by OGRA for the financial year ended June 30, 2020.

This consolidated condensed interim financial statements does not include all information required for annual audited consolidated financial statements and should be read in conjunction with the annual audited

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of this consolidated condensed interim financial statements 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, 2020.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated condensed interim financial statements 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 Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended June 30, 2020. 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.

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 statements except certain additional disclosures as given in note 30 to this consolidated condensed interim financial statements.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2020.

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work-in-progress

September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
------(Rupees in '000)-----	
124,575,485	125,445,038
12,563,662	11,919,401
<u>137,139,147</u>	<u>137,364,439</u>

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

	September 30, 2020		September 30, 2019	
	(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				
Buildings on leasehold land	12,281	-	76,904	-
Gas distribution system	1,027,519	-	898,903	-
Gas transmission pipelines	113,900	-	546,601	-
Telecommunication	435	-	-	-
Plant and machinery	21,077	-	42,776	(348)
Tools and equipment	1,458	-	3,828	-
Motor vehicles	6,588	(1,502)	42,689	(11,216)
Furniture and fixtures	464	-	12,088	-
Office equipment	8,579	-	1,138	-
Computers and ancillary equipments	8,350	-	49,926	(17)
Construction equipment	-	-	-	(51)
Compressor	35,176	-	113,295	-
	<u>1,235,827</u>	<u>(1,502)</u>	<u>1,788,148</u>	<u>(11,632)</u>
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
- Gas distribution system	1,513,342	(1,027,519)	1,428,241	(898,903)
- Gas transmission system	69,191	(113,900)	94,224	(546,601)
- Cost of buildings under construction	27,789	(12,281)	14,067	(76,904)
	<u>1,610,322</u>	<u>(1,153,700)</u>	<u>1,536,532</u>	<u>(1,522,408)</u>

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 139 million (September 30, 2019: Increase of Rs. 1,152 million).

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
7 RIGHT OF USE ASSETS			
Cost		372,249	369,281
Accumulated depreciation		(158,521)	(128,161)
Net book value		<u>213,728</u>	<u>241,120</u>

Cost

Opening balance	369,281	-
Impact on application of IFRS 16	-	369,281
Adjustments during the period	2,968	-
Ending balance	<u>372,249</u>	<u>369,281</u>

Accumulated depreciation

Opening balance	128,161	-
Depreciation charge for the period	31,886	128,161
Adjustments during the period	(1,526)	-
Ending balance	<u>158,521</u>	<u>128,161</u>

- 7.1 The rate of depreciation is based on the term of the respective agreement and ranges from 33% to 40% per annum.

8 LONG TERM INVESTMENTS

Investment in related parties	149,196	131,814
Other investments	72,466	48,203
	<u>221,662</u>	<u>180,017</u>

9. TRADE DEBTS

secured	33,909,309	32,675,005
unsecured	76,993,862	78,433,595
	<u>110,903,171</u>	<u>111,108,600</u>
Provision against financial assets	(20,409,638)	(19,273,134)
	<u>90,493,533</u>	<u>91,835,466</u>

9.1&9.2

- 9.1 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 IFRS 15 "Revenue from Contract with Customers" based on opinion from Firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 33,437 million (June 30, 2020: Rs. 33,415 million) as at September 30, 2020 receivables from KE against sale of indigenous gas. Out of this, Rs. 27,831 million (June 30, 2020: Rs. 29,652 million) are overdue. However, the aggregate

legal claim of the Holding Company from KE amounts to Rs. 121,144 million (June 30, 2020: Rs. 116,743 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 Holding Company was entitled to charge LPS on outstanding principal amount at rate of:
 - a. Highest OD rate being paid by the Holding Company or;
 - b. Highest rate at which interest is payable on gas producer bills.
- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Holding Company has legal claim over KE for charging of LPS.

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

Management has consulted with its legal counsel, who is of the view that the Holding Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel is also of the opinion 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 issue of this consolidated condensed interim financial statements 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. Subsequent to period end, term of reference has been signed and shared with KE however no response has been received from KE.

- 9.2 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 IFRS 15 "Revenue from Contract with Customers" based on opinion from Firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 24,543 million (June 30, 2020: Rs. 24,332 million) including overdue balance of Rs. 24,471 million (June 30, 2020: Rs. 24,282 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 69,415 million (June 30, 2020: Rs. 67,665 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 balance upto February 2016, 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.

PSML has filed its counter claim approximately of Rs. 38,660 million on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal counsel of the Holding Company is of the view that due to vagaries of litigation nothing could be expressed with any degree of certainty in the contested matters.

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

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
10. INTEREST ACCRUED	Note	------(Rupees in '000)-----	
Interest accrued on late payment of bills / invoices from:			
- WAPDA		4,482,566	4,390,715
- SNGPL		8,971,780	8,685,480
- JJVL		578,798	578,798
		<u>14,033,145</u>	<u>13,654,993</u>
Interest accrued on sales tax refund		487,739	487,739
		<u>14,520,884</u>	<u>14,142,732</u>
Provision against impaired accrued income		(112,400)	(112,400)
		<u>14,408,484</u>	<u>14,030,332</u>

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
11. OTHER RECEIVABLES	Note	------(Rupees in '000)-----	
Gas development surcharge receivable from GoP	11.1	189,706,752	178,411,641
Receivable from SNGPL for differential tariff		-	4,284,080
Receivable from HCPCL	11.2	4,157,839	4,157,839
Receivable for sale of gas condensate		62,067	46,438
Sui Northern Gas Pipelines Limited	11.3	107,121,588	99,834,232
Jamshoro Joint Venture Limited	11.4 & 11.5	11,031,947	11,427,831
Sales tax receivable	11.6	42,798,940	41,639,396
Sindh sales tax receivable		112,976	112,976
Receivable against asset contribution	11.7	400,050	418,118
Accrued markup		9,169	5,450
Miscellaneous receivable		50,695	67,252
		<u>355,452,023</u>	<u>340,405,253</u>
Provision against other receivables		<u>(2,586,874)</u>	<u>(2,586,874)</u>
		<u>352,865,149</u>	<u>337,818,379</u>

11.1 Gas development surcharge receivable from GoP

Opening balance	178,411,641	140,160,555
Recognized during the period	11,150,639	37,600,501
Subsidy for LPG air mix operations	144,472	650,585
Ending balance	<u>189,706,752</u>	<u>178,411,641</u>

11.2 Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)

Amount of LD Charges as per Arbitration Award	3,938,382	3,938,382
Subsequent LDs raised by HCPCL on Award Principle	219,457	219,457
Total Receivable	<u>4,157,839</u>	<u>4,157,839</u>

11.2.1 HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Holding Company on account of short / non-supply of contractual gas volumes and disputed compounding of interest i.e. Late Payment Surcharge on gas bills thereon for the period from January 2009 to March 2017.

On April 30, 2018, ICC issued decision in favor of HCPCL and the Holding Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, liquidated damages (LD), interest on LD and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Holding Company.

Earlier in January 2018, the Holding Company approached Ministry of Energy (Petroleum Division) regarding waiver of LDs claimed by WAPDA / CCPA-G from HCPCL against non-supply of Electricity to WAPDA which was being passed to the Company by HCPCL.

The matter was submitted to Economic Coordination Committee of the Cabinet (ECC) for consideration and ECC in its meeting held on February 07, 2018 approved in principle, the proposal regarding waiver of LDs with the direction to Petroleum Division to work out modalities in consultation with stakeholders.

LDs adjusted by HCPCL against running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award Period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

The 20 years GSA with HCPCL expired in September 2019. Prior to the expiry of GSA, MOE communicated the Holding Company to continue supplying gas to HCPCL in order to avoid suspension of electricity to national grid. In the month of October 2019, HCPCL carried out a set off of Rs. 586.5 million from the Holding Company's outstanding bills on account of LDs imposed by WAPDA after the expiry of gas allocation on December 31, 2018. The Holding Company disconnected gas supply to HCPCL on October 3, 2019. Subsequently the Holding Company opted for encashment of HCPCL Bank Guarantees to recover outstanding recoverables. In response, HCPCL filed Suit 1570 of 2019 against the Holding Company and obtained stay from the honorable High Court of Sindh against encashment of Bank Guarantees. HCPCL is in negotiations with the Holding Company to finalize the modalities under ECC decision for waiver of LDs and sign a new GSA to resume gas supply.

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
		----- (Rupees in '000) -----	
11.3	Receivable balance from SNGPL comprises of the following; Note		
	Uniform cost of gas	15,818,846	15,818,845
	Lease rentals	689,650	593,033
	Contingent rent	3,535	3,535
	LSA Margins	3,150,050	2,877,266
	Capacity and utilisation charges of RLNG 11.3.1	56,701,031.65	51,063,909
	RLNG transportation income	30,758,475	29,477,644
		<u>107,121,588</u>	<u>99,834,232</u>

11.3.1 The Holding Company has invoiced an amount of Rs. 110,332 million, including Sindh Sales Tax of Rs. 12,836 million, till September 30, 2020 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 making payment directly to the Company according to the payment plan finalized in which PAFCL was required to make eight equal monthly installments of Rs. 201 million per month. Till July 2019, the Company has received all eight installments.

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.

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume 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 volumes 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 Holding Company, has determined the price mechanism for purchase and sale of allocated RLNG volumes.

Based on initialed agreement between the Holding Company and SNGPL dated January 25, 2021, SNGPL is raising invoice for RLNG volumes retained by the Holding Company from June 01, 2020 based on RLNG reconciliation statement mutually agreed. The rate is based on OGRA decision dated November 20, 2018. SNGPL has started payments of such invoices issued by the Holding Company from June 2020 onwards on monthly basis.

- 11.4** 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 is Rs. 8,528 million (June 30, 2019: Rs. 8,528 million) in respect of processing charges is disclosed in note 16 in this consolidated condensed interim financial statements.

- 11.5** During the year 2013-14, the Supreme Court of Pakistan (SCP) passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Holding Company and Jamshoro Joint Venture Limited (JJVL) was declared void from the date of its inception. The SCP constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the "Reference Price" for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the SCP has appointed an Advocate Supreme Court to determine the matter and accordingly the same has been submitted by him.

As per SCP order dated June 13, 2018 a firm of chartered accountants was appointed to determine the receivable / payable from / to JJVL wherein freight matter was also included and the report has been submitted by the firm. However the freight matter is still pending and the SCP will settle the same and an appropriate order shall be passed in this respect. As per SCP order dated January 9, 2019, in respect of freight matter charges, SCP directed JJVL to deposit Rs. 249 million as JJVL's admitted liability for freight charges for the period 2005-2013. The Company has received such amount as directed by SCP on February 24, 2020 and further amount in this respect will be determined / settled by SCP in due course.

- 11.6** 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 through a 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 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. Subsequent to the period end, the Holding Company has made extensive efforts and accordingly refunds of around Rs. 2,082 million were released.

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

	September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
Note	----- (Rupees in '000) -----	

12. LONG-TERM FINANCING

Secured

Loans from banking companies	12.1	35,706,067	36,210,321
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Unsecured

Front end fee of foreign currency loan
Customer finance
Government of Sindh loans

23,950	23,950
165,595	170,605
772,205	768,723
961,750	963,278
36,667,817	37,173,599

Subtotal

Less: current portion shown under current liabilities

Loans from banking companies
Customer finance
Government of Sindh loans

(7,875,000)	(7,875,000)
(23,795)	(24,397)
(186,667)	(186,667)
(8,085,462)	(8,086,064)
28,582,355	29,087,535

- 12.1 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at September 30, 2020 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 355 million has been made. 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.

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
13. DEFERRED CREDIT	Note	------(Rupees in '000)-----	

Government of Pakistan contributions / grants

Opening Balance		2,911,647	3,064,028
Additions / adjustments during the period		3,177	139,427
Transferred to consolidated statement of profit or loss	13.1.	(73,291)	(291,808)
Ending balance		2,841,533	2,911,647

Government of Sindh (Conversion of loan into grant)

Opening Balance		1,995,985	2,025,211
Additions during the period		7	86,808
Transferred to consolidated statement of profit or loss		(29,775)	(116,034)
Ending balance		1,966,218	1,995,985

Government of Sindh grants

Opening Balance		129,125	149,967
Transferred to consolidated statement of profit or loss	13.2.	(3,955)	(20,842)
Ending balance		125,170	129,125
		4,932,921	5,036,757
Less: Current portion of deferred credit		(428,083)	(432,236)
		4,504,838	4,604,521

13.1. This represents amount received from the Government of Pakistan for supply of gas to new towns and villages and is recognised as grant when the conditions specified by the Government are met and is amortised over the useful life of related projects.

13.2. Pipelines constructed / built under deferred credit arrangement are not given 17.43% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of the Holding Company's guaranteed return.

14. Contract Liabilities

Contribution from customer	14.1&14.2	1,810,560	1,823,259
Advance received from customers for laying of mains, etc.		4,576,224	4,374,239
		6,386,784	6,197,498

14.1. Contribution from consumers

Opening Balance		2,015,462	1,573,394
Additions / adjustments during the period		36,388	623,385
Transferred to consolidated statement of profit or loss		(48,258)	(181,317)
		2,003,592	2,015,462
Less: Current portion of contributions from consumers		(193,032)	(192,203)
Ending balance		1,810,560	1,823,259

14.2 The Holding Company has recognised the contract liabilities in respect of the amount received from the customer as contribution towards the cost of supplying and laying transmission, service and main lines.

15. 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, 2020: Rs. 25,000 million) and carry mark-up ranging from 0.00% to 0.20% (June 30, 2020: 0.20%) above the average one month KIBOR. These facilities are secured by first pari passu second amendment to the joint hypothecation agreement and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs.797 million (June 30, 2020: Rs. 10,021 million).

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
	Note	------(Rupees in '000)-----	
16. TRADE AND OTHER PAYABLES			
Creditors for:			
- Indegenious gas	16.1	383,636,803	386,072,492
- RLNG		102,588,247	92,860,338
		<u>486,225,050</u>	<u>478,932,830</u>
RLNG differential margin payable to GoP		11,951,077	14,430,636
Engro Elengy Terminal (Private) Limited		1,878,924	1,901,685
Accrued liabilities		4,119,559	3,807,597
Provision for compensated absences - non executives		303,441	303,441
Payable to pension		129,230	129,230
Payable to staff gratuity fund		4,076,195	4,076,196
Payable to provident fund		62,242	74,872
Deposits / retention money		581,872	622,876
Advance for sharing right of way		18,088	18,088
Withholding tax		137,161	119,004
Sales tax and Federal Excise Duty		521,437	459,627
Sindh sales tax payable		285,614	135,594
Processing Charges payable to JJVL		8,528,447	8,528,447
Gas infrastructure development cess payable		7,148,024	7,234,826
Unclaimed Term Finance Certificate redemption profit		1,800	1,800
Advance from customers and distributors			59,036
Transport and advertisement services			23,581
Workers's profit participation fund		174,515	174,515
Provision			9,394
Others		464,006	460,009
		<u>526,708,764</u>	<u>521,503,284</u>

- 16.1 As at September 30, 2020, amount of Rs. 313,365 million (June 30, 2020: Rs. 308,399 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, 2020: Rs. 15,832 million) on their balances which have been presented in note 17.1 to this consolidated condensed interim financial statements.

		September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
		----- (Rupees in '000) -----	
17. INTEREST ACCRUED	Note		
Long term financing - loans from banking companies		812,800	562,364
Long term deposits from customers		602,543	481,020
Short term borrowings		211,586	123,043
Late payment surcharge on processing charges		438,392	438,392
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	17.1.	15,832,411	15,832,411
		<u>17,902,557</u>	<u>17,442,056</u>

- 17.1 As disclosed in note 9.1 and 9.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 "Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants. However, the Holding Company continued recognition of the LPS expense 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. The Holding Company'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 year ended June 30, 2017; June 30, 2018; June 30, 2019; June 2020 and for the period ended September 30, 2020 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 million; Rs 26,335 million and Rs. 7,049 million respectively on outstanding

payables to Government Controlled E&P Companies, the effect on this consolidated condensed interim financial statements would be as follows:

(Rupees in million)

- Increase in loss before tax	7,049
- Increase in loss after tax / accumulated loss	5,005
- Increase in loss per share - rupees	5.68
- increase in accumulated losses	85,177
- Increase trade payables	85,177
- Increase deferred tax liability	25,714

18. CONTINGENCIES AND COMMITMENTS

September 30, 2020 (Un-audited)	June 30, 2020 (Audited)
----- (Rupees in '000)-----	

18.1	Commitments for capital and other expenditures	<u>4,923,147</u>	<u>5,550,543</u>
18.2	Guarantees issued on behalf of the Group	<u>6,903,663</u>	<u>7,013,494</u>

- 18.3 Jamshoro Power Company Limited (JPCL) has lodged claims against the Holding Company amounting to Rs. 144,120 million (2019: Rs. 144,120 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Holding Company and JPCL. JPCL has raised another claim of Rs. 5.793 million (2019: 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 Ministry of Energy in its letter dated August 12, 2021, has decided that the matter will be referred to the Secretaries' Committee for

In respect of JPCL major claim i.e. on account of short supply of gas following clause of the agreement is important which does not support JPCL claim.

"Subject to availability and the terms and conditions specified herein the Company agrees to sell and deliver to the customer and the customer agrees to buy and accept a quantity of not less than 62 MMCF of Quality Natural Gas per day at its power station at Jamshoro".

It is evident from foregoing clause of the agreement, that JPCL has raised a claim not supported by the agreement and that the supply of gas to the customer was subject to the availability and it is/was not any firm commitment on the part of the Company. 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.

- 18.4** As disclosed in note 17.1, 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, 2017, June 30, 2018, June 30, 2019, June 30, 2020 and for the quarter ended September 30, 2020 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million, Rs. 26,335 million and Rs. 7,049 million in this consolidated condensed interim financial statements. 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.
- 18.5** 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.

Supreme Court of Pakistan (SCP) through its decision dated June 13, 2018 upheld the termination by the Holding Company and stated that the termination was validly done and the Holding Company was within its legal and contractual right to do so and appointed a firm of Chartered Accountant to conduct a complete audit of JJVL within a period of two months to ascertain and determine the amount to be paid by JJVL to the Holding Company. Based on the Court order, the Holding Company shut down the supply of gas to JJVL plant accordingly.

Subsequently, 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, which has been accordingly received by the Holding Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

After cancellation of MoUs by SCP on June 13, 2018, JJVL submitted a proposal based on profit sharing to SCP which was forwarded to the Holding Company by SCP. The SCP was also informed that the Holding Company is in the process of hiring a consultant for providing professional advice on the best option available with respect to the LPG/NGL Extraction business.

The Holding Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties. After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the Court and would supervise the Project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the firm of chartered accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Holding Company and 43% to JJVL on ad-hoc basis and an agreement was signed between the Holding Company and JJVL and submitted to SCP for its approval and the same was validated by SCP in its order dated December 29, 2018. SCP also directed the Holding Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement is valid for 1.5 years from the date of agreement and unless renewed by the parties through mutual written consent it shall stand terminated automatically. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

Moreover, the firm has to submit the 'Determination Report' as per the agreement in order to finalize the revenue sharing percentage. Accordingly, the same has been submitted by the firm to SCP in December 2020 after having inputs / working from both the parties. Currently, the matter is pending in SCP and the final Company's consideration will be subject to conclusion of this matter at SCP.

Due to the ongoing freight case hearings by SCP, the arbitration under the Pakistan Arbitration Act, 1940 as amended from time to time is currently adjourned till the final order of the SCP and all the disputed matters taken to arbitration will be finalized once the SCP passes its order.

		Quarter ended	
		September 30, 2020	September 30, 2019
		(Un-audited)	
		----- (Rupees in '000) -----	
19. Sales	Note		
Gross Sales - Indigenous gas		62,246,299	69,335,024
Gross Sales - RLNG		12,031,158	12,849,678
		<u>74,277,457</u>	<u>82,184,702</u>
Sales tax - Indigenous gas		(9,399,569)	(10,343,534)
Sales tax - RLNG		(1,715,796)	(1,890,202)
		<u>(11,115,365)</u>	<u>(12,233,736)</u>
20. GAS DEVELOPMENT SURCHARGE (GDS)			
GDS recovered during the year		(942,461)	(945,546)
Price increase adjustment for the year		12,237,575	3,656,271
Impact of staggering		-	(1,835,892)
Subsidy for LPG air mix operations		(144,475)	(132,522)
		<u>11,150,639</u>	<u>742,311</u>
21. RLNG Differential Margins			
RLNG Differential Margin - OGRA		2,479,559	(2,275,705)
RLNG Differential Margin - SNGPL		-	2,003,226
		<u>2,479,559</u>	<u>(272,479)</u>
22. COST OF SALES			
Cost of gas	22.1	72,296,260	73,574,435
Transmission and distribution costs		5,174,176	5,430,948
		<u>77,470,436</u>	<u>79,005,383</u>
22.1 Cost of gas			
Opening gas in pipelines		1,248,028	1,214,410
RLNG Purchases		12,510,704	11,243,081
Indigenous gas purchases		60,020,333	63,718,097
		<u>73,779,065</u>	<u>76,175,588</u>
Gas consumed internally		(285,716)	(1,296,687)
Closing gas in pipelines		(1,197,089)	(1,304,466)
		<u>(1,482,805)</u>	<u>(2,601,153)</u>
		<u>72,296,260</u>	<u>73,574,435</u>

Quarter ended
September 30, September 30,
2020 2019
(Un-audited)
------(Rupees in '000)-----

23. OTHER OPERATING EXPENSES

Auditors' remuneration	2,157	1,931
Sports expenses	31,089	18,792
Corporate social responsibility	6,360	10,000
Loss on disposal of property, plant and equipment	1,247	-
Provision against impaired stores and spares	19,974	1,518
	<u>60,828</u>	<u>32,241</u>

24. OTHER INCOME

Income from financial assets

Income for receivable against asset contribution	10,296	11,187
Interest income on loan to related party	-	-
Income from net investment in finance lease from SNGPL	9,063	9,063
Return on term deposits and profit and loss bank account	22,744	30,368
	<u>42,103</u>	<u>50,618</u>

Interest income on late payment of gas bills from - Water & Power Development Authority (WAPDA)	91,851	171,451
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Dividend income	-	1,849
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Income from other than financial assets

Late payment surcharge	620,118	375,835
Sui Northern Gas Pipelines Limited (SNGPL)	286,301	286,301
Sale of gas condensate - net	(28,369)	(4,488)
Income from LPG NGL - net	140,425	(51,430)
Meter manufacturing division profit - net	5,706	3,116
Meter rentals	202,311	197,480
RLNG Transportation income	1,809,310	2,383,200
Recognition of income against deferred credit and contract liability	141,835	133,267
Income from LPG air mix distribution - net	33,470	22,007
Income from sale of tender documents	697	1,182
Scrap sales	1,450	1,208
Recoveries from customer	10,610	15,490
Liquidity damaged recovered	9,570	6,921
Gain on disposal of property, plant and equipment	-	40,971
Amortization of Government grant	3,955	5,228
Exchange gain	360,868	3,420,234
Rental income from SSGC LPG (Pvt) Limited	(0)	-
LSA margins against RLNG	241,401	231,175
Miscellaneous	8,261	9,343
	<u>3,981,873</u>	<u>7,300,958</u>

		Quarter ended	
		September 30,	September 30,
		2020	2019
		(Un-audited)	
		----- (Rupees in '000) -----	
25. TAXATION			
- Current		624,926	(586,357)
- Deferred		10,275	-
		<u>635,201</u>	<u>(586,357)</u>
26. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions		1,768,201	836,692
Depreciation on owned assets		2,016,700	1,957,270
Depreciation on right of use assets		31,324	31,579
Amortization of intangibles		1,640	6,761
Finance cost		1,002,418	1,164,120
Amortization of transaction cost		745	5,666
Amortization of government grant		(3,955)	(5,228)
Recognition of income against deferred credit and contract liability		(134,315)	(131,519)
Dividend income		-	(1,849)
Interest income and return on term deposits		(433,915)	(521,600)
Income from net investment in finance lease		(9,063)	(9,063)
(Gain) / Loss on disposal of property plant and equipment		1,247	(40,971)
Decrease in long term advances		(3,184)	(11,079)
Decrease in deferred credit and contract liability		220,594	347,145
Decrease in obligation against pipeline		19,657	20,880
Impact of IFRS 16: Finance cost		6,366	9,137
		<u>4,484,460</u>	<u>3,657,941</u>
27. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores and spares		(313,193)	134,780
Stock-in-trade		(126,902)	(60,509)
Customers' installation work-in-progress		(12,748)	(7,149)
Trade debts		216,710	(6,658,619)
Advances, deposits and short term prepayments		(161,212)	(80,478)
Other receivables		(15,032,443)	(8,604,748)
		<u>(15,429,788)</u>	<u>(15,276,723)</u>
Increase in current liabilities			
Trade and other payables		5,190,155	24,595,425
		<u>(10,239,633)</u>	<u>9,318,702</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

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

	Quarter ended	
	September 30, 2020	September 30, 2019
	(Un-audited)	
Relationship		
Government related entities		
- Purchase of fuel and lubricant	16,331	9,706
- Billable charges	24,370,444	7,986,784
- Income from net investment in finance lease	9,063	9,063
- Gas purchases	31,426,301	32,405,744
- Sale of gas meters	7,819	6,690
- Insurance premium	29,433	26,187
- Electricity expenses	59,644	86,588
- Interest income	378,152	457,752
- Markup expense on short term finance	7,843	36,588
- Markup expense on long term finance	94,698	181,692
- Professional charges	40	-
- RLNG Transportation income	1,809,310	2,383,200
- LPG Purchases	78,557	79,655
- Income against LNG service agreement	241,401	231,175
Karachi Grammar School	Associate	
- Billable charges	5	-
Key management personnel		
- Remuneration	48,466	45,212
Pakistan Institute of Corporate Governance	Associate	
- Subscription / Trainings	559	-
Staff retirement benefit plans	Associate	
- Contribution to provident fund	94,020	92,224
- Contribution to pension fund	302,979	198,856
- Contribution to gratuity fund	180,814	78,863

- 28.1. Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.
- 28.2. Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 28.3. 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
- 28.4. Amount (due to) / receivable from / investment in related parties

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

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
	----- (Rupees in '000) -----	
Relationship		
Government related entities - various		
- Billable charges	62,234,594	63,591,878
- Mark up accrued on borrowings	(5,657,681)	(4,221,975)
- Net investment in finance lease	400,050	418,118
- Gas purchases	(321,922,217)	(316,626,683)
- Gas meters & Spare Parts	76,680	73,432
- Uniform cost of gas	15,818,846	15,818,845
- Cash at bank	27,728	24,951
- Stock Loan	4,912	4,912
- Payable to insurance	(1,952)	(837)
- Gas supply deposit	(51,263)	(51,263)
- Interest expense accrued - Late payment surcharge on gas supplies	(15,832,411)	(15,832,411)
- Interest income accrued - late payment on gas bills	13,454,347	13,076,195
- Professional Charges	57	57
- Contingent rent	3,535	3,535
- Capacity and utilisation charges of RLNG	56,701,032	51,063,909
- RLNG Transportation Income	30,758,475	29,477,644
- LSA Margins	3,150,050	2,877,266
- LPG Purchases	(35,583)	-
- Advance for Sharing Right of Way	(18,088)	(18,088)
Karachi Grammar School		
	Associate	
- Billable charges	5	5
- Gas supply deposit	22	22

29. 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 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.

	Quarter ended			
	Segment revenue		Segment Profit / (loss)	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Un-audited)			
	----- (Rupees in '000) -----			
Gas transmission and distribution	63,162,092	69,950,966	(262,240)	(4,268,327)
Meter manufacturing	354,240	443,321	5,706	3,116
Total segment results	<u>63,516,332</u>	<u>70,394,287</u>	<u>(256,534)</u>	<u>(4,265,211)</u>
Unallocated - other expenses				
- Other operating expenses			(60,828)	(32,241)
Unallocated - other income				
- Non-operating income			287,459	288,870
Loss before tax			<u>(29,903)</u>	<u>(4,008,582)</u>

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 347 million (September 30, 2019: Rs. 516 million).

Segment assets and liabilities

	September 30, 2020 (Un-audited) ------(Rupees in '000)-----	June 30, 2020 (Audited)
Segment assets		
Gas transmission and distribution	599,241,373	586,504,806
Meter manufacturing	1,209,631	1,036,492
Total segment assets	600,451,004	587,541,298
Unallocated		
- Loans and advances	2,077,256	634,557
- Taxation - net	18,644,026	19,406,544
- Interest accrued	487,739	487,739
- Cash and bank balances	717,969	1,550,683
	21,926,990	22,079,523
Total assets as per consolidated condensed interim statement of financial position	622,377,994	609,620,821
Segments liabilities		
Gas transmission and distribution	646,569,542	632,456,587
Meter manufacturing	178,375	292,154
Total segment liabilities	646,747,917	632,748,741
Total liabilities as per consolidated condensed interim statement of financial position	646,747,917	632,748,741

30. 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.

30.1. 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, 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 September, 2020			
Level 1	Level 2	Level 3	Total
-----Rupees in '000-----			
Assets			
Fair value through OCI Financial Assets			
Quoted equity securities	221,662	-	221,662

As at June 30, 2020			
Level 1	Level 2	Level 3	Total
-----Rupees in '000-----			
Assets			
Fair value through OCI Financial Assets			
Quoted equity securities	180,017	-	180,017

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.

30.2. Fair value of other assets

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

As at September 30, 2020	
Level 2	Fair Value
-----Rupees in '000-----	
Freehold land	12,339,027
Leasehold land	12,698,110
	<u>25,037,137</u>
As at June 30, 2020	
Level 2	Fair Value
-----Rupees in '000-----	
Freehold Land	13,481,068
Leasehold Land	12,463,570
	<u>25,944,638</u>

31. IMPACT OF COVID-19

The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predicting at this stage. As of the release date of these consolidated condensed financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Group's financial condition or results of operations except those disclosed in notes to the consolidated condensed interim

32. GENERAL

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

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

33. DATE OF AUTHORISATION

This consolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on 30 July, 2022.