SSGC

Sui Southern Gas Company Limited

# Un-Audited Condensed Interim Financial Information for the nine months period ended March 31, 2019

SSGC | Sui Southern Gas Company Limited

Un-Audited Condensed Interim Financial Information
for the nine months period ended March 31, 2019

# CORPORATE PROFILE

## BOARD OF DIRECTORS

### AS ON MARCH 31, 2019

| | |
|---|---|
| Lieutenant General Javed Zia (R), HI(M) | Chairman |
| Mr. Manzoor Ali Shaikh | Director |
| Sardar Rizwan Kehar | Director |
| Mr. Muhammad Riaz Khan | Director |
| Mirza Mahmood Ahmad | Director |
| Syed Akhtar Ali | Director |
| Mr. Azher Ali Choudhry | Director |
| Mr. Sher Afgan Khan | Director |
| Qazi Mohammad Saleem Siddiqui | Director |
| Dr. Ahmed Mujtaba Memon | Director |
| Nawabzada Riaz Nosherwani | Director |

### ACTING MANAGING DIRECTOR
Mr. Mohammad Wasim

### COMPANY SECRETARY
Mr. Shoaib Ahmed

### AUDITORS
M/s. Deloitte Yousuf Adil, Chartered Accountants

### LEGAL ADVISOR
M/s. Orr, Dignam & Co. Advocates

### REGISTERED OFFICE
SSGC House, Sir Shah Suleman Road,
Gulshan-e-Iqbal, Block 14, Karachi – 75300, Pakistan

### CONTACT DETAILS
Ph: 92-21-99021000
Fax: 92-21-9923-1702
Email: info@ssgc.com.pk
Web: www.ssgc.com.pk

### SHARES REGISTRAR
CDC Share Registrar Services Limited,
CDC House, 99-B, Block B, SMCHS,
Main Sharah-e-Faisal, Karachi.
Ph: 021-111-111-500
Fax: 021-34326034

## BOARD OF DIRECTORS' COMMITTEES

### Board HR and Remuneration Committee

| | |
|---|---|
| Lieutenant General Javed Zia (R), HI(M) | Chairman |
| Mr. Mohammad Wasim | AMD |
| Sardar Rizwan Kehar | Member |
| Mr. Azher Ali Choudhry | Member |
| Nawabzada Riaz Nosherwani | Member |
| Mirza Mahmood Ahmad | Member |
| Mr. Sher Afgan Khan | Member |

### Board Finance and Procurement Committee

| | |
|---|---|
| Mirza Mahmood Ahmad | Chairman |
| Mr. Mohammad Wasim | AMD |
| Mr. Manzoor Ali Shaikh | Member |
| Mr. Azher Ali Choudhry | Member |
| Syed Akhtar Ali | Member |
| Qazi Mohammad Saleem Siddiqui | Member |
| Dr. Ahmed Mujtaba Memon | Member |

### Board Audit Committee

| | |
|---|---|
| Sardar Rizwan Kehar | Chairman |
| Qazi Mohammad Saleem Siddiqui | Member |
| Mr. Muhammad Riaz Khan | Member |
| Dr. Ahmed Mujtaba Memon | Member |

### Board Risk Management, Litigation and HSEQA Committee

| | |
|---|---|
| Mr. Muhammad Riaz Khan | Chairman |
| Mr. Mohammad Wasim | AMD |
| Mirza Mahmood Ahmad | Member |
| Nawabzada Riaz Nosherwani | Member |
| Mr. Manzoor Ali Shaikh | Member |

### Special Committee of Directors on UFG

| | |
|---|---|
| Sardar Rizwan Kehar | Chairman |
| Mr. Mohammad Wasim | AMD |
| Lieutenant General Javed Zia (R), HI(M) | Member |
| Nawabzada Riaz Nosherwani | Member |
| Mirza Mahmood Ahmad | Member |
| Mr. Muhammad Riaz Khan | Member |
| Qazi Mohammad Saleem Siddiqui | Member |
| Mr. Sher Afgan Khan | Member |

### Board Nomination Committee

| | |
|---|---|
| Lieutenant General Javed Zia (R), HI(M) | Chairman |
| Sardar Rizwan Kehar | Member |

# DIRECTORS' REVIEW

## For Nine months Period Ended March 31, 2019

I am pleased to share the Company's unaudited results for the nine months ended March 31, 2019.

The Company continued facing serious challenges during the period under review. Some of these challenges are critical for the Company's growth and viability.

## Financial Overview

During the period under review, the Company recorded net after tax loss of Rs. 13,535 million after incorporating major disallowances by OGRA.

The summary of financial highlights is given below:

| | Nine months ended March 31, 2019 (Rupees in Million) |
|---|---|
| Loss before taxation | 12,500 |
| Taxation | 1,035 |
| Loss after taxation | 13,535 |

As per current Tariff Regime, SSGC Profitability is derived from the Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed 17.43% return on its average net operating fixed assets before financial charges and taxes. However, OGRA makes adjustments while determining the revenue requirements based on benchmarks viz a viz Unaccounted for Gas (UFG), Human Resource Benchmark Cost, Provision for Doubtful Debts and some other expenses. These adjustments affect the bottom line of the Company that is primarily based on guaranteed return of 17.43% net of financial charges and taxes.

The main reasons for reporting after tax loss during the period were as under:

In line with OGRA Determination on Final Revenue Requirement (DFRR) for FY 2017-18 issued on April 23, 2020, total disallowances absorbed in these nine months financial statements amounted to Rs. 17.0 billion against Rs. 11.5 billion return on assets. However, in these unconsolidated financial statements, exceptional UFG disallowances made in DFRR for FY 2017-18 have not been followed which have been re-claimed in the Motion for Review (MFR) Petition already filed with OGRA.

## High UFG Disallowance

The extremely high UFG disallowance is due to the fact that OGRA is not accepting RLNG Volume Handling benefit allowed to SSGC vide a Summary approved by the Economic Coordination Committee (ECC) dated May 11, 2018 duly endorsed by the Cabinet. Had this benefit been allowed to SSGC the net UFG disallowance would have been reduced by Rs. 7.7 billion.

It is pertinent to mention that all the stakeholders in RLNG supply chain are getting compensation for incidental cost / losses on actual basis in the process of RLNG Supply based on ECC Guidelines issued for RLNG Price Mechanism. Similar benefit was allowed to SSGC through above referred ECC summary in the form of Volume Handling benefit in UFG Benchmark determination. However, OGRA has refused to implement the same causing huge financial loss to SSGC in the form of UFG disallowance.

In order to control precarious situation SSGC is facing and to address OGRA's concerns, leading to non-implementation of above Summary, Ministry of Energy (MoE) – Petroleum Division (PD) considering the legitimacy of the Company's claim decided to pursue the matter afresh after consulting all the stakeholders and had moved another Summary to the ECC so as to enforce decision made earlier by the ECC.

Latest update on the matter is that the ECC considered the summary in its three meetings but no decision could be arrived at. Now as per the directives of the Advisor on Finance & Revenue, a two members' committee comprising Secretary Ministry of Finance and Secretary MoE - PD have been mandated to resolve the issue in consultation with the stakeholders.  Consultation / meetings of the committee were held; attended by MoE / OGRA officials, SSGC and SNGPL teams, Chairpersons of both the utilities and various directors.

Resolution of the above said issue is significant even for future periods, in the absence of which further deterioration in the financial position would be unabated which will cast serious doubt on the sustainable and efficient operations of the Company.

## Absorption of Past Staggered Losses

Absorption of Rs. 2.75 billion of staggered losses pertaining to Sindh High Court decision dated November 25, 2016 wherein SSGC claim on UFG Benchmark and on the treatment of certain Non-Operating Incomes have been rejected. As a consequence of this decision, SSGC had to absorb losses of Rs. 36.7 billion pertaining to FY 2011 to FY 2015. With the approval of competent authorities, SSGC had staggered these losses in six years and up till March 31, 2019 SSGC has absorbed Rs. 28.42 billion.

## High Financial Cost

Financial charges for the period were Rs. 5.5 billion which is mainly on account of Long Term Loan obtained to finance Pipeline Infrastructure for transmission of RLNG from Port Qasim Karachi to Sawan for delivering RLNG to SNGPL network. Besides this, Company's cash flows remained stretched owing to the circular debt resulting additional Finance Cost on Short Term Borrowings.

## Future Outlook

Moving forward, reduction in UFG is the key to keeping the Company operationally and financially viable. Further, it is critical that the Company be allowed to calculate UFG allowance based on RLNG handling on volumetric basis based on the decision of ECC of the Cabinet.

## Acknowledgements

The Board of Directors wish to express their appreciation for the continued support received from the shareholders and its valued customers. The Board also acknowledges the dedication of all the employees. The directors also thank the Government of Pakistan, the Ministry of Energy and the Oil and Gas Regulatory Authority, for their continued guidance and support.

On behalf of the Board.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

Dated: **November 28, 2020**
Karachi

## Unconsolidated condensed interim statement of financial position

**As at March 31, 2019**

| | Note | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **121,698,129** | 120,523,674 |
| Intangible assets | | **28,330** | 48,853 |
| Long term investments | 7 | **1,271,903** | 1,376,433 |
| Net investment in finance lease | | **203,403** | 246,764 |
| Long term loans and advances | | **197,754** | 180,117 |
| Long-term deposits | | **18,551** | 17,438 |
| **Total non-current assets** | | **123,418,070** | 122,393,279 |
| **Current assets** | | | |
| Stores, spares and loose tools | | **2,020,439** | 2,015,195 |
| Stock-in-trade | | **1,667,485** | 1,125,441 |
| Current maturity of net investment in finance lease | | **57,815** | 57,815 |
| Customers' installation work-in-progress | | **216,922** | 179,691 |
| Trade debts | 8 | **82,048,779** | 76,761,352 |
| Loans and advances | | **2,547,555** | 2,492,061 |
| Advances, deposits and short term prepayments | | **241,105** | 171,729 |
| Interest accrued | 9 | **12,713,121** | 11,690,562 |
| Other receivables | 10 | **230,313,129** | 151,756,310 |
| Taxation - net | | **19,907,774** | 19,549,064 |
| Cash and bank balances | | **106,178** | 410,399 |
| **Total current assets** | | **351,840,302** | 266,209,619 |
| **Total assets** | | **475,258,372** | 388,602,898 |

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

| **Dr. Shamshad Akhtar** | **Muhammad Amin Rajput** | **Syed Fasihuddin Fawad** |
|---|---|---|
| Chairperson | Acting Managing Director | Acting Chief Financial Officer |

## Unconsolidated condensed interim statement of financial position

**As at March 31, 2019**

| | Note | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Authorised share capital: | | | |
| 1,000,000,000 ordinary shares of Rs. 10 each | | **10,000,000** | 10,000,000 |
| Issued, subscribed and paid-up capital | | **8,809,163** | 8,809,163 |
| Reserves | | **4,907,401** | 4,907,401 |
| Surplus on re-measurement of available for sale securities | | **230,275** | 334,805 |
| Surplus on revaluation of fixed assets | | **13,673,415** | 13,673,415 |
| Unappropriated profit | | **(37,853,338)** | (24,318,479) |
| **Total equity** | | **(10,233,084)** | 3,406,305 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term finance | 11 | **40,700,406** | 44,721,775 |
| Long term deposits | | **16,847,383** | 15,181,333 |
| Employee benefits | | **6,417,404** | 5,935,400 |
| Obligation against pipeline | | **893,290** | 933,345 |
| Deferred credit | 12 | **4,895,588** | 5,161,453 |
| Contract Liability | 13 | **4,187,922** | 3,554,115 |
| Long term advances | | **3,131,437** | 3,148,848 |
| **Total non-current liabilities** | | **77,073,430** | 78,636,269 |
| **Current liabilities** | | | |
| Current portion of long term finance | 11 | **9,810,031** | 11,573,691 |
| Short term borrowings | 14 | **15,232,204** | 9,759,947 |
| Trade and other payables | 15 | **363,575,773** | 267,091,731 |
| Current portion of obligation against pipeline | | **52,818** | 49,386 |
| Current portion of deferred credit | 12 | **417,483** | 430,416 |
| Current portion of contract liabilities | 13 | **157,874** | 140,557 |
| Unclaimed Dividend | | **285,444** | 285,565 |
| Interest accrued | 16 | **18,886,399** | 17,229,031 |
| **Total current liabilities** | | **408,418,026** | 306,560,324 |
| **Total liabilities** | | **485,491,456** | 385,196,593 |
| Contingencies and commitments | 17 | | |
| **Total equity and liabilities** | | **475,258,372** | 388,602,898 |

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

## Unconsolidated condensed interim statement of profit or loss (Un-audited)

**For the period ended March 31, 2019**

| | Note | Nine months period ended March 31 2019 | Nine months period ended March 31 2018 | Quarter ended March 31 2019 | Quarter ended March 31 2018 |
|---|---|---|---|---|---|
| | | --------------------(Rupees in '000)-------------------- | | | |
| Sales | | **183,626,464** | 130,283,888 | **60,192,588** | 43,448,259 |
| Sales tax | | **(23,705,228)** | (17,750,055) | **(7,695,805)** | (5,780,587) |
| | 18 | **159,921,236** | 112,533,833 | **52,496,783** | 37,667,672 |
| Gas development surcharge | 19 | **51,076,859** | 12,587,169 | **16,653,775** | 1,662,920 |
| RLNG differential margin | 20 | **(6,541,511)** | - | **544,580** | - |
| Net sales | | **204,456,584** | 125,121,002 | **69,695,138** | 39,330,592 |
| Cost of sales | 21 | **(209,895,321)** | (132,726,930) | **(74,205,940)** | (42,928,387) |
| **Gross loss** | | **(5,438,737)** | (7,605,928) | **(4,510,802)** | (3,597,795) |
| Administrative and selling expenses | | **(3,428,645)** | (3,253,595) | **(1,153,368)** | (1,096,626) |
| Other operating expenses | 22 | **(7,866,718)** | (3,258,296) | **(797,046)** | (1,152,827) |
| | | **(11,295,363)** | (6,511,891) | **(1,950,414)** | (2,249,453) |
| | | **(16,734,100)** | (14,117,819) | **(6,461,216)** | (5,847,248) |
| Other income | 23 | **9,767,717** | 10,491,534 | **2,909,404** | 4,482,332 |
| **Operating loss** | | **(6,966,383)** | (3,626,285) | **(3,551,812)** | (1,364,916) |
| Finance cost | | **(5,533,323)** | (3,831,877) | **(2,143,250)** | (1,489,339) |
| **Loss before taxation** | | **(12,499,706)** | (7,458,162) | **(5,695,062)** | (2,854,255) |
| Taxation | 24 | **(1,035,153)** | (3,304,620) | **(316,230)** | (216,594) |
| **Loss for the period** | | **(13,534,859)** | (10,762,782) | **(6,011,292)** | (3,070,849) |
| **Basic and diluted loss per share** | | **(15.36)** | (12.22) | **(6.82)** | (3.49) |

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

## Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
**For the period ended March 31, 2019**

| | Nine months period ended | | Quarter ended | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | --------------------(Rupees in '000)-------------------- | | | |
| Loss for the period | **(13,534,859)** | (10,762,782) | **(6,011,292)** | (3,070,849) |
| **Other comprehensive income** | | | | |
| Unrealised (loss) / gain on re-measurement of available for sale securities | **(104,530)** | (138,110) | **(3,422)** | 55,596 |
| **Total comprehensive loss for the period** | **(13,639,389)** | (10,900,892) | **(6,014,714)** | (3,015,253) |

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

## Unconsolidated condensed interim statement of cash flow (Un-audited)
**For the period ended March 31, 2019**

| | Note | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | **(12,499,706)** | (7,458,162) |
| Adjustments for non-cash and other items | 25 | **11,919,313** | 10,144,261 |
| Working capital changes | 26 | **11,844,606** | (15,460,930) |
| Financial charges paid | | **(3,980,924)** | (3,042,941) |
| Employee benefits paid | | **(56,480)** | (87,243) |
| Payment for retirement benefits | | **(1,126,398)** | (592,925) |
| Long term deposits received - net | | **1,666,050** | 1,152,170 |
| Deposits paid - net | | **(1,113)** | (1,574) |
| Loans and advances to employee - net | | **(73,131)** | 268,677 |
| Interest income and return on term deposits received | | **382,697** | 39,631 |
| Income taxes paid | | **(1,393,863)** | (1,236,904) |
| Net cash generated / (used in) from operating activities | | **6,681,051** | (16,275,940) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | **(6,685,590)** | (7,784,569) |
| Payment for intangible assets | | **(1,860)** | (8,701) |
| Payment for obligation against pipeline | | **(101,799)** | (101,799) |
| Proceeds from sale of property, plant and equipment | | **70,256** | 76,341 |
| Lease rental from net investment in finance lease | | **78,317** | 82,828 |
| Dividend received | | **-** | 18,818 |
| Net cash used in investing activities | | **(6,640,676)** | (7,717,082) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from local currency loans | | **14,286** | 9,215,897 |
| Repayments of local currency loans | | **(5,825,000)** | (3,150,000) |
| Consumer finance received | | **2,615** | 11,145 |
| Repayment of consumer finance | | **(8,631)** | (11,056) |
| Dividend paid | | **(122)** | (227) |
| Net cash (used in) / generated from financing activities | | **(5,816,853)** | 6,065,759 |
| Net decrease in cash and cash equivalents | | **(5,776,478)** | (17,927,263) |
| Cash and cash equivalents at beginning of the period | | **(9,349,548)** | (2,003,801) |
| Cash and cash equivalents at end of the period | | **(15,126,026)** | (19,931,064) |
| **Cash and cash equivalent comprises:** | | | |
| Cash and bank balances | | **106,178** | 494,605 |
| Short term borrowings | | **(15,232,204)** | (20,425,669) |
| | | **(15,126,026)** | (19,931,064) |

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

## Unconsolidated Condensed Interim Statement of Changes In Equity (Un-audited)
**For the period ended March 31, 2019**

| | Issued, subscribed and paid-up capital | Capital reserves | Revenue reserves | Surplus on re-measurement of available for sale securities | Surplus on revaluation of fixed Assets | Unappropriated profit | Total |
|---|---|---|---|---|---|---|---|
| | ----------------------------------------------(Rupees in '000)---------------------------------------------- | | | | | | |
| **Balance as at July 1, 2017 (Audited)** | 8,809,163 | 234,868 | 4,672,533 | 518,699 | 11,728,265 | (9,880,716) | 16,082,812 |
| **Total comprehensive loss for the period ended March 31, 2018** | | | | | | | |
| Loss for the period | - | - | - | - | - | (10,762,782) | (10,762,782) |
| Other comprehensive loss for the period | - | - | - | (138,110) | - | - | (138,110) |
| **Total comprehensive loss for the period** | - | - | - | (138,110) | - | (10,762,782) | (10,900,892) |
| **Balance as at March 31, 2018** | 8,809,163 | 234,868 | 4,672,533 | 380,589 | 11,728,265 | (20,643,498) | 5,181,920 |
| **Balance as at June 30, 2018 (Audited)** | **8,809,163** | **234,868** | **4,672,533** | **334,805** | **13,673,415** | **(24,318,479)** | **3,406,305** |
| **Total comprehensive loss for the period ended March 31, 2019** | | | | | | | |
| Loss for the period | - | - | - | - | - | (13,534,859) | (13,534,859) |
| Other comprehensive loss for the period | - | - | - | (104,530) | - | - | (104,530) |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(104,530)** | **-** | **(13,534,859)** | **(13,639,389)** |
| **Balance as at March 31, 2019** | **8,809,163** | **234,868** | **4,672,533** | **230,275** | **13,673,415** | **(37,853,338)** | **(10,233,084)** |

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

| | | |
|---|---|---|
| **Dr. Shamshad Akhtar** | **Muhammad Amin Rajput** | **Syed Fasihuddin Fawad** |
| Chairperson | Acting Managing Director | Acting Chief Financial Officer |

## 1. LEGAL 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.

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, |
| 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. |

### 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 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 and taxation. The determination of annual required return is reviewed by OGRA, under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

### 1.3 Financial Performance

During the period, the Company has incurred loss after tax of Rs. 13,535 million resulting in increase of its accumulated losses by Rs. 13,535 million and negative equity to Rs. 10,233 million after including the impact of staggering as disclosed in note 2.2. As at period end, current liabilities exceed its current assets by Rs.56,578 million and accumulated losses stood at Rs. 37,853 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).

The Company's financial performance for the period has deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers and staggering of losses due to 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:

- Economic Coordination Committee (ECC) in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the 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 (FRR) for Financial Year (FY) 2017-18 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 Company has reiterated its earlier position of higher UFG due to RLNG and another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

- GoP (Finance Division) in its letter dated July 06, 2020, GoP being majority shareholder has acknowledged the funding requirements of the Company and has shown commitment to extend all support to maintain the going concern status of the Company.

- The Company has devised a strategy to control UFG in coming years and the same is under implementation with the approval of Board.

- Under new tariff regime, the company will also be entitled to the guaranteed return on operating assets from 17% to 17.43% from FY 2019 for next three years.

- Banks have relaxed debt to equity ratio of the Company from 80:20 to 95:05 from financial year 2016 to 2019 which are breached in the current period. The Company has obtained letters from banks providing necessary relaxation of financial covenants for the FY 2017-18. The Company is confident that banks will also provide the same support letter for the FY 2018-19. In these letters, the banks have reiterated that they do not plan to call the debts due to breach of covenants. However, subsequent to period end, the 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.

- 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

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, 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 Company for the financial years 2011 to 2015 based on the interim relief of the Court, and OGRA also accepted position taken up by the Company for the said financial years, subject to the final decision of the Court.

On November 25, 2016, the Sindh High Court has dismissed the 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 has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income and therefore while the management has considered OGRA's decision in preparation of financial statements for the year ended June 30, 2017, June 30, 2018 and FRR of June 30, 2019, it 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.

## 2. BASIS FOR PREPARATION

### 2.1 Statement of compliance

This 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 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 unconsolidated condensed interim financial information is based on FRR determined by OGRA for the financial year ended June 30, 2018. However, in these unconsolidate condensed interim financial information, exceptional UFG disallowances made in DFRR for FY 2017-18 pertaining to internal consumption, UFG on transmission and distribution of RLNG, OGRA disallowed Line pack as well as Loss due to sabotage have not been followed which have been re-claimed and expected to be allowed in the decision on Motion for Review (MFR) Petition already filed and also reclaimed in FRR petition for FY 2018-19.

This unconsolidated condensed interim financial information does not include all information required for annual audited finanicial statements and should be read in conjunction with the unconsolidated annual audited financial statements of the Company for the year ended June 30, 2018.

**2.2 Staggering of Losses arising due to Sindh High Court decision**

As disclosed in note 1.4, OGRA had 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 granted permission to stagger disallowed expense in the audited financial statements for the years ended June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis, facts and circumstances are adequately disclosed and compliance with the disclosure requirement of IFRSs for departing with IFRSs.

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for FY 2010-11 to 2014-15 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) to allowing staggering of Rs. 18,359 million in 5 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 (FY 2016-17 to FY 2020-21). This staggering has also been accounted proportionally (Rs. 2,754 million) for in this unconsolidated condensed interim financial information.

Further, the OGRA, in its decision dated December 24, 2018 also directed the Company to review its dividend payout policy for future year till such time the above adjustment impact dispelled (i.e. FY 2020-21).

**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, 2018, except for change in accounting policy as disclosed in note 3.1 in this unconsolidated condensed interim financial information.

**3.1. IFRS 15 Revenue from Contracts with Customers**

The Company has adopted IFRS 15 from July 01, 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company has elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognised in the statement of financial position:

| Description | Carrying amount as | Reclassification due to adoption | IFRS 15 carrying |
|---|---|---|---|
| | | July 01, 2018 (Rupees in 000) | |
| Deferred credit | 6,037,795 | (876,342) | 5,161,453 |
| Current portion of deferred credit | 570,973 | (140,557) | 430,416 |
| Trade and other payables | 269,769,504 | (2,677,773) | 267,091,731 |
| Contract liabilities | - | 3,554,115 | 3,554,115 |
| Current portion of contract liabilities | - | 140,557 | 140,557 |

The core business of the Company is transmission and sale of gas and is the only performance obligation towards its customers based on the contracts with customers.

From July 01, 2018, as per the requirements of the IFRS 15, these contributions are being amortised over the useful lives of the related assets as laying of the pipelines is not a distinct performance obligation, instead is considered a part of the Company’s only performance obligation to deliver gas to the customers. For balances prior to application date, in accordance with the opinion of the Accounting Standard Board (ASB) of ICAP dated July 08, 2020, retrospective adjustment to the opening statement of financial position is not required with respect to the deferment of the previously recognized revenues against the contributions received towards the cost of supplying and laying transmission, service and main lines on contract as these do not have a continuing performance obligations under IFRIC 18.

**IFRS 9 Financial Instruments**

The IASB introduced IFRS 9 – Financial Instruments (IFRS 9) for annual period beginning or after January 01, 2018, however, the Securities and Exchange Commission of Pakistan (SECP) deferred the effective date of IFRS 9 from above mentioned date to July 1, 2018.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 985 (I)/2019 dated September 02, 2019 and further clarification vide its letter No. EMD/IACC/4/2009 dated September 08, 2020 to the Company has exempted the application of IFRS 9 with respect to recognition requirements of Expected Credit Losses on financial assets due from Government of Pakistan or ultimately due from the Government of Pakistan (including receivables in context of circular debt) till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39, in respect of such financial assets.

## 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 unconsolidated financial statements for the year ended June 30, 2018. 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.

## 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the unconsolidated financial statements as at and for the year ended June 30, 2018.

| | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| **6. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating assets | **109,973,315** | 109,452,905 |
| Capital work-in-progress | **11,724,814** | 11,070,769 |
| | **121,698,129** | 120,523,674 |

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

| | March 31, 2019 | | March 31 2018 | |
|---|---|---|---|---|
| | (Un-audited) | | | |
| | --------(Rupees in '000)-------- | | | |
| | **Cost of additions / transfers from CWIP** | Written down value of (transfers / disposals) | **Cost of additions / transfers from CWIP** | Written down value of (transfers / disposals) |
| **Operating assets** | | | | |
| Leasehold land | | - | - | - |
| Buildings on leasehold land | **49,952** | - | 48,029 | - |
| Gas distribution system | **3,790,159** | - | 3,663,786 | (76,914) |
| Gas transmission pipelines | **2,306,654** | - | 2,325,442 | - |
| Telecommunication | **5,843** | - | 15,884 | - |
| Plant and machinery | **46,020** | (277) | 228,526 | (453) |
| Tools and equipment | **14,225** | (154) | 11,019 | - |
| Motor vehicles | **205,276** | (24,717) | 105,052 | (21,908) |
| Furniture and fixtures | **7,869** | - | 2,405 | - |
| Office equipment | **19,803** | (9) | 70,840 | - |
| Computers and ancillary equipments | **6,915** | - | 98,152 | - |
| Construction equipment | **23,858** | - | 77,084 | (61) |
| SCADA | **76,840** | - | 7,393 | - |
| Compressors | **34,298** | - | 377,676 | - |
| | **6,587,712** | (25,157) | 7,031,288 | (99,336) |

| | **Capital expenditure incurred** | **Transfer to operating assets** | **Capital expenditure incurred** | **Transfer to operating assets** |
|---|---|---|---|---|
| **Capital work in progress:** | | | | |
| **Projects:** | | | | |
| - Gas distribution system | **4,419,252** | (3,790,159) | 3,798,839 | (3,663,786) |
| - Gas transmission system | **860,638** | (2,306,654) | 2,065,853 | (2,325,442) |
| - Cost of buildings under construction and others | **50,312** | (49,952) | 83,604 | (48,029) |
| | **5,330,202** | (6,146,765) | 5,948,296 | (6,037,257) |

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 828 million (March 31, 2018: Rs. 710 million).

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **7. LONG TERM INVESTMENTS** | | | |
| Investment in related parties | 7.1 & 7.2 | **1,186,429** | 1,247,050 |
| Other investments | | **85,474** | 129,383 |
| | | **1,271,903** | 1,376,433 |

**7.1** Investments in SNGPL and ISGSL represent investment in 'associated companies' in terms of provisions of Companies Act 2017. However, the Company has not accounted for them as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Company does not have significant influence in these associated companies.

**7.2** 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.

ECC in its meeting dated December 15, 2016 has decided that Government Holdings (Private) Limited, being the parent company, shall make all future funding of ISGSL project. Based on this, OGRA in its decision dated December 24, 2018, allowed Rs. 15 million and considered the same as full and final payment in this regard. Subsequent to the period end, the investment was disposed at par value / cost to Government Holding (Private) Limited in accordance with the resolution of the Board.

| | | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| **8** | **TRADE DEBTS** | | | |
| | - secured | | **26,768,650** | 24,166,537 |
| | - unsecured | | **70,560,070** | 67,378,158 |
| | | 8.1 & 8.2 | **97,328,720** | 91,544,695 |
| | Provision against doubtful debts | | **(15,279,941)** | (14,783,343) |
| | | | **82,048,779** | 76,761,352 |

**8.1** As K-Electric Limited (KE) has been defaulting and not making payment of 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 International Financial Reporting Standards – 15 “Revenue from Contracts with Customers” based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 31,548 million (June 30, 2018: Rs. 31,948 million) as at March 31, 2019 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2018: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 95,390 million (June 30, 2018: Rs. 85,763 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

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

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

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

- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized 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.

Management has consulted 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 is also of the opinion 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 recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

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.

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 filling of this 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. Subsequent to period end term of reference has been signed and shared with KE however no response received from KE yet.

An Inter Ministerial committee nominated by the Prime Minister of Pakistan is mandated to resolve KE issues inter alia National Security Clearance Certificate, KE's receivables / payables against GoP / GoS entities. Since June 2020 a proposal of finalization of ToRs for arbitration agreement remained under discussion.

The Company took the following position:

- The arbitration should be done under Pakistan Arbitration Act 1940 and the seat should be in Karachi.

- Being a separate corporate entity the Company has no relation / nexus with KE's disputes with other entities therefore it needs to be clearly mentioned in the arbitration agreement that pursuant to the arbitral award Federal Government should ensure.

- The Company emphasized for the need of engagement of a Chartered Accountants firm as per the decision of CCOE dated April 23, 2018 which may even facilitate the arbitration proceedings.

**8.2** As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of LPS, the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per International Financial Reporting Standards – 15 "Revenue from Contracts with Customers" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 23,468 million (June 30, 2018: Rs. 22,924 million) including overdue balance of Rs. 23,402 million (June 30, 2018: Rs. 22,874 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 59,636 million (June 30, 2018: Rs. 55,001 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

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

PSML has filed its counter claim of Rs. 38,660 million approximately on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal council of the Company is of the view that due to various 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.

| | | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| **9** | **INTEREST ACCRUED** | | | |
| | Interest accrued on late payment of bills / invoices from: | | | |
| | - Water & Power Development Authority (WAPDA) | | **3,622,038** | 3,421,488 |
| | - Sui Northern Gas Pipelines Limited (SNGPL) | | **7,263,312** | 6,416,359 |
| | - Jamshoro Joint Venture Limited (JJVL) | | **578,798** | 745,157 |
| | | | **11,464,148** | 10,583,004 |
| | Interest accrued on bank deposits | | **2,315** | 2,370 |
| | Interest accrued on sales tax refund | | **487,739** | 487,739 |
| | Interest accrued to related party | 9.1 | **843,311** | 701,841 |
| | | | **12,797,513** | 11,774,954 |
| | Provision against impaired accrued income | | **(84,392)** | (84,392) |
| | | | **12,713,121** | 11,690,562 |

**9.1** This amount represents interest accrued on amount due from SSGC LPG (Private) Limited (a wholly owned subsidiary). The amount includes interest accrued on a short term loan amounting to Rs. 807 million (June 30, 2018: Rs. 666 million) and interest accrued on late payment of bills against sale of LPG amounting to Rs. 36 million (June 30, 2018: Rs. 36 million).

| | | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| **10** | **OTHER RECEIVABLES - considered good** | | | |
| | Gas development surcharge receivable from Government of Pakistan (GoP) | 10.1 | **104,967,532** | 53,499,313 |
| | Receivable from staff pension fund | | **283,154** | 319,596 |
| | Recoverable from HCPCL | 10.2 | **3,845,839** | 3,787,690 |
| | Expenses deferred by OGRA | 10.3 | **4,167,196** | 4,167,196 |
| | Balance receivable for sale of gas condensate | | **54,318** | 42,949 |
| | Receivable from SNGPL - a related party | 10.4 | **64,851,314** | 49,025,870 |
| | Receivable from Jamshoro Joint Venture Limited (JJVL) | 10.5 | **11,175,383** | 12,033,292 |
| | Receivable from SSGC LPG (Private) Limited | | **29,931** | 22,988 |
| | Sales tax receivable | 10.7 | **42,719,508** | 30,593,988 |
| | Sindh sales tax | | **112,976** | 112,976 |
| | Receivable against asset contribution | 10.8 | **407,587** | 382,469 |
| | Miscellaneous | | **44,750** | 114,342 |
| | | | **232,659,488** | 154,102,669 |
| | Provision against other receivables | | **(2,346,359)** | (2,346,359) |
| | | | **230,313,129** | 151,756,310 |
| **10.1** | **Gas Development Surcharge (GDS)** | | | |
| | Opening Balance | | **53,499,313** | 21,264,629 |
| | Recognized in statement of profit or loss | | **51,076,859** | 22,645,175 |
| | Recognized in OCI claim under IAS 19 | | **-** | 1,368,151 |
| | Payment made during the year | | **-** | 7,708,862 |
| | Subsidy for LPG air mix operations | | **391,360** | 512,496 |
| | Closing Balance | | **104,967,532** | 53,499,313 |

**10.2 Receivable from HCPCL**

| | | |
|---|---|---|
| Amount of LD Charges as per Arbitration Award | **3,626,382** | 3,626,382 |
| Subsequent LDs raised by HCPCL on Award Principle | **219,457** | 161,308 |
| Total Receivable | **3,845,839** | 3,787,690 |

**10.2.1** HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Company for claiming Liquidated Damages (LD) due to 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 Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, LD, interest and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Company.

Earlier in January 2018, the 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 gas bills are recoverable from HCPCL as per ECC aforementioned decision and are transferred from Trade Debts to Other Receivables amounting to Rs. 3,626 million for the Award Period and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million up till June 30, 2018 and for the period ended March 31, 2019 respectively.

| **10.3 Expenses Deferred by OGRA** | **March 31 2019 (Un-audited)** | **June 30, 2018 (Audited)** |
|---|---|---|
| | **--------(Rupees in '000)--------** | |
| LPS (up to FY 2016-17) | **3,243,503** | 3,243,503 |
| Total interest on LD charges | **352,768** | 352,768 |
| Total legal charges | **570,925** | 570,925 |
| | **4,167,196** | 4,167,196 |

Consequent to the Arbitration Award as mentioned in Note 10.2, the Company was required to pay Interest on LD charges Rs. 353 million and Legal Charges Rs. 571 million to HCPCL. The same has been adjusted by HCPCL against Gas Bills and the Company was required to reverse the LPS previously charged to HCPCL.

Since the LPS so reversed was previously offered to OGRA as Operating Income and Interest on LD Charges and Legal charges are operating expense.The total amount of Rs. 4,167 was claimed from OGRA in Petition for FRR of FY 2017-18. However, OGRA in its decision dated April 23, 2020 has deferred its decision on the matter until the conclusion of matter between WAPDA / CPPA-G and HCPCL as per ECC directives.

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

| | **Note** | **March 31 2019 (Un-audited)** | **June 30, 2018 (Audited)** |
|---|---|---|---|
| | | **--------(Rupees in '000)--------** | |
| Uniform cost of gas | | **15,818,846** | 16,011,846 |
| Lease rentals | | **142,873** | 64,864 |
| Contigent rent | | **3,535** | 3,535 |
| LSA Margins | | **1,675,233** | 1,083,299 |
| Capacity and utilisation charges of RLNG | 10.4.1 | **29,520,939** | 19,835,414 |
| RLNG transportation income | | **17,689,888** | 12,026,912 |
| | | **64,851,314** | 49,025,870 |

**10.4.1** The Company has invoiced an amount of Rs. 63,920 million, including Sindh Sales Tax of Rs. 7,497 million, till March 31, 2019 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 (PAFL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Company. For quantity supplied to PAFL, PAFL is making payment directly to the Company according to the payment plan finalised subsequent to end of reporting date, that requires PAFL to make eight equal monthly instalments of Rs. 201 million per month. Till July 2019, the Company has received all eight instalments.

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.

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, 18 BCF, on February 7, 2019, 11 BCF, on June 14, 2019, 08 BCF, on November 18, 2019, 11 BCF, on March 03, 2020, 11 BCF (in total 71 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.

**10.5** 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 to this unconsolidated condensed interim financial information.

**10.6** During the FY 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 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 court 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 settled by SCP in due course.

**10.7** 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. Realizing 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.

**10.8** 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.

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **11 LONG-TERM FINANCE** | | | |
| **Secured** | | | |
| Loans from banking companies | 11.1, 11.2 & 11.3 | **49,543,554** | 55,336,852 |
| **Unsecured** | | | |
| Front end fee of foreign currency loan | | **23,950** | 23,950 |
| Consumer financing | | **195,608** | 201,624 |
| Government of Sindh loan | | **747,325** | 733,040 |
| | | **966,883** | 958,614 |
| | | **50,510,437** | 56,295,466 |
| **Less: Current portion shown under Current liabilities** | | | |
| Loans from banking companies | | **(9,612,500)** | (11,375,000) |
| Consumer financing | | **(10,864)** | (12,024) |
| Government of Sindh loan | | **(186,667)** | (186,667) |
| | | **(9,810,031)** | (11,573,691) |
| | | **40,700,406** | 44,721,775 |

**11.1** A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. During the period, repayment of Rs. 1,500 million has been made.

**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, 2019 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 1,250 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 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.

| | | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| **12.** | **DEFERRED CREDIT** | | | |
| | **Government of Pakistan contributions / grants** | | | |
| | Balance as at July 01 | | **3,285,092** | 3,539,596 |
| | Additions / adjustments during the year | | **28,631** | 24,182 |
| | Transferred to unconsolidated statement of profit or loss | 23 | **(209,901)** | (278,686) |
| | Balance as at March 31 | | **3,103,822** | 3,285,092 |
| | **Government of Sindh (Conversion of loan into grant)** | | | |
| | Balance as at July 01 | | **2,133,559** | - |
| | Additions during the year | | **5,929** | 2,288,772 |
| | Transferred to unconsolidated statement of profit or loss | 23 | **(86,033)** | (155,213) |
| | Balance as at March 31 | | **2,053,455** | 2,133,559 |
| | **Government of Sindh grants** | | | |
| | Balance as at July 01 | | **173,218** | 1,034,396 |
| | Transferred to unconsolidated statement of profit or loss | 23 | **(17,424)** | (54,938) |
| | Adjustment | | **-** | (806,240) |
| | Balance as at March 31 | | **155,794** | 173,218 |
| | | | **5,313,071** | 5,591,869 |
| | Less: Current portion of deferred credit | | **(417,483)** | (430,416) |
| | | | **4,895,588** | 5,161,453 |
| **13.** | **CONTRACT LIABILITIES** | | | |
| | Contribution from consumers | 13.1 | **1,307,277** | 876,342 |
| | Advance received from customers for laying of mains, etc. | | **2,880,645** | 2,677,773 |
| | | | **4,187,922** | 3,554,115 |
| **13.1** | **Contribution from consumers** | | | |
| | Balance as at July 01 | | **1,016,899** | 1,168,909 |
| | Additions / adjustments during the year | | **569,394** | - |
| | Transferred to unconsolidated statement of profit or loss | | **(121,142)** | (152,010) |
| | | | **1,465,151** | 1,016,899 |
| | Less: Current portion of contributions from consumers | | **(157,874)** | (140,557) |
| | Balance as at March 31 | | **1,307,277** | 876,342 |

**13.2** As explained in Note 3.1 to this unconsolidated condensed interim financial information, after the first time adoption of IFRS 15 in Pakistan, the Company has applied the provisions of IFRS 15 “Revenue from Contract with Customers” for the first time in its unconsolidated condensed interim financial information and accordingly, has recognised the contract liabilities in respect of the amount received from the customers as contribution towards the cost of supplying and laying transmission, service and main lines. These contributions were being treated as deferred credit previously under IFRIC 18 from the year ended June 30, 2010 to June 30, 2018 and the revenue was being recognised when the lines were laid and commissioned based on the management’s judgment under IFRIC 18.

## 14. 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, 2018: Rs. 23,000 million) and subject to markup to 0.20% (June 30, 2018: 0.10%) above the average one month KIBOR. These 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. 9,768 million (June 30, 2018: Rs. 13,240 million).

## 15. TRADE AND OTHER PAYABLES

| | Note | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Creditors for: | | | |
| - Gas | 15.1 | **289,078,407** | 226,212,893 |
| - RLNG | | **34,304,961** | 7,264,401 |
| - Supplies | | **1,421,872** | 1,138,227 |
| | | **324,805,240** | 234,615,521 |
| Accrued liabilities | | **4,236,592** | 3,902,232 |
| RLNG Differential Margin payable to GoP | 15.3 | **6,942,469** | 2,516,367 |
| Payable to SNGPL for differential tariff | 15.2 | **3,603,123** | 1,487,714 |
| Engro Elengy Terminal Limited | | **1,824,140** | 1,764,281 |
| Advances from LPG customers | | **-** | 51,617 |
| Provision for compensated absences - non executives | | **285,264** | 309,391 |
| Payable to staff gratuity fund | | **4,126,420** | 4,549,836 |
| Deposits / retention money | | **662,078** | 678,233 |
| Bills payable | | **120,328** | 129,430 |
| Advance for sharing right of way | | **18,088** | 18,088 |
| Withholding tax payable | | **162,497** | 102,946 |
| Sales tax & FED payable | | **351,842** | 280,403 |
| Processing Charges payable to JJVL | | **8,528,447** | 8,528,447 |
| Gas infrastructure development cess payable | | **7,208,627** | 7,425,827 |
| Unclaimed term finance certificate redemption profit | | **1,800** | 1,800 |
| Provincial sales tax on services | | **7,105** | 111,761 |
| Workers's profit participation fund | | **174,515** | 12,860 |
| Others | | **517,198** | 604,977 |
| | | **363,575,773** | 267,091,731 |

**15.1.** Creditors of gas supplies includes Rs. 218,827 million (June 30, 2018: Rs. 167,492 million) 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, 2018: Rs. 15,832 million) on their balances which have been presented in note 16.1 in this unconsolidated condensed interim financial information.

**15.2.** The OGRA vide its decision dated November 20, 2018 has directed that the stock of RLNG withheld by the Company to be purchased from SNGPL based on historical weighted average cost price in Pakistan Rupees. Subsequently, the Company shall record sales as per relevant applicable OGRA notified rates. Any gain / loss owing to the difference between the current and historical rates shall be passed on to the SNGPL after deducting cost of supply and T&D losses.

**15.3.** As per the policy guideline issued by the Economic Coordination Committee of the Cabinet (ECC) on pricing of RLNG, the Company is allowed to earn an annual return as a percentage of the value of its average fixed assets in RLNG operation, to be determined by OGRA. Any deficit or surplus on account of this is recoverable from or payable to the RLNG consumers through adjustment in future RLNG prices. The surplus or the shortfall, if any, are included in “trade and other payables” or “other receivables” respectively with the corresponding charge or credit respectively, recognised in the unconsolidated condensed interim statement of profit or loss.

## 16. INTEREST ACCRUED

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Long term financing - loans from banking companies | | **1,901,069** | 522,464 |
| Long term deposits from customers | | **314,798** | 370,987 |
| Short term borrowings | | **394,903** | 159,280 |
| Late payment surcharge on processing charges | | **438,392** | 339,061 |
| Late payment surcharge on gas development surcharge | | **4,826** | 4,828 |
| Late payment surcharge on gas supplies | 16.1 | **15,832,411** | 15,832,411 |
| | | **18,886,399** | 17,229,031 |

**16.1.** 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 International Financial Reporting Standards – 15 "Revenue from Contracts with Customers". 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 condensed interim financial information only when the same are received.

In response to the Company's above request, the MP & NR vide their letter dated January 3, 2017 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 from July 1, 2016 to March 31, 2019 amounting to Rs.22,058 on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated condensed interim statement of financial position would be as follows:

| | (Rupees in million) |
|---|---|
| - Increase in loss before tax | **48,280** |
| - Increase in loss after tax / accumulated losses | **33,796** |
| - Increase in loss per share - Rupees | **38.36** |

## 17. CONTINGENCIES AND COMMITMENTS

| | | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | -------- (Rupees in '000)-------- | |
| **17.1** | Commitments for capital and other expenditures | **3,114,958** | 4,563,809 |
| **17.2** | Guarantees issued on behalf of the Company | **5,527,027** | 4,323,217 |

**17.3** Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 144,120 million (June 30, 2018: Rs. 144,120 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Company and JPCL. JPCL has raised another claim of Rs. 5.793 million (June 30, 2018: 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.

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 consumer and the consumer 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 consumer 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.

**17.4** As disclosed in note 16.1, 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 from July 01, 2016 to March 31, 2019 amounting to Rs. 22,058 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.

**17.5** M/s Habibullah Coastal Power Company Private Limited (HCPCL) filed its request for Arbitration under the Rules of the International Chamber of Commerce (ICC), Singapore on November 30, 2015. The dispute was on account of non or short-supply of gas (against firm commitment of gas under GSA) by the Company to HCPCL with effect from December 2009 onwards.

On April 30, 2018, the decision of arbitration proceeding has been issued by ICC in favor of HCPCL and the Company is required to pay to HCPCL as a final reward in the form of liquidity damages Rs. 3,788 million, interest on liquidity damages of Rs. 353 million and legal and professional charges of Rs. 571 million as on June 30, 2018. Further, LPS charged to HCPCL upto FY 2016-17 amounting to Rs. 3,243 million was also withdrawn.

The liquidated damages claimed by HCPCL from the Company was in consequent to liquidated damages charged to HCPCL by WAPDA/CPPA-G, depicting the flow of payment from one GoP entity i.e. the Company to another GoP entity i.e. WAPDA without yielding any substantial benefit to any claimant party.

Therefore, Economic Coordination Committee (ECC) in its meeting held on February 07, 2018 approved in principle the proposal regarding waiver of liquidated damages with the direction to Petroleum Division & Power Division to work out modalities in consultation with all the stakeholders.

In line with above ECC decision, an amount of Rs. 3,788 million has been recognized as Receivable from HCPCL at the year-end i.e. June 30, 2018. The remaining amount of Rs. 4,167 million was claimed from OGRA as part of Revenue Requirement of FY 2017-18.

However, OGRA in its decision on FRR for FY 2017-18 dated April 23, 2020 decided to defer its decision on LPS adjustment and other arbitration charges until the conclusion of the matter between WAPDA/CPPA-G and HCPCL. In the light of OGRA decision, this amount has been recognized as “Expenses deferred by OGRA” at the year-end i.e. June 30, 2018.

The 20 year GSA with HCPCL expired in December 2019 and the customer has since then been disconnected. The Company has also invoked the bank guarantee on which HCPCL has obtained a stay order from Sindh High Court, however, HCPCL is in negotiations with the Company to sign a new GSA to resume gas supply.

**17.6** As disclosed in note 10.6, and 23.1 and for other matters 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 months 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 after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Company and 43% to JJVL and an agreement was signed between the Company and JJVL and submitted the same to SCP for its approval and the same was validated by SCP, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019, in its order dated December 29, 2018.

SCP also directed the 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 and is set to expire on June 20, 2020 and until renewed by the parties with 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.

However, with respect to the Freight, GIDC and tax challans, SCP will settle the same and an appropriate order shall be passed in this regard. Once the matter is finalized by the Court any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

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 this unconsolidated condensed interim financial information.

**17.7** Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before Honorable High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001.

Accordingly, no provision regarding the said claim has been made in this unconsolidated condensed interim financial information as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

**17.8** The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs.311 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Appellate Tribunal Inland Revenue had set-aside the case and remanded back to Tax Department for hearing the case afresh.

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

**17.9** Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2007 to 2015 intending to disallow accrued interest expense on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001 and depreciation on fixed assets held under musharka arrangement.

On issue of interest expense, tax authorities have positively closed the proceedings for Tax Years 2009, 2012, 2013 & 2014 while similar Orders are expected for other years.

On issue of depreciation, tax authorities passed adverse Orders for Tax Years 2007, 2008, 2009, 2013 & 2014, 2015 however Commissioner (Appeals) decided the case in the Company’s favour for Tax Years 2009, 2013 & 2014 while similar Orders are expected for other years.

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

**17.10** Income tax authorities have passed orders disallowing cost of gas purchased but lost as UFG (in excess of OGRA Benchmark) for FY 2008-09, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16.

All the Orders were contested before Commissioner (Appeals) who decided the cases in the Company's favor except for 2014-15 wherein order of Commissioner (Appeals) is pending which is expected to be decided in Company's favor. However, the said Orders have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue.

Further, the said issue has also been raised for 2016-17 on which the Company filed detailed reply.

Since the said issue has already been decided in favor of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Principle is in field which has also been upheld by Commissioner (Appeals) in the Company's case, therefore no provision has been made in this unconsolidated condensed interim financial information as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

**17.11** The Tax Authorities' passed Order for FY 2009-10 against the Company disallowing input Sales Tax credit on gas purchased but lost as UFG, among other observations. The said Order was contested till Appellate Tribunal Inland Revenue (ATIR) who decided the case in Company favor thus setting a Legal Principle.

Tax Authorities have passed two different Orders for FY 2010-11 to 2014-15 & for FY 2015-16 to 2016-17 disallowing input Sales Tax on gas purchased but lost as UFG (in excess of OGRA Benchmark) however the Company contested the matter before Commissioner (Appeals) who decided the cases in the Company's favor.

The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Orders of Commissioner (Appeals) for FY 2010-11 to 2016-17.

Tax authorities have also issued a notice for FY 2017-18 confronting the same issue of disallowance of input tax claimed on excess UFG on which the Company has filed detailed reply.

The Company and its legal counsel are of the opinion that the Company has a strong case on legal merits as well as on technical grounds since Legal Principle has been set by ATIR & upheld by Commissioner (Appeals) and thus no provision has been made in this unconsolidated condensed interim financial information as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

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

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

**17.13** The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million alongwith default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Honorable High Court of Sindh has also stayed the recovery of the additional tax and penalties.

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

**17.14** The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Company with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06 and 2007-08 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-06 and FY 2007-08 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund adjustment.

| | Nine months period ended | | Quarter ended | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | (Un-audited) | | | |
| | -----------(Rupees in '000)-------------- | | | |
| **18 SALES** | | | | |
| Sale of Indigenous gas | **146,849,544** | 130,283,888 | **50,128,425** | 43,448,259 |
| Sale of RLNG | **36,776,920** | - | **10,064,163** | - |
| | **183,626,464** | 130,283,888 | **60,192,588** | 43,448,259 |
| Less: Sales tax | | | | |
| Indigenous gas | **(18,925,071)** | (17,750,055) | **(6,227,779)** | (5,780,587) |
| RLNG | **(4,780,157)** | - | **(1,468,026)** | - |
| | **(23,705,228)** | (17,750,055) | **(7,695,805)** | (5,780,587) |
| | **159,921,236** | 112,533,833 | **52,496,783** | 37,667,672 |
| **19 GAS DEVELOPMENT SURCHARGE (GDS)** | | | | |
| GDS recovered during the year | **4,783,577** | (8,270,996) | **840,968** | (1,666,843) |
| Price increase adjustment for the year | **49,438,481** | 24,014,617 | **16,889,638** | 4,391,781 |
| Impact of staggering | **(2,753,839)** | (2,753,839) | **(917,946)** | (917,946) |
| Subsidy for LPG air mix operations | **(391,360)** | (402,613) | **(158,885)** | (144,072) |
| | **51,076,859** | 12,587,169 | **16,653,775** | 1,662,920 |
| **20 RLNG DIFFERENTIAL MARGINS** | | | | |
| RLNG Differential Margin - OGRA | **(4,426,102)** | - | **(982,455)** | - |
| RLNG Differential Margin - SNGPL | **(2,115,409)** | - | **1,527,035** | - |
| | **(6,541,511)** | - | **544,580** | - |
| **21. COST OF SALES** | | | | |
| Cost of gas | **195,030,350** | 119,097,206 | **69,184,601** | 38,253,959 |
| Transmission and distribution costs | **14,864,971** | 13,629,724 | **5,021,339** | 4,674,428 |
| | **209,895,321** | 132,726,930 | **74,205,940** | 42,928,387 |
| **Cost of gas** | | | | |
| Gas in pipelines as at July 1 | **689,805** | 463,978 | **1,033,526** | 675,855 |
| RLNG Purchases | **25,226,507** | - | **8,887,461** | - |
| Gas purchases | **171,908,558** | 130,011,677 | **61,326,764** | 44,117,166 |
| | **197,824,870** | 130,475,655 | **71,247,751** | 44,793,021 |
| Gas consumed internally | **(1,640,314)** | (2,432,778) | **(908,944)** | (860,839) |
| Inward price adjustment | **-** | (8,330,685) | **-** | (5,063,237) |
| Gas in pipelines as at March 31 | **(1,154,206)** | (614,986) | **(1,154,206)** | (614,986) |
| | **(2,794,520)** | (11,378,449) | **(2,063,150)** | (6,539,062) |
| | **195,030,350** | 119,097,206 | **69,184,601** | 38,253,959 |
| **22. OTHER OPERATING EXPENSES** | | | | |
| Auditors' remuneration | **8,745** | 13,878 | **3,341** | 3,725 |
| Sports expenses | **61,261** | 56,006 | **16,032** | 20,222 |
| Corporate social responsibility | **3,369** | 3,736 | **1,340** | 1,710 |
| Exchange loss on payment of gas purchases | **7,261,112** | 2,262,935 | **615,080** | 967,406 |
| Provision against impaired stores and spares | **35,633** | 47,006 | **22,067** | 23,073 |
| Provision against doubtful debt | **496,598** | 874,735 | **139,186** | 136,691 |
| | **7,866,718** | 3,258,296 | **797,046** | 1,152,827 |

| | Note | Nine months period ended | | Quarter ended | |
|---|---|---|---|---|---|
| | | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | | | (Un-audited) | | |
| | | -----------(Rupees in '000)-------------- | | | |
| **23. OTHER INCOME** | | | | | |
| **Income from financial assets** | | | | | |
| Income for receivable against asset contribution | | **30,857** | 27,518 | **10,466** | 9,311 |
| Interest income on loan to related party | | **141,469** | 95,896 | **68,865** | 35,206 |
| Return on term deposits and profit and loss bank accounts | | **20,609** | 12,026 | **6,251** | 7,138 |
| | | **192,935** | 135,440 | **85,582** | 51,655 |
| Interest income on late payment of gas bills from | | | | | |
| - JJVL | | **164,819** | 166,326 | **3,975** | 61,173 |
| - WAPDA | | **200,549** | 140,665 | **92,492** | 48,950 |
| | | **365,368** | 306,991 | **96,467** | 110,123 |
| Dividend income | | **-** | 18,818 | **-** | 18,106 |
| | | **558,303** | 461,249 | **182,049** | 179,884 |
| **Income from other than financial assets** | | | | **-** | |
| Late payment surcharge | | **612,277** | 2,004,662 | **(48,184)** | 737,674 |
| Interest income on late payment of gas bills from | | | | | |
| - SNGPL - Related Party | | **846,953** | 374,885 | **280,077** | 109,155 |
| Income from net investment in finance lease | | **34,956** | 42,724 | **11,652** | 14,241 |
| Sale of gas condensate | | **(29,443)** | (23,173) | **(18,262)** | (12,171) |
| Sale of LPG / NGL | 23.1 | **93,420** | 796,146 | **86,476** | 258,950 |
| Meter manufacturing division profit - net | | **8,705** | (48,202) | **1,641** | (28,759) |
| Meter rentals | | **579,168** | 564,703 | **194,723** | 189,907 |
| RLNG transportation income | | **5,789,019** | 4,604,409 | **1,781,556** | 2,335,238 |
| Recognition of income against deferred credit and contract liability | | **394,205** | 295,135 | **133,368** | 98,548 |
| Income from new service connections and asset contribution | | **-** | 634,364 | **-** | 409,285 |
| Income from LPG air mix distribution - net | | **94,535** | 99,264 | **30,776** | 32,392 |
| Income from sale of tender documents | | **6,141** | 6,764 | **3,634** | 2,105 |
| Scrap sales | | **49,678** | 4,327 | **22,164** | (5,188) |
| Recoveries from consumers | | **65,959** | 75,182 | **25,363** | 29,860 |
| Liquidity damaged recovered | | **5,697** | 73,224 | **17,860** | 3,628 |
| Advertising income | | **-** | 591 | **-** | 591 |
| Gain on sale of property, plant and equipment | | **45,099** | 22,995 | **1,278** | (51,743) |
| Amortization of Government Grant | | **17,424** | 11,870 | **5,830** | 8,784 |
| Rental income from SSGC LPG (Pvt) Limited | | **578** | 566 | **193** | 193 |
| LSA margins against RLNG | | **583,972** | 465,428 | **194,412** | 163,296 |
| Miscellaneous | | **11,071** | 24,421 | **2,798** | 6,462 |
| | | **9,767,717** | 10,491,534 | **2,909,404** | 4,482,332 |

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

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.

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. The Company is expected to earn reasonable profits through the sale of LPG and NGL business.

| | | Nine Months period ended | | Quarter ended | |
|---|---|---|---|---|---|
| | | March 31 2019 | March 31 2018 | March 31 2019 | March 31 2018 |
| | | | (Un-audited) -(Rupees in 000)- | | |
| **24.** | **TAXATION** | | | | |
| | - Current | **1,035,153** | 828,267 | **316,230** | 216,594 |
| | - Deferred | **-** | 2,476,353 | **-** | - |
| | | **1,035,153** | 3,304,620 | **316,230** | 216,594 |

| | | Note | Nine Months period ended | |
|---|---|---|---|---|
| | | | March 31 2019 | March 31 2018 |
| | | | (Un-audited) --------(Rupees in '000)-------- | |
| **25.** | **ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS** | | | |
| | Provisions | 25.1 | **1,827,385** | 1,860,127 |
| | Depreciation | | **5,684,041** | 5,423,219 |
| | Amortization of intangibles | | **22,383** | 25,505 |
| | Finance cost | | **5,436,445** | 3,763,563 |
| | Amortization of transaction cost | | **31,702** | 28,161 |
| | Amortization of Government Grant | | **(17,424)** | (11,870) |
| | Recognition of income against deferred credit and contract liability | | **(434,500)** | 321,337 |
| | Dividend income | | **-** | (18,818) |
| | Interest income and return on term deposits | | **(1,405,256)** | (817,315) |
| | Income from net investment in finance lease | | **(34,956)** | (42,724) |
| | Loss / (Gain) on disposal of property plant and equipment | | **(45,099)** | (22,995) |
| | Decrease in long term advances | | **(17,411)** | 188,103 |
| | Increase / (Decrease) in deferred credit and contract liability | | **806,826** | (620,345) |
| | Decrease in obligation under finance lease | | **65,177** | 68,314 |
| | | | **11,919,313** | 10,144,261 |
| **25.1.** | **Provisions** | | | |
| | Provision against slow moving / obsolete stores | | **52,880** | 62,911 |
| | Provision against doubtful debts | | **496,598** | 874,735 |
| | Provision for compensated absences | | **49,873** | 97,501 |
| | Provision for post retirement medical and free gas supply facilities | | **488,610** | 403,910 |
| | Provision against retirement benefit | | **739,424** | 421,070 |
| | | | **1,827,385** | 1,860,127 |
| **26.** | **WORKING CAPITAL CHANGES** | | | |
| | (Increase) / decrease in current assets | | | |
| | Stores and spares | | **(19,665)** | 440,629 |
| | Stock-in-trade | | **(559,291)** | (15,089) |
| | Customers' installation work-in-progress | | **(37,231)** | (18,844) |
| | Trade debts | | **(5,784,024)** | (2,032,658) |
| | Trade deposits and short term prepayments | | **(69,376)** | (48,646) |
| | Other receivables | | **(78,593,265)** | (41,856,650) |
| | | | **(85,062,852)** | (43,531,258) |
| | Increase in current liabilities | | | |
| | Trade and other payables | | **96,907,458** | 28,070,328 |
| | | | **11,844,606** | (15,460,930) |

## 27 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 these unconsolidated condensed interim financial information are as follows:

| | Nine months period ended | |
|---|---|---|
| | **March 31 2019** | **March 31 2018** |
| | **(Un-audited)** | |
| | **-------------(Rupees in '000)------------** | |
| * Astro Plastic (Private) Limited | | |
| - Billable charges | **-** | 65,226 |
| Attock Cement Limited | | |
| - Billable charges | **47,042** | 45,916 |
| Fauji Fertilizer Company Limited | | |
| - Billable charges | | |
| Government related entities | | |
| - Purchase of fuel and lubricant | **41,516** | 51,751 |
| - Billable charges | **18,897,014** | 21,518,534 |
| - Income from net investment in finance lease | **34,956** | 42,724 |
| - Gas purchases | **83,760,715** | 61,923,290 |
| - Sale of gas meters | **16,697** | 177,845 |
| - Rent of premises | **-** | 11,301 |
| - Insurance premium | **80,436** | 91,635 |
| - Electricity expenses | **164,969** | 140,322 |
| - Interest income | **1,047,503** | 515,549 |
| - Uniform cost of gas | **-** | 8,330,685 |
| - Markup expense on short term finance | **70,991** | 8,274 |
| - Markup expense on long term finance - Expense | **414,718** | 308,559 |
| - RLNG transportation income | **5,789,019** | 4,604,409 |
| - Professional charges | **-** | 239 |
| - Income against LNG service agreement | **583,972** | 465,428 |
| Habib Bank Limited | | |
| - Profit on investment | **315** | 565 |
| - Markup expense on short term finance | **114,910** | 165,344 |
| - Markup expense on long term finance | **176,575** | 418,858 |
| - Billable charges | **6,743** | 10,293 |
| Key management personnel | | |
| - Remuneration | **175,719** | 182,499 |
| Minto & Mirza | | |
| - Professional charges | **3,000** | 3,000 |
| SSGC LPG (Private) Limited | | |
| - Interest on loan | **141,469** | 95,896 |
| - Sale of LPG | **-** | 324,833 |
| - Reimbursement of Management Fee | **6,831** | 8,458 |
| - Rental Income | **578** | 566 |
| Staff retirement benefit plans | | |
| - Contribution to provident fund | **313,563** | 245,659 |
| - Contribution to pension fund | **445,161** | 206,496 |
| - Contribution to gratuity fund | **294,263** | 214,574 |

| | Nine months period ended | |
|---|---|---|
| | March 31 2019 | March 31 2018 |
| | (Un-audited) | |
| | -------------(Rupees in '000)------------ | |
| Thatta Cement Company Limited | | |
| - Gas sales | **2,481** | 3,469 |
| Petroleum Institute of Pakistan | | |
| - Subscription/Contribution | **980** | 3,378 |

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

Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.

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.

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 2019 (Unaudited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| * Attock Cement Limited | | |
| - Billable charges | **-** | 5,280 |
| - Gas supply deposit | **-** | (588) |
| Government related entities - various | | |
| - Billable charges | **63,387,896** | 62,534,758 |
| - Mark up accrued on borrowings | **5,627,460** | (6,096,830) |
| - Net investment in finance lease | **142,873** | 64,864 |
| - Gas purchases | **226,151,868** | 172,448,498 |
| - Gas meters | **856,294** | 1,467,999 |
| - Uniform cost of gas | **15,818,846** | 16,011,845 |
| - Cash at bank | **130,505** | 3,619 |
| - Stock loan | **4,912** | 45,595 |
| - Payable to insurance | **(917)** | (2,301) |
| - Gas supply deposit | **(43,392)** | (39,276) |
| - Interest expense accrued - late payment surcharge on gas bills | **(15,832,411)** | (15,832,411) |
| - Interest income accrued - late payment on gas bills | **10,885,350** | 9,837,847 |
| - Contingent rent | **3,535** | 3,535 |
| - Capacity and utilisation charges of RLNG | **29,520,939** | 19,835,414 |
| - RLNG Transportation Income | **17,689,888** | 12,026,912 |
| - LSA Margins | **1,675,233** | 1,083,299 |
| - Advance for sharing right of way | **(18,088)** | (18,088) |
| - Professional charges | **57** | 57 |

| | March 31 2019 (Unaudited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| * Habib Bank Limited | | |
| - Long term finance | **-** | (7,478,125) |
| - Short term finance | **-** | (5,966,125) |
| - Cash at bank | **-** | 61,008 |
| - Accrued markup | **-** | (449,258) |
| - Billable charges | **-** | 1,530 |
| - Gas supply deposit | **-** | 363 |
| SSGC LPG (Private) Limited | | |
| - Long term investment | **1,000,000** | 1,000,000 |
| - Short term loan | **1,710,103** | 1,710,103 |
| - Interest on loan | **843,311** | 701,842 |
| - LPG sales | **5,698** | 6,795 |
| - Rent on Premises | **450** | 129 |
| - Receivable against management fees | **23,782** | 16,064 |
| * Thatta Cement Company Limited | | |
| - Billable charges | **-** | 310 |

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

## 28. OPERATING SEGMENTS

IFRS 8- Operating segments requires operating segments to be identified on the basis of internal reports about components of the Company that regularly.

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 period ended | | | |
|---|---|---|---|---|
| | Segment revenue | | Segment (loss) / Profit | |
| | March 31 2019 | March 31 2018 | March 31 2019 | March 31 2019 |
| | (Un-audited) --------------------- (Rupees in '000) --------------------- | | | |
| Gas transmission and distribution | **159,921,237** | 112,533,833 | **(5,968,156)** | (5,701,245) |
| Meter manufacturing | **1,399,538** | 1,349,211 | **8,705** | (48,202) |
| Total segment results | **161,320,775** | 113,883,044 | **(5,959,451)** | (5,749,447) |
| Unallocated - Other operating expenses | | | **(7,370,120)** | (2,383,561) |
| Unallocated - Other income | | | **829,865** | 674,846 |
| Loss before tax | | | **(12,499,706)** | (7,458,162) |

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,367 million (March 31, 2018: Rs. 930 million).

**Segment assets and liabilities**

| | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| **Segment assets** | | |
| Gas transmission and distribution | **449,927,765** | 362,487,806 |
| Meter manufacturing | **2,081,291** | 2,993,343 |
| Total segment assets | **452,009,056** | 365,481,149 |
| Unallocated | | |
| - Loans and advances | **2,745,309** | 2,672,178 |
| - Taxation - net | **19,907,774** | 19,549,064 |
| - Interest accrued | **490,055** | 490,108 |
| - Cash and bank balances | **106,178** | 410,399 |
| | **23,249,316** | 23,121,749 |
| **Total assets as per unconsolidated statement of financial position** | **475,258,372** | 388,602,898 |
| **Segments liabilities** | | |
| Gas transmission and distribution | **477,875,654** | 378,304,674 |
| Meter manufacturing | **1,198,398** | 956,519 |
| Total segment liabilities | **479,074,052** | 379,261,193 |
| Unallocated | | |
| - Employee benefits | **6,417,404** | 5,935,400 |
| **Total liabilities as per unconsolidated statement of financial position** | **485,491,456** | 385,196,593 |

## 29. 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.

### 29.1. 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, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----------------------------------------Rupees in '000---------------------------------------- | | | |
| **Assets** | | | | |
| **Available for sale investments** | | | | |
| Quoted equity securities | **266,803** | **-** | **-** | **266,803** |

| | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | -----------------------------------------Rupees in '000----------------------------------------- | | | |
| Assets | | | | |
| Available for sale investments | | | | |
| Quoted equity securities | 371,331 | - | - | 371,331 |

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.

**29.2. 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 March 31, 2019** | |
|---|---|---|
| | **Level 2** | **Fair Value** |
| | --------------Rupees in '000------------ | |
| **Freehold land** | **6,309,707** | 6,309,707 |
| **Leasehold land** | **8,026,216** | 8,026,216 |
| | **14,335,923** | 14,335,923 |

| | As at June 30, 2018 | |
|---|---|---|
| | Level 2 | Fair Value |
| | --------------Rupees in '000------------ | |
| Freehold Land | **6,309,707** | 4,434,792 |
| Leasehold Land | **8,026,216** | 6,082,257 |
| | **14,335,923** | 10,517,049 |

**30. RECLASSIFICATION**

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follow;

| **Description** | **(Rupees in '000)** | **Reclassified** | |
|---|---|---|---|
| | | **From** | **To** |
| Payable to SNGPL against purchases of | 7,264,401 | Creditors for: Indigenous gas - Trade | Creditors for: RLNG - Trade and other payables |
| RLNG differential margin payable to | 2,516,367 | Gas development surcharge receivable | RLNG differential margin payable to GoP - Trade and other payables |

**31. GENERAL**

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

**31.2** Corresponding figures have been rearranged and reclassified, wherever necessary.

**32. DATE OF AUTHORISATION**

This unconsolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on November 28, 2020.

SSGC

Sui Southern Gas Company Limited

# Un-Audited Consolidated Condensed Interim Financial Information for the nine months period ended March 31, 2019

## Consolidated condensed interim statement of financial position

**As at March 31, 2019**

| | Note | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **123,851,415** | 122,690,750 |
| Intangible assets | | **36,074** | 56,597 |
| Deferred tax | | **165,433** | 179,595 |
| Long term investments | 7 | **271,903** | 376,432 |
| Net investment in finance lease | | **203,403** | 246,764 |
| Long term loans and advances | | **197,754** | 180,117 |
| Long-term deposits | | **46,288** | 61,105 |
| **Total non-current assets** | | **124,772,270** | 123,791,360 |
| **Current assets** | | | |
| Stores, spares and loose tools | | **2,022,529** | 2,015,992 |
| Stock-in-trade | | **1,733,620** | 1,198,474 |
| Current maturity of net investment in finance lease | | **57,815** | 57,815 |
| Customers' installation work-in-progress | | **216,922** | 179,691 |
| Trade debts | 8 | **82,063,907** | 76,782,729 |
| Loans and advances | | **837,452** | 782,814 |
| Advances, deposits and short term prepayments | | **291,104** | 295,456 |
| Interest accrued | 9 | **11,869,811** | 10,988,723 |
| Other receivables | 10 | **230,347,866** | 151,811,933 |
| Other financial assets | | **116,000** | 116,000 |
| Taxation - net | | **20,092,205** | 19,699,217 |
| Cash and bank balances | | **886,628** | 791,931 |
| **Total current assets** | | **350,535,859** | 264,720,775 |
| **Total assets** | | **475,308,129** | 388,512,135 |

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

| | | |
|---|---|---|
| **Dr. Shamshad Akhtar** | **Muhammad Amin Rajput** | **Syed Fasihuddin Fawad** |
| Chairperson | Acting Managing Director | Acting Chief Financial Officer |

## Consolidated condensed interim statement of financial position
**As at March 31, 2019**

| | Note | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Authorised share capital: | | | |
| 1,000,000,000 ordinary shares of Rs. 10 each | | **10,000,000** | 10,000,000 |
| Issued, subscribed and paid-up capital | | **8,809,163** | 8,809,163 |
| Reserves | | **4,907,401** | 4,907,401 |
| Surplus on re-measurement of available for sale securities | | **230,275** | 334,805 |
| Surplus on revaluation of fixed assets | | **13,673,415** | 13,673,415 |
| Unappropriated profit | | **(38,281,380)** | (24,820,442) |
| **Total equity** | | **(10,661,126)** | 2,904,342 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term finance | 11 | **40,700,406** | 44,721,775 |
| Long term deposits | | **17,148,568** | 15,446,335 |
| Employee benefits | | **6,442,250** | 5,956,657 |
| Obligation against pipeline | | **893,290** | 933,345 |
| Deferred credit | 12 | **4,895,588** | 5,161,453 |
| Contract Liability | 13 | **4,187,922** | 3,554,115 |
| Long term advances | | **3,131,437** | 3,148,848 |
| **Total non-current liabilities** | | **77,399,461** | 78,922,528 |
| **Current Liabilities** | | | |
| Current portion of long term finance | 11 | **9,810,031** | 11,573,691 |
| Short term borrowings | 14 | **15,232,204** | 9,759,947 |
| Trade and other payables | 15 | **363,707,704** | 267,194,068 |
| Short term deposits | | **19,840** | 22,604 |
| Current portion of obligation against pipeline | | **52,818** | 49,386 |
| Current portion of deferred credit | 12 | **417,483** | 430,416 |
| Current portion of contract liabilities | 13 | **157,874** | 140,557 |
| Unclaimed Dividend | | **285,441** | 285,565 |
| Interest accrued | 16 | **18,886,399** | 17,229,031 |
| **Total current liabilities** | | **408,569,794** | 306,685,265 |
| **Total liabilities** | | **485,969,255** | 385,607,793 |
| Contingencies and commitments | 17 | | |
| **Total equity and liabilities** | | **475,308,129** | 388,512,135 |

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

## Consolidated condensed interim statement of profit or loss (Un-audited)
**For the period ended March 31, 2019**

| | Note | Nine months period ended March 31 2019 | Nine months period ended March 31 2018 | Quarter ended March 31 2019 | Quarter ended March 31 2018 |
|---|---|---|---|---|---|
| | | --------------------(Rupees in '000) | | | -------------------- |
| Sales | | **183,626,464** | 130,283,888 | **60,192,588** | 43,448,259 |
| Sales tax | | **(23,705,228)** | (17,750,055) | **(7,695,805)** | (5,780,587) |
| | 18 | **159,921,236** | 112,533,833 | **52,496,783** | 37,667,672 |
| Gas development surcharge | 19 | **51,076,860** | 12,587,169 | **16,653,776** | 1,662,920 |
| RLNG differential margin | 20 | **(6,541,511)** | - | **544,581** | - |
| Net sales | | **204,456,585** | 125,121,002 | **69,695,140** | 39,330,592 |
| Cost of sales | 21 | **(209,902,152)** | (132,735,389) | **(74,205,940)** | (42,931,085) |
| **Gross loss** | | **(5,445,567)** | (7,614,387) | **(4,510,800)** | (3,600,493) |
| Administrative and selling expenses | | **(3,517,036)** | (3,330,664) | **(1,181,586)** | (1,122,021) |
| Other operating expenses | 22 | **(7,867,176)** | (3,259,016) | **(797,048)** | (1,153,102) |
| | | **(11,384,212)** | (6,589,680) | **(1,978,634)** | (2,275,123) |
| | | **(16,829,779)** | (14,204,067) | **(6,489,434)** | (5,875,616) |
| Other income | 23 | **9,960,290** | 10,662,137 | **3,033,968** | 4,493,231 |
| **Operating loss** | | **(6,869,489)** | (3,541,930) | **(3,455,466)** | (1,382,385) |
| Finance cost | | **(5,534,142)** | (3,832,883) | **(2,143,450)** | (1,489,549) |
| **Loss before taxation** | | **(12,403,631)** | (7,374,813) | **(5,598,916)** | (2,871,934) |
| Taxation | 24 | **(1,057,307)** | (3,327,457) | **(343,235)** | (216,594) |
| **Loss for the period** | | **(13,460,938)** | (10,702,270) | **(5,942,151)** | (3,088,528) |
| **Basic / diluted loss per share (Rupees)** | | **(15.28)** | (12.15) | **(6.75)** | (3.51) |

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

## Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

**For the period ended March 31, 2019**

| | Nine months period ended | | Quarter ended | |
|---|---|---|---|---|
| | **March 31, 2019** | **March 31, 2018** | **March 31, 2019** | **March 31, 2018** |
| | --------------------(Rupees in '000)-------------------- | | | |
| Loss for the period | **(13,460,938)** | (10,702,270) | **(5,942,151)** | (3,088,528) |
| **Other comprehensive income** | | | | |
| Unrealised (loss) / gain on re-measurement of available for sale securities | **(104,530)** | (138,110) | **(3,421)** | 55,595 |
| **Total comprehensive loss for the period** | **(13,565,468)** | (10,840,380) | **(5,945,572)** | (3,032,933) |

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

| Dr. Shamshad Akhtar | Muhammad Amin Rajput | Syed Fasihuddin Fawad |
|---|---|---|
| Chairperson | Acting Managing Director | Acting Chief Financial Officer |

## Consolidated condensed interim statement of cash flow (Un-audited)

**For the period ended March 31, 2019**

| | Note | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | **(12,403,631)** | (7,374,813) |
| Adjustments for non-cash and other items | 25 | **12,159,072** | 10,393,277 |
| Working capital changes | 26 | **11,997,050** | (15,472,607) |
| Financial charges paid | | **(4,791,701)** | (3,043,945) |
| Employee benefits paid | | **(57,384)** | (87,463) |
| Payment for retirement benefits | | **(1,126,794)** | (592,924) |
| Long term deposits received - net | | **1,699,525** | 1,152,170 |
| Deposits paid - net | | **(3,877)** | 33,212 |
| Loans and advances to employee - net | | **(73,131)** | 268,677 |
| Interest income and return on term deposits received | | **1,226,007** | 39,631 |
| Income taxes paid | | **(1,436,123)** | (1,272,476) |
| Net cash (used in) / generated from operating activities | | **7,189,013** | (15,957,261) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | **(6,800,833)** | (7,888,764) |
| Payment for intangible assets | | **(1,860)** | (9,019) |
| Payment for obligation against pipeline | | **(101,799)** | (101,799) |
| Proceeds from sale of property, plant and equipment | | **76,457** | 76,341 |
| Lease rental from net investment in finance lease | | **78,317** | 82,828 |
| Other financial assets | | | (400,000) |
| Dividend received | | **-** | 18,818 |
| Net cash used in investing activities | | **(6,749,718)** | (8,221,595) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from local currency loans | | **14,285** | 9,215,896 |
| Repayments of local currency loans | | **(5,825,000)** | (3,150,000) |
| Consumer finance received | | **2,615** | 11,145 |
| Repayment of consumer finance | | **(8,631)** | (11,056) |
| Dividend paid | | **(124)** | (227) |
| Net cash (used in) / generated from financing activities | | **(5,816,855)** | 6,065,758 |
| Net decrease in cash and cash equivalents | | **(5,377,560)** | (18,113,098) |
| Cash and cash equivalents at beginning of the period | | **(8,968,016)** | (1,753,467) |
| Cash and cash equivalents at end of the period | | **(14,345,576)** | (19,866,565) |
| **Cash and cash equivalent comprises:** | | | |
| Cash and bank balances | | **834,065** | 559,104 |
| Short term borrowings | | **(15,179,641)** | (20,425,669) |
| | | **(14,345,576)** | (19,866,565) |

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

| **Dr. Shamshad Akhtar** | **Muhammad Amin Rajput** | **Syed Fasihuddin Fawad** |
|---|---|---|
| Chairperson | Acting Managing Director | Acting Chief Financial Officer |

## Consolidated Condensed Interim Statement of Changes In Equity (Un-audited)
**For the period ended March 31, 2019**

| | Issued, subscribed and paid-up capital | Capital reserves | Revenue reserves | Surplus on re-measurement of available for sale securities | Surplus on revaluation of fixed Assets | Unappropriated profit | Total |
|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | |
| **Balance as at July 1, 2017 (Audited)** | **8,809,163** | **234,868** | **4,672,533** | **518,699** | **11,728,265** | **(10,427,085)** | **15,536,443** |
| **Total comprehensive loss for the period ended March 31, 2018** | | | | | | | |
| Loss for the period | - | - | - | - | - | (10,702,270) | (10,702,270) |
| Other comprehensive loss for the period | - | - | - | (138,110) | - | - | (138,110) |
| **Total comprehensive loss for the period** | - | - | - | (138,110) | - | (10,702,270) | (10,840,380) |
| **Balance as at March 31, 2018** | 8,809,163 | 234,868 | 4,672,533 | 380,589 | 11,728,265 | (21,129,355) | 4,696,063 |
| **Balance as at June 30, 2018 (Audited)** | **8,809,163** | **234,868** | **4,672,533** | **334,805** | **13,673,415** | **(24,820,442)** | **2,904,342** |
| **Total comprehensive loss for the period ended March 31, 2019** | | | | | | | |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | **(13,460,938)** | **(13,460,938)** |
| Other comprehensive loss for the period | **-** | **-** | **-** | **(104,530)** | **-** | **-** | **(104,530)** |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(104,530)** | **-** | **(13,460,938)** | **(13,565,468)** |
| **Balance as at March 31, 2019** | **8,809,163** | **234,868** | **4,672,533** | **230,275** | **13,673,415** | **(38,281,380)** | **(10,661,126)** |

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

| | | |
|---|---|---|
| **Dr. Shamshad Akhtar** | **Muhammad Amin Rajput** | **Syed Fasihuddin Fawad** |
| Chairperson | Acting Managing Director | Acting Chief Financial Officer |

**1. THE GROUP AND ITS OPERATIONS**

**1.1** The "Group" consists of:

**Holding Company**

- Sui Southern Gas Company Limited

| | Percentage of Holding | |
|---|---|---|
| | **2019** | 2018 |
| **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 Holding Company") is a public limited Company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange). The main activity of the Holding Company is transmission and distribution of natural gas in Sindh and Balochistan. The Holding Company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

The registered office of the Holding Company is situated at SSGC House, Sir Shah Suleman Road, Block 14, Gulshan e Iqbal, Karachi. The Holding 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 Khadeji P&C Base Camp M-9 Motorway Karachi.
The addresses of other regional offices of the Holding 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 Holding Company (Private) Limited**

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

**SSGC LPG (Private) Limited**

SSGC LPG (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at 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:

- Bottling plants at Sara-e-Gadai Stop, Kot Najeebullah Road, Industrial Estate Hattar-22610 Haripur, KPK and
- Sheikhhupura Bedad Road, Muridke Panjab 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**

- The consolidated condensed interim financial information includes the financial information of the Holding Company and its Subsidiary Companies, together "the Group".

- The 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 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 and taxation. The determination of annual required return is reviewed by OGRA, under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

**1.4 Financial Performance**

During the period, the Holding Company has incurred loss after tax of Rs. 13,535 million resulting in increase of its accumulated losses by Rs. 13,535 million and negative equity to Rs. 10,233 million after including the impact of staggering as disclosed in note 2.2. As at period end, current liabilities exceed its current asset by Rs. 56,578 million and accumulated losses stood at Rs. 37,853 million. The Holding Company has been incurring losses since financial year 2014 attributable mainly to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Holding Company's petitions by Sindh High Court (refer note 1.5).

The Holding Company's financial performance for the period has deteriorated mainly because of higher UFG due to RLNG off load into SSGC franchise area which was sold to indigenous gas customers 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 (FRR) for Financial Year (FY) 2017-18 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 another summary is being considered at ECC to reinforce earlier ECC decision with multiple options for its implementation.

- GoP (Finance Division) in its letter dated July 06, 2020, GoP 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 strategy to control UFG in coming years and the same is under implementation with the approval of Board.

- Under new tariff regime, the Holding Company will also be entitled to the guaranteed return on operating assets from 17% to 17.43% from FY 2019 for next three years.

- Banks have relaxed debt to equity ratio of the Holding Company from 80:20 to 95:05 from financial year 2016 to 2019 which are breached in the current period. The Holding Company has obtained letters from banks providing necessary relaxation of financial covenants for the FY 2017-18. The Holding Company is confident that banks will also provide the same support letter for the FY 2018-19. In these letters, the banks have reiterated that they do not plan to call the debts due to breach of covenants. However, subsequent to period end, 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.

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

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

**1.5 Determination of revenue requirement**

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 of 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 has 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 has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income and therefore while the management has considered OGRA's decision in preparation of financial statements for the year ended June 30, 2017, June 30, 2018 and FRR of June 30, 2019, it 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.

## 2. BASIS FOR PREPARATION

**2.1 Statement of compliance**

This consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies 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 information is based on FRR determined by OGRA for the financial year ended June 30, 2018. However, in these unconsolidate condensed interim financial information, exceptional UFG disallowances made in DFRR for FY 2017-18 pertaining to internal consumption, UFG on transmission and distribution of RLNG, OGRA disallowed Line pack as well as Loss due to sabotage have not been followed which have been re-claimed and expected to be allowed in the decision on Motion for Review (MFR) Petition already filed and also reclaimed in FRR petition for FY 2018-19.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

This consolidated condensed interim financial information does not include all information required for annual audited finanicial statements and should be read in conjunction with the consolidated annual audited financial statements of the Holding Company for the year ended June 30, 2018.

**2.2 Staggering of Losses arising due to Sindh High Court decision**

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

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

Based on above 50% impact (Rs. 18,359 million) of the decision of Sindh High Court for FY 2010-11 to 2014-15 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Holding Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) to allowing staggering of Rs. 18,359 million in 5 years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Holding Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Holding Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years (FY 2016-17 to FY 2020-21). This staggering has also been accounted proportionally (Rs. 2,754 million) for in this consolidated condensed interim financial information.

Further, the OGRA, in its decision dated December 24, 2018 also directed the Holding Company to review its dividend payout policy for future year till such time the above adjustment impact dispelled (i.e. FY 2020-21).

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation applied for the preparation of this consolidated condensed interim financial information are the same as those applied in preparation of the annual consolidated audited financial statements of the Holding Company for the year ended June 30, 2018, except for change in accounting policy as disclosed in note 3.1 in this consolidated condensed interim financial information.

**3.1 IFRS 15 Revenue from Contracts with Customers**

The Holding Company has adopted IFRS 15 from July 01, 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Holding Company has elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

In summary, as a result of adopting IFRS 15 on modified retrospective basis, the following adjustments were made to the amounts recognised in the statement of financial position:

| Description | Carrying amount as previously reported | Reclassification due to adoption of IFRS 15 | IFRS 15 carrying amount |
|---|---|---|---|
| | | July 01, 2018 | |
| | | (Rupees in 000) | |
| Deferred credit | 6,037,795 | (876,342) | 5,161,453 |
| Current portion of deferred credit | 570,973 | (140,557) | 430,416 |
| Trade and other payables | 269,769,504 | (2,677,773) | 267,091,731 |
| Contract liabilities | - | 3,554,115 | 3,554,115 |
| Current portion of contract liabilities | - | 140,557 | 140,557 |

The core business of the Holding Company is transmission and sale of gas and is the only performance obligation towards its customers based on the contracts with customers.

From July 01, 2018, as per the requirements of the IFRS 15, these contributions are being amortised over the useful lives of the related assets as laying of the pipelines is not a distinct performance obligation, instead is considered a part of the Holding Company's only performance obligation to deliver gas to the customers. For balances prior to application date, in accordance with the opinion of the Accounting Standard Board (ASB) of ICAP dated July 08, 2020, retrospective adjustment to the opening statement of financial position is not required with respect to the deferment of the previously recognized revenues against the contributions received towards the cost of supplying and laying transmission, service and main lines on contract as these do not have a continuing performance obligations under IFRIC 18.

### 3.2 IFRS 9 Financial Instruments

The IASB introduced IFRS 9 – Financial Instruments (IFRS 9) for annual period beginning or after January 01, 2018, however, the Securities and Exchange Commission of Pakistan (SECP) deferred the effective date of IFRS 9 from above mentioned date to July 1, 2018.

SECP in its notification S.R.O (I)/2019 dated February 14, 2019 modified the effective date for the applicability of IFRS 9 in place of IAS 39 as reporting period/year ending on or after June 30, 2019 (earlier permitted).

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 985 (I)/2019 dated September 02, 2019 and further clarification vide its letter No. EMD/IACC/4/2009 dated September 08, 2020 to the Holding Company has exempted the application of IFRS 9 with respect to recognition requirements of Expected Credit Losses on financial assets due from Government of Pakistan or ultimately due from the Government of Pakistan (including receivables in context of circular debt) till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39, in respect of such financial assets.

Based on the above mentioned SECP Circulars/SROs the Holding Company has not taken impact of IFRS 9 in this consolidated condensed interim financial information for the period ended March 31, 2019.

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended June 30, 2018. Further,  the charge in respect of staff retirement benefits has been recognised on the basis of actuarial's projection for the ensuing year; hence it does not include consideration for actuarial gains / losses which will be determined at the year end. Any actuarial gains / losses determined are offered to / claimed from OGRA in determining revenue requirement of the Holding Company.

## 5. FINANCIAL RISK MANAGEMENT

The Holding Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended June 30, 2018.

## 6. PROPERTY, PLANT AND EQUIPMENT

| | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| Operating assets | **112,087,795** | 111,557,090 |
| Capital work-in-progress | **11,763,620** | 11,133,660 |
| | **123,851,415** | 122,690,750 |

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

| | March 31, 2019 | | March 31 2018 | |
|---|---|---|---|---|
| | (Un-audited) --------(Rupees in '000)-------- | | | |
| | **Cost of additions / transfers from CWIP** | Written down value of (transfers / disposals) | **Cost of additions / transfers from CWIP** | Written down value of (transfers / disposals) |
| **Operating assets** | | | | |
| Leasehold land | | - | - | - |
| Buildings on leasehold land | **49,952** | - | **48,029** | - |
| Gas distribution system | **3,790,159** | - | **3,663,786** | (76,914) |
| Gas transmission pipelines | **2,306,654** | - | **2,325,442** | - |
| Telecommunication | **5,843** | - | **15,884** | - |
| Plant and machinery | **46,020** | (277) | **228,526** | (453) |
| Tools and equipment | **14,225** | (154) | **11,019** | - |
| Motor vehicles | **205,276** | (24,717) | **105,052** | (21,908) |
| Furniture and fixtures | **7,869** | - | **2,405** | - |
| Office equipment | **19,803** | (9) | **70,840** | - |
| Computers and ancillary equipments | **6,915** | - | **98,152** | - |
| Construction equipment | **23,858** | - | **77,084** | (61) |
| SCADA | **76,840** | - | **7,393** | - |
| Compressors | **34,298** | - | **377,676** | - |
| | **6,587,712** | (25,157) | **7,031,288** | (99,336) |
| | **Capital expenditure incurred** | **Transfer to operating assets** | **Capital expenditure incurred** | **Transfer to operating assets** |
| **Capital work in progress:** | | | | |
| **Projects:** | | | | |
| - Gas distribution system | **4,419,252** | (3,790,159) | **3,798,839** | (3,663,786) |
| - Gas transmission system | **860,638** | (2,306,654) | **2,065,853** | (2,325,442) |
| - Cost of buildings under construction and others | **50,312** | (49,952) | **83,604** | (48,029) |
| | **5,330,202** | (6,146,765) | **5,948,296** | (6,037,257) |

During the period, there has been net increase in respect of stores and spares held for capital projects and others amounting to Rs. 828 million (March 31, 2018: Rs. 710 million).

## 7. LONG TERM INVESTMENTS

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Investment in related parties | 7.1 & 7.2 | **186,429** | 247,049 |
| Other investments | | **85,474** | 129,383 |
| | | **271,903** | 376,432 |

**7.1** Investments in SNGPL and ISGSL represent investment in 'associated companies' in terms of provisions of Companies Act 2017. However, the Holding Company has not accounted for them as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Holding Company does not have significant influence in these associated companies.

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

ECC in its meeting dated December 15, 2016 has decided that Government Holdings (Private) Limited, being the parent Holding Company, shall make all future funding of ISGSL project. Based on this, OGRA in its decision dated December 24, 2018, allowed Rs. 15 million and considered the same as full and final payment in this regard. Subsequent to the period end, the investment was disposed at par value / cost to Government Holding (Private) Limited in accordance with the resolution of the Board.

## 8 TRADE DEBTS

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| - secured | | **26,783,586** | 24,178,091 |
| - unsecured | | **70,601,078** | 67,430,159 |
| | 8.1 & 8.2 | **97,384,664** | 91,608,250 |
| Provision against doubtful debts | | **(15,320,757)** | (14,825,521) |
| | | **82,063,907** | 76,782,729 |

**8.1** As K-Electric Limited (KE) has been defaulting and not making payment of 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 International Financial Reporting Standards – 15 “Revenue from Contracts with Customers” based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 31,548 million (June 30, 2018: Rs. 31,948 million) as at March 31, 2019 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2018: Rs. 29,652 million) are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 95,390 million (June 30, 2018: Rs. 85,763 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.

Management has consulted 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.

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.

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 filling of this consolidated condensed interim financial information but the supply of gas and payment is continuing as per old plan.

It has been agreed during various meetings with KE and the Holding Company to appoint a firm of Chartered Accountants to reconcile the balances appearing in their respective books which is still pending. Subsequent to period end term of reference has been signed and shared with KE however no response received from KE yet.

An Inter Ministerial committee nominated by the Prime Minister of Pakistan is mandated to resolve KE issues inter alia National Security Clearance Certificate, KE's receivables / payables against GoP / GoS entities. Since June 2020 a proposal of finalization of ToRs for arbitration agreement remained under discussion.

The Holding Company took the following position:

- The arbitration should be done under Pakistan Arbitration Act 1940 and the seat should be in Karachi.

- Being a separate corporate entity the Holding Company has no relation / nexus with KE's disputes with other entities therefore it needs to be clearly mentioned in the arbitration agreement that pursuant to the arbitral award Federal Government should ensure.

- The Holding Company emphasized for the need of engagement of a Chartered Accountants firm as per the decision of CCOE dated April 23, 2018 which may even facilitate the arbitration proceedings.

**8.2** As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of LPS, the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per International Financial Reporting Standards – 15 "Revenue from Contracts with Customers" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, trade debts includes Rs. 23,468 million (June 30, 2018: Rs. 22,924 million) including overdue balance of Rs. 23,402 million (June 30, 2018: Rs. 22,874 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 59,636 million (June 30, 2018: Rs. 55,001 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

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

PSML has filed its counter claim of Rs. 38,660 million approximately on account of losses due to low gas pressure provided to PSML from March 2015 to December 2016. Legal council of the Holding Company is of the view that due to various 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.

| | | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| **9** | **INTEREST ACCRUED** | | | |
| | Interest accrued on late payment of bills / invoices from: | | | |
| | - Water and Power Development Authority (WAPDA) | | **3,622,038** | 3,421,488 |
| | - Sui Northern Gas Pipelines Limited (SNGPL) | | **7,263,312** | 6,416,359 |
| | - Jamshoro Joint Venture Limited (JJVL) | | **578,798** | 745,157 |
| | | | **11,464,148** | 10,583,004 |
| | Interest accrued on bank deposits | | **2,316** | 2,372 |
| | Interest accrued on sales tax refund | | **487,739** | 487,739 |
| | | | **11,954,203** | 11,073,115 |
| | Provision against impaired accrued income | | **(84,392)** | (84,392) |
| | | | **11,869,811** | 10,988,723 |
| **10** | **OTHER RECEIVABLES - considered good** | | | |
| | Gas development surcharge receivable from Government of Pakistan (GoP) | 10.1 | **104,967,533** | 53,499,313 |
| | Receivable from staff pension fund | | **283,154** | 319,596 |
| | Recoverable from HCPCL | 10.2 | **3,845,839** | 3,787,690 |
| | Expenses deferred by OGRA | 10.3 | **4,167,196** | 4,167,196 |
| | Balance receivable for sale of gas condensate | | **54,318** | 42,949 |
| | Receivable from SNGPL - a related party | 10.4 | **64,851,314** | 49,025,870 |
| | Receivable from Jamshoro Joint Venture Limited (JJVL) | 10.5 | **11,175,383** | 12,033,292 |
| | Sales tax receivable | 10.7 | **42,766,805** | 30,666,878 |
| | Sindh sales tax | | **112,976** | 112,976 |
| | Receivable against asset contribution | 10.8 | **407,587** | 382,469 |
| | Accrued markup | | **13,698** | 2,141 |
| | Miscellaneous | | **48,422** | 117,922 |
| | | | **232,694,225** | 154,158,292 |
| | Provision against other receivables | | **(2,346,359)** | (2,346,359) |
| | | | **230,347,866** | 151,811,933 |

| | | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **10.1** | **Gas Development Surcharge (GDS)** | | |
| | Opening Balance | **53,499,313** | 21,264,629 |
| | Recognized in statement of profit or loss | **51,076,860** | 22,645,175 |
| | Recognized in OCI claim under IAS 19 | **-** | 1,368,151 |
| | Payment made during the year | **-** | 7,708,862 |
| | Subsidy for LPG air mix operations | **391,360** | 512,496 |
| | Closing Balance | **104,967,533** | 53,499,313 |
| **10.2** | **Receivable from HCPCL** | | |
| | Amount of LD Charges as per Arbitration Award | **3,626,382** | 3,626,382 |
| | Subsequent LDs raised by HCPCL on Award Principle | **219,457** | 161,308 |
| | Total Receivable | **3,845,839** | 3,787,690 |

**10.2.1** HCPCL initiated arbitral proceedings on November 30, 2015 in the International Chamber of Commerce Singapore (ICC) against the Holding Company for claiming Liquidated damages (LD) due to 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, LD, interest 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 Holding 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 gas bills are recoverable from HCPCL as per ECC aforementioned decision and are transferred from Trade Debts to Other Receivables amounting to Rs. 3,626 million for the Award Period and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million up till June 30, 2018 and for the period ended March 31, 2019 respectively.

| | | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| **10.3** | **Expenses Deferred by OGRA** | --------(Rupees in '000)-------- | |
| | LPS (up to FY 2016-17) | **3,243,503** | 3,243,503 |
| | Total interest on LD charges | **352,768** | 352,768 |
| | Total legal charges | **570,925** | 570,925 |
| | | **4,167,196** | 4,167,196 |

Consequent to the Arbitration Award as mentioned in Note 10.2, the Holding Company was required to pay Interest on LD charges Rs. 353 million and Legal Charges Rs. 571 million to HCPCL. The same has been adjusted by HCPCL against Gas Bills and the Holding Company was required to reverse the LPS previously charged to HCPCL.

Since the LPS so reversed was previously offered to OGRA as Operating Income and Interest on LD Charges and Legal charges are operating expense the total amount of Rs. 4,167 was claimed from OGRA in Petition for FRR of FY 2017-18. However, OGRA in its decision dated April 23, 2020 has deferred its decision on the matter until the conclusion of matter between WAPDA / CPPA-G and HCPCL as per ECC directives.

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

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Uniform cost of gas | | **15,818,846** | 16,011,846 |
| Lease rentals | | **142,873** | 64,864 |
| Contigent rent | | **3,535** | 3,535 |
| LSA Margins | | **1,675,233** | 1,083,299 |
| Capacity and utilisation charges of RLNG | 10.4.1 | **29,520,939** | 19,835,414 |
| RLNG transportation income | | **17,689,888** | 12,026,912 |
| | | **64,851,314** | 49,025,870 |

**10.4.1** The Holding Company has invoiced an amount of Rs. 63,920 million, including Sindh Sales Tax of Rs. 7,497 million, till March 31, 2019 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 (PAFL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Holding Company. For quantity supplied to PAFL, PAFL is making payment directly to the Holding Company according to the payment plan finalised subsequent to end of reporting date, that requires PAFL to make eight equal monthly instalments of Rs. 201 million per month. Till July 2019, the Holding Company has received all eight instalments.

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.

On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Holding Company. On September 10, 2018, 18 BCF, on February 7, 2019, 11 BCF, on June 14, 2019, 08 BCF, on November 18, 2019, 11 BCF, on March 03, 2020, 11 BCF (in total 71 BCF) of RLNG volume has been allocated to the Holding Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Holding Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these molecules when dedicated pipeline is available.

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. The agreement with SNGPL in this regard is under negotiation.

**10.5** 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 to this consolidated condensed interim financial information.

**10.6** During the FY 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 court 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 Holding Company has received such amount as directed by SCP on February 24, 2020 and further amount in this respect will be settled by SCP in due course.

10.7 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 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 Holding Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds.

10.8 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.

| | | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| **11** | **LONG TERM FINANCE** | | | |
| | **Secured** | | | |
| | Loans from banking companies | 11.1,11.2 &11.3 | **49,543,554** | 55,336,852 |
| | **Unsecured** | | | |
| | Front end fee of foreign currency loan | | **23,950** | 23,950 |
| | Consumer financing | | **195,608** | 201,624 |
| | Government of Sindh loan | | **747,325** | 733,040 |
| | | | **966,883** | 958,614 |
| | | | **50,510,437** | 56,295,466 |
| | **Less: Current portion shown under Current liabilities** | | | |
| | Loans from banking companies | | **(9,612,500)** | (11,375,000) |
| | Consumer financing | | **(10,864)** | (12,024) |
| | Government of Sindh loan | | **(186,667)** | (186,667) |
| | | | **(9,810,031)** | (11,573,691) |
| | | | **40,700,406** | 44,721,775 |

11.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. During the period, repayment of Rs. 1,500 million has been made.

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, 2019 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 1,250 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.

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

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **12. DEFERRED CREDIT** | | | |
| **Government of Pakistan contributions / grants** | | | |
| Balance as at July 01 | | **3,285,092** | 3,539,596 |
| Additions / adjustments during the year | | **28,631** | 24,182 |
| Transferred to unconsolidated statement of profit or loss | 23 | **(209,901)** | (278,686) |
| Balance as at March 31 | | **3,103,822** | 3,285,092 |
| **Government of Sindh (Conversion of loan into grant)** | | | |
| Balance as at July 01 | | **2,133,559** | - |
| Additions during the year | | **5,929** | 2,288,772 |
| Transferred to unconsolidated statement of profit or loss | 23 | **(86,033)** | (155,213) |
| Balance as at March 31 | | **2,053,455** | 2,133,559 |
| **Government of Sindh grants** | | | |
| Balance as at July 01 | | **173,218** | 1,034,396 |
| Transferred to unconsolidated statement of profit or loss | 23 | **(17,424)** | (54,938) |
| Adjustment | | **-** | (806,240) |
| Balance as at March 31 | | **155,794** | 173,218 |
| | | **5,313,071** | 5,591,869 |
| Less: Current portion of deferred credit | | **(417,483)** | (430,416) |
| | | **4,895,588** | 5,161,453 |
| **13. CONTRACT LIABILITIES** | | | |
| Contribution from consumers | 13.1 | **1,307,277** | 876,342 |
| Advance received from customers for laying of mains, etc. | | **2,880,645** | 2,677,773 |
| | | **4,187,922** | 3,554,115 |
| **13.1 Contribution from consumers** | | | |
| Balance as at July 01 | | **1,016,899** | 1,168,909 |
| Additions / adjustments during the year | | **569,394** | - |
| Transferred to unconsolidated statement of profit or loss | | **(121,142)** | (152,010) |
| | | **1,465,151** | 1,016,899 |
| Less: Current portion of contributions from consumers | | **(157,874)** | (140,557) |
| Balance as at March 31 | | **1,307,277** | 876,342 |

**13.2** As explained in Note 3.1 to this consolidated condensed interim financial information, after the first time adoption of IFRS 15 in Pakistan, the Holding Company has applied the provisions of IFRS 15 “Revenue from Contract with Customers” for the first time in its consolidated condensed interim financial information and accordingly, has recognised the contract liabilities in respect of the amount received from the customers as contribution towards the cost of supplying and laying transmission, service and main lines. These contributions were being treated as deferred credit previously under IFRIC 18 from the year ended June 30, 2010 to June 30, 2018 and the revenue was being recognised when the lines were laid and commissioned based on the management’s judgment under IFRIC 18.

## 14. 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, 2018: Rs. 23,000 million) and subject to markup to 0.20% (June 30, 2018: 0.10%) above the average one month KIBOR. These facilities are secured by first pari passu first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 9,768 million (June 30, 2018: Rs. 13,240 million).

| | Note | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **15. TRADE AND OTHER PAYABLES** | | | |
| Creditors for: | | | |
| - Gas | 15.1 | **289,079,012** | 226,212,893 |
| - RLNG | | **34,304,961** | 7,264,401 |
| - Supplies | | **1,460,905** | 1,157,886 |
| | | **324,844,878** | 234,635,180 |
| Accrued liabilities | | **4,236,756** | 3,902,232 |
| RLNG Differential Margin payable to GoP | 15.3 | **6,942,469** | 2,516,367 |
| Payable to SNGPL for differential tariff | 15.2 | **3,603,123** | 1,487,714 |
| Engro Elengy Terminal Limited | | **1,824,140** | 1,764,281 |
| Advances from LPG customers | | **-** | 51,617 |
| Provision for compensated absences - non executives | | **285,264** | 309,391 |
| Payable to staff gratuity fund | | **4,126,420** | 4,549,836 |
| Deposits / retention money | | **662,078** | 678,233 |
| Bills payable | | **120,328** | 129,430 |
| Advance for sharing right of way | | **18,088** | 18,088 |
| Withholding tax payable | | **165,255** | 103,275 |
| Sales tax & FED payable | | **352,404** | 280,403 |
| Processing Charges payable to JJVL | | **8,528,447** | 8,528,447 |
| Gas infrastructure development cess payable | | **7,208,627** | 7,425,827 |
| Unclaimed term finance certificate redemption profit | | **1,800** | 1,800 |
| Transport and advertisement services | | **14,973** | 13,795 |
| Advance from customers and distributors | | **37,495** | 35,978 |
| Provincial sales tax on services | | **9,750** | 113,922 |
| Workers's profit participation fund | | **174,515** | 12,860 |
| Provision | | **11,895** | 15,918 |
| Others | | **538,999** | 619,474 |
| | | **363,707,704** | 267,194,068 |

**15.1.** Creditors of gas supplies includes Rs. 218,827 million (June 30, 2018: Rs. 167,492 million) 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, 2018: Rs. 15,832 million) on their balances which have been presented in note 16.1 in this consolidated condensed interim financial information.

**15.2.** The OGRA vide its decision dated November 20, 2018 has directed that the stock of RLNG withheld by the Holding Company to be purchased from SNGPL based on historical weighted average cost price in Pakistan Rupees. Subsequently, the Holding Company shall record sales as per relevant applicable OGRA notified rates. Any gain / loss owing to the difference between the current and historical rates shall be passed on to the SNGPL after deducting cost of supply and T&D losses.

**15.3.** As per the policy guideline issued by the Economic Coordination Committee of the Cabinet (ECC) on pricing of RLNG, the Holding Company is allowed to earn an annual return as a percentage of the value of its average fixed assets in RLNG operation, to be determined by OGRA. Any deficit or surplus on account of this is recoverable from or payable to the RLNG consumers through adjustment in future RLNG prices. The surplus or the shortfall, if any, are included in “trade and other payables” or “other receivables” respectively with the corresponding charge or credit respectively, recognised in the consolidated condensed interim statement of profit or loss.

## 16. INTEREST ACCRUED

| | Note | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Long term financing - loans from banking companies | | **1,901,069** | 522,464 |
| Long term deposits from customers | | **314,798** | 370,987 |
| Short term borrowings | | **394,903** | 159,280 |
| Late payment surcharge on processing charges | | **438,392** | 339,061 |
| Late payment surcharge on gas development surcharge | | **4,826** | 4,828 |
| Late payment surcharge on gas supplies | 16.1 | **15,832,411** | 15,832,411 |
| | | **18,886,399** | 17,229,031 |

**16.1.** As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per International Financial Reporting Standards – 15 “Revenue from Contracts with Customers”. However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Holding Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their condensed interim financial information 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 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 from July 1, 2016 to March 31, 2019 amounting to Rs.22,058 on outstanding payables to Government Controlled E&P Companies, the effect on these consolidated condensed interim statement of financial position would be as follows:

| | (Rupees in million) |
|---|---|
| - Increase in loss before tax | **48,280** |
| - Increase in loss after tax / accumulated losses | **33,796** |
| - Increase in loss per share - Rupees | **38.36** |

## 17. CONTINGENCIES AND COMMITMENTS

| | | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|---|
| | | -------- (Rupees in '000)-------- | |
| **17.1** | Commitments for capital and other expenditures | **3,213,704** | 4,696,747 |
| **17.2** | Guarantees issued on behalf of the Group | **5,631,997** | 4,428,187 |

The 20 year GSA with HCPCL expired in December 2019 and the customer has since then been disconnected. The Holding Company has also invoked the bank guarantee on which HCPCL has obtained a stay order from Sindh High Court, however, HCPCL is in negotiations with the Holding Company to sign a new GSA to resume gas supply.

In this consolidated condensed interim financial information, the above amounts are appearing under the head of Other Receivables. Management is confident that the aforementioned arrangement will materialize in favor of the Holding Company and therefore no provision has been made in this consolidated condensed interim financial information.

**17.6** As disclosed in note 10.6, and 23.1 and for other matters arbitration proceedings between JJVL and the Holding Company has been initiated under the Pakistan Arbitration Act 1940 to settle the outstanding disputes between the parties. Accordingly, both the parties have appointed their respective arbitrators and filed their respective claims.

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

SCP through its order dated November 16, 2018, based on the report by a firm of Chartered Accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL. With respect to the Freight matter, SCP will settle the same and an appropriate order shall be passed in this regard. Further, firm of Chartered Accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Holding Company and 43% to JJVL and an agreement was signed between the Holding Company and JJVL and submitted the same to SCP for its approval and the same was validated by SCP, subject to payment of admitted liability by JJVL of Rs. 1,500 million by January 16, 2019, 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 and is set to expire on June 20, 2020 and until renewed by the parties with 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.

However, with respect to the Freight, GIDC and tax challans, SCP will settle the same and an appropriate order shall be passed in this regard. Once the matter is finalized by the Court any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

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 this consolidated condensed interim financial information.

**17.7** Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before Honorable High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001.

Accordingly, no provision regarding the said claim has been made in this consolidated condensed interim financial information as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Holding Company.

**17.8** The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Holding Company with a demand of Rs.311 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Appellate Tribunal Inland Revenue had set-aside the case and remanded back to Tax Department for hearing the case afresh.

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

**17.9** Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2007 to 2015 intending to disallow accrued interest expense on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001 and depreciation on fixed assets held under musharka arrangement.

On issue of interest expense, tax authorities have positively closed the proceedings for Tax Years 2009, 2012, 2013 & 2014 while similar Orders are expected for other years.

On issue of depreciation, tax authorities passed adverse Orders for Tax Years 2007, 2008, 2009, 2013 & 2014, 2015 however Commissioner (Appeals) decided the case in the Holding Company's favour for Tax Years 2009, 2013 & 2014 while similar Orders are expected for other years.

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

**17.10** Income tax authorities have passed orders disallowing cost of gas purchased but lost as UFG (in excess of OGRA Benchmark) for FY 2008-09, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16.

All the Orders were contested before Commissioner (Appeals) who decided the cases in the Holding Company's favor except for 2014-15 wherein order of Commissioner (Appeals) is pending which is expected to be decided in Holding Company's favor. However, the said Orders have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue.

Further, the said issue has also been raised for 2016-17 on which the Holding Company filed detailed reply.

Since the said issue has already been decided in favor of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Principle is in field which has also been upheld by Commissioner (Appeals) in the Holding Company's case, therefore no provision has been made in this consolidated condensed interim financial information as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

**17.11** The Tax Authorities' passed Order for FY 2009-10 against the Holding Company disallowing input Sales Tax credit on gas purchased but lost as UFG, among other observations. The said Order was contested till Appellate Tribunal Inland Revenue (ATIR) who decided the case in Holding Company favour thus setting a Legal Principle.

Tax Authorities have passed two different Orders for FY 2010-11 to 2014-15 & for FY 2015-16 to 2016-17 disallowing input Sales Tax on gas purchased but lost as UFG (in excess of OGRA Benchmark) however the Holding Company contested the matter before Commissioner (Appeals) who decided the cases in the Holding Company's favor.

The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Orders of Commissioner (Appeals) for FY 2010-11 to 2016-17.

Tax authorities have also issued a notice for FY 2017-18 confronting the same issue of disallowance of input tax claimed on excess UFG on which the Holding Company has filed detailed reply.

The Holding Company and its legal counsel are of the opinion that the Holding Company has a strong case on legal merits as well as on technical grounds since Legal Principle has been set by ATIR & upheld by Commissioner (Appeals) and thus No provision has been made in this consolidated condensed interim financial information as the Holding Company and its legal counsel is confident that the outcome of the cases will be in favor of the Holding Company.

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

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

**17.13** The Additional Commissioner Inland Revenue passed an order against the Holding Company with demand of Rs. 1,314 million alongwith default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Holding Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Honorable High Court of Sindh has also stayed the recovery of the additional tax and penalties.

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

**17.14** The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Holding Company with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06 and 2007-08 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-06 and FY 2007-08 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund adjustment.

**In respect of SSGC LPG (Private) Limited:**

**17.15** The Additional Commissioner Inland Revenue (ACIR) passed the order u/s 122(5A) of the Income Tax Ordinance, 2001 for tax year 2013 on the basis that LPG is not covered by SRO 586 of 1991 and created a demand of Rs. 46.28 million. The Company had filed an appeal against the said order before Commissioner Inland Revenue (CIR) Appeals. Later CIR Appeals passed the order dated May 15, 2015 and remanded back the case to the ACIR for reassessment on various issues as per grounds of appeal. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR Appeals, which is pending for hearing. The appeal before the ATIR has been fixed twice during the year but the hearing did not take place.

ACIR passed appeal effect order u/s 124 dated June 20, 2015 to give appeal effect as per CIR Appeals order and reduced the amount to Rs. 36.93 million.The Company has also filed an appeal before the CIR Appeals against the said order. Further, the Company has paid advance income tax pertaining to tax year 2013 to tax year 2019 amounting to Rs. 254 million under various sections which remains unadjusted due to such litigation. However the potential liability of Rs. 397 million which company needs to pay if the result of the case is against the company

No provision has been made in these financial statements as the Subsidiary Company and its legal counsel are confident that the outcome of the case will be in favor of the Subsidiary Company.

**17.16** During FY 2015, the Company received notice from ACIR against short payment of sales tax for the tax years 2013 and 2014 and created a demand of Rs. 2.6 million. The Subsidiary Company has filed an appeal before Commissioner (Appeals) which is pending for hearing.

No provision has been made in these financial statements as the Subsidiary Company and its legal counsel are confident that the outcome of the case will be in favor of the Subsidiary Company.

**17.17** During the FY 2017, the Subsidiary Company received notices from Sindh Revenue Board (SRB) for alleged short payment of Sindh Sales Tax amounting Rs. 4.6 million for the tax years 2013-2014 and 2014-2015, to which reply has been filed before Assistant Commissioner SRB, not admitting the liability. Proceedings against these two periods are pending with SRB as per notice.

**17.18** The ACIR passed order dated July 11, 2014 and created demand of Rs. 5.9 million pertaining to the tax years 2013 and 2014. The Subsidiary Company has filed an appeal before the Commissioner (Appeals). During the process of appeal, the tax department issued a recovery notice and recovered entire demand amount from the Subsidiary Company's bank account.

The Subsidiary Company's legal counsel is of the opinion that the case will be decided in favor of the Subsidiary Company and the entire amount will be refunded by the department to the Subsidiary Company.

**17.19** The Inland Revenue Department has also issued a show cause notice u/s 122(9) for amendment of assessment u/s 122(5A) of the Income Tax Ordinance, 2001 for the tax years 2015 & 2016 on January 13, 2017 and has required from the Subsidiary Company necessary documents for reassessment of tax liability. Against the said notice the Subsidiary Company has filed petition in Sindh High Court (SHC). The SHC has granted stay to the Subsidiary Company and the final decision is pending before the SHC. Furthermore department has not gone in appeal against the decision of SHC.

No provision has been made in these financial statements as the Subsidiary Company and its legal counsel are confident that the outcome of the case will be in favor of the Subsidiary Company.

**17.20** On April 20, 2018, the Subsidiary Company has received the notice from SRB for alleged short payment of Sindh Sales Tax amounting to Rs. 7.39 million for the tax periods from July, 2016 to November, 2017 on account of royalty fee paid to Port Qasim Authority. Against the said notice, the Subsidiary Company has filed petition in SHC. On May 23, 2018, the SHC has granted stay to the Subsidiary Company and the final decision is pending before the learned SHC .

The Subsidiary Company's legal counsel is of the opinion that the case will decided in favor of the Subsidiary Company and the entire amount will be refunded by the department to the Subsidiary Company.

| | Nine months period ended | | Quarter ended | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | (Un-audited) | | | |
| | -----------(Rupees in '000)-------------- | | | |
| **18. SALES** | | | | |
| Sale of Indigenous gas | **146,849,544** | 130,283,888 | **50,128,425** | 43,448,259 |
| Sale of RLNG | **36,776,920** | - | **10,064,163** | - |
| | **183,626,464** | 130,283,888 | **60,192,588** | 43,448,259 |
| Less: Sales tax | | | | |
| Indigenous gas | **(18,925,071)** | (17,750,055) | **(6,227,779)** | (5,780,587) |
| RLNG | **(4,780,157)** | - | **(1,468,026)** | - |
| | **(23,705,228)** | (17,750,055) | **(7,695,805)** | (5,780,587) |
| | **159,921,236** | 112,533,833 | **52,496,783** | 37,667,672 |
| **19. GAS DEVELOPMENT SURCHARGE (GDS)** | | | | |
| GDS recovered during the year | **4,783,577** | (8,270,996) | **840,968** | (1,666,843) |
| Price increase adjustment for the year | **49,438,481** | 24,014,617 | **16,889,639** | 4,391,781 |
| Impact of staggering | **(2,753,838)** | (2,753,839) | **(917,946)** | (917,946) |
| Subsidy for LPG air mix operations | **(391,360)** | (402,613) | **(158,885)** | (144,072) |
| | **51,076,860** | 12,587,169 | **16,653,776** | 1,662,920 |
| **20. RLNG DIFFERENTIAL MARGINS** | | | | |
| RLNG Differential Margin - OGRA | **(4,426,102)** | - | **(982,455)** | - |
| RLNG Differential Margin - SNGPL | **(2,115,409)** | - | **1,527,036** | - |
| | **(6,541,511)** | - | **544,581** | - |
| **21. COST OF SALES** | | | | |
| Cost of gas | **195,030,350** | 119,097,206 | **69,184,601** | 38,253,959 |
| Transmission and distribution costs | **14,871,802** | 13,638,183 | **5,021,339** | 4,677,126 |
| | **209,902,152** | 132,735,389 | **74,205,940** | 42,931,085 |
| **Cost of gas** | | | | |
| Gas in pipelines as at July 1 | **689,805** | 463,978 | **1,033,526** | 675,855 |
| RLNG Purchases | **25,226,507** | - | **8,887,461** | - |
| Gas purchases | **171,908,558** | 130,011,677 | **61,326,764** | 44,117,166 |
| | **197,824,870** | 130,475,655 | **71,247,751** | 44,793,021 |
| Gas consumed internally | **(1,640,314)** | (2,432,778) | **(908,944)** | (860,839) |
| Inward price adjustment | **-** | (8,330,685) | **-** | (5,063,237) |
| Gas in pipelines as at March 31 | **(1,154,206)** | (614,986) | **(1,154,206)** | (614,986) |
| | **(2,794,520)** | (11,378,449) | **(2,063,150)** | (6,539,062) |
| | **195,030,350** | 119,097,206 | **69,184,601** | 38,253,959 |
| **22. OTHER OPERATING EXPENSES** | | | | |
| Auditors' remuneration | **9,204** | 14,598 | **3,344** | 4,000 |
| Sports expenses | **61,261** | 56,006 | **16,032** | 20,222 |
| Corporate social responsibility | **3,369** | 3,736 | **1,340** | 1,710 |
| Exchange loss on payment of gas purchases | **7,261,112** | 2,262,935 | **615,080** | 967,406 |
| Provision against impaired stores and spares | **35,632** | 47,006 | **22,066** | 23,073 |
| Provision against doubtful debt | **496,598** | 874,735 | **139,186** | 136,691 |
| | **7,867,176** | 3,259,016 | **797,048** | 1,153,102 |

| | Note | Nine months period ended | | Quarter ended | |
|---|---|---|---|---|---|
| | | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | | (Un-audited) | | | |
| | | -----------(Rupees in '000)-------------- | | | |
| **23. OTHER INCOME** | | | | | |
| **Income from financial assets** | | | | | |
| Income for receivable against asset contribution | | **30,857** | 27,518 | **10,466** | 9,311 |
| Return on term deposits and profit and loss bank accounts | | **20,609** | 33,196 | **(9,856)** | 15,002 |
| | | **51,466** | 60,714 | **610** | 24,313 |
| Interest income on late payment of gas bills from | | | | | |
| - JJVL | | **164,818** | 166,326 | **3,975** | 61,173 |
| - WAPDA | | **200,549** | 140,665 | **92,492** | 48,950 |
| | | **365,367** | 306,991 | **96,467** | 110,123 |
| Dividend income | | **-** | 18,818 | **-** | 18,106 |
| | | **416,833** | 386,523 | **97,077** | 152,542 |
| **Income from other than financial assets** | | | | **-** | |
| Late payment surcharge | | **612,277** | 2,004,662 | **(48,185)** | 737,674 |
| Interest income on late payment of gas bills from | | **-** | | **-** | |
| - SNGPL - Related Party | | **846,953** | 374,885 | **280,076** | 109,155 |
| Income from net investment in finance lease | | **34,956** | 42,724 | **11,652** | 14,241 |
| Sale of gas condensate | | **(29,443)** | (23,173) | **(18,263)** | (12,171) |
| Sale of LPG / NGL | 23.1 | **428,041** | 1,040,726 | **302,765** | 296,567 |
| Meter manufacturing division profit - net | | **8,705** | (48,202) | **1,641** | (28,759) |
| Meter rentals | | **579,168** | 564,703 | **194,724** | 189,907 |
| RLNG transportation income | | **5,789,019** | 4,604,409 | **1,781,557** | 2,335,238 |
| Recognition of income against deferred credit and contract liability | | **394,205** | 295,135 | **133,367** | 98,548 |
| Income from new service connections and asset contribution | | **-** | 634,364 | **-** | 409,285 |
| Income from LPG air mix distribution - net | | **94,535** | 99,264 | **30,776** | 32,392 |
| Income from sale of tender documents | | **6,141** | 6,764 | **3,634** | 2,105 |
| Scrap sales | | **49,678** | 4,327 | **22,164** | (5,188) |
| Recoveries from consumers | | **65,959** | 75,182 | **25,363** | 29,860 |
| Liquidity damaged recovered | | **5,697** | 73,224 | **17,861** | 3,628 |
| Advertising income | | **-** | 591 | **-** | 591 |
| Gain on sale of property, plant and equipment | | **45,099** | 22,995 | **(4,922)** | (51,743) |
| Amortization of Government Grant | | **17,424** | 11,870 | **5,830** | 8,784 |
| LSA margins against RLNG | | **583,972** | 465,428 | **194,412** | 163,296 |
| Miscellaneous | | **11,071** | 25,736 | **2,439** | 7,279 |
| | | **9,960,290** | 10,662,137 | **3,033,968** | 4,493,231 |

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

Since, the Holding Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Holding Company sent termination notices of MoU with JJVL dated May 4, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016.

Under new tariff regime, effective from the month of July 2018, OGRA has allowed 50% of income, derived from Jamshoro Joint Venture Limited (JJVL), as retainable by the Holding Company. The Holding Company is expected to earn reasonable profits through the sale of LPG and NGL business.

| | Nine Months period ended | | Quarter ended | |
|---|---|---|---|---|
| | March 31 2019 | March 31 2018 | March 31 2019 | March 31 2018 |
| | (Un-audited) | | | |
| | ---(Rupees in 000)--- | | | |
| **24. TAXATION** | | | | |
| - Current | **1,043,229** | 851,103 | **317,404** | 235,378 |
| - Prior | **(82)** | - | **-** | - |
| - Deferred | **14,160** | 2,476,353 | **25,831** | (18,784) |
| | **1,057,307** | 3,327,457 | **343,235** | 216,594 |

| | Note | Nine Months period ended | |
|---|---|---|---|
| | | March 31 2019 | March 31 2018 |
| | | (Un-audited) | |
| | | --------(Rupees in '000)-------- | |
| **25. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS** | | | |
| Provisions | 25.1 | **1,835,375** | 1,896,963 |
| Depreciation | | **5,813,075** | 5,544,018 |
| Amortization of intangibles | | **22,383** | 25,505 |
| Finance cost | | **5,545,380** | 3,825,983 |
| Amortization of transaction cost | | **31,702** | 28,161 |
| Amortization of Government Grant | | **(17,424)** | (11,870) |
| Recognition of income against deferred credit and contract liability | | **(434,500)** | 321,337 |
| Dividend income | | **-** | (18,818) |
| Interest income and return on term deposits | | **(1,405,256)** | (788,355) |
| Income from net investment in finance lease | | **(34,956)** | (42,724) |
| Loss / (Gain) on disposal of property plant and equipment | | **(51,300)** | (22,995) |
| Decrease in long term advances | | **(17,411)** | 188,103 |
| Increase / (Decrease) in deferred credit and contract liability | | **806,826** | (620,345) |
| Decrease in obligation under finance lease | | **65,178** | 68,314 |
| | | **12,159,072** | 10,393,277 |
| **25.1 PROVISIONS** | | | |
| Provision against slow moving / obsolete stores | | **52,880** | 62,911 |
| Provision against doubtful debts | | **496,598** | 874,735 |
| Provision for compensated absences | | **49,873** | 97,501 |
| Provision for post retirement medical and free gas supply facilities | | **493,104** | 406,939 |
| Provision for late delivery | | **2,075** | - |
| Provisionfor LPG Cost | | **-** | 32,750 |
| Provision against retirement benefit | | **740,845** | 422,127 |
| | | **1,835,375** | 1,896,963 |
| **26. WORKING CAPITAL CHANGES** | | | |
| **(Increase) / decrease in current assets** | | | |
| Stores and spares | | **(20,959)** | 425,338 |
| Stock-in-trade | | **(546,885)** | 96,231 |
| Customers' installation work-in-progress | | **(37,231)** | (18,844) |
| Trade debts | | **(5,777,747)** | (2,031,002) |
| Trade deposits and short term prepayments | | **7,779** | (55,096) |
| Other receivables | | **(78,549,290)** | (41,858,523) |
| | | **(84,924,333)** | (43,441,896) |
| **Increase in current liabilities** | | | |
| Trade and other payables | | **96,921,383** | 27,969,289 |
| | | **11,997,050** | (15,472,607) |

## 27 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 these unconsolidated condensed interim financial information are as follows:

| | Nine months period ended | |
|---|---|---|
| | March 31 2019 | March 31 2018 |
| | (Un-audited) | |
| | ------------(Rupees in '000)------------ | |
| * **Astro Plastic (Private) Limited** | | |
| - Billable charges | **-** | 65,226 |
| **Attock Cement Limited** | | |
| - Billable charges | **47,042** | 45,916 |
| **Government related entities** | | |
| - Purchase of fuel and lubricant | **41,516** | 51,751 |
| - Billable charges | **18,897,014** | 21,518,534 |
| - Income from net investment in finance lease | **34,956** | 42,724 |
| - Gas purchases | **83,760,715** | 61,923,290 |
| - Sale of gas meters | **16,697** | 177,845 |
| - Rent of premises | **-** | 11,301 |
| - Insurance premium | **80,436** | 91,635 |
| - Electricity expenses | **164,969** | 140,322 |
| - Interest income | **1,047,503** | 515,549 |
| - Uniform cost of gas | **-** | 8,330,685 |
| - Markup expense on short term finance | **70,991** | 8,274 |
| - Markup expense on long term finance - Expense | **414,718** | 308,559 |
| - RLNG Transportation income | **5,789,019** | 4,604,409 |
| - Professional Charges | **-** | 239 |
| - Income against LNG service agreement | **583,972** | 465,428 |
| **Habib Bank Limited** | | |
| - Profit on investment | **315** | 565 |
| - Markup expense on short term finance | **114,910** | 165,344 |
| - Markup expense on long term finance | **176,575** | 418,858 |
| - Billable charges | **6,743** | 10,293 |
| **Key management personnel** | | |
| - Remuneration | **175,719** | 182,499 |
| **Minto & Mirza** | | |
| - Professional charges | **3,000** | 3,000 |

| | Nine months period ended | |
|---|---|---|
| | March 31 2019 | March 31 2018 |
| | (Un-audited) | |
| | -------------(Rupees in '000)------------ | |
| **Staff retirement benefit plans** | | |
| - Contribution to provident fund | **313,563** | 245,659 |
| - Contribution to pension fund | **445,161** | 206,496 |
| - Contribution to gratuity fund | **294,263** | 214,574 |
| **Thatta Cement Company Limited** | | |
| - Gas sales | **2,481** | 3,469 |
| **Petroleum Institute of Pakistan** | | |
| - Subscription/Contribution | **980** | 3,378 |

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

**27.1** Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.

**27.2** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.

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

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

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

| | March 31 2019 (Unaudited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| * **Attock Cement Limited** | | |
| - Billable charges | - | 5,280 |
| - Gas supply deposit | - | (588) |

| | March 31 2019 (Unaudited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| **Government related entities - various** | | |
| - Billable charges | **63,387,896** | 62,534,758 |
| - Mark up accrued on borrowings | **5,627,460** | (6,096,830) |
| - Net investment in finance lease | **142,873** | 64,864 |
| - Gas purchases | **226,151,868** | 172,448,498 |
| - Gas meters | **856,294** | 1,467,999 |
| - Uniform cost of gas | **15,818,846** | 16,011,845 |
| - Cash at bank | **130,505** | 3,619 |
| - Stock Loan | **4,912** | 45,595 |
| - Payable to insurance | **(917)** | (2,301) |
| - Gas supply deposit | **(43,392)** | (39,276) |
| - Interest expense accrued - late payment surcharge on gas bills | **(15,832,411)** | (15,832,411) |
| - Interest income accrued - late payment on gas bills | **10,885,350** | 9,837,847 |
| - Contingent rent | **3,535** | 3,535 |
| - Capacity and utilisation charges of RLNG | **29,520,939** | 19,835,414 |
| - RLNG Transportation Income | **17,689,888** | 12,026,912 |
| - LSA Margins | **1,675,233** | 1,083,299 |
| - Advance for sharing right of way | **(18,088)** | (18,088) |
| - Professional charges | **57** | 57 |
| * **Habib Bank Limited** | | |
| - Long term finance | **-** | (7,478,125) |
| - Short term finance | **-** | (5,966,125) |
| - Cash at bank | **-** | 61,008 |
| - Accrued markup | **-** | (449,258) |
| - Billable charges | **-** | 1,530 |
| - Gas supply deposit | **-** | 363 |
| * **Thatta Cement Company Limited** | | |
| - Billable charges | **-** | 310 |

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

## 28. OPERATING SEGMENTS

IFRS 8- Operating segments requires operating segments to be identified on the basis of internal reports about components of the Group that regularly.

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

**Segment revenue and results**

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

| | Nine months period ended | | | |
|---|---|---|---|---|
| | Segment revenue | | Segment (loss) / Profit | |
| | March 31 2019 | March 31 2018 | March 31 2019 | March 31 2018 |
| | (Un-audited) | | | |
| | ---------------------- (Rupees in '000) ---------------------- | | | |
| Gas transmission and distribution | **159,921,236** | 112,533,833 | **(5,729,576)** | (5,541,884) |
| Meter manufacturing | **1,399,538** | 1,349,211 | **8,705** | (48,202) |
| Total segment results | **161,320,774** | 113,883,044 | **(5,720,871)** | (5,590,086) |
| Unallocated | | | | |
| - Other operating expenses | | | **(7,370,578)** | (2,384,281) |
| Unallocated | | | | |
| - Other income | | | **687,818** | 599,554 |
| Loss before tax | | | **(12,403,631)** | (7,374,813) |

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,367 million (March 31, 2018: Rs. 930 million).

**Segment assets and liabilities**

| | March 31 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| **Segment assets** | | |
| Gas transmission and distribution | **450,722,745** | 363,574,602 |
| Meter manufacturing | **2,081,291** | 2,993,343 |
| Total segment assets | **452,804,036** | 366,567,945 |
| Unallocated | | |
| - Loans and advances | **1,035,206** | 962,931 |
| - Taxation - net | **20,092,205** | 19,699,217 |
| - Interest accrued | **490,055** | 490,111 |
| - Cash and bank balances | **886,627** | 791,931 |
| | **22,504,093** | 21,944,190 |
| **Total assets as per consolidated statement of financial position** | **475,308,129** | 388,512,135 |
| **Segments liabilities** | | |
| Gas transmission and distribution | **478,328,607** | 378,694,617 |
| Meter manufacturing | **1,198,398** | 956,519 |
| Total segment liabilities | **479,527,005** | 379,651,136 |
| Unallocated | | |
| - Employee benefits | **6,442,250** | 5,956,657 |
| **Total liabilities as per consolidated statement of financial position** | **485,969,255** | 385,607,793 |

## 29. 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.

### 29.1 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, 2019** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **-----Rupees in '000-----** | | | |
| **Assets** | | | | |
| **Available for sale investments** | | | | |
| Quoted equity securities | **266,803** | **-** | **-** | **266,803** |

| | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | -----Rupees in '000----- | | | |
| Assets | | | | |
| Available for sale investments | | | | |
| Quoted equity securities | 371,331 | - | - | 371,331 |

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.

### 29.2 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 March 31, 2019** | |
|---|---|---|
| | **Level 2** | **Fair Value** |
| | -----Rupees in '000----- | |
| **Freehold land** | **6,309,707** | **6,309,707** |
| **Leasehold land** | **8,026,216** | **8,026,216** |
| | **14,335,923** | **14,335,923** |

| | As at June 30, 2018 | |
|---|---|---|
| | Level 2 | Fair Value |
| | -----Rupees in '000----- | |
| Freehold Land | 6,309,707 | 4,434,792 |
| Leasehold Land | 8,026,216 | 6,082,257 |
| | 14,335,923 | 10,517,049 |

**30. RECLASSIFICATION**

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follow;

| Description | (Rupees in '000) | Reclassified | |
|---|---|---|---|
| | | From | To |
| Payable to SNGPL against | 7,264,401 | Creditors for: Indigenous gas - Trade and other payables | Creditors for: RLNG - Trade and other payables |
| RLNG differential margin payable to GoP | 2,516,367 | Gas development surcharge receivable from GoP - Other receivables | RLNG differential margin payable to GoP - Trade and other payables |

**31. GENERAL**

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

**31.2** Corresponding figures have been rearranged and reclassified, wherever necessary.

**32. DATE OF AUTHORISATION**

This consolidated condensed interim financial information were authorised for issue in Board of Directors meeting held on November 28, 2020.

**Dr. Shamshad Akhtar**
Chairperson

**Muhammad Amin Rajput**
Acting Managing Director

**Syed Fasihuddin Fawad**
Acting Chief Financial Officer

# KEY DATA

| FRANCHISE AREA | SINDH AND BALOCHISTAN | |
|---|---|---|
| | Nine months period ended March 31, | |
| | 2019 | 2018 |
| NATURAL GAS SALES VOLUME (MMCF) | 267,798 | 268,113 |
| NUMBER OF CUSTOMERS (CUMULATIVE) | | |
| INDUSTRIAL | 4,205 | 4,202 |
| COMMERCIAL | 22,324 | 22,537 |
| DOMESTIC | 2,960,791 | 2,870,683 |
| TOTAL | 2,987,320 | 2,897,422 |
| GAS METERS MANUFACTURED (NOS.) | 472,940 | 349,490 |
| TRANSMISSION NETWORK - CUMULATIVE (KM) | | |
| DIAMETER | | |
| 6" | 36 | 36 |
| 12" | 545 | 545 |
| 16" | 558 | 558 |
| 18" | 940 | 940 |
| 20" | 844 | 844 |
| 24" | 751 | 751 |
| 30" | 9 | 9 |
| 42" | 371 | 371 |
| | 4,054 | 4,054 |
| DISTRIBUTION NETWORK - CUMULATIVE (KM) | | |
| MAINS (1" - 30" DIAMETER) | 36,253 | 36,253 |
| SERVICES | 10,574 | 10,574 |
| | 46,827 | 46,827 |

(MoE)۔ پیٹرولیم ڈویژن (PD) نے کمپنی کے دعوے کو جائز سمجھتے ہوئے اسٹیک ہولڈرز کے ساتھ مشاورت کے بعد معاملے پر دوبارہ غور وخوض کا فیصلہ کیا ہے اور ECC کو ایک اور خلاصہ ارسال کیا ہے تاکہ ECC کے گزشتہ فیصلے پر عمل درآمد کیا جا سکے۔

اس سلسلے میں تازہ ترین صورتحال یہ ہے کہ ECC نے خلاصہ پر اپنی تین میٹنگز میں غور کیا ہے لیکن ابھی تک کوئی نتیجہ برآمد نہیں ہوسکا ہے۔ اب مشیر برائے فنانس اینڈ ریوینیو کے ہدایات پر سیکرٹری وزارت مالیات اور سیکرٹری PD - MoE پر مشتمل دو ممبرز کی ایک کمیٹی تشکیل دی گئی ہے جن کو اسٹیک ہولڈرز کے ساتھ مشاورت کے بعد مسئلے کے حل کا اختیار دیا گیا ہے۔ کمیٹی کی مشاورت/ میٹنگز میں MoE / OGRA کے عہدیداروں، SSGC اور SNGPL کی ٹیموں، دونوں اداروں کے چیئر پرسنز اور مختلف ڈائریکٹرز نے شرکت کی۔

درج بالا کی قرارداد میں کہا گیا ہے کہ مسئلہ نہ صرف ابھی بلکہ مستقبل کیلئے بھی بہت نمایاں ہے، جس کا فیصلہ نہ ہونے سے مالیاتی صورتحال مزید خراب ہونے کا اندیشہ ہے اور کمپنی کے استحکام اور مستعد آپریشنز کے بارے میں شدید شبہ پیدا ہوجائے گا۔

## ماضی کے جمع شدہ نقصانات کا انضمام

2.75 بلین روپے کے جمع شدہ نقصانات کے انضمام سے متعلق سندھ ہائی کورٹ کے فیصلے مورخہ 25 نومبر 2016 میں SSGC نے UFG بنچ مارک اور بعض نان آپریٹنگ آمدنیوں کے ٹریٹمنٹ کے دعوے کو مسترد کردیا۔ اس فیصلے کے نتیجے میں ایس ایس جی سی کو مالی سال 2011 تا مالی سال 2015 سے متعلق 36.7 بلین روپے کا نقصان ضم کرنا پڑا۔ مجاز اتھارٹیز کی منظوری سے ایس ایس جی سی کے ان چھ سالوں میں اور 31 مارچ 2020 تک جمع شدہ نقصانات کیلئے ایس ایس جی سی کو 28.42 بلین روپے ضم کرنا پڑے۔

## بلند مالیاتی لاگت

مذکورہ مدت کیلئے مالیاتی چارجز 5.5 بلین روپے تھے جو پورٹ قاسم کراچی سے سیون تک SNGPL نیٹ ورک کو RLNG پہنچانے کیلئے پائپ لائن انفرااسٹرکچر کیلئے حاصل کئے گئے طویل مدت کے قرضے کی بنا پر ادا کئے گئے۔ اسکے علاوہ گردشی قرضہ کے باعث کمپنی کا نقد بہاؤ میں پھیلاؤ رہا جس کے نتیجے میں قلیل المدت قرضہ جات پر اضافی مالیاتی لاگت آئی۔

## مستقبل کا منظرنامہ

آئندہ کیلئے UFG میں کمی کمپنی کی آپریشنل اور فنانشل صورتحال کی بقا کی بنیاد ہے۔ نیز یہ بھی اہم ہے کہ کمپنی کو کیبنٹ کی ECC کے فیصلے کے مطابق والیوم کی بنیاد پر RLNG ہینڈلنگ پر UFG الاؤنس کا حساب کرنے کی اجازت دی جائے۔

## اعترافات

بورڈ آف ڈائریکٹرز شیئر ہولڈرز اور اپنے معزز صارفین کی جانب سے ان کی پذیرائی اور مستقل تعاون پر شکریہ کا اظہار کرتا ہے۔ بورڈ تمام ملازمین کا خلوص دل سے کام کرنے پر بھی ان کا معترف ہے۔ ڈائریکٹرز حکومت پاکستان، وزارت توانائی اور آئل اینڈ گیس ریگولیٹری اتھارٹی کی مسلسل رہنمائی اور تعاون کیلئے شکرگزار ہے۔

منجانب بورڈ

**ڈاکٹر شمشاد اختر**
چیئر پرسن، بورڈ آف ڈائریکٹرز

**محمد امین راجپوت**
ایکٹنگ مینجنگ ڈائریکٹر

تاریخ: نومبر 28، 2020
کراچی

# ڈائریکٹرز کا جائزہ

## برائے مدت نو ماہ مختتمہ 31 مارچ 2019

مجھے کمپنی کے غیر آڈٹ شدہ نتائج برائے نو ماہ مختتمہ 31 مارچ 2019 پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

کمپنی کو زیرِ جائزہ مدت کے دوران میں شدید چیلنجز کا سامنا رہا۔ ان میں سے بعض چیلنج کمپنی کی ترقی اور بقا کیلئے انتہائی اہم تھے۔

### مالیاتی عمومی جائزہ

زیرِ جائزہ مدت کے دوران میں کمپنی کو اوگرا کی جانب سے بڑے ڈس الاؤنسز شامل کرنے کے بعد از ٹیکس 13,535 روپے کا نقصان ہوا۔

مالیاتی جھلکیوں کا خلاصہ درج ذیل ہیں۔

| نو ماہ مختتمہ 31 مارچ 2019 (ملین روپے میں) | |
|---|---|
| نقصان قبل از ٹیکس | 12,500 |
| ٹیکس | 1,035 |
| نقصان بعد از ٹیکس | 13,535 |

موجودہ ٹیرف کی صورتحال کے مطابق ایس ایس جی سی کی منفعت اوگرا کے مجوزہ گارنٹیڈ ریٹرن فارمولا کے تحت حاصل کی ہوتی ہے۔ اس فارمولے کے تحت ایس ایس جی سی کو اوسط خالص آپریٹنگ فکسڈ اثاثہ جات پر مالیاتی چارجز اور ٹیکسز سے قبل 17.43% آمدنی کی اجازت ہے۔ تاہم اوگرا بنچ مارک پر مع غیر شمار شدہ گیس (UFG)، ہیومن ریسورس بنچ مارک کی لاگت، مشتبہ قرضہ جات کیلئے پروویژن اور بعض دیگر اخراجات کی بنیاد پر آمدنی کی ضروریات کا تعین کرتے وقت ایڈجسٹمنٹ کرتا ہے۔ ان ایڈجسٹمنٹس سے کمپنی کی بنیادی لائن پر اثر پڑتا ہے جو ابتدائی طور پر مالیاتی چارجز اور ٹیکسز کے بعد 17.43% خالص گارنٹیڈ آمدنی ہوتی ہے۔

اس مدت میں بعد از ٹیکس نقصان کی رپورٹنگ کی بڑی وجوہات درج ذیل ہیں:

اوگرا کے حتمی آمدنی کی شرائط کے تعین (DFRR) برائے مالی سال 18-2017 مورخہ 23 اپریل 2020 کو جاری کیا گیا جس کے مطابق ان نو ماہ کے مالیاتی اسٹیٹمنٹس میں شامل کئے گئے مجموعی ڈس الاؤنسز اثاثہ جات کی 11.5 بلین روپے آمدنی کے مقابلے میں 17.0 بلین روپے رہے۔ تاہم ان غیر مجموعی مالیاتی اسٹیٹمنٹس میں مالی سال 18-2017 کیلئے DFRR میں کئے گئے غیر معمولی UFG ڈس الاؤنسز کی پیروی نہیں کی گئی جس کیلئے پہلے ہی اوگرا میں موشن فار ریویو (MFR) میں دوبارہ کلیم کی درخواست جمع کرادی گئی ہے۔

### بلند UFG ڈس الاؤنس

انتہائی غیر معمولی ڈس الاؤنس کی وجہ یہ ہے کہ اوگرا ایس ایس جی سی کو اکنامک کوآرڈینیشن کمیٹی کے خلاصہ مورخہ 11 مئی 2018، جو باقاعدہ کیبنٹ کی حمایت کے مطابق RLNG والیوم ہینڈلنگ کے منافع کو منظور نہیں کر رہا ہے۔ اگر ایس ایس جی سی کو اس منافع کی اجازت مل جاتی تو خالص UFG ڈس الاؤنسز 7.7 بلین روپے تک کم ہو جاتے۔

یہاں یہ بتانا بھی ضروری ہے کہ RLNG سپلائی چین میں تمام اسٹیک ہولڈرز کی RLNG پرائس میکنزم کیلئے جاری کردہ ECC کی رہنما ہدایات پر مبنی RLNG سپلائی کے طریقہء کار میں اصل کی بنیاد پر حادثاتی اخراجات / نقصانات کا معاوضہ حاصل کر رہے ہیں۔

اسی طرح کا منافع ایس ایس جی سی کو محولہ بالا ECC کے خلاصہ کے ذریعہ UFG بنچ مارک کے تعین میں والیوم ہینڈلنگ منافع کی صورت میں حاصل کرنے کی اجازت تھی۔ تاہم اوگرا نے اس پر عمل درآمد سے انکار کر دیا جس کے باعث ایس ایس جی سی کو UFG ڈس الاؤنس کی صورت میں بھاری مالی نقصان اٹھانا پڑا۔

ایس ایس جی سی کو درپیش خطرناک صورتحال کو کنٹرول کرنے اور اوگرا کی تشویش دور کرنے کیلئے، جس کے نتیجے میں درج بالا خلاصہ پر عمل درآمد نہ ہو سکا، وزارت توانائی

# NOTES

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