Sui Southern Gas
Company Limited

Condensed Interim Financial Statements for the half year ended December 31, 2019

RICH LEGACY
VIBRANT FUTURE

SSGC | Sui Southern Gas Company Limited

Unconsolidated Condensed Interim Financial Information (Un-Audited)
for the half year ended December 31, 2019

CORPORATE PROFILE

As on December 31, 2019

Boad of Directors

Dr. Shamshad Akhtar	Chairperson
Ms. Nida Rizwan Farid	Director
Mr. Muhammad Raziuddin Monem	Director
Mr. Faisal Bengali	Director
Dr. Sohail Razi Khan	Director
Mr. Manzoor Ali Shaikh	Director
Capt. (Retd). Fazeel Ashgar	Director
Mr. Sher Afgan Khan	Director
Dr. Ahmed Mujtaba Memon	Director
Mr. Zuhair Siddiqui	Director
Mr. Ayaz Dawood	Director

Acting Managing Director (AMD)

Mr. Mohammad Wasim

Company Secretary

Mr. Shoaib Ahmed

Auditors

M/s BDO Ebrahim & Co.
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

The total number of Directors are 12 including Chief Executive Officer (Acting) being a deemed Director, as per the following:
i) Male: 10 members
ii) Female: 2 members

Board of Director's Committees

Board Human Resource and Remuneration Committee

Dr. Shamshad Akhtar	Chairperson
Mr. Muhammad Raziuddin Monem	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Sher Afgan Khan	Member
Dr. Ahmed Mujtaba Memon	Member
Dr. Sohail Razi Khan	Member
Capt. (Retd). Fazeel Ashgar	Member
Mr. Mohammad Wasim	AMD

Board Finance and Procurement Committee

Dr. Ahmed Mujtaba Memon	Chairman
Ms. Nida Rizwan Farid	Member
Dr. Sohail Razi Khan	Member
Mr. Zuhair Siddiqui	Member
Mr. Ayaz Dawood	Member
Mr. Sher Afgan Khan	Member
Mr. Mohammad Wasim	AMD

Board Audit Committee

Mr. Faisal Bengali	Chairman
Dr. Ahmed Mujtaba Memon	Member
Dr. Sohail Razi Khan	Member
Mr. Ayaz Dawood	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Sher Afgan Khan	Member

Board Risk Management, Litigation and HSE&QA Committee

Mr. Muhammad Raziuddin Monem	Chairman
Ms. Nida Rizwan Farid	Member
Mr. Manzoor Ali Shaikh	Member
Capt. (Retd). Fazeel Ashgar	Member
Mr. Ayaz Dawood	Member
Mr. Zuhair Siddiqui	Member
Mr. Mohammad Wasim	AMD

Board Special Committee on UFG

Dr. Shamshad Akhtar	Chairperson
Ms. Nida Rizwan Farid	Member
Mr. Faisal Bengali	Member
Dr. Sohail Razi Khan	Member
Mr. Zuhair Siddiqui	Member
Mr. Sher Afgan Khan	Member
Capt. (Retd). Fazeel Ashgar	Member
Mr. Mohammad Wasim	AMD

Board Nomination Committee

Dr. Shamshad Akhtar	Chairperson
Mr. Muhammad Raziuddin Monem	Member
Dr. Ahmed Mujtaba Memon	Member
Mr. Sher Afgan Khan	Member
Mr. Faisal Bengali	Member
Mr. Manzoor Ali Shaikh	Member

DIRECTORS' REVIEW
For Six Months Period Ended December 31, 2019

We are pleased to share the Company's results for six months period ended December 31, 2019.

The Company continued to face serious challenges during the period under review, some of which are critical for the Company's growth and viability

Financial Overview

The Company recorded Loss After Tax of Rs. 13,482 million after incorporating major disallowances by OGRA.
The summary of financial highlights of the period is given below:

	Six Months ended December 31, 2019 (Rupees in Million)
Loss before taxation	(12,356)
Taxation	(1,126)
Loss after taxation	(13,482)

SSGC Profitability is derived from the Guaranteed Return Formula prescribed by OGRA. Under this formula, SSGC is allowed Guaranteed Return of 17.43% on its average net operating fixed assets before financial charges and taxes. However, OGRA makes adjustments while determining the revenue requirements based on efficiency related benchmarks viz-à-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, which is primarily based on guaranteed return of 17.43% net of financial charges and taxes.

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

In line with OGRA Determination on Final Revenue Requirement (DFRR) for FY 2018-19 issued on May 25, 2021, total disallowances absorbed in these six months financial results amounted to Rs. 13.7 billion against Rs. 7.8 billion return on assets. However, in these unconsolidated condensed interim financial statements exceptional UFG disallowances made in DFRR for FY 2018-19 have not been followed which have been re-claimed in the Motion for Review (MFR) Petition already filed.

High UFG Disallowance

The extremely high UFG disallowance is due to the fact that OGRA is not accepting UFG based on RLNG Volume Handling allowed to SSGC vide a Summary approved by the Economic Coordination Committee (ECC) dated May 11, 2018. Had this benefit been allowed to SSGC the net UFG disallowance would have been reduced by Rs. 6.6 billion.

All the stakeholders in RLNG supply chain are getting compensation for incidental cost / losses on actual basis in the process of RLNG Supply as per Price Mechanism approved by the ECC. Similar benefit was allowed to SSGC through above referred ECC Summary in the form of Volume Handling benefit in UFG determination. However, OGRA refused to implement the same causing huge financial losses to SSGC in the form of UFG disallowance. Latest update on the matter is that OGRA has hired an external consultant to study the issue of impact of RLNG on Distribution UFG.

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

Absorption of Past Staggered Losses

Absorption of Rs. 3.7 billion (December 31, 2018: Rs. 1.8 billion) of staggered losses pertains to Sindh High Court decision dated November 25, 2016 wherein Sind High Court dismissed the Stay on UFG Benchmark and treatment of certain Non-Operating Incomes. 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 staggered these losses over six years in maximum, however, it is intended to absorb these losses in 5 years i.e. by the end FY 2019-20 thus till December 31, 2019 SSGC has absorbed Rs. 33 billion.

Financial Cost

Financial charges of Rs. 3.97 billion which is mainly on Long Term Loan obtained to finance Pipeline Infrastructure for transmission of RLNG from Karachi Port to Sawan for delivering RLNG to SNGPL network.

Modification in External Auditor's Review Report

The External Auditors, M/s. BDO Ebrahim & Co., Chartered Accountants has expressed qualified conclusion in their review report for the six months period ended December 31, 2019 for the amounts due from KE and PSML, late payment surcharge (LPS) receivable from SNGPL and WAPDA and Receivable from Habibullah Costal Power Company (Private) Limited (HCPCL)

Receivables from KE and PSML

Despite that there are developments in the privatization of Pakistan Steel Mills Limited (PSML) and arbitration of K-Electric (KE) matters, Receivable dispute situation with KE and PSML remained the same as in previous years. The Management is vigorously pursuing recovery suit filed against PSML and KE. At the same time, the management is in constant liaison with the concerned ministries to expedite the recovery of outstanding dues from KE and PSML. It is pertinent to mention that PSML has made payments of Rs. 556 million against monthly gas bills from June 2020 to January 2021, out of the allocations made by the Finance Division for the purpose. The claim of the Company against KE and PSML, as of December 31, 2019 is Rs. 106,359 million and Rs. 64,543 million, respectively.

LPS Receivable from SNGPL and WAPDA

The Company is facing the situation of accumulated receivable from SNGPL and WAPDA due to overall circular debt situation. However, based on the agreed terms and conditions, the Company is accruing LPS against overdue amount. The company is apprising this position to the concerned Government Authorities on daily basis and expect that this issue would be resolved as and when circular debt is addressed at national level.

Receivable from HCPCL

SSGC lost an international arbitration to M/s Habibullah Coastal Power Company Private Limited (HCPCL). On April 30, 2018, the decision of the arbitration proceedings was issued by the International Court of Arbitration in favor of HCPCL and it required the Company to pay to HCPCL as a final reward in the form of indemnity, liquidated damages, interest and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the Company. Total exposure against the above amounts was Rs. 8.0 billion, out of which OGRA has already allowed Rs. 4.2 Billion.

However, liquidated damages of Rs. 3.8 billion claimed by HCPCL from the Company was a consequence of Liquidated damages charged to HCPCL by WAPDA/CPPA-G. It clearly depicts 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, Ministry submitted an ECC Summary on February 07, 2018 and ECC 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.

All stakeholders (SSGC, CPPA-G and HCPCL) are in the process of finalization of modalities by treating period of no dispatch as "Other Force Majeure Event (OME)" and thus extending the period of GSA with no dispatch period.

Accordingly, LDs adjusted by HCPCL amounting to Rs. 3.8 billion and excess LPS adjustment allowed by arbitrator of Rs. 0.3 billion is "Recoverable from HCPCL" and remaining amount of Rs. 3.9 billion pertaining to Reversal of LPS receivable, Interest on LD Charges and Legal expenses has already been allowed by OGRA in its Decision on Final Revenue Requirement (DFRR) for FY 2018-19 dated May 25, 2021.

Emphasis of matter

Based on Financial performance discussed in Note 1.3 of Financial Statements mainly focusing on allow-ability of RLNG volume handling and reduction in UFG based on "UFG reduction strategy", Auditors have concluded that material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. However, the Company has obtained a support letter from Government of Pakistan, Finance Division dated July 06, 2020 that commits support to maintain the going concern status of the Company. The Auditors have emphasized it in its review report as "Emphasis of Matter".

To evaluate the financial resilience of the Company, the following major factors are relevant:

a) UFG allowance based on RLNG handling on volumetric basis would be sought from OGRA as already elaborated in preceding paragraphs.
b) Government of Pakistan (Finance Division) (GoP) in its letter dated July 06, 2020, 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.
c) The management has devised a UFG control strategy to control UFG in coming years and the same is under implementation with the approval of Board of Directors.
d) New Tariff Regime would provide guaranteed return on operating assets at 17.43% effective from FY 2018-19.
e) Banks have relaxed debt to equity ratio requirements. Further, the Company has never defaulted in payment of any installment and interest thereon and some of the loans have been totally paid off to date.

In addition to the above, the External Auditors, M/s. BDO Ebrahim & Co., Chartered Accountants have drawn attention on certain issues in their review report for six months period ended December 31, 2019. Comments on these matters are as under:

i. The Company has absorbed Rs. 33 billion out of total Rs. 36.7 billion of losses arising due to Sindh High Court decision. Management is confident that remaining staggered loss will be absorbed by June 2020.
ii. Litigation and other matters mentioned in Contingencies and Commitment are being pursued aggressively for favorable resolution.
iii. SSGC has discontinued recognition of LPS expenses payable to the Government controlled E&P companies (OGDCL, PPL & GHPL) effective from July 01, 2012 till the time SSGC receives LPS income from PSML and KE.
iv. SECP has allowed an exemption from adoption of IFRS 14: 'Regulatory Deferral Accounts' for three years till FY 2021-22.

Acknowledgements

The Board 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 who soldiered on, despite number of challenges confronting the Company. The Board also thanks 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. Shahmshad Akhtar
Chairperson

Imran Maniar
Managing Director

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT TO THE MEMBERS

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **SUI SOUTHERN GAS COMPANY LIMITED** ("the Company") as at December 31, 2019 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of cash flows, unconsolidated condensed interim statement of changes in equity and notes to the unconsolidated condensed interim financial statements for the half-year then ended (here-in-after referred as the "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of unconsolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

a) As disclosed in notes 10.1 and 10.2 to the unconsolidated condensed interim financial statements, trade debts include receivables of Rs. 31,238 million (June 30, 2019: Rs. 32,888 million) and Rs. 24,166 million (June 30, 2019: Rs. 23,661 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. Significant portion of such receivables include overdue amounts, which have been considered good by management and classified as current assets in the unconsolidated condensed interim financial statements. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances due to which management has decided to recognise LPS on a receipt basis from the aforesaid entities effective from July 01, 2012. Due to the adverse operational and financial conditions of PSML, disputes by KE and PSML with the Company on LPS, and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the total amounts due from KE and PSML were likely to be recovered and the timeframe over which such recovery will be made;

b) As disclosed in note 11 to the unconsolidated condensed interim financial statements, interest accrued includes interest receivable of 8,119 million and Rs. 4,100 million from Sui Northern Gas Pipeline Limited (SNGPL) and Water and Power Development Authority (WAPDA) respectively. These have been accounted for in line with Company's practice of charging LPS on overdue amounts, but have not been acknowledged by the counter-party.

   Due to dispute with WAPDA, and large accumulation of their respective overdue amounts of interest, we were unable to determine the extent to which the interest accrued amounts due from SNGPL and WAPDA are likely to be recovered and the timeframe over which such recovery will be made;

c) We refer to note 12.2 of the unconsolidated condensed interim financial statements which includes amount of Rs. 4,158 million receivables from Habibullah Coastal Private Company Limited (HCPCL) in respect of liquidated damages imposed in arbitration on April 30, 2018 by The International Court of Arbitration. Prior to the decision, the Economic Coordination Committee (ECC) through its meeting held on February 07, 2018 had proposed waiver of liquidated damages and directed Ministry of Energy – Petroleum Division to work out modalities in consultation with all stakeholders. However, to date, no agreement has been finalized between the relevant stakeholders. In the absence of the agreement, there is no contractual right to receive cash or financial asset from HCPCL and the requirements of IFRS 9 – Financial Instruments are not met.

Qualified Conclusion

Except for the adjustments, if any, to the unconsolidated condensed interim financial statement due to matters described in (a), (b) and (c) above, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial statement as of and for the half year ended December 31, 2019 is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter Paragraphs

We draw attention to the following matters:

1) note 1.3 of the unconsolidated condensed interim financial statements, which indicates that the Company has incurred net loss

after tax of Rs. 13,482 million during the half year ended December 31, 2019, and as of that date, the Company's current liabilities exceed current assets by Rs. 82,728 million. Further, staggering of losses and matters discussed in the Basis of Qualified Conclusion Section of the report along with other conditions as set forth in Note 1.3, indicate that material uncertainty exists that may cast significant doubt on the Company ability to continue as a going concern; however, the Company has obtained a support letter from Government of Pakistan Finance Division dated July 06, 2020 that commits support to maintain the going concern status of the Company. Our opinion is not modified in respect of this matter.

2) note 2.3 to the unconsolidated condensed interim financial statement that describes the reasons why the Company has staggered the effect of Sindh High Court decision over a period of five financial years from 2017 to 2021 based on the permission received from the ECC, Securities and Exchange Commission of Pakistan (SECP) and the OGRA;

3) note 19 to the unconsolidated condensed interim financial statement that describe that the Company is subject to various material litigations and claims involving different courts. The outcome of these cases is uncertain and beyond management's control.

4) note 18.1 to the unconsolidated condensed interim financial statement that describes that the Company has reversed the late payment surcharge (LPS) expense of Rs. 26,222 million on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2016 and not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019 and for the half year ended December 31, 2019 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million and Rs. 9,006 million respectively for reasons described in the said note.

Our conclusion is not qualified in respect of above matters.

Other Matter

The figures for the quarters ended December 31, 2019 and December 31, 2018 in the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Company for the year ended June 30, 2019 and unconsolidated condensed interim financial statement of the Company for the half year ended December 31, 2018 were audited and reviewed by another firm of Chartered Accountants who have expressed a modified opinion and conclusion thereon vide their reports dated July 14, 2021 and November 07, 2020 respectively.

The engagement partner on the review resulting in this independent auditor's review report is Zulfikar Ali Causer.

M/s BDO Ebrahim & Co.
Chartered Accountants

Dated: November 24, 2021
Place: Karachi

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**131,602,222**	129,720,492
Intangible assets		**8,254**	21,413
Right of use assets	8	**284,345**	-
Long term investments	9	**1,269,300**	1,236,149
Net investment in finance lease		**160,041**	188,949
Long term loans and advances		**189,013**	184,039
Long-term deposits		**19,104**	18,801
Total non-current assets		**133,532,279**	131,369,843
Current assets			
Stores, spares and loose tools		**2,363,571**	2,363,680
Stock-in-trade		**1,621,890**	1,799,292
Current maturity of net investment in finance lease		**57,814**	57,814
Customers' installation work-in-progress		**230,065**	211,349
Trade debts	10	**87,524,942**	84,156,885
Loans and advances		**1,913,236**	2,184,117
Advances, deposits and short term prepayments		**310,627**	202,441
Interest accrued	11	**14,149,720**	13,110,415
Other receivables	12	**289,061,885**	272,693,110
Taxation - net		**19,447,669**	19,536,007
Cash and bank balances		**281,847**	338,294
Total current assets		**416,963,266**	396,653,404
Total assets		**550,495,545**	528,023,247

The annexed notes from 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

Dr. Shamshad Akhtar	**Imran Maniar**	**Muhammad Amin Rajput**
Chairperson	**Managing Director**	**Chief Financial Officer**

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (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 FVTOCI securities		**232,772**	199,621
Surplus on revaluation of property, plant and equipment		**21,043,031**	21,043,031
Accumulated losses		**(56,463,860)**	(42,981,531)
		(21,471,493)	(8,022,315)
LIABILITIES			
Non-current liabilities			
Long term finance	13	**33,000,825**	36,919,543
Long term deposits		**19,246,680**	17,559,361
Employee benefits		**6,250,133**	5,847,259
Obligation against pipeline		**850,454**	879,331
Deferred credit	14	**4,630,056**	4,844,471
Contract liabilities	15	**5,122,852**	4,402,391
Lease liability		**120,327**	-
Long term advances		**3,054,753**	3,070,033
Total non-current liabilities		**72,276,080**	73,522,389
Current liabilities			
Current portion of long term finance	13	**8,087,081**	9,837,805
Short term borrowings	16	**24,474,234**	16,294,237
Trade and other payables	17	**448,504,225**	417,608,590
Current portion of obligation against pipeline		**56,488**	54,014
Current portion of deferred credit	14	**416,288**	394,735
Current portion of contract liabilities	15	**171,982**	166,933
Current portion of lease liability		**111,079**	-
Unclaimed dividend		**285,430**	285,434
Interest accrued	18	**17,584,151**	17,881,425
Total current liabilities		**499,690,958**	462,523,173
Contingencies and commitments	19		
Total equity and liabilities		**550,495,545**	528,023,247

The annexed notes from 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
For the period ended December 31, 2019

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018	Quarter ended December 31, 2019	Quarter ended December 31, 2018
		(Un-Audited)			
		(Rupees in '000)			
Sales		**161,360,895**	123,433,876	**79,176,193**	67,625,232
Sales tax		**(24,059,065)**	(16,009,423)	**(11,825,329)**	(8,881,667)
	20	**137,301,830**	107,424,453	**67,350,864**	58,743,565
Gas development surcharge	21	**1,758,692**	34,423,083	**1,016,382**	18,935,847
RLNG differential margin	22	**(1,424,153)**	(7,086,092)	**(1,151,674)**	(2,873,240)
		334,539	27,336,991	**(135,292)**	16,062,607
Net sales		**137,636,369**	134,761,444	**67,215,572**	74,806,172
Cost of sales	23	**(153,702,577)**	(135,689,381)	**(74,697,194)**	(73,989,573)
Gross (loss) / profit		**(16,066,208)**	(927,937)	**(7,481,622)**	816,599
Administrative and selling expenses		**(2,407,198)**	(2,275,277)	**(1,236,542)**	(1,151,957)
Other operating expenses	24	**(89,939)**	(7,069,672)	**(59,379)**	(5,659,075)
Impairment loss against financial assets		**(921,552)**	-	**(596,114)**	-
		(3,418,689)	(9,344,949)	**(1,892,035)**	(6,811,032)
		(19,484,897)	(10,272,886)	**(9,373,657)**	(5,994,433)
Other income	25	**11,101,830**	6,858,312	**3,833,665**	3,734,145
Operating loss		**(8,383,067)**	(3,414,574)	**(5,539,992)**	(2,260,288)
Finance cost		**(3,973,653)**	(3,390,073)	**(2,812,098)**	(1,633,123)
Loss before taxation		**(12,356,720)**	(6,804,647)	**(8,352,090)**	(3,893,411)
Taxation	26	**(1,125,609)**	(718,923)	**(538,675)**	(406,435)
Loss for the period		**(13,482,329)**	(7,523,570)	**(8,890,765)**	(4,299,846)
Basic and diluted loss per share (Rupees)		**(15.30)**	(8.54)	**(10.09)**	(4.88)

The annexed notes from 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

Dr. Shamshad Akhtar Chairperson	Imran Maniar Managing Director	Muhammad Amin Rajput Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2019

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-Audited)			
	(Rupees in '000)			
Loss for the period	**(13,482,329)**	(7,523,570)	**(8,890,765)**	(4,299,846)
Other comprehensive income				
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss				
Unrealised gain / (loss) on re-measurement of FVTOCI securities	**33,151**	(101,108)	**62,482**	(66,547)
Total comprehensive loss for the period	**(13,449,178)**	(7,624,678)	**(8,828,283)**	(4,366,393)

The annexed notes from 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

Dr. Shamshad Akhtar	**Imran Maniar**	**Muhammad Amin Rajput**
Chairperson	**Managing Director**	**Chief Financial Officer**

UNCONSOLIDATED CONDENSED INTERIM STATEMNT OF CASH FLOW

For the period ended December 31, 2019

	Note	Half year ended December 31, 2019	December 31, 2018
		(Un-audited)	
		--------(Rupees in '000)--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(12,356,720)	(6,804,647)
Adjustments for non-cash and other items	27	9,226,359	7,639,097
Working capital changes	28	10,444,058	336,190
Financial charges paid		(4,475,517)	(2,829,406)
Employee benefits paid		(56,634)	(15,285)
Payment for retirement benefits		(714,335)	(786,615)
Long term deposits received - net		1,687,319	967,681
Deposits paid - net		(303)	-
Loans and advances to employee - net		265,907	(226,942)
Interest income received		60,303	101,525
Income taxes paid		(1,037,270)	(625,192)
Net cash generated from / (used in) operating activities		3,043,168	(2,243,594)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(5,505,627)	(3,650,658)
Payment for obligation against pipeline		(67,866)	(67,866)
Proceeds from sale of property, plant and equipment		59,913	66,788
Lease rental from net investment in finance lease		47,033	50,039
Dividend received		1,849	-
Net cash used in investing activities		(5,464,698)	(3,601,697)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		-	9,523
Repayments of local currency loans		(5,679,183)	(4,800,000)
Repayment of customer finance		(15,257)	(6,074)
Repayment of lease liability		(120,470)	-
Dividend paid		(4)	(124)
Net cash used in financing activities		(5,814,914)	(4,796,675)
Net decrease in cash and cash equivalents		(8,236,444)	(10,641,966)
Cash and cash equivalents at beginning of the period		(15,955,943)	(9,349,548)
Cash and cash equivalents at end of the period		(24,192,387)	(19,991,514)
Cash and cash equivalent comprises:			
Cash and bank balances		281,847	448,003
Short term borrowings		(24,474,234)	(20,439,517)
		(24,192,387)	(19,991,514)

The annexed notes from 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the period ended December 31, 2019

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	(Rupees in '000)						
Balance as at July 1, 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 December 31, 2018							
Loss for the period	-	-	-	-	-	(7,523,570)	(7,523,570)
Other comprehensive loss for the period	-	-	-	(101,108)	-	-	(101,108)
	-	-	-		-	(7,523,570)	(7,624,678)
Balance as at December 31, 2018	8,809,163	234,868	4,672,533	233,697	13,673,415	(31,842,049)	(4,218,373)
Balance as at June 30, 2019 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**199,621**	**21,043,031**	**(42,981,531)**	**(8,022,315)**
Total comprehensive loss for the period ended December 31, 2019							
Loss for the period	-	-	-	-	-	(13,482,329)	(13,482,329)
Other comprehensive income for the period	-	-	-	33,151	-	-	33,151
	-	-	-	33,151	-	(13,482,329)	(13,449,178)
Balance as at December 31, 2019	**8,809,163**	**234,868**	**4,672,533**	**232,772**	**21,043,031**	**(56,463,860)**	**(21,471,493)**

The annexed notes from 1 to 34 form an integral part of these unconsolidated condensed interim financial statements.

Dr. Shamshad Akhtar
Chairperson

Imran Maniar
Managing Director

Muhammad Amin Rajput
Chief Financial Officer

1 STATUS AND NATURE OF BUSINESS

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

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

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

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

1.2 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17.43% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial cost and other non-operating expenses and non-operating income.

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

1.3 Financial Performance

During the period, the Company has incurred a loss after tax of Rs. 13,482 million resulting in increase in its accumulated losses to Rs. 56,464 million and reducing equity to Rs. 21,471 million after including the impact of staggering as disclosed in note 2.3 to this unconsolidated condensed interim financial statement. As at period end, current liabilities exceed its current asset by Rs. 82,728 million.

The Company's financial performance for the period has been 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 for 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.

- Government of Pakistan (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 of Directors.

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

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

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

1.4 Determination of revenue requirement

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

Being aggrieved by the above decision, the Company had filed an appeal against the decision of OGRA in the High Court of Sindh ("the Court"), on which the Court provided interim relief, 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 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 allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, profit from meter manufacturing, late payment surcharge, and sale of gas condensate as operating income. The Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan.

On January 25, 2017, against the abovementioned Sindh High Court judgement. But the management has considered OGRA's decision in preparation of this unconsolidated condensed interim financial statement for the period ended December 31, 2019.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

The unconsolidated condensed interim financial statements has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in these unconsolidated condensed interim financial statements is based on FRR determined by OGRA for the financial year ended June 30, 2019. However, in these unconsolidated condensed interim financial statements, exceptional UFG disallowances made in DFRR for FY 2018-19 pertaining to internal consumption, UFG on transmission and distribution (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 against FRR FY 2018-19 already filed and also reclaimed in FRR petition for FY 2019-20.

These unconsolidated condensed interim financial statements do not include all information required for annual audited unconsolidated financial statements and should be read in conjunction with the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2019.

2.2 These unconsolidated condensed interim financial statements is un-audited but subject to limited scope review by the auditors and are being submitted to shareholders as required by the listing regulations of the SECP and section 237 of the Companies Act, 2017.

2.3 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 condensed interim 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 financial years 2011 to 2015 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) for allowing staggering of Rs. 18,359 million in five years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years (FY 2016-17 to FY 2020-21) and the same practice was carried out till FY 2018-19. However management has decided to record remaining balance of staggering i.e Rs 7,344 million in FY 2019-20 which has been proportionally (Rs.3,672 million) accounted for in these unconsolidated condensed interim financial statements.

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.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of these unconsolidated condensed interim financial statements are the same as those applied in preparation of the annual unconsolidated audited financial statements of the Company for the year ended June 30, 2019 except for the following:

3.1 IFRS 16 : "Leases"

The Company has adopted IFRS 16: "Leases", which replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains Lease', SIC-15 'Operating Lease - Incentive 'and SIC-27 'Evaluating the substance of transaction involving the legal form of Lease'.

IFRS 16 introduced a single, on balance sheet lease accounting model for leases. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to IAS -17 standard i.e. lessors continue to classify leases as finance or operating lease.

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to leases which had previously been classified as 'Operating Lease' under the principles of IAS-17 'Leases'. These liabilities have been recognized at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate of 13.21%.

The Company has applied IFRS 16 for the first time as of July 01, 2019 using the cumulative catch-up approach in accordance with the transition provisions set out in IFRS 16. This approach allows the application of IFRS 16 retrospectively without restating the prior-years figures while accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous rules.

The following summary reconciles the Company's operating lease commitments to the lease liability recognized on initial application of IFRS 16 at July 01, 2019.

	(Rupees in '000)
Lease liability recognized at July 01, 2019	**334,617**

The right-of-use assets were measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in these unconsolidated condensed interim statements of financial position as at December 31, 2019.

Increase in right of use assets	**347,263**
Decrease in prepayments - prepaid rent	**(12,646)**
Increase in total assets	**334,617**
Increase in lease liability	**(334,617)**
Decrease in net assets	**-**

Impact on profit or loss

The Company operates under fixed tariff regime, therefore, adoption of IFRS 16 has no impact on the Company's profitability as the impact is considered as a pass through item.

3.2 IFRS 14: "Regulatory Deferral Account"

International Financial Reporting Standard (IFRS 14) is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with similar entities that already apply IFRS, but which do not recognize regulatory deferral accounts. This would be achieved by requiring separate presentation of the regulatory deferral account balances (and movements in these balances) in the statement of financial position, statement of profit or loss and statement of comprehensive income. Further, IFRS-14 also requires to disclose multiple earnings per share. However, considering the Company's Regulator Deferral amount as part of Circular Debt prevailing in oil, gas and energy sector, an application for exemption from implementation of IFRS 14 was submitted with SECP, which has been acceded to for the period of 3 years i.e upto FY 2021-22. As management awaits determination of Final Revenue Requirement (FRR) for FY 2019-20 by Oil and Gas Regulatory Authority (OGRA) hence, IFRS 14 related disclosure shall only be incorporated in annual unconsolidated financial statements for the year ended June 30, 2020.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited unconsolidated financial statements for the year ended June 30, 2019. 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.

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, 2019.

6 PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Operating assets	**117,924,488**	118,193,544
Capital work-in-progress	**13,677,734**	11,526,948
	131,602,222	129,720,492

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

	December 31, 2019		December 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				
Buildings on leasehold land	**105,319**	**-**	35,672	-
Gas distribution system	**2,351,262**	**-**	2,582,405	-
Gas transmission pipelines	**546,984**	**-**	1,831,516	-
Telecommunication	**-**	**(698)**	3,601	-
Plant and machinery	**113,688**	**(1,346)**	39,794	-
Tools and equipment	**5,962**	**-**	8,744	-
Motor vehicles	**77,870**	**(12,841)**	156,036	(22,967)
Furniture and fixtures	**19,860**	**-**	4,248	-
Office equipment	**7,229**	**(17)**	15,393	-
Computers and ancillary equipments	**55,031**	**-**	1,569	-
Construction equipment	**-**	**(236)**	23,858	-
SCADA	**-**	**-**	29,320	-
Compressors	**594,149**	**-**	33,632	-
	3,877,354	**(15,138)**	4,765,788	(22,967)

	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
Gas distribution system	**3,121,781**	**(2,351,262)**	2,862,924	(2,582,405)
Gas transmission system	**1,034,353**	**(546,984)**	404,861	(1,831,516)
Cost of buildings under construction and others	**306,577**	**(105,319)**	36,093	(35,672)
	4,462,711	**(3,003,565)**	3,303,878	(4,449,593)

During the period, there has been net increase / (decrease) in respect of stores and spares held for capital projects and others amounting to Rs. 591 million (December 31, 2018: Rs. (60.5) million).

7 As at December 31, 2019, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 33,162 million (June 30, 2019: Rs. 29,312 million) out of which deferred tax asset amounting to Rs.13,276 million has been recognised and remaining balance of Rs 19,886 million is unrecognised. As at period end, the Company's minimum tax credit amounted to Rs.3,139 million (June 30, 2019: Rs. 2,813 million) having expiry period ranging between 2022 and 2024.

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
8 RIGHT OF USE ASSETS		
Opening balance	**-**	-
Impact on application of IFRS 16	**347,263**	-
Additions during the period / year	**-**	-
	347,263	-
Movement during the period / year		
Additions	**347,263**	-
Less: depreciation charge for the period / year	**62,918**	-
Closing balance	**284,345**	-
Cost	**347,263**	-
Accumulated depreciation	**(62,918)**	-
Net book value	**284,345**	-

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

9 LONG TERM INVESTMENTS

Investment at cost	**1,000,001**	1,000,001
Investments - fair value through other comprehensive income	**269,299**	236,148
	1,269,300	1,236,149

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
10 TRADE DEBTS			
Secured		**31,582,476**	26,903,030
Unsecured		**72,496,620**	72,886,457
	10.1&10.2	**104,079,096**	99,789,487
Provision against doubtful debts		**(16,554,154)**	(15,632,602)
		87,524,942	84,156,885

10.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per 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, the trade debts includes Rs. 31,238 million (June 30, 2019: Rs. 32,888 million) as at December 31, 2019 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2019: Rs. 29,652 million) as at December 31, 2019 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs 106,359 million (June 30, 2019: Rs. 100,319 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 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 instalments, 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 accounts which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

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

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

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017.

Currently, management is in a process to negotiate payment plan, which hasn't been finalised till the issuance of these unconsolidated condensed interim financial statements but the supply of gas and payment is continuing as per old plan.

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

10.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per 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, the trade debts includes Rs. 24,166 million (June 30, 2019: Rs. 23,661 million) including overdue balance of Rs. 24,079 million (June 30, 2019: Rs. 23,598 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 64,543 million (June 30, 2019: Rs. 61,217 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 counsel of the Company is of the view that due to vagaries of litigation nothing could be expressed with any degree of certainty in the contested matters.

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

		Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
			--------(Rupees in '000)--------	
11	**INTEREST ACCRUED**			
	Interest accrued on late payment of bills / invoices from:			
	Water & Power Development Authority (WAPDA)		**4,100,172**	3,741,367
	Sui Northern Gas Pipelines Limited (SNGPL)		**8,119,102**	7,546,501
	Jamshoro Joint Venture Limited (JJVL)		**578,798**	578,798
			12,798,072	11,866,666
	Interest accrued on sales tax refund		**487,739**	487,739
	Interest accrued on loan to related party		**976,309**	868,410
			14,262,120	13,222,815
	Provision against impaired accrued income		**(112,400)**	(112,400)
			14,149,720	13,110,415
12	**OTHER RECEIVABLES**			
	Gas development surcharge receivable from Government of Pakistan (GoP)	12.1	**142,218,466**	140,160,555
	Receivable from SNGPL for differential tariff		**626,981**	-
	Receivable from staff pension fund		**-**	7,133
	Receivable from HCPCL	12.2	**4,157,839**	4,157,839
	Balance receivable for sale of gas condensate		**42,949**	42,107
	Receivable from SNGPL - a related party	12.3	**85,638,030**	71,884,848
	Receivable from Jamshoro Joint Venture Limited (JJVL)	12.4 & 12.5	**11,786,640**	11,530,044
	Receivable from SSGC LPG (Private) Limited		**30,526**	30,129
	Sales tax receivable	12.6	**46,537,403**	46,812,396
	Sindh sales tax		**112,976**	112,976
	Receivable against asset contribution	12.7	**413,840**	451,011
	Miscellaneous		**83,109**	90,946
			291,648,759	275,279,984
	Provision against other receivables		**(2,586,874)**	(2,586,874)
			289,061,885	272,693,110
12.1	**Gas Development Surcharge receivable from GoP**			
	Opening Balance		**140,160,555**	53,499,313
	Recognized in statement of profit or loss		**1,758,692**	84,884,740
	Recognized in OCI claim under IAS 19		**-**	1,311,533
	Subsidy for LPG air mix operations		**299,219**	464,969
	Closing Balance		**142,218,466**	140,160,555
12.2	**Receivable from Habibullah Coastal Power Company Private Limited (HCPCL)**			
	Amount of LD charges as per arbitration award		**3,938,382**	3,938,382
	Subsequent LDs raised by HCPCL on Award Principle		**219,457**	219,457
			4,157,839	4,157,839

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

On April 30, 2018, ICC issued decision in favor of HCPCL and the Company was made liable to make payment to HCPCL as a final reward in the form of indemnity, liquidated damages (LD), interest on LD and legal and professional charges. The said final reward was adjusted by HCPCL against running gas bills issued by the 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 running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
12.3 As at year end, receivable balance from SNGPL comprises of the following:			
Uniform cost of gas		**15,818,845**	15,818,845
Lease rentals		**386,526**	224,440
Contigent rent		**3,535**	3,535
LSA margins		**2,380,765**	1,897,684
Capacity and utilisation charges of RLNG	12.3.1	**42,602,717**	33,298,113
RLNG transportation income		**24,445,642**	20,642,231
		85,638,030	71,884,848

12.3.1 The Company has invoiced an amount of Rs. 72,839 million, including sindh sales tax of Rs. 9,631 million, till December 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 (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Company. For quantity supplied to PAFCL, PAFCL is making payment directly to the company according to the payment plan finalized subsequent to end of reporting date. The Company has finalized its payment plan with PAFCL in which PAFCL is required to make eight equal monthly installments of Rs. 201 million per month. Till July 2019, the Company has received all eight installments.

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

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume to the 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 volumes when dedicated pipeline is available.

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

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

12.4 This include amount receivable in respect of royalty income, sale of liquefied petroleum gas, sale of natural gas liquids, federal excise duty and sindh sales tax on franchise services.

As at period end, amount payable to JJVL in respect of processing charges is disclosed in note 17 to these unconsolidated condensed interim financial statements.

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

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

12.6 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales tax refunds are processed through FBR’s sales Tax Automated Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR through a letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012.

After withdrawal of said dispensation, the deferred refunds are issued to the Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds. Subsequent to the period end, the Company has made extensive efforts and accordingly refunds of around Rs. 11,900 million were released.

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

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
13 LONG-TERM FINANCE			
Secured			
Loans from banking companies	13.1 & 13.2	**40,124,346**	45,786,848
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Customer financing		**179,206**	194,464
Government of Sindh loans		**760,404**	752,086
		963,560	970,500
		41,087,906	46,757,348
Less: Current portion shown under Current liabilities			
Loans from banking companies		**(7,875,000)**	(9,625,000)
Customer financing		**(25,414)**	(26,138)
Government of Sindh loans		**(186,667)**	(186,667)
		(8,087,081)	(9,837,805)
		33,000,825	36,919,543

13.1 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. 1500 million has been made.

13.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2019 the Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 4,275 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 (RLNG) assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)-------	

14 DEFERRED CREDIT

	Note	December 31, 2019	June 30, 2019
Government of Pakistan contributions / grants			
Opening balance		**3,064,028**	3,285,092
Additions / adjustments during the period / year		**14,363**	89,596
Transferred to unconsolidated statement of profit or loss	25	**(140,285)**	(310,660)
Closing balance		**2,938,106**	3,064,028
Government of Sindh (Conversion of loan into grant)			
Opening balance		**2,025,211**	2,133,559
Additions during the period / year		**919**	6,367
Transferred to unconsolidated statement of profit or loss	25	**(57,403)**	(114,715)
Closing balance		**1,968,727**	2,025,211
Government of Sindh grants			
Opening balance		**149,967**	173,218
Transferred to unconsolidated statement of profit or loss	25 & 14.1	**(10,456)**	(23,251)
Closing balance		**139,511**	149,967
		5,046,344	5,239,206
Less: Current portion of deferred cre(		**(416,288)**	(394,735)
		4,630,056	4,844,471

14.1 This represents the benefit of lower interest rate on Government of Sindh Loan III, IV and V, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan III, IV and V and its initial fair value. The amount of Government of Sindh loan after conversion amounting to Rs 940 million and its initial fair value is amounting to Rs. 170 million based on Rs. 398 million. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised in unconsolidated statement of profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

15 CONTRACT LIABILITIES

	Note	December 31, 2019	June 30, 2019
Contribution from customers	15.1	**1,464,843**	1,406,461
Advance received from customers for laying of mains, etc.		**3,658,009**	2,995,930
		5,122,852	4,402,391

15.1 Contribution from customers

	December 31, 2019	June 30, 2019
Opening balance	**1,573,394**	1,016,899
Additions / adjustments during the period / year	**149,422**	721,747
Transferred to unconsolidated statement of profit or loss	**(85,991)**	(165,252)
	1,636,825	1,573,394
Less: Current portion of contributions from customers	**(171,982)**	(166,933)
Closing balance	**1,464,843**	1,406,461

15.2 The Company 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.

16 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, 2019: Rs. 25,000 million) and subject to mark-up to 1.30% to 0.60% (June 30, 2019: 0.20%) above the average one month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 526 million (June 30, 2019: Rs. 8,706 million).

17 TRADE AND OTHER PAYABLES

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
Indigenous Gas	17.1	**339,702,220**	332,632,340
RLNG		**67,559,152**	44,018,023
		407,261,372	376,650,363
Accrued liabilities		**3,329,124**	4,240,256
RLNG differential margin payable to GoP		**13,037,284**	9,305,131
Payable to SNGPL for differential tariff		**-**	1,681,019
Engro Elengy Terminal Limited		**1,833,058**	1,984,729
Provision for compensated absences - non executives		**303,441**	303,441
Payable to pension		**173,219**	-
Payable to staff gratuity fund		**4,751,663**	5,091,663
Deposits / retention money		**580,244**	668,656
Advance for sharing right of way		**18,088**	18,088
Withholding tax payable		**333,681**	186,402
Sales tax and FED payable		**291,637**	311,293
Processing Charges payable to JJVL		**8,528,447**	8,528,447
Gas infrastructure development cess payable		**7,269,528**	7,338,595
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Sindh sales tax on services		**105,548**	131,616
Workers's profit participation fund		**174,515**	174,515
Others		**511,576**	992,576
		448,504,225	417,608,590

17.1 As at December 31, 2019, amount of Rs. 282,695 million (June 30, 2019: Rs. 241,478 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2019: Rs. 15,832 million) on their balances which have been presented in note 18.1 in this unconsolidated condensed interim financial statement.

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
18 INTEREST ACCRUED			
Long term financing - loans from banking companies		**799,170**	760,139
Long term deposits from customers		**234,433**	440,115
Short term borrowings		**274,919**	405,542
Late payment surcharge on processing charges		**438,392**	438,392
Late payment surcharge on gas development surcharge		**4,826**	4,826
Late payment surcharge on gas supplies	18.1	**15,832,411**	15,832,411
		17,584,151	17,881,425

18.1 As disclosed in note 10.1 and 10.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.. However, the Company continued recognition of the LPS expense payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the 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. The Company's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

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

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017; June 30, 2018; June 30, 2019 and for the period ended December 31, 2019 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 and Rs. 9,006 million respectively on outstanding payables to Government Controlled E&P Companies, the effect in this unconsolidated condensed interim financial statement would be as follows:

	(Rupees in million)
- Increase in loss before tax	**9,006**
- Increase in loss after tax / accumulated loss	**6,394**
- Increase in loss per share - rupees	**7.26**
- Increase in accumulated losses	**60,799**
- Increase trade payables	**60,799**
- Increase deferred tax liability	**18,645**

		December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
19	**CONTINGENCIES AND COMMITMENTS**		
19.1	Commitments for capital and other expenditures	**5,984,269**	5,279,534
19.2	Guarantees issued on behalf of the Company	**6,333,645**	5,377,792

19.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 144,120 million (June 30, 2019: Rs. 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, 2019: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the 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 customer and the customer agrees to buy and accept a quantity of not less than 62 MMCF of Quality Natural Gas per day at its power station at Jamshoro".

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

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

19.4 As disclosed in note 18.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019 and for the period ended December 31, 2019 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million and Rs.9,006 million in this unconsolidated condensed interim financial statement. 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.

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

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

Subsequently, SCP through its order dated November 16, 2018, based on the report by a firm of Chartered Accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL, which has been accordingly received by the Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

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

The Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties.

After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the Court and would supervise the project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the firm of Chartered Accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Company and 43% to JJVL on ad-hoc basis and an agreement was signed between the Company and JJVL and submitted to SCP for its approval and the same was validated by SCP in its order dated December 29, 2018.

SCP also directed the Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement is valid for 1.5 years from the date of agreement and unless renewed by the parties through mutual written consent it shall stand terminated automatically. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

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

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

19.6 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 these unconsolidated condensed interim financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

19.7 Income tax authorities have passed orders for the tax years 2007, 2008, 2009, 2013, 2014, 2015 & 2017 disallowing tax depreciation on fixed assets held under musharka arrangement.

All the Orders were contested before Commissioner (Appeals) who decided the case in Company's favour for tax years 2009, 2013, 2014, 2015 & 2017 while similar Orders are expected for other years.

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

19.8 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, 2015-16, 2016-17 and 2017-18.

All the Orders were contested before Commissioner (Appeals) who decided the cases in Company's favor. However, the said Commissioner (Appeals) Orders in SSGC favor have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue.

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 Company's case, therefore no provision has been made in these unconsolidated condensed interim financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

19.9 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's 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 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 but no order has yet been passed.

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 these unconsolidated condensed interim financial statements as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

19.10 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs.1,314 million alongwith default surcharge and penalty for incorrect 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 these unconsolidated condensed interim financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

19.11 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.

Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issues decided in Company's favor.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Company. Upon appeal by the Company against DCIR Order, the Commissioner (Appeals) upheld the disallowance of minimum tax adjustment for FY 2008-09 whereas issues of refund adjustment for FY 2008-09, partial adjustment for minimum tax for FY 2005-06 and credit of tax deducted at source were again remanded back to DCIR.

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

19.12 As disclosed in Note 10 to this unconsolidated condensed interim financial statements - Trade Debts, Interest Income from K-Electric (KE) and Pakistan Steel (PSML) is not being recognized in the Financial Statements, in accordance with requirements of International Accounting Standards as well as Legal and Accounting Opinions obtained by the Company. However, Tax Authorities have passed Orders for FY 2014-15 to 2017-18 on said unrecognized Interest Income from K-Electric (KE) and Pakistan Steel (PSML). Appeal against the said Orders have been filed before Commissioner (Appeals), who decided the case against the Company upon which Company has filed appeal before Appellate Tribunal Inland Revenue.

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

19.13 Tax Authorities' have passed Federal Excise Duty (FED) Order for FY 2017-18 raising FED Demand on Re-gasification of LNG into RLNG, supply of RLNG to customers and supply of Natural Gas to customers (on which LPG / NGL extraction process was performed).

Appeal against the said Order has been filed before Commissioner (Appeals), which is pending adjudication.

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

19.14 Tax Authorities have passed Order for Tax Year 2015 disallowing Interest Expense on delayed payment to E&P companies for gas purchases as well as taxing benefit of lower interest rate on Government of Sindh Loans, among other observations.

The matter was contested before Commissioner (Appeals) who decided the case in Company's favor.

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

19.15 The Company is subject to various other claims totaling Rs. 2,074 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)			
	-----------(Rupees in '000)--------------			
20 SALES				
Sale of Indigenous gas	**135,464,335**	96,721,119	**66,129,311**	54,697,567
Sale of RLNG	**25,896,560**	26,712,757	**13,046,882**	12,927,665
	161,360,895	123,433,876	**79,176,193**	67,625,232
Less: Sales tax				
Indigenous gas	**(20,248,969)**	(12,697,292)	**(9,905,435)**	(7,039,493)
RLNG	**(3,810,096)**	(3,312,131)	**(1,919,894)**	(1,842,174)
	(24,059,065)	(16,009,423)	**(11,825,329)**	(8,881,667)
	137,301,830	107,424,453	**67,350,864**	58,743,565
21 GAS DEVELOPMENT SURCHARGE (GDS)				
GDS recovered during the period	**(2,356,140)**	3,942,609	**(1,410,593)**	3,120,016
Price increase adjustment for the period	**8,085,836**	32,548,842	**4,429,565**	16,860,954
Impact of staggering	**(3,671,785)**	(1,835,893)	**(1,835,893)**	(917,946)
Subsidy for LPG air mix operations	**(299,219)**	(232,475)	**(166,697)**	(127,177)
	1,758,692	34,423,083	**1,016,382**	18,935,847
22 RLNG DIFFERENTIAL MARGINS				
RLNG Differential Margin - OGRA	**(3,732,153)**	(3,443,648)	**(1,456,448)**	(1,906,948)
RLNG Differential Margin - SNGPL	**2,308,000**	(3,642,444)	**304,774**	(966,292)
	(1,424,153)	(7,086,092)	**(1,151,674)**	(2,873,240)
23 COST OF SALES				
Cost of gas	**142,621,343**	125,845,749	**69,046,908**	68,966,840
Transmission and distribution costs	**11,081,234**	9,843,632	**5,650,286**	5,022,733
	153,702,577	135,689,381	**74,697,194**	73,989,573
Cost of gas				
Opening gas in pipelines	**1,214,410**	689,805	**1,304,466**	917,458
RLNG purchases	**21,018,865**	16,339,045	**9,775,784**	8,477,594
Gas purchases	**124,413,403**	110,581,795	**60,695,306**	60,954,084
	146,646,678	127,610,645	**71,775,556**	70,349,136
Gas consumed internally	**(2,832,212)**	(731,370)	**(1,535,526)**	(348,770)
Closing gas in pipelines	**(1,193,123)**	(1,033,526)	**(1,193,123)**	(1,033,526)
	(4,025,335)	(1,764,896)	**(2,728,649)**	(1,382,296)
	142,621,343	125,845,749	**69,046,907**	68,966,840
24 OTHER OPERATING EXPENSES				
Auditors' remuneration	**3,537**	5,404	**1,769**	2,503
Sports expenses	**75,232**	45,229	**56,440**	27,075
Corporate social responsibility	**11,170**	2,029	**1,170**	689
Exchange loss	-	6,646,032	-	5,401,402
Provision against impaired stores and spares	-	13,566	-	2,919
Provision against doubtful debts	-	357,412	-	224,487
	89,939	7,069,672	**59,379**	5,659,075

25 OTHER INCOME

	Half year ended December 31, 2019	Half year ended December 31, 2018	Quarter ended December 31, 2019	Quarter ended December 31, 2018
	(Un-audited)			
	-----------(Rupees in '000)--------------			
Income from financial assets				
Income for receivable against asset contribution	**21,885**	20,391	**10,698**	10,562
Interest income on loan to related party	**107,899**	72,604	**69,314**	38,867
Income from net investment in finance lease	**18,125**	23,304	**9,062**	11,652
Return on term deposits and profit and loss bank accounts	**38,417**	14,357	**24,341**	9,516
	186,326	130,656	**113,415**	70,597
Interest income on late payment of gas bills				
Jamshoro Joint Venture Limited (JJVL)	**-**	160,843	**-**	83,397
Water & Power Development Authority (WAPDA)	**358,805**	108,057	**187,354**	71,968
	358,805	268,900	**187,354**	155,365
Dividend income	**1,849**	-	**-**	-
	546,980	399,556	**300,769**	225,962
Income from other than financial assets				
Late payment surcharge	**716,263**	660,462	**340,428**	402,144
Interest income on late payment of gas bills from SNGPL - related party	**572,601**	566,877	**286,301**	286,301
Sale of gas condensate - net	**(8,973)**	(11,180)	**(4,485)**	(5,372)
Income from LPG / NGL - net	**221,200**	6,944	**326,140**	-
Meter manufacturing division profit - net	**9,221**	7,064	**6,105**	5,772
Meter rentals	**396,817**	384,444	**199,337**	192,766
RLNG transportation income	**4,249,382**	4,007,462	**1,866,182**	2,205,948
Recognition of income against deferred credit and contract liability	**267,834**	260,838	**134,567**	132,099
Income from LPG air mix distribution - net	**51,145**	63,759	**29,138**	31,587
Income from sale of tender documents	**1,737**	2,507	**555**	1,341
Scrap sales	**30,241**	27,514	**29,033**	3,484
Recoveries from consumers	**27,373**	40,596	**11,883**	20,791
Liquidity damaged recovered	**13,939**	(12,164)	**7,018**	756
Exchange gain	**3,005,123**	-	**(415,111)**	-
Reversal of excess provision against impaired stores and spares	**7,480**	-	**8,998**	-
Gain on sale of property, plant and equipment	**44,775**	43,821	**3,804**	20,424
Amortization of Government grant	**10,456**	11,594	**5,228**	5,764
Rental income from SSGC LPG (Pvt) Limited	**385**	385	**255**	192
LSA margins against RLNG	**449,642**	389,560	**218,468**	199,379
Miscellaneous	**488,209**	8,273	**479,052**	4,808
	11,101,830	6,858,312	**3,833,665**	3,734,145

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018	Quarter ended December 31, 2019	Quarter ended December 31, 2018
		(Un-audited)			
		--------(Rupees in '000)--------			
26 TAXATION					
Current		**1,125,609**	718,923	**538,675**	406,435
Deferred	7	**-**	-	**-**	-
		1,125,609	718,923	**538,675**	406,435

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018
		(Un-audited)	
		--------(Rupees in '000)--------	
27 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	27.1	**1,943,900**	1,303,217
Depreciation on owned assets		**3,890,490**	3,729,075
Depreciation on right of use assets		**62,918**	-
Amortization of intangibles		**12,842**	15,109
Finance cost		**3,889,932**	3,321,349
Amortization of transaction cost		**24,998**	24,998
Amortization of Government grant		**(10,456)**	(11,594)
Recognition of income against deferred credit and contract liability		**(294,135)**	(287,679)
Dividend income		**(1,849)**	-
Interest income and return on term deposits		**(1,099,608)**	(943,129)
Income from net investment in finance lease		**(18,125)**	(23,304)
Gain on disposal of property plant and equipment		**(44,775)**	(43,821)
Decrease in long term advances		**(15,280)**	(11,416)
Increase in deferred credit and contract liability		**826,783**	522,566
Finance cost on lease liability		**17,260**	-
Decrease in obligation against pipeline		**41,464**	43,726
		9,226,359	7,639,097
27.1 Provisions			
Provision against slow moving / obsolete stores		**8,152**	30,366
Provision against doubtful debts		**921,552**	357,412
Provision for compensated absences		**-**	38,016
Provision for post retirement medical and free gas supply facilities		**459,509**	325,740
Provision against retirement benefit		**554,687**	551,683
		1,943,900	1,303,217
28 WORKING CAPITAL CHANGES			
Decrease / (increase) in current assets			
Stores and spares		**9,980**	(409,458)
Stock-in-trade		**176,730**	(513,225)
Customers' installation work-in-progress		**(18,716)**	(26,336)
Trade debts		**(4,289,609)**	(3,905,173)
Advances, deposits and short term prepayments		**(120,832)**	(162,122)
Other receivables		**(16,375,910)**	(53,035,877)
		(20,618,357)	(58,052,191)
Increase in current liabilities			
Trade and other payables		**31,062,415**	58,388,381
		10,444,058	336,190

29 TRANSACTIONS WITH RELATED PARTIES

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

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

	Relationship	Half year ended December 31, 2019	Half year ended December 31, 2018
		(Un-audited)	
		(Rupees in '000)	
* **Attock Cement Limited**	**Associate**		
- Billable charges		**-**	47,042
Government related entities			
- Purchase of fuel and lubricant		**25,576**	22,693
- Billable charges		**16,284,996**	14,564,697
- Mark-up expense on short term finance		**64,795**	32,263
- Mark-up expense on long term finance		**363,708**	255,175
- Income from net investment in finance lease		**18,125**	23,304
- Gas purchases		**62,582,922**	53,090,488
- Sale of gas meters		**21,762**	9,213
- Rent of premises		**-**	-
- Insurance premium		**52,697**	52,199
- Electricity expenses		**152,183**	129,199
- Interest income		**931,406**	674,934
- RLNG transportation income		**4,249,382**	4,007,462
- Income against LNG service agreement		**449,642**	389,560
- LPG purchases		**182,382**	-
- Professional charges		**17**	-
* **Habib Bank Limited**	**Associate**		
- Profit on investment		**-**	315
- Mark-up expense on short term finance		**-**	114,910
- Mark-up expense on long term finance		**-**	176,575
- Billable charges		**-**	6,743
Key management personnel			
- Remuneration		**90,416**	114,838
Minto & Mirza	**Associate**		
- Professional charges		**-**	1,500
SSGC LPG (Private) Limited	**Wholly owned subsidiary**		
- Interest on loan		**107,899**	72,604
- Rental Income		**385**	385
- Reimbursement of management Fee		**-**	6,831
Staff retirement benefit plans	**Associate**		
- Contribution to provident fund		**195,213**	171,697
- Contribution to pension fund		**397,284**	336,796
- Contribution to gratuity fund		**157,403**	214,887
* **Thatta Cement Company Limited**	**Associate**		
- Gas sales		**-**	2,481

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

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

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

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

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

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

	Relationship	December 31, 2019 (Un-audited)	June 30 2019 (Audited)
		------------(Rupees in '000)------------	
Government related entities	**Associate**		
- Billable charges		**60,790,610**	62,745,107
- Accured mark up on borrowings		**(6,189,740)**	(5,158,965)
- Net investment in finance lease		**386,526**	224,440
- Gas purchases		**289,376,435**	247,927,553
- Gas meters & spare parts		**578,939**	360,181
- Uniform cost of gas		**15,818,846**	15,818,845
- Cash at bank		**14,781**	5,527
- Stock loan		**4,912**	4,912
- Payable to insurance		**(1,085)**	(475,580)
- Gas supply deposit		**(51,886)**	(43,392)
- Interest expense accrued - late payment surcharge on gas supplies bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**12,219,274**	11,287,868
- Professional charges		**57**	57
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**42,602,717**	33,298,113
- RLNG transportation income		**24,445,641**	20,642,231
- LSA margins		**2,380,765**	1,897,684
- Advance for sharing right of way		**(18,088)**	(18,088)
SSGC LPG (Private) Limited	**Wholly owned subsidiary**		
- Long term investment		**1,000,000**	1,000,000
- Short term loan		**1,535,103**	1,535,103
- Interest on loan		**976,309**	868,410
- LPG sales		**5,698**	5,698
- Rental Income receivable		**1,046**	649
- Receivable of management fee		**23,782**	23,782

30 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.

	Half Year ended			
	Segment revenue		Segment (loss) / Profit	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)			
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**137,301,830**	107,424,453	**(12,924,658)**	(631,646)
Meter manufacturing	**1,150,306**	870,159	**9,221**	7,064
Total segment results	**138,452,136**	108,294,612	**(12,915,437)**	(624,582)
Unallocated				
- Other operating expenses			**(89,939)**	(6,712,260)
- Other income			**648,658**	532,195
Loss before tax			**(12,356,718)**	(6,804,647)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,356 million (December 31, 2018: Rs. 845 million).

Segment assets and liabilities

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**527,529,746**	504,533,812
Meter manufacturing	**646,295**	762,427
Total segment assets	**528,176,041**	505,296,239
Unallocated		
Loans and advances	**2,102,249**	2,368,156
Taxation - net	**19,447,669**	19,532,819
Interest accrued	**487,739**	487,739
Cash and bank balances	**281,847**	338,294
	22,319,504	22,727,008
Total assets as per unconsolidated condensed interim statement of financial position	**550,495,545**	528,023,247

	December 31 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Segments liabilities		
Gas transmission and distribution	**565,463,010**	529,912,584
Meter manufacturing	**253,895**	285,719
Total segment liabilities	**565,716,905**	530,198,303
Unallocated		
Employee benefits	**6,250,133**	5,847,259
Total liabilities as per unconsolidated condensed interim statement of financial position	**571,967,038**	536,045,562

31 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.

31.1 Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting 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 December 31, 2019 (Un-audited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	------------Rupees in '000------------			
Assets				
Fair value through OCI Financial Assets				
Quoted equity securities	**269,300**	-	-	**269,300**

	As at June 30, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
	----------Rupees in '000----------			
Assets				
Fair value through OCI				
Financial Assets				
Quoted equity securities	236,148	-	-	236,148

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.

31.2 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 December 31, 2019 (Un-audited)	
	Level 2	Fair Value
	----Rupees in '000----	
Freehold land	**10,512,545**	**10,512,545**
Leasehold land	**11,216,886**	**11,216,886**
	21,729,431	**21,729,431**

	As at June 30, 2019	
	Level 2	Fair Value
	(Audited)	
	----Rupees in '000----	
Freehold Land	10,512,545	10,512,545
Leasehold Land	11,216,886	11,216,886
	21,729,431	21,729,431

32 EVENTS AFTER THE REPORTING DATE

On March 11, 2020, the World Health Organization made an assessment that the outbreak of a corona virus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped during January to March 2020 due to the effect of COVID-19 and a number of other political and economic factors. These factors have negatively affected the economies and the businesses of the country where the Company operates. To alleviate the negative impact of the COVID-19 pandemic, the various governments including the Government of Pakistan, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, allowing easy installments to customers, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

Due to Covid-19, receivables increased because of easy installements provided by Government of Pakistan and similarly there was an increase shown in theft and PUG because of disclosure of disconnection activities in the areas where billing recovery is significantly low.

These conditions are non-adjusting events and impacted the economic and risk environment in which the Company operates.

33 GENERAL

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

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

34 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on November 24, 2021.

Dr. Shamshad Akhtar Chairperson	Imran Maniar Managing Director	Muhammad Amin Rajput Chief Financial Officer

SSGC | Sui Southern Gas Company Limited

Consolidated Condensed Interim Financial Information (Un-Audited)
for the half year ended December 31, 2019

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

ASSETS	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Non-current assets			
Property, plant and equipment	6	**134,658,428**	132,803,572
Intangible assets		**17,385**	29,475
Right of use assets	8	**284,345**	-
Deferred tax		**197,698**	193,319
Long term investments	9	**269,299**	236,148
Net investment in finance lease		**160,041**	188,949
Long term loans and advances		**189,013**	184,039
Long-term deposits		**35,907**	42,596
Total non-current assets		**135,812,116**	133,678,098
Current assets			
Stores, spares and loose tools		**2,365,622**	2,365,773
Stock-in-trade		**1,744,697**	1,889,640
Current maturity of net investment in finance lease		**57,814**	57,814
Customers' installation work-in-progress		**230,065**	211,349
Trade debts	10	**87,563,479**	84,191,799
Loans and advances		**378,133**	651,391
Advances, deposits and short term prepayments		**380,625**	255,651
Interest accrued	11	**13,173,411**	12,242,005
Other receivables	12	**289,082,233**	272,723,898
Taxation - net		**19,629,128**	19,717,006
Other financial assets		**216,000**	116,000
Cash and bank balances		**895,205**	836,483
Total current assets		**415,716,412**	395,258,809
Total assets		**551,528,528**	528,936,907

The annexed notes from 1 to 34 form an integral part of these consolidated condensed interim financial statements.

Dr. Shamshad Akhtar	**Imran Maniar**	**Muhammad Amin Rajput**
Chairperson	**Managing Director**	**Chief Financial Officer**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

as at december 31, 2019

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
EQUITY AND LIABILITIES		--------(Rupees in '000)--------	
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		**10,000,000**	10,000,000
Issued, subscribed and paid-up capital		**8,809,163**	8,809,163
Reserves		**4,907,401**	4,907,401
Surplus on re-measurement of FVTOCI securities		**232,772**	199,621
Surplus on revaluation of property, plant and equipment		**21,950,532**	21,950,532
Accumulated losses		**(56,894,343)**	(43,450,758)
Total equity		**(20,994,475)**	(7,584,041)
LIABILITIES			
Non-current liabilities			
Long term finance	13	**33,000,825**	36,919,543
Long term deposits		**19,589,841**	17,873,911
Employee benefits		**6,283,329**	5,875,230
Obligation against pipeline		**850,454**	879,331
Deferred credit	14	**4,630,056**	4,844,471
Contract liabilities	15	**5,122,852**	4,402,391
Lease liability		**120,327**	-
Long term advances		**3,054,753**	3,070,033
Total non-current liabilities		**72,652,437**	73,864,910
Current liabilities			
Current portion of long term finance	13	**8,087,081**	9,837,805
Short term borrowings	16	**24,474,234**	16,294,237
Trade and other payables	17	**448,666,923**	417,723,048
Short term deposits		**16,910**	18,407
Current portion of obligation against pipeline		**56,488**	54,014
Current portion of deferred credit	14	**416,288**	394,735
Current portion of contract liabilities	15	**171,982**	166,933
Current portion of lease liability		**111,079**	-
Unclaimed dividend		**285,430**	285,434
Interest accrued	18	**17,584,151**	17,881,425
Total current liabilities		**499,870,566**	462,656,038
Contingencies and committements	19		
Total equity and liabilities		**551,528,528**	528,936,907

The annexed notes from 1 to 34 form an integral part of these consolidated condensed interim financial statements.

Dr. Shamshad Akhtar **Chairperson**	**Imran Maniar** **Managing Director**	**Muhammad Amin Rajput** **Chief Financial Officer**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

For the period ended December 31, 2019

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018	Quarter ended December 31, 2019	Quarter ended December 31, 2018
		(Un-Audited)			
		(Rupees in '000)			
Sales		**161,360,895**	123,433,876	**79,176,193**	67,625,232
Sales tax		**(24,059,065)**	(16,009,423)	**(11,825,329)**	(8,881,667)
	20	**137,301,830**	107,424,453	**67,350,864**	58,743,565
Gas development surcharge	21	**1,758,692**	34,423,083	**1,016,382**	18,935,846
RLNG differential margin	22	**(1,424,153)**	(7,086,092)	**(1,151,674)**	(2,873,240)
		334,539	27,336,991	**(135,292)**	16,062,606
Net sales		**137,636,369**	134,761,444	**67,215,572**	74,806,171
Cost of sales	23	**(153,702,577)**	(135,696,212)	**(74,697,194)**	(73,992,449)
Gross (loss) / profit		**(16,066,208)**	(934,768)	**(7,481,622)**	813,722
Administrative and selling expenses		**(2,482,227)**	(2,335,450)	**(1,276,535)**	(1,186,277)
Other operating expenses	24	**(90,306)**	(7,070,128)	**(58,065)**	(5,659,306)
Impairment loss against financial assets		**(921,552)**	-	**(596,113)**	-
		(3,494,085)	(9,405,578)	**(1,930,713)**	(6,845,583)
		(19,560,293)	(10,340,346)	**(9,412,335)**	(6,031,861)
Other income	25	**11,233,826**	6,926,321	**3,932,868**	3,789,757
Operating loss		**(8,326,467)**	(3,414,025)	**(5,479,467)**	(2,242,104)
Finance cost		**(3,975,397)**	(3,390,692)	**(2,813,814)**	(1,633,223)
Loss before taxation		**(12,301,864)**	(6,804,717)	**(8,293,281)**	(3,875,327)
Taxation	26	**(1,141,721)**	(714,072)	**(555,364)**	(398,672)
Loss for the period		**(13,443,585)**	(7,518,789)	**(8,848,645)**	(4,273,999)
Basic and diluted loss per share (Rupees)		**(15.26)**	(8.54)	**(10.05)**	(4.85)

The annexed notes from 1 to 34 form an integral part of these consolidated condensed interim financial statements.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2019

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-Audited)			
	--------------------(Rupees in '000)--------------------			
Loss for the period	**(13,443,585)**	(7,518,789)	**(8,848,645)**	(4,273,999)
Other comprehensive income				
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss				
Unrealised gain / (loss) on re-measurement of FVTOCI securities	**33,151**	(101,109)	**62,482**	(66,549)
Total comprehensive loss for the period	**(13,410,434)**	(7,619,898)	**(8,786,163)**	(4,340,548)

The annexed notes from 1 to 34 form an integral part of these consolidated condensed interim financial statements.

Dr. Shamshad Akhtar **Chairperson**	**Imran Maniar** **Managing Director**	**Muhammad Amin Rajput** **Chief Financial Officer**

CONSOLIDATED CONDENSED INTERIM STATEMNT OF CASH FLOW

For the period ended December 31, 2019

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018
		(Un-audited)	
		--------(Rupees in '000)--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		**(12,301,864)**	(6,804,717)
Adjustments for non-cash and other items	27	**9,390,131**	7,768,753
Working capital changes	28	**10,448,020**	459,915
Financial charges paid		**(5,422,205)**	(3,604,471)
Employee benefits paid		**(57,229)**	(15,285)
Payment for retirement benefits		**(715,139)**	(787,856)
Long term deposits received - net		**1,715,930**	995,200
Deposits paid - net		**(1,800)**	(2,861)
Loans and advances to employee - net		**265,907**	(226,942)
Interest income received		**1,036,612**	885,571
Income taxes paid		**(1,058,208)**	(646,552)
Net cash generated from / (used in) operating activities		**3,300,155**	(1,979,245)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(5,547,462)**	(3,726,775)
Payment for obligation against pipeline		**(67,866)**	(67,866)
Proceeds from sale of property, plant and equipment		**59,929**	72,988
Lease rental from net investment in finance lease		**47,033**	50,039
Short term investment		**(100,000)**	
Dividend received		**1,849**	-
Net cash used in investing activities		**(5,606,517)**	(3,671,614)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		**-**	9,523
Repayments of local currency loans		**(5,679,183)**	(4,800,000)
Repayment of customer finance		**(15,256)**	(6,074)
Repayment of lease liability		**(120,470)**	-
Dividend paid		**(4)**	(124)
Net cash used in financing activities		**(5,814,913)**	(4,796,675)
Net decrease in cash and cash equivalents		**(8,121,275)**	(10,447,534)
Cash and cash equivalents at beginning of the period		**(15,457,754)**	(8,968,016)
Cash and cash equivalents at end of the period		**(23,579,029)**	(19,415,550)
Cash and cash equivalent comprises:			
Cash and bank balances		**895,205**	1,023,967
Short term borrowings		**(24,474,234)**	(20,439,517)
		(23,579,029)	(19,415,550)

The annexed notes from 1 to 34 form an integral part of these consolidated condensed interim financial statements.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended December 31, 2019

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	---(Rupees in '000)---						
Balance as at July 1, 2018 (Audited)	**8,809,163**	**234,868**	**4,672,533**	**334,805**	**13,673,415**	**(25,088,726)**	**2,636,058**
Total comprehensive loss for the period ended December 31, 2018							
Loss for the period	-	-	-	-	-	(7,518,789)	(7,518,789)
Other comprehensive loss for the period	-	-	-	(101,109)	-	-	(101,109)
Total comprehensive loss for the period	-	-	-	(101,109)	-	(7,518,789)	(7,619,898)
Balance as at December 31, 2018	8,809,163	234,868	4,672,533	233,696	13,673,415	(32,607,515)	(4,983,840)
Balance as at June 30, 2019 (Audited)	8,809,163	234,868	4,672,533	199,621	21,950,532	(43,450,758)	(7,584,041)
Total comprehensive loss for the period ended December 31, 2019							
Loss for the period	-	-	-	-	-	(13,443,585)	(13,443,585)
Other comprehensive income for the period	-	-	-	33,151	-	-	33,151
Total comprehensive income for the period	-	-	-	33,151	-	(13,443,585)	(13,410,434)
Balance as at December 31, 2019	**8,809,163**	**234,868**	**4,672,533**	**232,772**	**21,950,532**	**(56,894,343)**	**(20,994,475)**

The annexed notes from 1 to 34 form an integral part of these consolidated condensed interim financial statements.

Dr. Shamshad Akhtar	Imran Maniar	Muhammad Amin Rajput
Chairperson	Managing Director	Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT
For the period ended December 31, 2019

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 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 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 the Holding Company 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,
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing Society, Nawabshah.
Sukkur	SSGC Regional Office, Golimar Road, SITE Area
Larkana	SSGC Regional Office, Near Shaikh Zaid Women Hospital, Larkana.
Quetta	SSGC Office, Samungli Road, Quetta.

Sui Southern Gas Provident Fund Trust Company (Private) Limited

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

SSGC LPG (Private) Limited

SSGC LPG (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at LDC building Karachi terminal main university road, Karachi and its main activity is supply of liquefied petroleum gas and provision of terminal and storage services.

The Subsidiary Company acquired the assets including:

- LPG import terminal, bulk storage at North West industrial Zone, Port Qasim Karachi and

- Bottling plants at Sara-e-Gadai Stop, Kot Najeebullah Road, Industrial Estate Hattar-22610 Haripur, KPK and Sheikhhupura Bedad Road, Muridke Punjab through the High Court of Sindh auction during October 2011.

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

1.2 Basis of consolidation

- This consolidated condensed interim financial information include the financial information of the Holding Company and its Subsidiary Companies, together "the Group".
- The condensed interim financial information 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
- Material intra-group balances and transactions have been eliminated.

1.3 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Holding Company is provided a minimum annual return before taxation of 17.43% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating expenses and non-operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the Gas Development Surcharge balance payable to / receivable from the GoP.

1.4 Financial Performance

During the period, the Holding Company has incurred a loss after tax of Rs. 13,482 million resulting in increase in its accumulated losses to Rs. 56,464 million and reducing equity to Rs. 21,471 million after including the impact of staggering as disclosed in note 2.3 to this consolidated condensed interim financial statement. As at period end, current liabilities exceed its current asset by Rs. 82,728 million.

The Holding Company's financial performance for the period has been 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 for 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.
- Government of Pakistan (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 of Directors.

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

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

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

1.5 Determination of revenue requirement

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

Being aggrieved by the above decision, the Holding Company had filed an appeal against the decision of OGRA in the High Court of Sindh ("the Court"), on which the Court provided interim relief, whereby, OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, pertaining to FY 2010 till final decision of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Afterwards, management estimated the revenue requirement of the Holding Company for the financial years 2011 to 2015 based on the interim relief 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 dismissed the Holding Company's petitions through its judgement. Consequently, OGRA in its decision dated December 22, 2016 and October 26, 2017 for determination of FRR for FY 2016 and 2017 respectively allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, profit from meter manufacturing, late payment surcharge, and sale of gas condensate as operating income. The Holding Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan.

On January 25, 2017, against the abovementioned Sindh High Court judgement. But the management has considered OGRA's decision in preparation of this consolidated condensed interim financial statement for the period ended December 31, 2019.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

The consolidated condensed interim financial statements has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and the provisions and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. For the determination of Gas Development Surcharge, the directives of OGRA and the OGRA Ordinance, 2002 have been followed. Moreover, Gas Development Surcharge recorded in these consolidated condensed interim financial statements is based on FRR determined by OGRA for the financial year ended June 30, 2019. However, in these consolidated condensed interim financial statements, exceptional UFG disallowances made in DFRR for FY 2018-19 pertaining to internal consumption, UFG on transmission and distribution (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 against FRR FY 2018-19 already filed and also reclaimed in FRR petition for FY 2019-20.

These consolidated condensed interim financial statements do not include all information required for annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended June 30, 2019.

2.2 These consolidated condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to shareholders as required by the listing regulations of the SECP and section 237 of the Companies Act, 2017.

2.3 Staggering of Losses arising due to Sindh High Court decision

As disclosed in note 1.5, 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 annual audited consolidated 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 financial years 2011 to 2015 was accounted for in FY 2015-16. The remaining Rs. 18,359 million was required to be accounted for in FY 2016-17. However, considering financial position of the Holding Company and the fact that the loss of Rs. 36,718 million pertains to 5 financial years, a summary was moved by Ministry of Energy (Petroleum Division) to Economic Coordination Committee (ECC) for allowing staggering of Rs. 18,359 million in five years. The ECC approved the summary through letter dated May 31, 2018 advising SECP to allow staggering of remaining Rs. 18,359 million in five years. The Holding Company approached SECP after considering ECC decision, who through its letter dated June 27, 2018 advised the board to make the necessary decision to present a true and fair view of the Holding Company's financial position and performance. Based on the letter received from SECP, the OGRA, in its decision dated December 24, 2018, endorsed the staggering of remaining Rs. 18,359 million over a period of five years (FY 2016-17 to FY 2020-21 and the same practice was carried out till FY 2018-19. However, management has decided to record remaining balance of staggering i.e Rs 7,344 million in FY 2019-20 which has been proportionally (Rs.3,672 million) accounted for in these consolidated condensed interim financial statements.

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.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of these consolidated condensed interim financial statements are the same as those applied in preparation of the annual consolidated audited financial statements of the Holding Company for the year ended June 30, 2019 except for the following:

3.1 IFRS 16 : "Leases"

The Holding Company has adopted IFRS 16: "Leases", which replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains Lease', SIC-15 'Operating Lease - Incentive 'and SIC-27 'Evaluating the substance of transaction involving the legal form of Lease'.

IFRS 16 introduced a single, on balance sheet lease accounting model for leases. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to IAS -17 standard i.e. lessors continue to classify leases as finance or operating lease.

On adoption of IFRS 16, the Holding Company has recognized lease liabilities in relation to leases which had previously been classified as 'Operating Lease' under the principles of IAS-17 'Leases'. These liabilities have been recognized at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate of 13.21%.

The Holding Company has applied IFRS 16 for the first time as of July 01, 2019 using the cumulative catch-up approach in accordance with the transition provisions set out in IFRS 16. This approach allows the application of IFRS 16 retrospectively without restating the prior-years figures while accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous rules.

The following summary reconciles the Holding Company's operating lease commitments to the lease liability recognized on initial application of IFRS 16 at July 01, 2019.

	(Rupees in'000)
Lease liability recognized at July 01, 2019	**334,617**

The right-of-use assets were measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in these consolidated condensed interim statements of financial position as at December 31, 2019.

Increase in right of use assets	**347,263**
Decrease in prepayments - prepaid rent	**(12,646)**
Increase in total assets	**334,617**
Increase in lease liability	**(334,617)**
Decrease in net assets	-

Impact on profit or loss

The Holding Company operates under fixed tariff regime, therefore, adoption of IFRS 16 has no impact on the Holding Company's profitability as the impact is considered as a pass through item.

3.2 IFRS 14: "Regulatory Deferral Account”

International Financial Reporting Standard (IFRS 14) is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with similar entities that already apply IFRS, but which do not recognize regulatory deferral accounts. This would be achieved by requiring separate presentation of the regulatory deferral account balances (and movements in these balances) in the statement of financial position, statement of profit or loss and statement of comprehensive income. Further, IFRS-14 also requires to disclose multiple earnings per share. However, considering the Company’s Regulator Deferral amount as part of Circular Debt prevailing in oil, gas and energy sector, an application for exemption from implementation of IFRS 14 was submitted with SECP, which has been acceded to for the period of 3 years i.e upto FY 2021-22. As management awaits determination of Final Revenue Requirement (FRR) for FY 2019-20 by Oil and Gas Regulatory Authority (OGRA) hence, IFRS 14 related disclosure shall only be incorporated in annual consolidated financial statements for the year ended June 30, 2020.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended June 30, 2019. 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.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2019.

6 PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Operating assets	**120,917,292**	121,230,695
Capital work-in-progress	**13,741,136**	11,572,877
	134,658,428	132,803,572

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

	December 31, 2019		December 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				
Buildings on leasehold land	**105,319**	**-**	35,672	-
Gas distribution system	**2,351,262**	**-**	2,582,405	-
Gas transmission pipelines	**546,984**	**-**	1,831,516	-
Telecommunication	**-**	**(698)**	3,601	-
Plant and machinery	**113,688**	**(1,346)**	39,794	-
Tools and equipment	**5,962**	**-**	8,744	-
Motor vehicles	**77,870**	**(12,841)**	156,036	(22,967)
Furniture and fixtures	**19,860**	**-**	4,248	-
Office equipment	**7,229**	**(17)**	15,393	-
Computers and ancillary equipments	**55,031**	**-**	1,569	-
Construction equipment	**-**	**(236)**	23,858	-
SCADA	**-**	**-**	29,320	-
Compressors	**594,149**	**-**	33,632	-
	3,877,354	**(15,138)**	4,765,788	(22,967)

	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
Capital work in progress:				
Projects:				
Gas distribution system	**3,121,781**	**(2,351,262)**	2,862,924	(2,582,405)
Gas transmission system	**1,034,353**	**(546,984)**	404,861	(1,831,516)
Cost of buildings under construction and others	**306,577**	**(105,319)**	36,093	(35,672)
	4,462,711	**(3,003,565)**	3,303,878	(4,449,593)

During the period, there has been net increase / (decrease) in respect of stores and spares held for capital projects and others amounting to Rs. 591 million (December 31, 2018: Rs. (60.5) million).

7 As at December 31, 2019, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 33,162 million (June 30, 2019: Rs. 29,312 million) out of which deferred tax asset amounting to Rs.13,276 million has been recognised and remaining balance of Rs 19,886 million is unrecognised. As at period end, the Holding Company's minimum tax credit amounted to Rs.3,139 million (June 30, 2019: Rs. 2,813 million) having expiry period ranging between 2022 and 2024.

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
8 RIGHT OF USE ASSETS		
Opening balance	**-**	-
Impact on application of IFRS 16	**347,263**	-
Additions during the period / year	**-**	-
	347,263	-
Movement during the period / year		
Additions	**347,263**	-
Less: depreciation charge for the period / year	**(62,918)**	-
Closing balance	**284,345**	-
Cost	**347,263**	-
Accumulated depreciation	**(62,918)**	-
Net book value	**284,345**	-

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

9 LONG TERM INVESTMENTS

Investments - fair value through other comprehensive income	**269,299**	236,148
	269,299	236,148

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
10 TRADE DEBTS			
Secured		**31,588,459**	26,937,870
Unsecured		**72,565,773**	72,923,130
	10.1&10.2	**104,154,232**	99,861,000
Provision against doubtful debts		**(16,590,753)**	(15,669,201)
		87,563,479	84,191,799

10.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Holding Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Holding Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per 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, the trade debts includes Rs. 31,238 million (June 30, 2019: Rs. 32,888 million) as at December 31, 2019 receivables from KE against sale of indigenous gas. Out of this, Rs. 29,652 million (June 30, 2019: Rs. 29,652 million) as at December 31, 2019 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs 106,359 million (June 30, 2019: Rs. 100,319 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 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 instalments, 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 accounts which confirm management's assertion that the Holding Company has legal claim over KE for charging of LPS.

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

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

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017.

Currently, management is in a process to negotiate payment plan, which hasn't been finalised till the issuance of these consolidated condensed interim financial statements but the supply of gas and payment is continuing as per old plan.

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

10.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per 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, the trade debts includes Rs. 24,166 million (June 30, 2019: Rs. 23,661 million) including overdue balance of Rs. 24,079 million (June 30, 2019: Rs. 23,598 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 64,543 million (June 30, 2019: Rs. 61,217 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 counsel of the Holding Company is of the view that due to vagaries of litigation nothing could be expressed with any degree of certainty in the contested matters.

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

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	

11 INTEREST ACCRUED

Interest accrued on late payment of bills / invoices from:

Water & Power Development Authority (WAPDA)		**4,100,172**	3,741,367
Sui Northern Gas Pipelines Limited (SNGPL)		**8,119,102**	7,546,501
Jamshoro Joint Venture Limited (JJVL)		**578,798**	578,798
		12,798,072	11,866,666
Interest accrued on sales tax refund		**487,739**	487,739
		13,285,811	12,354,405
Provision against impaired accrued income		**(112,400)**	(112,400)
		13,173,411	12,242,005

12 OTHER RECEIVABLES

Gas development surcharge receivable from Government of Pakistan (GoP)	12.1	**142,218,466**	140,160,555
Receivable from SNGPL for differential tariff		**626,981**	-
Receivable from staff pension fund		**-**	7,133
Receivable from HCPCL	12.2	**4,157,839**	4,157,839
Balance receivable for sale of gas condensate		**42,949**	42,107
Receivable from SNGPL - a related party	12.3	**85,638,030**	71,884,848
Receivable from Jamshoro Joint Venture Limited (JJVL)	12.4 & 12.5	**11,786,640**	11,530,044
Sales tax receivable	12.6	**46,571,873**	46,867,579
Sindh sales tax		**112,976**	112,976
Receivable against asset contribution	12.7	**413,840**	451,011
Accrued markup		**10,517**	5,660
Miscellaneous		**88,996**	91,020
		291,669,107	275,310,772
Provision against other receivable		**(2,586,874)**	(2,586,874)
		289,082,233	272,723,898

12.1 Gas Development Surcharge receivable from GoP

Opening Balance		**140,160,555**	53,499,313
Recognized in statement of profit or loss		**1,758,692**	84,884,740
Recognized in OCI claim under IAS 19		**-**	1,311,533
Subsidy for LPG air mix operations		**299,219**	464,969
Closing Balance		**142,218,466**	140,160,555

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

Amount of LD charges as per arbitration award		**3,938,382**	3,938,382
Subsequent LDs raised by HCPCL on Award Principle		**219,457**	219,457
		4,157,839	4,157,839

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

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

Earlier in January 2018, the Holding Company approached Ministry of Energy (Petroleum Division) regarding waiver of LDs claimed by WAPDA / CCPA-G from HCPCL against non-supply of Electricity to WAPDA which was being passed to the 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 running gas bills are recoverable from HCPCL as per ECC aforementioned decision amounting to Rs. 3,626 million for the Award period along with LPS amounting to Rs. 312 million and further LDs deducted by HCPCL following Award principles amounting to Rs. 162 million and Rs. 58 million upto June 30, 2018 and for the year ended June 30, 2019 respectively.

12.3 As at year end, receivable balance from SNGPL comprises of the following:

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Uniform cost of gas		**15,818,845**	15,818,845
Lease rentals		**386,526**	224,440
Contigent rent		**3,535**	3,535
LSA margins		**2,380,765**	1,897,684
Capacity and utilisation charges of RLNG	12.3.1	**42,602,717**	33,298,113
RLNG transportation income		**24,445,642**	20,642,231
		85,638,030	71,884,848

12.3.1 The Holding Company has invoiced an amount of Rs. 72,839 million, including sindh sales tax of Rs. 9,631 million, till December 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 (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Holding Company. For quantity supplied to PAFCL, PAFCL is making payment directly to the Holding Company according to the payment plan finalized subsequent to end of reporting date. The Holding Company has finalized its payment plan with PAFCL in which PAFCL was required to make eight equal monthly installments of Rs. 201 million per month. Till July 2019, the Holding Company has received all eight installments.

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

The Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015 has allocated 71 BCF RLNG volume to the Holding Company in order to resolve the matter of short supply, with the direction to enter into an agreement with SNGPL for RLNG allocated volumes with the condition that either the Holding Company will make payment to SNGPL for the RLNG sold in its franchise area or will return these volumes when dedicated pipeline is available.

OGRA, in its letter dated November 20, 2018, in pursuance of decision of the ECC, with the consent of SNGPL and the Holding Company, has determined the price mechanism for purchase and sale of allocated RLNG volumes.

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

12.4 This include amount receivable in respect of royalty income, sale of liquefied petroleum gas, sale of natural gas liquids, federal excise duty and sindh sales tax on franchise services.

As at period end, amount payable to JJVL in respect of processing charges is disclosed in note 17 to these consolidated condensed interim financial statements.

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

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

12.6 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales tax refunds are processed through FBR's sales Tax Automated Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Holding Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR through a letter and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012.

After withdrawal of said dispensation, the deferred refunds are issued to the Holding Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds. Subsequent to the period end, the Holding Company has made extensive efforts and accordingly refunds of around Rs. 11,900 million were released.

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

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
13 LONG-TERM FINANCE			
Secured			
Loans from banking companies	13.1 & 13.2	**40,124,346**	45,786,848
Unsecured			
Front end fee of foreign currency loan		**23,950**	23,950
Customer financing		**179,206**	194,464
Government of Sindh loans		**760,404**	752,086
		963,560	970,500
		41,087,906	46,757,348
Less: Current portion shown under Current liabilities			
Loans from banking companies		**(7,875,000)**	(9,625,000)
Customer financing		**(25,414)**	(26,138)
Government of Sindh loans		**(186,667)**	(186,667)
		(8,087,081)	(9,837,805)
		33,000,825	36,919,543

13.1 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. 1500 million has been made.

13.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at December 31, 2019 the Holding Company has utilised Rs. 34,200 million out of the total sanctioned amount. During the period repayment of Rs. 4,275 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 (RLNG) assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

14 DEFERRED CREDIT	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)-------	
Government of Pakistan contributions / grants			
Opening balance		**3,064,028**	3,285,092
Additions / adjustments during the period / year		**14,363**	89,596
Transferred to consolidated statement of profit or loss	25	**(140,285)**	(310,660)
Closing balance		**2,938,106**	3,064,028
Government of Sindh (Conversion of loan into grant)			
Opening balance		**2,025,211**	2,133,559
Additions during the period / year		**919**	6,367
Transferred to consolidated statement of profit or loss	25	**(57,403)**	(114,715)
Closing balance		**1,968,727**	2,025,211
Government of Sindh grants			
Opening balance		**149,967**	173,218
Transferred to consolidated statement of profit or loss	25 & 14.1	**(10,456)**	(23,251)
Closing balance		**139,511**	149,967
		5,046,344	5,239,206
Less: Current portion of deferred credit		**(416,288)**	(394,735)
		4,630,056	4,844,471

14.1 This represents the benefit of lower interest rate on Government of Sindh Loan III, IV and V, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan III, IV and V and its initial fair value. The amount of Government of Sindh loan after conversion amounting to Rs 940 million and its initial fair value is amounting to Rs. 170 million based on Rs. 398 million. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised in consolidated statement of profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

15 CONTRACT LIABILITIES

Contribution from customers	15.1	**1,464,843**	1,406,461
Advance received from customers for laying of mains, etc.		**3,658,009**	2,995,930
		5,122,852	4,402,391

15.1 Contribution from customers

Opening balance	**1,573,394**	1,016,899
Additions / adjustments during the period / year	**149,422**	721,747
Transferred to consolidated statement of profit or loss	**(85,991)**	(165,252)
	1,636,825	1,573,394
Less: Current portion of contributions from customers	**(171,982)**	(166,933)
Closing balance	**1,464,843**	1,406,461

15.2 The Holding Company 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.

16 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, 2019: Rs. 25,000 million) and subject to mark-up to -1.30% to 0.60% (June 30, 2019: 0.20%) above the average one month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 526 million (June 30, 2019: Rs. 8,706 million).

17 TRADE AND OTHER PAYABLES

	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
Creditors for:			
Indigenous Gas	17.1	**339,702,220**	332,632,340
RLNG		**67,559,152**	44,018,023
		407,261,372	376,650,363
Accrued liabilities		**3,375,943**	4,267,281
RLNG differential margin payable to GoP		**13,037,284**	9,305,131
Payable to SNGPL for differential tariff		**-**	1,681,019
Engro Elengy Terminal Limited		**1,833,058**	1,984,729
Provision for compensated absences - non executives		**303,441**	303,441
Payable to pension		**173,219**	-
Payable to staff gratuity fund		**4,751,663**	5,091,663
Deposits / retention money		**580,244**	668,656
Advance for sharing right of way		**18,088**	18,088
Withholding tax payable		**334,938**	189,193
Sales tax and FED payable		**291,637**	311,293
Processing charges payable to JJVL		**8,528,447**	8,528,447
Gas infrastructure development cess payable		**7,269,528**	7,338,595
Advances from customers and distributors		**52,309**	38,091
Transport and advertisement services		**35,333**	14,772
Unclaimed term finance certificate redemption profit		**1,800**	1,800
Sindh sales tax on services		**105,672**	132,163
Workers's profit participation fund		**174,515**	174,515
Provision		**22,640**	8,051
Others		**515,792**	1,015,757
		448,666,923	417,723,048

17.1 As at December 31, 2019, amount of Rs. 282,695 million (June 30, 2019: Rs. 241,478 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2019: Rs. 15,832 million) on their balances which have been presented in note 18.1 in this consolidated condensed interim financial statement.

		Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
			--------(Rupees in '000)--------	
18	**INTEREST ACCRUED**			
	Long term financing - loans from banking companies		**799,170**	760,139
	Long term deposits from customers		**234,433**	440,115
	Short term borrowings		**274,919**	405,542
	Late payment surcharge on processing charges		**438,392**	438,392
	Late payment surcharge on gas development surcharge		**4,826**	4,826
	Late payment surcharge on gas supplies	18.1	**15,832,411**	15,832,411
			17,584,151	17,881,425

18.1 As disclosed in note 10.1 and 10.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IFRS 15 “Revenue from Contract with Customers" based on opinion from firms of Chartered Accountants.. However, the Holding Company continued recognition of the LPS expense payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. The Holding Company's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

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

Had the management of the Holding Comapny not reversed the LPS expense payable from July 1, 2012 to June 30, 2016 of Rs. 26,222 million and recorded LPS expense for the year ended June 30, 2017; June 30, 2018; June 30, 2019 and for the period ended December 31, 2019 amounting to Rs. 7,569 million; Rs. 7,477 million; Rs. 10,525 and Rs. 9,006 million respectively on outstanding payables to Government Controlled E&P Companies, the effect in this consolidated condensed interim financial statement would be as follows:

	(Rupees in million)
- Increase in loss before tax	**9,006**
- Increase in loss after tax / accumulated loss	**6,394**
- Increase in loss per share - rupees	**7.26**
- Increase in accumulated losses	**60,799**
- Increase trade payables	**60,799**
- Increase deferred tax liability	**18,645**

		December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		--------(Rupees in '000)--------	
19	**CONTINGENCIES AND COMMITMENTS**		
19.1	Commitments for capital and other expenditures	**5,984,269**	5,279,534
19.2	Guarantees issued on behalf of the Holding Company	**6,333,645**	5,482,762

In respect of Holding Company

19.3 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Holding Company amounting to Rs. 144,120 million (June 30, 2019: Rs. 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, 2019: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Holding Company. The 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 Holding Company agrees to sell and deliver to the customer and the customer agrees to buy and accept a quantity of not less than 62 MMCF of Quality Natural Gas per day at its power station at Jamshoro".

It is evident from foregoing clause of the agreement, that JPCL has raised a claim not supported by the agreement and that the supply of gas to the customer was subject to the availability and it is / was not any firm commitment on the part of the Holding 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 Holding Company, the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Holding Company.

19.4 As disclosed in note 18.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019 and for the period ended December 31, 2019 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million and Rs.9,006 million in this consolidated condensed interim financial statement. The Holding Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

19.5 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.

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

Subsequently, SCP through its order dated November 16, 2018, based on the report by a firm of Chartered Accountants, determined that Rs. 1,500 million is the undisputed amount that shall be paid within 8 weeks by JJVL, which has been accordingly received by the Holding Company along-with the interest accrued thereon. However, with respect to the GIDC, tax challans and other matters, SCP will settle the same and an appropriate order be passed in this regard. Management is of the view that once the matter is finalized by the SCP any change in receivable or payable position shall be recognized in the year in which the SCP order has been passed.

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

The Holding Company after concurrence of its Board informed SCP that it does not accept the proposal submitted by JJVL and asked SCP to appoint a firm of Chartered Accountants to come up with an agreement mutually beneficial for both the parties.

After considering all the points, SCP appointed a third party firm of Chartered Accountants which shall deemed to be the receivers of the Court and would supervise the project. In addition, firm is to determine an appropriate sharing arrangement for both parties which shall be final, subject to the approval of the Supreme Court of Pakistan.

Subsequently, the firm of Chartered Accountants after consultation with both parties came up with a mechanism of revenue sharing of 57% to the Holding Company and 43% to JJVL on ad-hoc basis and an agreement was signed between the Company and JJVL and submitted to SCP for its approval and the same was validated by SCP in its order dated December 29, 2018.

SCP also directed the Holding Company to resume the supply of gas to JJVL plant based on the new terms provided in the agreement. The agreement is valid for 1.5 years from the date of agreement and unless renewed by the parties through mutual written consent it shall stand terminated automatically. Accordingly, in June 2020 the said agreement stands expired and since then no gas has been supplied to JJVL plant.

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

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

19.6 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 these consolidated condensed interim financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Holding Company.

19.7 Income tax authorities have passed orders for the tax years 2007, 2008, 2009, 2013, 2014, 2015 & 2017 disallowing tax depreciation on fixed assets held under musharka arrangement.

All the Orders were contested before Commissioner (Appeals) who decided the case in Holding Company's favour for tax years 2009, 2013, 2014, 2015 & 2017 while similar Orders are expected for other years.

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

19.8 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, 2015-16, 2016-17 and 2017-18.

All the Orders were contested before Commissioner (Appeals) who decided the cases in Holding Company's favor. However, the said Commissioner (Appeals) Orders in SSGC favor have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue.

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 Company's case, therefore no provision has been made in these consolidated condensed interim financial statements as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

19.9 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's 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 Holding Company contested the matter before Commissioner (Appeals) who decided the cases in 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 Company has filed detailed reply but no order has yet been passed.

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 these consolidated condensed interim financial statements as the Holding Company and its legal counsel is confident that the outcome of the cases will be in favor of the Holding Company.

19.10 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 incorrect 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 these consolidated condensed interim financial statements as the Holding Company and its legal counsel are confident that the outcome of the case will be in favor of the Holding Company.

19.11 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.

Against the Commissioner (Appeals) order, the Holding Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issues decided in Holding Company's favor.

Pursuant to Commissioner (Appeals) decision, DCIR passed Order partially allowing benefit of minimum tax adjustment for FY 2005-06 while other verification matters were again decided against the Holding Company. Upon appeal by the Holding Company against DCIR Order, the Commissioner (Appeals) upheld the disallowance of minimum tax adjustment for FY 2008-09 whereas issues of refund adjustment for FY 2008-09, partial adjustment for minimum tax for FY 2005-06 and credit of tax deducted at source were again remanded back to DCIR.

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

19.12 As disclosed in Note 10 to this consolidated condensed interim financial statements - Trade Debts, Interest Income from K-Electric (KE) and Pakistan Steel (PSML) is not being recognized in the Financial Statements, in accordance with requirements of International Accounting Standards as well as Legal and Accounting Opinions obtained by the Holding Company. However, Tax Authorities have passed Orders for FY 2014-15 to 2017-18 on said unrecognized Interest Income from K-Electric (KE) and Pakistan Steel (PSML). Appeal against the said Orders have been filed before Commissioner (Appeals), who decided the case against the Holding Company upon which Holding Company has filed appeal before Appellate Tribunal Inland Revenue.

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

19.13 Tax Authorities' have passed Federal Excise Duty (FED) Order for FY 2017-18 raising FED Demand on Re-gasification of LNG into RLNG, supply of RLNG to customers and supply of Natural Gas to customers (on which LPG / NGL extraction process was performed).

Appeal against the said Order has been filed before Commissioner (Appeals), which is pending adjudication.

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

19.14 Tax Authorities have passed Order for Tax Year 2015 disallowing Interest Expense on delayed payment to E&P companies for gas purchases as well as taxing benefit of lower interest rate on Government of Sindh Loans, among other observations.

The matter was contested before Commissioner (Appeals) who decided the case in Holding Company's favor.

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

19.15 The Holding Company is subject to various other claims totaling Rs. 2,074 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

In respect of SSGC LPG (Private) Limited:

19.16 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 sale of LPG is not covered by SRO 586 of 1991 and created a demand of Rs. 46.2 million. The Subsidary 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 Subsidary 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 thrice but to date no order has been passed.

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. 36.9 million. The Subsidary Company has also filed an appeal before the CIR Appeals against the said order. Further, the Subsidary Company has paid advance income tax pertaining to tax year 2013 to tax year 2019 amounting to Rs. 277.6 million under various sections which remains unadjusted due to such litigation. However the potential liability of Rs. 400.84 million which the Subsidary Company needs to pay if the result of the case is against the Subsidary Company.

For tax year 2014, under similar case, the Deputy Commissioner Inland Revenue (DCIR) passed order dated January 11, 2017 and created demand of Rs. 116.6 million. The Company filed an appeal before the CIR Appeals against the said order. CIR Appeals passed the order dated March 21, 2017 and remanded back the case. To date, the tax department has not filed any appeal against the CIR Appeals order with any appellate authority. As per tax advisor, as appeal is not filed within 60 days of decision of CIR Appeals, it will be considered as if the tax department has no objection against decision of CIR Appeals.

As per tax advisor, the decision of CIR Appeals for tax year 2014 will support the pending appeal relating to tax year 2013 as issue involved is similar in nature. Hence, management is confident that the outcome of this case will be in favor of the Subsidiary Company and no provision is recorded in these consolidated financial statements.

19.17 During FY 2015, the Subsidiary company received notice from ACIR against short payment of sales tax for the tax year 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 consolidated 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.

19.18 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.

19.19 The ACIR passed order dated July 11, 2014 and created demand of Rs. 5.9 million pertaining to the tax year 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.

19.20 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 consolidated 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.

19.21 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.

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)			
	-----------(Rupees in '000)--------------			
20 SALES				
Sale of Indigenous gas	**135,464,335**	96,721,119	**66,129,311**	54,697,567
Sale of RLNG	**25,896,560**	26,712,757	**13,046,882**	12,927,665
	161,360,895	123,433,876	**79,176,193**	67,625,232
Less: Sales tax				
Indigenous gas	**(20,248,969)**	(12,697,292)	**(9,905,435)**	(7,039,493)
RLNG	**(3,810,096)**	(3,312,131)	**(1,919,894)**	(1,842,174)
	(24,059,065)	(16,009,423)	**(11,825,329)**	(8,881,667)
	137,301,830	107,424,453	**67,350,864**	58,743,565
21 GAS DEVELOPMENT SURCHARGE (GDS)				
GDS recovered during the period	**(2,356,140)**	3,942,609	**(1,410,593)**	3,120,016
Price increase adjustment for the period	**8,085,836**	32,548,842	**4,429,565**	16,860,954
Impact of staggering	**(3,671,785)**	(1,835,893)	**(1,835,893)**	(917,947)
Subsidy for LPG air mix operations	**(299,219)**	(232,475)	**(166,697)**	(127,177)
	1,758,692	34,423,083	**1,016,382**	18,935,846
22 RLNG DIFFERENTIAL MARGINS				
RLNG Differential Margin - OGRA	**(3,732,153)**	(3,443,648)	**(1,456,448)**	(1,906,948)
RLNG Differential Margin - SNGPL	**2,308,000**	(3,642,444)	**304,774**	(966,292)
	(1,424,153)	(7,086,092)	**(1,151,674)**	(2,873,240)
23 COST OF SALES				
Cost of gas	**142,621,343**	125,845,749	**69,046,908**	68,966,840
Transmission and distribution costs	**11,081,234**	9,850,463	**5,650,286**	5,025,609
	153,702,577	135,696,212	**74,697,194**	73,992,449
Cost of gas				
Opening gas in pipelines	**1,214,410**	689,805	**1,304,466**	917,458
RLNG purchases	**21,018,865**	16,339,045	**9,775,784**	8,477,594
Gas purchases	**124,413,403**	110,581,795	**60,695,306**	60,954,084
	146,646,678	127,610,645	**71,775,556**	70,349,136
Gas consumed internally	**(2,832,212)**	(731,370)	**(1,535,526)**	(348,770)
Closing gas in pipelines	**(1,193,123)**	(1,033,526)	**(1,193,122)**	(1,033,526)
	(4,025,335)	(1,764,896)	**(2,728,648)**	(1,382,296)
	142,621,343	125,845,749	**69,046,908**	68,966,840
24 OTHER OPERATING EXPENSES				
Auditors' remuneration	**3,904**	5,860	**1,973**	2,734
Sports expenses	**75,232**	45,229	**56,440**	27,075
Corporate social responsibility	**11,170**	2,029	**1,170**	689
Exchange loss	**-**	6,646,032	**-**	5,401,402
Provision against impaired stores and spares	**-**	13,566	**(1,518)**	2,919
Provision against doubtful debts	**-**	357,412	**-**	224,487
	90,306	7,070,128	**58,065**	5,659,306

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)			
	-----------(Rupees in '000)--------------			
25 OTHER INCOME				
Income from financial assets				
Income for receivable against asset contribution	**21,885**	20,391	**10,698**	10,562
Income from net investment in finance lease	**18,125**	23,304	**9,062**	11,652
Return on term deposits and profit and loss bank accounts	**71,950**	30,465	**41,582**	18,357
	111,960	74,160	**61,342**	40,571
Interest income on late payment of gas bills from				
Jamshoro Joint Venture Limited (JJVL)	**-**	160,843	**-**	83,397
Water & Power Development Authority (WAPDA)	**358,805**	108,057	**187,354**	71,968
	358,805	268,900	**187,354**	155,365
Dividend income	**1,849**	-	**-**	-
	472,614	343,060	**248,696**	195,936
Income from other than financial assets			**-**	
Late payment surcharge	**716,263**	660,462	**340,428**	402,144
Interest income on late payment of gas bills from SNGPL - related party	**572,601**	566,877	**286,300**	286,301
Sale of gas condensate - net	**(8,973)**	(11,180)	**(4,485)**	(5,372)
Income from LPG / NGL - net	**427,454**	125,276	**478,884**	79,440
Meter manufacturing division profit - net	**9,221**	7,064	**6,105**	5,772
Meter rentals	**396,817**	384,444	**199,337**	192,766
RLNG transportation income	**4,249,382**	4,007,462	**1,866,182**	2,205,948
Recognition of income against deferred credit and contract liability	**267,834**	260,838	**134,567**	132,099
Income from LPG air mix distribution - net	**51,145**	63,759	**29,138**	31,587
Income from sale of tender documents	**1,737**	2,507	**555**	1,341
Scrap sales	**30,241**	27,514	**29,033**	3,484
Recoveries from customers	**27,373**	40,596	**11,883**	20,791
Liquidity damaged recovered	**13,939**	(12,164)	**7,018**	756
Exchange gain	**3,005,123**	-	**(415,111)**	-
Reversal of excess Provision against impaired stores and spares	**7,480**	-	**7,480**	-
Gain on sale of property, plant and equipment	**44,775**	50,021	**3,804**	26,624
Amortization of Government grant	**10,456**	11,594	**5,228**	5,764
LSA margins against RLNG	**449,642**	389,560	**218,467**	199,379
Miscellaneous	**488,702**	8,631	**479,359**	4,997
	11,233,826	6,926,321	**3,932,868**	3,789,757

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018	Quarter ended December 31, 2019	Quarter ended December 31, 2018
		(Un-audited)			
		--------------------(Rupees in '000)--------------------			
26 TAXATION					
Current		**1,146,100**	725,825	**559,743**	410,425
Deferred	7	**(4,379)**	(11,753)	**(4,379)**	(11,753)
		1,141,721	714,072	**555,364**	398,672

	Note	Half year ended December 31, 2019	Half year ended December 31, 2018
		(Un-audited)	
		--------(Rupees in '000)--------	
27 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	27.1	**1,961,818**	1,297,332
Depreciation on owned assets		**3,958,113**	3,813,701
Depreciation on right of use assets		**62,918**	-
Amortization of intangibles		**12,842**	15,109
Finance cost		**3,891,677**	3,394,572
Amortization of transaction cost		**24,998**	24,998
Amortization of Government grant		**(10,456)**	(11,594)
Recognition of income against deferred credit and contract liability		**(294,135)**	(287,679)
Dividend income		**(1,849)**	-
Interest income and return on term deposits		**(1,023,122)**	(959,237)
Income from net investment in finance lease		**(18,125)**	(23,304)
Gain on disposal of property plant and equipment		**(44,775)**	(50,021)
Decrease in long term advances		**(15,280)**	(11,416)
Increase in deferred credit and contract liability		**826,783**	522,566
Finance cost on lease liability		**17,260**	-
Decrease in obligation against pipeline		**41,464**	43,726
		9,390,131	7,768,753
27.1 Provisions			
Provision against slow moving / obsolete stores		**8,152**	30,366
Provision against doubtful debts		**921,552**	357,412
Provision for compensated absences		**-**	38,016
Provision for post retirement medical and free gas supply facilities		**459,509**	325,740
Provision for LPG cost		**11,889**	(10,420)
Provision against retirement benefit		**560,716**	556,218
		1,961,818	1,297,332
28 WORKING CAPITAL CHANGES			
Decrease / (increase) in current assets			
Stores and spares		**10,022**	(409,928)
Stock-in-trade		**151,264**	(465,569)
Customers' installation work-in-progress		**(18,716)**	(26,336)
Trade debts		**(4,293,231)**	(3,927,708)
Advances, deposits and short term prepayments		**(135,170)**	(171,880)
Other receivables		**(16,342,816)**	(53,039,698)
		(20,628,647)	(58,041,119)
Increase in current liabilities			
Trade and other payables		**31,076,667**	58,501,034
		10,448,020	459,915

29 TRANSACTIONS WITH RELATED PARTIES

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

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

	Relationship	Half year ended December 31, 2019	Half year ended December 31, 2018
		(Un-audited)	
		------------(Rupees in '000)------------	
* **Attock Cement Limited**	Associate		
- Billable charges		-	47,042
Government related entities			
- Purchase of fuel and lubricant		**25,576**	22,693
- Billable charges		**16,284,996**	14,564,697
- Mark-up expense on short term finance		**64,795**	32,263
- Mark-up expense on long term finance		**363,708**	255,175
- Income from net investment in finance lease		**18,125**	23,304
- Gas purchases		**62,582,922**	53,090,488
- Sale of gas meters		**21,762**	9,213
- Rent of premises		**-**	-
- Insurance premium		**52,697**	52,199
- Electricity expenses		**152,183**	129,199
- Interest income		**931,406**	674,934
- RLNG transportation income		**4,249,382**	4,007,462
- Income against LNG service agreement		**449,642**	389,560
- LPG purchases		**182,382**	-
- Professional charges		**17**	-
* **Habib Bank Limited**	Associate		
- Profit on investment		**-**	315
- Mark-up expense on short term finance		**-**	114,910
- Mark-up expense on long term finance		**-**	176,575
- Billable charges		**-**	6,743
Key management personnel			
- Remuneration		**90,416**	114,838
Minto & Mirza	Associate		
- Professional charges		-	1,500
Staff retirement benefit plans	Associate		
- Contribution to provident fund		**195,213**	171,697
- Contribution to pension fund		**397,284**	336,796
- Contribution to gratuity fund		**157,403**	214,887
* **Thatta Cement Company Limited**	Associate		
- Gas sales		**-**	2,481

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

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

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

29.3 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.

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

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

	Relationship	December 31, 2019 (Un-audited)	June 30 2019 (Audited)
		------------(Rupees in '000)------------	
Government related entities	Associate		
- Billable charges		**60,790,610**	62,745,107
- Accured mark up on borrowings		**(6,189,740)**	(5,158,965)
- Net investment in finance lease		**386,526**	224,440
- Gas purchases		**289,376,435**	247,927,553
- Gas meters & spare parts		**578,939**	360,181
- Uniform cost of gas		**15,818,846**	15,818,845
- Cash at bank		**14,781**	5,527
- Stock loan		**4,912**	4,912
- Payable to insurance		**(1,085)**	(475,580)
- Gas supply deposit		**(51,886)**	(43,392)
- Interest expense accrued - late payment surcharge on gas supplies bills		**(15,832,411)**	(15,832,411)
- Interest income accrued - late payment on gas bills		**12,219,274**	11,287,868
- Professional charges		**57**	57
- Contingent rent		**3,535**	3,535
- Capacity and utilisation charges of RLNG		**42,602,717**	33,298,113
- RLNG transportation income		**24,445,641**	20,642,231
- LSA margins		**2,380,765**	1,897,684
- Advance for sharing right of way		**(18,088)**	(18,088)

30 OPERATING SEGMENTS

IFRS 8- Operating segments requires operating segments to be identified on the basis of internal reports about components of the Holding Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. As a result, management has identified the following two segments:

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

Segment revenue and results

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

	Half Year ended			
	Segment revenue		Segment (loss) / Profit	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)			
	---------------------- (Rupees in '000) ----------------------			
Gas transmission and distribution	**137,301,830**	107,424,453	**(13,050,049)**	(574,378)
Meter manufacturing	**1,150,306**	870,159	**9,221**	7,064
Total segment results	**138,452,136**	108,294,612	**(13,040,828)**	(567,314)
Unallocated				
- Other operating expenses			**90,306**	(6,712,716)
- Other income			**648,658**	475,313
Loss before tax			**(12,301,864)**	(6,804,717)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,356 million (December 31, 2018: Rs. 845 million).

Segment assets and liabilities

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Segment assets		
Gas transmission and distribution	**529,303,015**	506,482,009
Meter manufacturing	**646,295**	762,427
Total segment assets	**529,949,310**	507,244,436
Unallocated		
Loans and advances	**567,146**	835,430
Taxation - net	**19,629,128**	19,532,819
Interest accrued	**487,739**	487,739
Cash and bank balances	**895,205**	836,483
	21,579,218	21,692,471
Total assets as per consolidated condensed interim statement of financial position	**551,528,528**	528,936,907

	December 31 2019 (Un-audited)	June 30, 2019 (Audited)
	--------(Rupees in '000)--------	
Segments liabilities		
Gas transmission and distribution	**566,018,975**	530,359,999
Meter manufacturing	**253,895**	285,719
Total segment liabilities	**566,272,870**	530,645,718
Unallocated		
Employee benefits	**6,250,133**	5,875,230
Total liabilities as per consolidated condensed interim statement of financial position	**572,523,003**	536,520,948

31 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.

31.1 Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting 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 December 31, 2019 (Un-audited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	---Rupees in '000---			
Assets				
Fair value through OCI				
Financial Assets				
Quoted equity securities	**269,300**	**-**	**-**	**269,300**

	As at June 30, 2019 (Audited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	---Rupees in '000---			
Assets				
Fair value through OCI				
Financial Assets				
Quoted equity securities	236,148	-	-	236,148

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.

31.2 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 December 31, 2019 (Un-audited)	
	Level 2	**Fair Value**
	---Rupees in '000---	
Freehold land	**10,862,545**	10,862,545
Leasehold land	**11,763,436**	11,763,436
	22,625,981	22,625,981

	As at June 30, 2019	
	Level 2	**Fair Value**
	(Audited)	
	---Rupees in '000---	
Freehold Land	**10,862,545**	10,862,545
Leasehold Land	**11,763,436**	11,763,436
	22,625,981	22,625,981

32 EVENTS AFTER THE REPORTING DATE

On March 11, 2020, the World Health Organization made an assessment that the outbreak of a corona virus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped during January to March 2020 due to the effect of COVID-19 and a number of other political and economic factors. These factors have negatively affected the economies and the businesses of the country where the Group operates. To alleviate the negative impact of the COVID-19 pandemic, the various governments including the Government of Pakistan, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, allowing easy installments to customers, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

Due to Covid-19, receivables increased because of easy installements provided by Government of Pakistan and similarly there was an increase shown in theft and PUG because of disclosure of disconnection activities in the areas where billing recovery is significantly low.

These conditions are non-adjusting events and impacted the economic and risk environment in which the Group operates.

33 GENERAL

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

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

34 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on November 24,2021.

Dr. Shamshad Akhtar **Chairperson**	**Imran Maniar** **Managing Director**	**Muhammad Amin Rajput** **Chief Financial Officer**

KEY DATA

FRANCHISE AREA	SINDH AND BALOCHISTAN	
	Six months period ended December 31,	
	2019	**2018**
GAS SALES VOLUME (MMCF)	174,298	181,942
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	**4,275**	4,196
COMMERCIAL	**24,101**	22,559
DOMESTIC	**3,046,106**	2,935,676
TOTAL	**3,074,482**	2,962,431
GAS METERS MANUFACTURED (NOS.)	**294,415**	289,365
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)	**36,544**	36,112
SERVICES	**10,800**	10,505
	47,344	46,617

SNGPLاورواپڈا سے قابل وصول LPS

کمپنی کو گردشی قرضہ کی صورتحال کے باعث SNGPLاور واپڈا سے جمع ہونے والی وصولیابی کی صورتحال کا سامنا ہے۔ تاہم متفقہ شرائط وضوابط کے مطابق، کمپنی واجب الادا رقم کے عوض LPSجمع کر رہی ہے۔ کمپنی حکومتی اتھارٹیز کو روزانہ کی بنیاد پر صورتحال سے آگاہ کر رہی ہے اور توقع ہے کہ جیسے ہی گردشی قرضہ کو قومی سطح پر طے کر لیا گیا تو یہ مسئلہ حل ہو جائے گا۔

HCPCLسے قابل وصولیابی

ایس ایس جی سی کو میسرز حبیب اللہ کوسٹل پاور کمپنی پرائیویٹ لمیٹڈ (HCPCL) کے ساتھ ایک بین الاقوامی ثالثی میں ناکامی ہوگئی۔

30اپریل 2018 کو بین الاقوامی عدالت برائے ثالثی نے ثالثی کی کارروائی میں HCPCL کے حق میں فیصلہ سنادیا اور اس کے مطابق کمپنی HCPCL کو معاوضہ، کاروبار کے خاتمے کے نقصانات، سود اور قانونی اور پیشہ ورانہ چارجز کا حتمی معاوضہ ادا کرنا ہوگا۔ HCPCL نے مذکورہ حتمی معاوضے کو کمپنی کی جانب سے جاری کردہ رننگ گیس بلز میں ایڈجسٹ کر لیا ہے۔

درج بالا معاملے کی کل رقم 8.00بلین روپے ہے جس میں سے اوگرا نے پہلے ہی 4.2بلین روپے کی اجازت دے دی تھی۔

تاہم HCPCL کی جانب سے کمپنی سے کاروبار کے خاتمے کے نقصانات کے عوض کلیم کئے گئے 3.8بلین روپے، واپڈا/CPPA-G کی جانب سے HCPCL کو کلیم کئے گئے کاروبار کے خاتمے کے نقصانات کے سلسلے میں تھے۔ اس سے واضح ہوتا ہے کہ حکومت پاکستان کے ایک ادارے سے حکومت پاکستان کے دوسرے ادارے کو یعنی واپڈا کی جانب سے کسی کلیم کرنے والی پارٹی کو ادائیگی بنا کسی بڑے فائدے کی جاتی ہے۔ لہٰذا وزارت نے 07فروری 2018 کو ایک ECC سمری جمع کرائی اور ECC نے اصولی طور پر کاروبار کے خاتمے کے نقصانات کی چھوٹ دینے سے متعلق تجویز پیٹرولیم ڈویژن اور پاور ڈویژن کو اس ہدایت کے ساتھ منظور کر لی کہ وہ اسٹیک ہولڈرز کے ساتھ مشاورت کر کے طریقہء کار طے کرنے کیلئے کام کریں۔

تمام اسٹیک ہولڈرز (ایس ایس جی سی، سی پی پی اے۔ جی اور ایچ سی پی سی ایل) period of no dispatch کو بطور "Other Force Majeure Event (OME)" طریقہء کار کو حتمی شکل دینے کے مرحلے میں ہے اور GSA کی مدت کو no dispatch period کے ساتھ توسیع دے رہے ہیں۔

اس لحاظ سے HCPCL کی جانب سے ایڈجسٹ کی گئی LDs کی 3.8 بلین روپے کی رقم اور ثالث کی جانب سے اضافی LPS ایڈجسٹمنٹ کی اجازت سے 0.3بلین روپے "HCPCL سے قابل وصولی" قرار دیئے گئے اور بقیہ قابل وصولی LPS، LD چارجز پر سود اور قانونی اخراجات سے متعلق 3.9 بلین روپے کی اوگرا نے فائنل ریوینیو ریکوائرمنٹ (DFRR) برائے مالی سال 19-2018 مورخہ 25 مئی 2021 میں اپنے فیصلے میں اس کی اجازت دے دی ہے۔

معاملے پر زور

مالیاتی اسٹیٹمنٹس کے نوٹ 1.3 میں مالیاتی کارکردگی پر گفت وشنید میں بنیادی توجہ RLNG والیوم ہینڈلنگ اور "UFG reduction strategy" پر مبنی UFG میں کمی کرنے پر دی گئی۔ آڈیٹر نے نتیجہ اخذ کیا ہے کہ مادی غیر یقینی کیفیت موجود ہے جس سے کمپنی کی موجودہ حیثیت میں کام کرنے کی صلاحیت پر نمایاں شبہ ظاہر ہوتا ہے۔ تاہم کمپنی نے حکومت پاکستان، فنانس ڈویژن سے مدد کا خط مورخہ 06 جولائی 2020 حاصل کر لیا ہے جس میں کمپنی کے موجودہ حیثیت میں کام جاری رکھنے میں مدد کا وعدہ کیا گیا ہے۔ آڈیٹرز نے اپنی جائزہ رپورٹ میں زور دیتے ہوئے اسے "معاملے پر زور" قرار دیا ہے۔

کمپنی کی مالیاتی سطح بڑھنے کی جانچ کیلئے درج ذیل بڑے عناصر اہم ہیں۔

ا) RLNG کے والیوم کی بنیاد پر ہینڈلنگ پر مبنی UFG الاؤنس کی اوگرا سے اجازت طلب کی جائے جیسا گزشتہ پیراگرافس میں پہلے ہی واضح کیا جا چکا ہے۔

ب) حکومت پاکستان (فنانس ڈویژن) (GoP) نے، بطور بڑے اسٹیک ہولڈر، اپنے خط مورخہ 06 جولائی 2020 میں کمپنی کی ضروریات کیلئے فنڈ مہیا کرنے کا اعتراف کیا ہے اور کمپنی کی موجودہ حالت میں کام جاری رکھنے کیلئے ہر ممکن مدد کا وعدہ کیا ہے۔

ج) انتظامیہ نے آنے والے سالوں میں یو ایف جی پر کنٹرول کیلئے یو ایف جی کنٹرول پالیسی تیار کی ہے جو بورڈ آف ڈائریکٹرز کی اجازت سے زیر عمل ہے۔

د) نئی ٹیرف رجیم مالی سال 19-2018 سے موثر %17.43 کی شرح سے اوپننگ ایسیٹس پر گارنٹیڈ ریٹرن فراہم کرے گی۔

ر) بینکوں نے ایکویٹی کی شرح کی ضروریات پر قرض میں نرمی کی ہے۔ نیز کمپنی کسی قسط یا اس پر سود کی ادائیگی میں کبھی نادہندہ نہیں رہی ہے اور بعض قرضہ جات کلی طور پر بروقت ادا کر دیئے گئے ہیں۔

درج بالا کے علاوہ، بیرونی آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اپنی جائزہ رپورٹ برائے ششماہی مختتمہ 31 دسمبر 2019 میں بعض مسائل پر توجہ مرکوز کروائی ہے۔ ان معاملات پر آراء درج ذیل ہیں:

i. کمپنی نے سندھ ہائی کورٹ کے فیصلے کے باعث ہونے والے 36.7 بلین روپے کے نقصانات میں سے 33 بلین روپے ضم کر لئے ہیں۔ انتظامیہ کو اعتماد ہے کہ بقیہ جمع شدہ نقصانات جون 2020 تک ضم کر لئے جائیں گے۔

ii. Contingencies and Commitment میں درج قانونی اور دیگر معاملات کے اپنے حق میں حل کے لئے شدومد سے پیروی کی جارہی ہے۔

iii. ایس ایس جی سی نے حکومتی کنٹرول کے تحت ای اینڈ پی کمپنیز (OGDCL ,PPL & GHPL) کو قابل ادائیگی LPS کے اخراجات مورخہ یکم جولائی 2012 سے موثر ادائیگی اس وقت تک کیلئے روک دی ہے جب تک ایس ایس جی سی کو پی ایس ایم ایل آر کے ای کی جانب سے ایل پی ایس کی ادائیگی وصول نہیں ہوگی۔

iv. ایس ای سی پی نے IFRS 14 Regulatory Deferred Accounts کی مالی سال 22-2021 تک تین سال کیلئے استثنٰی کی اجازت دے دی ہے۔

اعتراف

بورڈ اپنے اسٹیک ہولڈرز اور معزز صارفین کے مسلسل تعاون پر اظہار تشکر کرتا ہے۔ بورڈ اپنے تمام ایمپلائز کے خلوص کا بھی معترف ہے جنہوں نے کمپنی کو درپیش متعدد چیلنجز کے باوجود سپاہیانہ جذبے سے کام کیا۔ بورڈ حکومت پاکستان، وزارت توانائی اور آئل اینڈ گیس ریگولیٹری اتھارٹی کی جانب سے مستقل رہنمائی اور تعاون پر شکریہ ادا کرتا ہے۔

عمران منیار
مینجنگ ڈائریکٹر

ڈاکٹر شمشاد اختر
چیئر پرسن

ڈائریکٹرز کا جائزہ

برائے ششماہی مختتمہ 31 دسمبر، 2019

ہمیں کمپنی کے نتائج برائے ششماہی مختتمہ 31 دسمبر، 2019 پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

کمپنی کو زیر جائزہ مدت کے دوران میں سنگین چیلنجوں کا سامنا رہا۔ جن میں سے کچھ کمپنی کی ترقی اور استحکام کے لئے اہم ہیں۔

مالیاتی جائزہ

زیر جائزہ مدت کے دوران میں، کمپنی نے اوگرا کی جانب سے بڑے ڈس الاؤنسز شامل کرنے کے بعد 13,482 ملین بعد از ٹیکس نقصان ریکارڈ کیا۔

مالیاتی جھلکیوں کا خلاصہ ذیل میں درج ہے:

6 ماہ مختتمہ 31 دسمبر 2019 (روپے ملین میں)	
نقصان قبل از ٹیکس	(12,356)
ٹیکس	(1,126)
نقصان بعد از ٹیکس	(13,482)

ایس ایس جی سی کا منافع اوگرا کے متعین کردہ گارنٹیڈ ریٹرن فامولا کے تحت حاصل کیا جاتا ہے۔ اس فارمولے کے تحت ایس ایس جی سی کو اپنے اوسط خالص آپریٹنگ فکسڈ اثاثوں پر فنانشل چارجز اور ٹیکسز سے قبل 17.43% گارنٹیڈ آمدنی کی اجازت ہے۔ البتہ، اوگرا کارکردگی سے متعلق بنچ مارک کے ساتھ ساتھ غیر شمار شدہ گیس (یو ایف جی)، ہیومن ریسورس بینچ مارک کی لاگت اور مشکوک قرضوں کے پروویژن اور دیگر اخراجات پر مبنی مالی ضروریات کا تعین کرتے وقت ایڈجسمنٹس کرتی ہے۔ یہ ایڈجسٹمنٹس کمپنی کی نچلی حد کو متاثر کرتی ہیں جو بنیادی طور پر فنانشل چارجز اور ٹیکسز کے خالص 17.43% گارنٹیڈ ریٹرن پر منحصر ہے۔

زیر جائزہ سال کے دوران میں بعد از ٹیکس نقصان کی اہم وجوہات درج ذیل تھیں۔

مالی سال 19-2018 کی حتمی مالی ضروریات (DFRR) کے بارے میں اوگرا کے فیصلے مجریہ 25 مئی 2021 کے مطابق اثاثہ جات پر 7.8 بلین روپے آمدنی کے مقابلے میں ڈس الاؤنسز کو مکمل طور پر ان چھ ماہ کے مالیاتی نتائج مبلغ 13.7 بلین روپے میں ضم کر دیا گیا۔

تاہم ان غیر مجموعی مختصر عبوری مالیاتی اسٹیٹمنٹس میں مالی سال 19-2018 کیلئے DFRR میں کئے گئے غیر معمولی یو ایف جی الاؤنسز کی پیروی نہیں کی گئی، جو جائزے کی تحریک (MFR) کی درخواست میں پہلے ہی دوبارہ کلیم کی جا چکی ہے۔

بلند یو ایف جی ڈس الاؤنس

انتہائی بلند یو ایف جی ڈس الاؤنس اس حقیقت کے باعث ہے کہ اوگرا RLNG والیوم ہینڈلنگ پر مبنی یو ایف جی قبول نہیں کر رہا جس کی ایس ایس جی سی کو اجازت، اکنامک کوآرڈینیشن کمیٹی (ECC) نے اپنی سمری مورخہ 11 مئی 2018 میں منظور کی تھی۔ اگر ایس ایس جی سی کو اس کے منافع کی اجازت مل جاتی تو خالص یو ایف جی ڈس الاؤنس میں 6.6 بلین روپے کی کمی ہو جاتی۔

RLNG کی سپلائی چین میں شامل تمام اسٹیک ہولڈرز ECC کے منظور کردہ پرائس میکنزم کے مطابق RLNG کی سپلائی کے پروسیس کے دوران میں پیش آنے والے حادثاتی لاگت / نقصانات کا معاوضہ اصل کی بنیاد پر حاصل کر رہے ہیں۔ اسی طرح محولہ بالا ECC کی سمری کے ذریعے ایس ایس جی سی کو یو ایف جی کے تعین میں والیوم ہینڈلنگ کے منافع کی صورت میں دی گئی تھی۔ تاہم اوگرا نے اس پر عمل درآمد کرنے سے انکار کر دیا جس کے سبب ایس ایس جی کو یو ایف جی ڈس الاؤنس کی صورت میں بھاری مالیاتی نقصان کا سامنا ہے۔ اس معاملے کے بارے میں تازہ ترین صورتحال یہ ہے کہ اوگرا نے ایک یو ایف جی کی تقسیم پر RLNG کے اثر کے مسئلے کے مطالعے کیلئے ایک بیرونی کنسلٹنٹ کی خدمات حاصل کر لی ہیں۔

مذکورہ بالا مسئلے کو، آئندہ کے لئے بھی حل کرنے کی ضرورت نمایاں ہے جس کے نہ ہونے سے مالیاتی صورتحال مزید خراب ہوتی جائے گی جو کمپنی کے مستحکم اور مستعد آپریشنز کو جاری رکھنے میں مشکوک کر دے گی۔

گزشتہ جمع شدہ نقصانات کو ضم کرنا

سندھ ہائی کورٹ کے فیصلے مورخہ 25 نومبر 2018 کی رو سے، جس میں مبلغ 3.7 بلین روپے (31 دسمبر 2018: 1.8 بلین روپے) کے جمع شدہ نقصانات کو ضم کرنے کیلئے یو ایف جی بنچ مارک اور بعض نان آپریٹنگ انکم کے ٹریٹمنٹ پر سندھ ہائی کورٹ نے اسٹے کو خارج کر دیا تھا۔ اس فیصلے کے نتیجے میں ایس ایس جی سی کو مالی سال 2011 سے مالی سال 2015 تک 36.7 بلین روپے کے نقصانات کو ضم کرنا تھا۔ مجاز اتھارٹی کی منظوری سے، ایس ایس جی سی نے ان نقصانات کو زیادہ سے زیادہ چھ سال کیلئے جمع کیا، تاہم ان نقصانات کو 5 سال یعنی مالی سال 20-2019 کے آخر تک ضم کرنے کا ارادہ کیا اور 31 دسمبر 2019 تک 33 بلین روپے ضم کر دیئے گئے۔

مالیاتی لاگت

SNGPL نیٹ ورک کو RLNG ڈیلیور کرنے کیلئے کراچی پورٹ سے ساوان تک RLNG کی ترسیل کیلئے پائپ لائن انفرااسٹرکچر کو فنانس کرنے کی لاگت کیلئے 3.97 بلین روپے کا طویل المدت قرضہ حاصل کیا گیا۔

بیرونی آڈیٹر کی جائزہ رپورٹ میں ترمیم

بیرونی آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے چھ ماہ کی مدت مختتمہ 31 دسمبر 2019 کے لئے اپنی جائزہ رپورٹ میں KE اور PSML سے قابل وصولی رقم کیلئے، SNGPL اور واپڈا سے تاخیر سے ادائیگی کے قابل وصولی سرچارج اور حبیب اللہ کوسٹل پاور کمپنی (پرائیویٹ) لمیٹڈ (HCPCL) سے قابل وصولی رقم کے اہل نتیجے کا اظہار کیا ہے۔

KE اور PSML سے قابل وصولی رقم

پاکستان اسٹیل ملز لمیٹڈ (PSML) کی نجکاری اور کے الیکٹرک (KE) کے معاملات میں ثالثی کے بارے میں پیش رفت کے باوجود، KE اور PSML سے وصولیابی کے تنازع کی صورتحال گزشتہ برسوں کے مطابق ہے۔ انتظامیہ KE اور PSML کے خلاف درج کئے گئے وصولی کے مقدمے کی شد و مد کے ساتھ پیروی کر رہی ہے۔ اس کے ساتھ ساتھ انتظامیہ KE اور PSML سے واجبات کی وصولیابی کیلئے متعلقہ وزارتوں کے ساتھ بھی مسلسل رابطے میں ہے۔ یہاں یہ بتانا بھی ضروری ہے کہ PSML نے فنانس ڈویژن کی جانب سے اس مد میں مقرر کی گئی رقم میں سے جون 2020 تا جنوری 2021 کے ماہانہ گیس بلوں کے 556 ملین روپے کی ادائیگی کر دی ہے۔ کمپنی کی جانب سے KE اور PSML کے خلاف دعوے کی رقم بمطابق 31 دسمبر 2019 بالترتیب 106,369 ملین روپے اور 64,543 ملین روپے ہے۔

f undelivered, please return to Shares Department:

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Produced by: Corporate Communication Department
Printed at: The Times Press (Pvt.) Ltd.
Designed by: OKTOPUS MG