

CONSOLIDATING INFRASTRUCTURE MOVING FORWARD

Un-Audited Condensed
Interim Financial Information
for the half year ended
December 31, 2022





Unconsolidated Condensed Interim Financial Information (Un-Audited)
for the Half year ended December 31, 2022

CORPORATE PROFILE

BOARD OF DIRECTORS

AS ON DECEMBER 31, 2022

Dr. Shamshad Akhtar	Chairperson
Mr. Muhammad Raziuddin Monem	Director
Mr. Faisal Bengali	Director
Mr. Abdul Aziz Uqaili	Director
Mr. Sajid Mehmood Qazi	Director
Dr. Imran Ullah Khan	Director
Dr. Sohail Razi Khan	Director
Mr. Manzoor Ali Shaikh	Director
Mr. Zuhair Siddiqui	Director
Mr. Ayaz Dawood	Director

MANAGING DIRECTOR

Mr. Imran Maniar

COMPANY SECRETARY

Mr. Mateen Sadiq

AUDITORS

M/s. BDO Ebrahim & Co., Chartered Accountants

LEGAL ADVISOR

M/s. Liaquat Merchant Associates (LMA)

REGISTERED OFFICE

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

CONTACT DETAILS

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Email: info@ssgc.com.pk

Web: www.ssgc.com.pk

SHARE REGISTRAR

CDC Share Registrar Services Limited,

CDC House, 99-B, Block B, SMCHS,

Main Sharah-e-Faisal, Karachi.

Ph: 021-111-111-500

BOARD OF DIRECTORS' COMMITTEES

BOARD HUMAN RESOURCE & NOMINATION COMMITTEE

Dr. Shamshad Akhtar	Chairperson
Mr. Muhammad Raziuddin Monem	Director
Mr. Sajid Mehmood Qazi	Director
Dr. Sohail Razi Khan	Director
Mr. Manzoor Ali Shaikh	Director

BOARD FINANCE AND PROCUREMENT COMMITTEE

Dr. Imran Ullah Khan	Chairman
Mr. Faisal Bengali	Director
Mr. Ayaz Dawood	Director
Mr. Zuhair Siddiqui	Director

BOARD AUDIT COMMITTEE

Mr. Faisal Bengali	Chairman
Dr. Sohail Razi Khan	Director
Dr. Imran Ullah Khan	Director
Mr. Ayaz Dawood	Director

BOARD RISK MANAGEMENT, LITIGATION AND HSEQA COMMITTEE

Mr. Muhammad Raziuddin Monem	Chairman
Mr. Abdul Aziz Uqaili	Director
Mr. Manzoor Ali Shaikh	Director
Mr. Zuhair Siddiqui	Director

BOARD SPECIAL COMMITTEE ON UFG

Dr. Shamshad Akhtar	Chairperson
Mr. Abdul Aziz Uqaili	Director
Mr. Sajid Mehmood Qazi	Director
Dr. Sohail Razi Khan	Director
Mr. Zuhair Siddiqui	Director

DIRECTORS' REVIEW

For Six Months Period Ended December 31, 2022

The Board of Directors presents the Company's results for six months period ended December 31, 2022.

Financial Overview

The Company recorded Loss after Tax of Rs. 9,574 million after incorporating major disallowances by OGRA.

The summary of financial highlights of the period is given below:

	December 2022	December 2021	Variance
	(Rupees in Million)		
Loss before Taxation	(7,939)	(579)	(7,360)
Taxation	(1,635)	(1,422)	(213)
Loss after Taxation	(9,574)	(2,001)	(7,573)
Loss Per Share (Rs.)	(10.87)	(2.27)	(8.60)

SSGC Profitability is derived from the Guaranteed Return Formula prescribed by OGRA which is based on the Weighted Average Cost of Capital (WACC) of the Company. Under this formula, SSGC was allowed 16.60% (December 2021: 17.43%) return on its average net operating fixed assets before financial charges and taxes. However, OGRA makes disallowances/ adjustments while determining the revenue requirements based on efficiency related benchmarks viz a viz Un-accounted for Gas (UFG), Human Resource Benchmark Cost, Provision for Doubtful Debts and some other expenses/ charges. These disallowances/ adjustments affect the bottom-line of the Company.

In line with OGRA Determination on Final Revenue Requirement (DFRR) for FY 2021-22 issued on October 06, 2023, UFG disallowance absorbed in these six months' financial results amounted to Rs. 15,479 million against Return on Assets of Rs. 7,989 million. Finance cost for the period is Rs. 2,909 million.

Despite significant efforts to reduce UFG and turnaround the Company, high UFG in Balochistan region is outweighing all efforts. For the period under review, Balochistan UFG in volume terms is 12.1 BCF and in percentage is 60.4% (corresponding figures for 2021: 10.36 BCF and 45.5%).

This issue needs policy decision at the Federal Government level to keep gas supplies to Balochistan a commercially viable decision. Due to rigorous efforts to curb UFG, despite increased UFG in Balochistan, the overall company-wide UFG is maintained in volumetric terms at 29.03 BCF.

It is important to underscore that the Return on Assets is based upon historical cost in PKR value of assets whereas the UFG penalty is based upon the Weighted Average Cost of Gas (WACOG) which is majorly based on USD. Sharp depreciation of PKR vs USD in recent times has been the key factor of negative bottom-line. The WACOG during the half year ended December 31, 2022, was Rs. 843.74 per MCF compare to Rs. 594.54 per MCF for the corresponding period of the last year which is 42% increase in percentage term. This resulted in incremental UFG disallowance of Rs. 4,570 million.

The core reasons affecting the financial position of the Company are elaborated in following paras:

Acceptance of UFG Allowance on RLNG Business

SSGC has been vigorously pursuing OGRA through the Ministry of Energy (Petroleum Division), as well as through Islamabad High Court (IHC) to allow Actual UFG on RLNG business in Distribution Network as per ECC Policy Guidelines on RLNG Pricing. As a result of IHC restraining Order, OGRA has allowed Actual UFG on RLNG Distribution business.

However, still high UFG disallowance is mainly due to the fact that OGRA is not accepting RLNG Volume Handling benefit approved for SSGC vide a Summary approved by the Economic Coordination Committee (ECC) dated May 11, 2018. Through vigorous follow-up of SSGC Management & Board of Directors, OGRA has engaged a Consultant to determine the extent of UFG on RLNG and its impact on each Sui Company, namely SSGC and SNGPL. The outcome of consultant study is still awaited.

Provision against Impaired Debts

OGRA allows provision against impaired debts as operating expense related to disconnected customers only. However, on adoption of IFRS-9, provision is being made on Expected Credit loss basis i.e., forward looking approach which also requires provisioning against Live Customers, resultantly, bottom-line of the Company is affected.

Since OGRA has confined to the position that it will allow provision as per past practice i.e., only against disconnected customers, thus current period provision has been treated in line with DFRR FY 2021-22 and disallowance of Rs. 422 million has been recognized.

High Financial Cost

SSGC had to bear financial charges of Rs. 2,909 million mainly on long-term and short-term borrowings obtained for capital expenditures and working capital shortfall due to delay in Tariff Notifications.

However, out of the above, an amount of Rs. 1,579 million is treated as allowed by OGRA as per past practice to compensate the delay in Tariff Notifications.

Qualifications in the External Auditor's Review Report

The External Auditors, M/s. BDO Ebrahim & CO., Chartered Accountants had continued with similar qualifications in their review report for the six months' period ended December 31, 2022 for the amounts due from KE and PSML and late payment surcharge (LPS) receivable from SNGPL and WAPDA.

Receivable from KE and PSML

During the period, defaulted receivable situation of K-Electric (KE) and Pakistan Steel Mills Limited (PSML) remained the same as in previous periods. The Management is vigorously pursuing recovery suit filed against KE and PSML. 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 expected that as soon as the matter is permanently resolved, the overall financial position of the Company will improve. The claim of the Company including LPS against KE and PSML, as of December 31, 2022, is Rs. 162,771 million and Rs. 85,410 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.

Emphasis of matter

In addition to the above, M/s. BDO Ebrahim & Co., Chartered Accountants has drawn attention through 'Emphasis on Matter' in their review report for the six months' ended December 31, 2022, comments are as follows:

- i. Material litigations and claims involving different courts, the outcome of which is uncertain;
- ii. Sustainability of Company's future operations is dependent upon GoP support letter which has confirmed to extend necessary financial support to maintain going concern status;
- iii. SSGC has discontinued recognition of LPS expenses payable to the Government controlled E&P companies (OGDCL, PPL & GHPL) effective from 01 July 2012 till the time SSGC receives LPS income from PSML and KE; and
- iv. Settlement of matters with SNGPL prior to June 2020 is dependent on OGRA's appointed Consultant Report.

Future Outlook

Moving forward, reduction in UFG is the key to keeping the Company operationally and financially viable. A number of drastic measures have been implemented for effective and sustainable UFG reduction. Positive results of the implemented actions are already visible whereas the under-planning actions will further reduce the UFG. Following is a gist of actions and initiatives:

- i. The dedicated UFG Hub Division established under the guidance of the BOD continues to improve the existing procedures and protocols against UFG contributing factors. Projects and initiatives are being undertaken at an expedited pace.
- ii. The chronic issue of Balochistan UFG is being actively taken up with all concerned authorities. A number of meetings have been conducted with the top officials at the Government of Balochistan as well as the Federal Government to present detailed analysis of the problems along with viable solutions thereof.
- iii. Through meticulous planning, the Lower Sindh (Karachi) Distribution operations have been restructured through the adoption of 'Strategic Business Units concept'. Consequently, massive improvements have been recorded in UFG performance. Planning is underway to implement similar restructurings across the franchise area.
- iv. Rigorous efforts have been made to improve the measurement and billing accuracy. Rehabilitation of distribution network is being transitioned from a sub-departmental function to a dedicated project team with dedicated and professional resources. Actions against gas theft and unauthorized usage have been intensified to unprecedented levels. As a result, the UFG in Lower Sindh i.e. Karachi (where 65% of franchise's gas is sold) is close to be brought in single-digit.
- v. Operational efficiencies are expected to be massively improved through the Town Border Station Automation Project.
- vi. Substantial number of segmentation and network segregation projects have been completed to optimize supply of gas to industrial and domestic customers as per their respective requirements. Additionally, these projects have improved accuracy of UFG monitoring.

Acknowledgements

The Board wish to express appreciation for the continued support received from the shareholders and its valued customers. The Board also acknowledges the dedication of all the employees who worked hard, despite number of challenges confronting the Company. The Board is also thankful to the Government of Pakistan, the Ministry of Energy and the Oil and Gas Regulatory Authority, for their continued guidance and support.

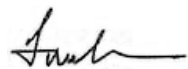
On behalf of the Board.



Dr. Shamshad Akhtar
Chairperson

Dated: March 09, 2024

Place: Karachi



Imran Maniar
Managing Director

REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS 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, 2022 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 together with 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 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 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 8.1 and 8.2 to the unconsolidated condensed interim financial statements, trade debts include receivables of Rs. 29,971 million and Rs. 25,170 million which includes an overdue balance of Rs. 29,652 million and Rs. 25,100 million from K-Electric (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively, which has 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 recognize 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 time frame over which such recovery will be made;

- b) As disclosed in note 9 to the unconsolidated condensed interim financial statements, interest accrued includes interest receivable of Rs. 11,530 million and Rs. 5,379 million from Sui Northern Gas Pipeline Limited (SNGPL) and Water and Power Development Authority (WAPDA), respectively. These have been accounted for in line with the Company’s policy of charging LPS on overdue amounts, but have not been acknowledged by the counter-party. Due to disputes of the Company with WAPDA and SNGPL, and the 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 including the time frame over which such recovery will be made; and

Qualified Conclusion

Except for the adjustments, to the unconsolidated condensed interim financial statements due to matters described in (a) and (b) above, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial statements as for the half year ended December 31, 2022 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


We draw attention to the following:

1. note 1.3 to the unconsolidated condensed interim financial statements which state that in view of the financial position of the Company, the Government of Pakistan (Finance Division) has confirmed to extend necessary financial support to the Company for the foreseeable future to maintain its going concern status. Hence, the sustainability of the future operations of the Company is dependent on the said support;
2. note 16.1 to the unconsolidated condensed interim financial statements which describe that the Company has not recognized the accrued markup up to December 31, 2022 amounting to Rs. 151,245 million relating to Government Controlled E&P Companies based on Government advise and a legal opinion; and
3. note 17 to the unconsolidated condensed interim financial statements which inter alia describe that the Company is subject to various material litigations and claims pending adjudication in different courts. The outcome of these cases is uncertain and beyond management's control.
4. note 10, 15.1 and 15.2 to the unconsolidated condensed interim financial statements which describes certain long outstanding matters prior to June 2020 pending settlement with SNGPL whose resolution is dependent on the OGRA's appointed consultant report.

Our conclusion is not modified in respect of the above matters.

The engagement partner on the review resulting in this independent auditor's review report is Tariq Feroz Khan.

Dated: April 25, 2024
Place: Karachi
UDIN: RR202210166M3BamRCc6


M/s BDO Ebrahim & Co.
Chartered Accountants

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

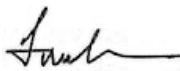
As at December 31, 2022

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	------(Rupees in '000)-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	177,975,402	175,263,737
Intangible assets		207,904	226,209
Right of use assets	6	109,519	85,051
Deferred tax		2,823,415	2,823,415
Long term investments	7	1,207,167	1,401,745
Long term loans and advances		856,809	1,425,381
Long-term deposits		18,632	18,632
Total non-current assets		183,198,848	181,244,170
Current assets			
Stores, spares and loose tools		3,616,753	3,645,946
Stock-in-trade		3,065,694	2,304,295
Current maturity of net investment in finance lease		45,512	73,321
Customers' installation work-in-progress		246,348	244,305
Trade debts	8	105,597,326	102,209,200
Loans and advances		1,376,194	564,780
Advances, deposits and short term prepayments		1,287,395	975,841
Interest accrued	9	17,552,033	16,692,130
Other receivables	10	567,509,441	471,013,752
Taxation - net		15,166,302	16,079,192
Cash and bank balances		680,108	763,015
Total current assets		716,143,106	614,565,777
TOTAL ASSETS		899,341,954	795,809,947

The annexed notes 1 to 33 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 FINANCIAL POSITION

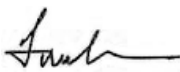
As at December 31, 2022

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	----- (Rupees in '000) -----	
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share Capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of FVTOCI securities		106,932	115,836
Surplus on revaluation of property, plant and equipment		54,107,435	54,107,435
Accumulated losses		(81,992,441)	(72,418,688)
		(14,061,510)	(4,478,853)
LIABILITIES			
Non-current liabilities			
Long term financing	11	29,661,652	17,015,705
Long term deposits		25,678,048	24,506,273
Employee benefits		8,177,524	7,724,066
Payable against transfer of pipeline		647,204	684,981
Deferred credit	12	4,105,507	4,304,590
Contract liabilities	13	9,580,002	9,517,256
Lease liability		19,025	19,029
Long term advances		3,931,684	3,971,110
Total non-current liabilities		81,800,646	67,743,010
Current liabilities			
Current portion of long term finance	11	4,855,632	6,664,669
Current portion of payable against transfer of pipeline		73,900	70,664
Current portion of deferred credit	12	454,267	443,575
Current portion of contract liabilities	13	259,496	262,881
Current portion of lease liability		78,591	55,475
Short term borrowings	14	28,683,758	23,878,298
Trade and other payables	15	778,742,459	682,927,371
Unclaimed dividend		285,373	285,373
Interest accrued	16	18,169,342	17,957,484
Total current liabilities		831,602,818	732,545,790
Total liabilities		913,403,464	800,288,800
TOTAL EQUITY AND LIABILITIES		899,341,954	795,809,947
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes 1 to 33 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 PROFIT OR LOSS
For the half year ended December 31, 2022

	Half year ended		Quarter ended		
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
	(Un-Audited)				
	------(Rupees in '000)-----				
Revenue from contract with customers - Gas sales	18	123,470,624	153,985,713	52,763,647	73,990,406
Tariff adjustments	19	85,252,837	35,170,482	39,720,174	22,123,766
Net sales		208,723,461	189,156,195	92,483,821	96,114,172
Cost of sales	20	(210,921,120)	(187,095,182)	(97,370,181)	(97,521,707)
Gross (loss) / profit		(2,197,659)	2,061,013	(4,886,360)	(1,407,535)
Administrative and selling expenses		(2,630,888)	(2,295,019)	(1,251,464)	(994,700)
Other operating expenses	21	(6,257,177)	(5,321,951)	1,214,082	(2,008,409)
Impairment loss against financial assets		(1,147,268)	(661,551)	(714,835)	(388,374)
		(10,035,333)	(8,278,521)	(752,217)	(3,391,483)
		(12,232,992)	(6,217,508)	(5,638,577)	(4,799,018)
Other income	22	7,202,997	7,858,077	3,650,497	3,880,482
Operating (loss) / profit		(5,029,995)	1,640,569	(1,988,080)	(918,536)
Finance cost		(2,909,012)	(2,219,323)	(1,260,100)	(1,130,310)
Loss before taxation		(7,939,007)	(578,754)	(3,248,180)	(2,048,846)
Taxation	23	(1,634,746)	(1,422,335)	(730,923)	(688,730)
Loss for the period		(9,573,753)	(2,001,089)	(3,979,103)	(2,737,576)
Loss per share - basic and diluted	24	(10.87)	(2.27)	(4.52)	(3.11)

The annexed notes 1 to 33 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 half year ended December 31, 2022

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-Audited)			
	----- (Rupees in '000) -----			
Loss for the period	(9,573,753)	(2,001,089)	(3,979,103)	(2,737,576)
Other comprehensive loss				
Unrealised loss on re-measurement of FVTOCI securities	(8,904)	(66,920)	(5,578)	(34,339)
Total comprehensive loss for the period	<u>(9,582,657)</u>	<u>(2,068,009)</u>	<u>(3,984,681)</u>	<u>(2,771,915)</u>

The annexed notes 1 to 33 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 CASH FLOW

For the half year ended December 31, 2022

	Note	Half year ended	
		December 31, 2022	December 31, 2021
		(Un-audited)	
		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,939,007)	(578,754)
Adjustments for non-cash and other items	25	8,001,161	4,875,603
Working capital changes	26	(5,514,449)	8,894,033
Financial charges paid		(3,695,944)	(2,627,275)
Employee benefits paid		(187,785)	(71,430)
Payment for retirement benefits		(1,239,365)	(497,623)
Long term deposits received - net		1,171,775	1,124,658
Loans and advances to employee - net		(242,842)	358,386
Interest income received		20,390	90,020
Income taxes paid		(721,856)	(1,028,175)
Net cash (used in) / generated from operating activities		(10,347,922)	10,539,443
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(5,317,322)	(5,872,391)
Payments for intangible assets		(35,110)	(36,090)
Payment against transfer of pipeline		(67,866)	(67,866)
Proceeds from sale of property, plant and equipment		90,744	1,533
Dividend received		19,055	21,781
Net cash used in investing activities		(5,310,499)	(5,953,033)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from loans		14,961,375	-
Repayments of local currency loans		(4,133,333)	(3,908,576)
Repayment of consumer finance		(8,052)	(9,344)
Repayment of lease liability		(49,936)	(74,388)
Dividend paid		-	(53)
Net cash generated for / (used in) financing activities		10,770,054	(3,992,361)
Net decrease in cash and cash equivalents		(4,888,367)	594,049
Cash and cash equivalents at beginning of the period		(23,115,283)	(23,176,898)
Cash and cash equivalents at end of the period	27	(28,003,650)	(22,582,849)

The annexed notes 1 to 33 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 CHANGES IN EQUITY

For the half year ended December 31, 2022

	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 01, 2021 (Audited)	8,809,163	234,868	4,672,533	172,772	24,347,314	(60,408,205)	(22,171,555)
Total comprehensive loss for the period ended December 31, 2021							
Loss for the period	-	-	-	-	-	(2,001,089)	(2,001,089)
Other comprehensive loss for the period	-	-	-	(66,920)	-	-	(66,920)
Balance as at December 31, 2021	8,809,163	234,868	4,672,533	105,852	24,347,314	(62,409,294)	(24,239,564)
Balance as at July 01, 2022 (Audited)	8,809,163	234,868	4,672,533	115,836	54,107,435	(72,418,688)	(4,478,853)
Total comprehensive loss for the period ended December 31, 2022							
Loss for the period	-	-	-	-	-	(9,573,753)	(9,573,753)
Other comprehensive loss for the period	-	-	-	(8,904)	-	-	(8,904)
Balance as at December 31, 2022	8,809,163	234,868	4,672,533	106,932	54,107,435	(81,992,441)	(14,061,510)

The annexed notes 1 to 33 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

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2022

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 Muhammad Suleman Road, Block 14, Gulshan- e-Iqbal, Karachi. The Company's pipe coating plant is situated at Plot No. F-76, SITE Avenue Karachi., whereas, meter manufacturing plant is situated at its' registered office.

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

<u>Region</u>	<u>Address</u>
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	SSGC Karachi Terminal opposite Safari Park Main University Road, Karachi.
Hyderabad	SSGC Regional Office, Opp. New Eidgah, National Highway Qasimabad,
Nawabshah	SSGC Regional Office, Near Sikandar Art Gallery Housing Society,
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 with a minimum annual return before taxation of 16.60% 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 or short of the above guaranteed return is payable to or recoverable from the Government of Pakistan (GoP).

1.3 Status of the Company's Operations - Financial Performance

During the period, the Company has incurred a loss after tax of Rs. 9,574 million (December 31, 2021 Rs.2,001 million) resulting in increase in its accumulated losses to Rs. 81,992 million and diminishing equity to Rs. 14,062 million. As at period end, current liabilities exceeded its current asset by Rs.115,143 million (June 30, 2022 Rs. 117,980).

To further improve the financial performance, the Company is pursuing actions for reduction in UFG / enhancement of UFG benchmark based on Key Monitoring Indicators (KMI) as well as implementation of Economic Coordination Committee of the Cabinet (ECC) decision on RLNG volume handling which will help in significant reduction in UFG disallowances.

Following are the Key points relating to financial sustainability of the Company:

- ECC in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue Requirement (FRR) for FY 2017-18 and there after till June 30, 2022, carrying financial impact aggregating to Rs. 70,216 million as of the reporting date, 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, thus to sort out this issue, ECC constituted a Committee comprising of Secretaries of Petroleum & Finance. In line with Committee recommendations and having an independent view as requested by the Company, OGRA hired the services of International Technical, Commercial and Management Auditors for determining actual UFG of Gas Companies in respect of indigenous gas as well as imported RLNG.
- The Company has undertaken actions for reduction in UFG / enhancement of UFG benchmark based on Key Monitoring Indicators (KMI) as well as implementation of ECC decision on RLNG volume handling which will help in significant reduction in UFG disallowances.
- The Company has devised a strategy to control UFG, duly approved by the board of directors and the same is under implementation.
- Government of Pakistan (Finance Division) 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.

Management believes that, in view of the above mentioned steps, the Company's profitability and financial position will improve in the next few years. Accordingly, no material uncertainty exist relating to going concern status of the Company.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

These unconsolidated condensed interim financial statements are unaudited but subject to the limited scope review by auditors and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

These unconsolidated condensed interim financial statements for the half year ended December 31, 2022 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2 These unconsolidated condensed interim financial statements do not include all the statements and disclosures required for full annual unconsolidated financial statements and should be read in conjunction with the annual unconsolidated financial statements of the Company as at and for the year ended June 30, 2022 which have been prepared in accordance with accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual unconsolidated financial statements.
- 2.3 The comparative unconsolidated statement of financial position presented in these unconsolidated condensed interim statement of financial position has been extracted from the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2022, whereas the comparative unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of cash flows and unconsolidated condensed interim statement of changes in equity are extracted from the unaudited unconsolidated condensed interim financial statements for the half year ended December 31, 2022.

2.4 Basis of measurement

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention unless stated otherwise.

2.5 Functional and presentation currency

These condensed interim unconsolidated financial statements have been presented in Pakistani Rupee, which is the functional and presentation currency of the Company.

3 MATERIAL ACCOUNTING POLICIES INFORMATION

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim unconsolidated financial statements are same as those for the preceding annual unconsolidated financial statements for the year ended June 30, 2022.

3.1 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2022, but are considered not to be relevant or expected to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2023, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK

4.1 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, 2022.

4.2 The preparation of 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 annual audited unconsolidated financial statements for the year ended June 30, 2022 except for the following:

The charge in respect of staff retirement benefits has been recognised on the basis of Actuarial projection for FY 2022-23, hence it does not include consideration for actuarial gains / losses which will be determined at the year end.

4.3 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant effect on this unconsolidated condensed interim financial statements.

4.4 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited unconsolidated financial statements as at and for the year ended June 30, 2022.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	------(Rupees in '000)-----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	159,861,796	160,332,379
Capital work-in-progress	5.3	18,113,606	14,931,358
		<u>177,975,402</u>	<u>175,263,737</u>

December 31, **June 30,**
2022 **2022**
(Un-audited) **(Audited)**
-----**(Rupees in '000)**-----

5.1 Following is the movement in property, plant and equipment during the period / year:

Operating fixed assets (WDV) - opening balance	160,332,379	124,449,028
Add: Additions (including transfers from CWIP) during the period / year	3,205,531	9,430,543
Add: Revaluation	-	29,760,121
	163,537,910	163,639,692
Less: Disposals during the period / year (WDV)	(120,760)	(136,532)
Less: Depreciation charge for the period / year	(3,555,354)	(3,170,781)
Operating fixed assets (WDV) - closing balance	159,861,796	160,332,379

5.2 Following additions / transfer and deletions were made during the period in operating fixed assets:

(Un-audited)
December 31, 2022
-----**(Rupees in '000)**-----

	Additions (Cost)	Deletion (WDV)
Buildings on leasehold land	6,850	-
Gas transmission pipeline	445,367	-
Gas distribution system	2,028,498	97,745
Compressors	292,221	-
Telecommunication	23,158	28
Plant and machinery	118,200	432
Tools and equipment	13,467	-
Motor vehicles	158,930	22,555
Furniture and fixture	20,771	-
Office equipment	20,844	-
Computer and ancillary equipments	77,225	-
	3,205,531	120,760

December 31, **June 30,**
2022 **2022**
(Un-audited) **(Audited)**
-----**(Rupees in '000)**-----

5.3 **Capital work in progress**

Projects:

Gas distribution system	9,043,403	6,910,090
Gas transmission system	1,262,539	478,624
Cost of buildings under construction and others	93,169	218,825
	10,399,111	7,607,539
Stores and spares held for capital projects	7,747,291	7,358,306
LPG air mix plant	419,755	418,065
	8,167,046	7,776,371
Impairment of capital work in progress	(452,551)	(452,552)
	18,113,606	14,931,358

5.3.1 Transfers from capital work in progress during the period amounting to Rs. 3,241 million (June 30, 2022: Rs. 9,607 million).

	December 31, 2022 (Un-audited) ------(Rupees in '000)-----	June 30, 2022 (Audited)
6 RIGHT OF USE ASSETS		
Cost	251,266	243,052
Accumulated depreciation	(141,747)	(158,001)
Net book value	<u>109,519</u>	<u>85,051</u>
Cost		
Opening balance	243,052	346,255
Additions during the period / year	65,773	43,358
Derecognition during the period / year	(57,559)	(146,561)
Closing balance	<u>251,266</u>	<u>243,052</u>
Accumulated depreciation		
Opening balance	158,001	197,621
Depreciation charge for the period / year	41,305	105,246
Derecognition during the period / year	(57,559)	(144,866)
Closing balance	<u>141,747</u>	<u>158,001</u>

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

	December 31, 2022 (Un-audited) ------(Rupees in '000)-----	June 30, 2022 (Audited)
7 LONG TERM INVESTMENTS		
Investment in subsidiary - at cost	1,063,708	1,249,382
Investments - fair value through other comprehensive income	143,459	152,363
	<u>1,207,167</u>	<u>1,401,745</u>
8 TRADE DEBTS		
Secured	33,939,570	30,377,495
Unsecured	96,401,876	95,418,831
	<u>130,341,446</u>	<u>125,796,326</u>
Allowance for expected credit loss	(24,744,120)	(23,587,126)
	<u>105,597,326</u>	<u>102,209,200</u>

Note

8.1 & 8.2
8.3

8.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 29,971 million (June 30, 2022: Rs. 29,652 million) as at December 31, 2022 receivables from KE against sale of indigenous gas, which includes overdue balance of Rs. 29,652 (June 30, 2022: Rs. 29,652). However, the aggregate legal claim of the Company from KE amounts to Rs. 162,771 million (June 30, 2022: Rs. 151,293 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 including outstanding dues amounting to Rs. 45,705 million on account of the supply of gas at the time when case was filed. The above suit has been filed based on the following grounds:

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

- a. Highest OD rate being paid by the Company; or
- b. Highest rate at which interest is payable on gas producer bills.

As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

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 for recovery of the outstanding amount, hence, based on that 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 has not been finalised till the issues 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 by the Company, however no response has been received from KE.

Since June 2020, a proposal of finalization of ToRs for arbitration agreement has remained under discussion between the Inter-Ministerial committee nominated by the then Prime Minister of Pakistan, however, the same was not concluded.

In June 2022, a Task Force was constituted by the then Prime Minister to resolve issues / disputes related to K-Electric and during their meetings it was decided to enter into a multi-party Mediation Agreement in order to resolve KE's receivables and payables issues between all the stakeholders. Accordingly, after deliberations a Mediation Agreement has been initialed between SSGC & KE after taking necessary Board approvals. Recently, the Mediation Agreement has been signed by all the stakeholders and the same has been pending for commencement of Mediation process. A formal letter from Federal Government is awaited.

8.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis based on the opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 25,170 million (June 30, 2022: Rs. 25,312 million) which includes an overdue balance of Rs. 25,100 million (June 30, 2022: Rs. 25,231 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 85,410 million (June 30, 2022: Rs. 82,214 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 balance upto February 2016, along with LPS. On April 6, 2016, the High Court of Sindh passed an order restraining PSML from creating any third party interest in relation to its assets including but not limited to immovable assets owned by it.

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

Since 2021 Privatization Commission, MoIP and MoE-PD are working on a revival plan of PSML by transferring its core assets and 1,229 acres of land to a new subsidiary company namely M/s Steel Corp (Pvt.) Ltd. Accordingly, settlement of liabilities admitted by PSML were also agreed between the stakeholders through transfer / Lease of PSML land to SSGC after Legal and Financial due diligence. However, privatization process has now been referred to the SIFC - working group on Industries.

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.

		December 31, 2022	June 30, 2022
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
8.3	Allowance for expected credit loss		
	Opening balance	23,587,126	21,465,563
	Provision made during the period / year	1,156,994	2,121,563
	Closing balance	<u>24,744,120</u>	<u>23,587,126</u>
9	INTEREST ACCRUED		
	Interest accrued on late payment of bills / invoices from:		
	Water and Power Development Authority (WAPDA)	5,378,945	5,100,675
	Sui Northern Gas Pipelines Limited (SNGPL)	11,529,815	10,957,214
	Jamshoro Joint Venture Limited (JJVL)	239,689	239,689
		<u>17,148,449</u>	<u>16,297,578</u>
	Interest accrued on sales tax refund	487,739	487,739
	Interest accrued on loan to related party	28,245	19,213
		<u>17,664,433</u>	<u>16,804,530</u>
	Less: Allowance for expected credit loss	<u>(112,400)</u>	<u>(112,400)</u>
		<u>17,552,033</u>	<u>16,692,130</u>
10	OTHER RECEIVABLES		
	Tariff adjustments indigenous gas - receivable from GoP	373,270,351	295,488,261
	Receivable from SNGPL for differential tariff	4,284,080	4,284,080
	Staff pension fund	-	198,562
	Receivable for sale of gas condensate	77,609	108,817
	Receivable from SNGPL	115,577,582	110,629,326
	Receivable from Jamshoro Joint Venture Limited (JJVL)	2,501,824	2,501,824
	Receivable from SSGC LPG (Private) Limited	7,890	8,563
	Receivable from Pakistan LNG Limited	67,022	-
	Gas infrastructure development cess receivable	6,861,644	6,876,666
	Receivable from GPO against gas bill collection	2,315,215	2,315,215
	Sales tax receivable	64,739,514	50,773,703
	Sindh sales tax	2,451	2,451
	Receivable against asset contribution	340,359	337,266
	Miscellaneous receivables	50,774	75,892
		<u>570,096,315</u>	<u>473,600,626</u>
	Less: Allowance for expected credit loss	<u>(2,586,874)</u>	<u>(2,586,874)</u>
		<u>567,509,441</u>	<u>471,013,752</u>

	December 31, 2022 (Un-audited) ------(Rupees in '000)-----	June 30, 2022 (Audited)
10.1 Tariff adjustments Indigenous gas - receivable from GoP		
Opening balance	295,488,261	207,762,067
Recognized in statement of profit or loss	77,156,188	86,507,711
Subsidy for LPG air mix operations	625,902	1,223,309
Reversal of accrued interest on tariff adjustments	-	(4,826)
Closing balance	<u>373,270,351</u>	<u>295,488,261</u>

10.2 At the reporting date, receivable balance from SNGPL comprises of the following:

Uniform cost of gas	15,818,846	15,818,845
Lease rentals	1,385,141	1,228,430
Contingent rent	12,545	10,315
LSA margins	3,333,372	3,071,808
Capacity and utilisation charges of RLNG	59,656,119	55,656,646
RLNG transportation income	35,371,559	34,843,282
	<u>115,577,582</u>	<u>110,629,326</u>

10.2.1 Upto December 31, 2022, the Company has invoiced an amount of Rs. 179,359 million (June 30, 2022: Rs. 161,860) including Sindh Sales Tax of Rs. 20,777 million (June 30, 2022: Rs. 18,764) to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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 in which it was decided that from June 2020 onwards all the invoices will be paid on monthly basis by SNGPL, however, outstanding receivable balances before June 2020 amounting to Rs. 99,197 million which stands disputed as of the reporting date. OGRA appointed a consultant for technical, commercial and managerial audit to ascertain accuracy of Unaccounted-for Gas (UFG) of gas companies, encompassing both indigenous gas and imported RLNG. The draft report has been duly submitted to OGRA by the Consultant. Upon finalization of the same, adjustments resulting from it will be integrated into the

financial records of both SUI companies, thereby facilitating the resolution of the underlying disputed balances. The Company is also engaged with SNGPL to reconcile the differences so that upon the receipt of finalised report from OGRA, the settlement is made in the shortest possible time. The report is expected shortly.

- 10.3** The Company had an arrangement in terms of MoUs with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Company with total quantity of LPG extracted out of which 50% LPG was sold to JJVL as per the MoUs. The Company paid processing charges of \$235/MT for the months in which JJVL's production share is below 53.55% and \$220/MT if JJVL's production share is more than 53.55%.

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. Subsequently, JJVL paid Rs. 1.5 billion as per SCP Order dated November 16, 2018 based on the report submitted by Chartered Accountant firm.

As per the new agreement signed between the Company and JJVL pursuant to SCP order dated 4 December 2018, the Company shall supply gas to Jamshoro Joint Venture Limited (JJVL) Plant for the extraction of LPG and NGL from its related field. LPG and NGL is owned by JJVL to be sold at its discretion. JJVL shall pay to the Company a consideration which shall be a percentage the total value of extraction of LPG / NGL. The Company percentage shall be 57% of the total value extraction of LPG and NGL on ad-hoc basis which will be finalized by the firm of Chartered Accountants as per the Agreement in its determination report. The Company shall not pay any extraction charges to JJVL in respect of this agreement.

The new agreement was valid for 1.5 years and has expired on June 20, 2020. After the expiry of the said agreement, the Company has not entered into any new arrangement with JJVL to date and hence, no gas has been supplied to JJVL plant since then.

- 10.4** This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, sale of natural gas liquids, federal excise duty, Sindh sales tax on franchise services, fuel charges receivable against processing charges from JJVL and receivable from JJVL @ 57% value of LPG / NGL extraction as per new agreement signed between the Company and JJVL pursuant to SCP order dated December 04, 2018 amounting to Rs. (10) million (June 30, 2022: Rs. (10) million), Rs. 160 million (June 30, 2022: Rs. 160 million), Rs. 178 million (June 30, 2022: Rs. 178 million), Rs. 1,070 million (June 30, 2022: Rs. 1,070 million), Rs. 646 million (June 30, 2022: Rs. 646 million), Rs. 32 million (June 30, 2022: 32 million), Rs.6.6 million (June 30, 2022: Rs.6.6 million), Rs. 419 million (June 30, 2022: Rs.419 million) respectively.
- 10.5** As amount of Rs 2,315 million is receivable balance from Post Office against gas bills fund collected from January 2022 to March 2022 and deposited in Government Treasury.

As per the letter from Joint Secretary (Postal), letter no. F.No.1-672020-Cash(Pt) dated March 03, 2022 confirming that Pakistan Post Office Department is undergoing considerable transformation to align its services and re-engineer its procedure in order to comply with FATF, Pakistan Post Office stopped depositing funds collected against utility bills in Government Treasury and opened an agency account with National Bank of Pakistan. The new procedure became effective from April 01, 2022, and thereafter all the utility funds collected by Post Office against utility bills are deposited in its agency account with NBP and then released to utility companies but the balance of Rs 2.3 billion as at March 2022 is still outstanding and released through Letter of Credit issued by Ministry of Finance to Pakistan Post Office.

- 10.6** 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. Realising 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, such 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. Management is making vigorous efforts for realisation of these refunds.
- 10.7** This represents receivable from Mari Gas Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cash flow technique.

	Note	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
----- (Rupees in '000) -----			
11	LONG-TERM FINANCING		
Secured			
Loans from banking companies	11.1, 11.2 & 11.3	33,594,562	22,753,345
Unsecured			
Consumer financing		125,428	133,480
Government of Sindh loans		797,294	793,549
		922,722	927,029
		34,517,284	23,680,374
Less: Current portion shown under current liabilities			
Loans from banking companies		(4,666,667)	(6,466,667)
Consumer financing		(2,298)	(11,335)
Government of Sindh loans		(186,667)	(186,667)
		(4,855,632)	(6,664,669)
		29,661,652	17,015,705

- 11.1** A long term finance facility amounting to Rs. 21,000 million was sanctioned in March 2022 from a syndicate of banks. This financial arrangement has been secured by GoP guarantee. During the period repayment of Rs.2,333 million has been made with regards to such loan. Further, additional long term finance facility amounting to Rs. 15,000 million was sanctioned in December 2022 from a syndicate of other banks.
- 11.2** A long term finance facility amounting to Rs. 18,000 million was sanctioned in December 2015 from a syndicate of banks. During the period, repayment of Rs. 1,800 million has been made and the loan stands fully settled.
- 11.3** These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

	Note	2022 (Un-audited) ------(Rupees in '000)-----	2022 (Audited)
12 DEFERRED CREDIT			
Government of Pakistan contributions / grants			
Opening balance		2,762,110	2,968,896
Additions / adjustments during the period / year		25,924	95,527
Amortized during the period / year	22	(158,594)	(302,313)
Closing balance		2,629,440	2,762,110
Government of Sindh (Conversion of loan into grant)			
Opening balance		1,889,931	1,952,841
Additions during the period / year		13,501	62,280
Amortized during the period / year	22	(63,247)	(125,190)
Closing balance		1,840,185	1,889,931
Government of Sindh grants			
Opening balance		96,124	113,200
Amortized during the period / year	22 & 12.1	(5,975)	(17,076)
Closing balance		90,149	96,124
		4,559,774	4,748,165
Less: Current portion of deferred credit		(454,267)	(443,575)
		4,105,507	4,304,590

- 12.1** 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 net of waiver. 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 condensed interim statement of profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	----- (Rupees in '000) -----	
13 CONTRACT LIABILITIES			
Contribution from consumers	13.1	2,993,788	2,975,653
Advance received from customers for laying of mains, etc.		6,586,214	6,541,603
		<u>9,580,002</u>	<u>9,517,256</u>
13.1 Contribution from consumers			
Opening balance		3,238,534	2,740,870
Additions / adjustments during the period / year		152,071	748,154
Amortized during the period / year		(137,321)	(250,490)
		<u>3,253,284</u>	3,238,534
Less: Current portion of contributions from consumers		(259,496)	(262,881)
Closing balance		<u>2,993,788</u>	<u>2,975,653</u>

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

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 30,000 million (June 30, 2022: Rs. 25,000 million) and carry mark-up ranging from 0.00% to 1.00% (June 30, 2022: 0.00% to 0.20%) above the average one month KIBOR. These facilities are secured by first pari passu second amendment to the joint hypothecation agreement and ranking charge over present and future stock in trade and book debts of the Company.

As of the reporting date, the aggregate unavailed short term borrowing facilities amounted to Rs. 1,316 million (June 30, 2022: Rs. 1,122 million).

15	TRADE AND OTHER PAYABLES	Note	December 31, 2022 (Un-audited) ------(Rupees in '000)-----	June 30, 2022 (Audited)
	Creditors for:			
	Indigenous Gas	15.1	608,941,043	511,835,476
	RLNG	15.2	126,507,406	120,734,221
			735,448,449	632,569,697
	Tariff adjustments - RLNG payable to GoP	15.3	20,826,562	28,923,211
	Service charges payable to EETL		2,769,478	2,604,792
	Accrued liabilities / Bills payable		8,358,369	7,035,370
	Provision for compensated absences - non executives		271,797	177,936
	Payable to staff gratuity fund		1,585,846	2,545,198
	Staff pension fund		29,815	-
	Payable to provident fund		86,563	93,339
	Deposits / retention money		779,545	757,997
	Advance for sharing right of way		18,088	18,088
	Withholding tax payable		125,828	22,687
	Sales tax and Federal excise duty		551,684	444,625
	Sindh sales tax		120,330	76,188
	Gas infrastructure development cess payable		6,861,644	6,876,666
	Unclaimed term finance certificate redemption profit		1,800	1,800
	Workers's Profit Participation Fund	15.4	346,162	315,979
	Others		560,499	463,798
			778,742,459	682,927,371

- 15.1** Creditors for indigenous gas supplies include Rs. 494,053 million (June 30, 2022: Rs. 424,267 million) payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2022: Rs. 15,832 million) on their balances which have been presented in note 16.1 to these unconsolidated condensed interim financial statements.

This also includes payable to SNGPL amounting to Rs. 6,639 million (June 30, 2022: Rs. 6,042 million) which stands outstanding as of the reporting date.

- 15.2** On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Company and thereafter, allocated further 37 BCF. The ECC in its decision dated March 03, 2020 has allocated 71 BCF (in total to the Company) in order to resolve the matter of short supply with the direction to enter into an agreement with SNGPL.

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 allocated volumes.

During the period, Company has recorded purchases of 12 BCF (2022: 37 BCF) from SNGPL amounting to Rs. 55,248 million (June 2022: Rs.118,289 million) based on OGRA's decision dated November 20, 2018.

Based on initialed agreement between the Company and SNGPL dated January 25, 2021 in which it was decided that from June 2020 onwards all the invoices will be paid on monthly basis by SNGPL, however, outstanding payable balances in respect of RLNG purchases before June 2020 amounting to Rs. 86,643 million which stands disputed as of the reporting date. OGRA appointed a consultant for technical, commercial and managerial audit to ascertain accurate Unaccounted-for Gas (UFG) of gas companies, encompassing both indigenous gas and imported RLNG. The draft report has been duly submitted to OGRA by the Consultant. Upon finalization of the same, adjustments resulting from it will be integrated into the financial records of both SUI companies, thereby facilitating the resolution of the underlying disputed balances. The Company is also engaged with SNGPL to reconcile the differences so that upon the receipt of finalised report from OGRA, the settlement is made in the shortest possible time. The report is expected shortly.

	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	----- (Rupees in '000) -----	
15.3 Tariff adjustments - RLNG payable to GoP	Note	
Opening balance	28,923,211	18,346,037
Recognized during the period	(8,096,649)	10,577,174
Closing balance	<u>20,826,562</u>	<u>28,923,211</u>
15.4 Workers' Profit Participation Fund (WPPF)		
Opening balance	315,979	234,255
Interest on WPPF	30,183	81,724
Closing balance	<u>346,162</u>	<u>315,979</u>
16 INTEREST ACCRUED		
Long term financing - loans from banking companies	1,093,070	823,749
Long term deposits from customers	420,191	681,113
Short term borrowings	724,387	520,928
Late payment surcharge on processing charges	99,283	99,283
Late payment surcharge on gas supplies	15,832,411	15,832,411
	<u>18,169,342</u>	<u>17,957,484</u>

16.1 As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per International Financial Reporting Standards 15: “Revenue from Contracts with Customers”. However, the Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E&P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of accounting and reporting standards as applicable in Pakistan, 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 fulfilment 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.

Based on the aforesaid letter and legal opinion obtained by the Company, the aggregate unrecognized accrued markup up to December 31, 2022 stands at Rs. 151,245 million (June 30, 2022: Rs. 131,988 million).

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 Jamshoro Power Company Limited (JPCL) lodged an aggregate claim amounting to Rs. 144,120 million (June 2022: Rs.144,120 million) which includes Rs. 44,990 million on account of the short supply of gas and due to utilization of alternate fuel amounting to Rs. 99,130 million under the provisions of an agreement dated April 10, 1995, between the Company and JPCL and Rs. 5.79 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 Ministry of Petroleum and Natural Resources (the ministry) vide its letter dated April 24, 2017 directed that the outstanding issues pertaining to the claims by JPCL shall be resolved and the Ministry has proposed that a committee be constituted comprising of members from two companies and the other concerned Ministries to resolve the matter as it involves parties who represent/relate to the Government of Pakistan. Furthermore, this matter was also pending in the Public Accounts Committee (PAC).

Pursuant to the directives of PAC, urgent meeting of the Secretaries Committee was held on 8 May 2023 and the Committee directed JPCL and the Company to submit data regarding actual loss suffered by the Companies.

Reports were submitted by both parties, wherein, JPCL reduced its claim from 144,000 million to 5,838 million and the Company revised its Take or pay claim from 2,800 million (up to April 2023) to 2,100 million (considering the difference between industrial and Domestic Tariff) whereas the amount pertaining to gas bills and LPS remains the same i.e., to Rs. 2,778 million (up to April 2023) and Rs. 3,615 million (up to June 2022) respectively remains the same. As a result, the claims summary stands as follows:

JPCL claims = Rs 5,838 million

Company claims = Rs 4,892 million

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

17.1.2 As disclosed in note 16.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and for the period ended December 31, 2022 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million, Rs. 26,335 million, Rs 25,939 million and Rs. 27,921 million and Rs. 19,257 million in these unconsolidated condensed interim financial statements. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

17.1.3 As disclosed in note 11.4, & 11.5, the Company had negative margins while doing business with Jamshoro Joint Venture Limited (JJVL) in financial year 2015-16 due to decline in oil prices and consequent decline in margins in LPG / NGL business. Consequently, the Company sent termination notices to JJVL dated May 4, 2016, against which JJVL obtained a stay order from the Sindh High Court.

The net receivable balance from JJVL amounts to Rs. 2,502 million other than interest accrued.

Due to ongoing freight case hearings by the Supreme Court of Pakistan (SCP), and keeping in view that there are certain matters under instant Arbitration which are also sub-judice at the Supreme Court of Pakistan (SCP) consequent upon the Termination of Memorandum of Understanding (MoUs) between the Company and JJVL the arbitration proceedings between the parties under the Pakistan Arbitration Act, 1940 as amended from time to time has been adjourned. All the disputed matters taken to arbitration would be finalized once SCP passes its order on freight charges and other matters. However, the Arbitration proceedings between the parties have now been resumed and in the first meeting dated 17 August 2023, it was decided that both the parties will file amended pleadings / claims & counter claims. the Company therefore filed its revised claims considering the revision in cut off dates which were earlier filed upto June 2016 have now been revised till June 2018 on account of principal amounts and August 2023 in respect of Markups.

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 well 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 eight 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 SCP.

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 Company's consideration will be subject to conclusion of this matter at SCP.

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

- 17.1.4** 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 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.

- 17.1.5** 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 favor.

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

- 17.1.6** Income tax authorities have passed Orders disallowing Cost of Gas purchased but lost as UFG (in excess of OGRA Benchmark) for Financial Year (FY) 2008-09, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20.

All the Orders were contested before Commissioner (Appeals) who decided the cases in Company's favor. However, the said Commissioner (Appeals) Orders in Company's favor have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue except for the appellate order for TY-2019-20 which has been remanded back by the Commissioner Appeals.

Since the said issue has already been decided in favor of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Precedent is in field which has also been upheld by Commissioner (Appeals) in Company's case.

Accordingly 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.

- 17.1.7** The Tax Authorities' passed Order for FY 2009-10 against the Company disallowing input Sales Tax credit on gas purchased but lost as Unaccounted for Gas (UFG), among other observations. The said Order was contested till Appellate Tribunal Inland Revenue (ATIR) who decided the case in the Company's favor thus setting a legal precedent of the matter so specified.

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 adverse inference was drawn in light of Binding Precedent set by ATIR for FY 2009-10.

The Company and its legal advisor are of the opinion that the Company has a strong case on legal merits as well as on technical grounds since legal precedent 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 advisor is confident that the outcome of the cases will be in favor of the Company.

- 17.1.8** The Additional Commissioner Inland Revenue passed an order against the Company with demand along with default surcharge and penalty for incorrect adjustment of withholding sales tax against input invoices for the period July 2017 – April 2018 . The principal tax demand of Rs. 1,235 Million was recovered by the authority. However, the Company has filed a reference with High Court 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 advisor are confident that the outcome of the case will be in favor of the Company.

17.1.9 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.

Commissioner (Appeals) order was contested before Appellate Tribunal Inland Revenue (ATIR) remanded back the issue of exchange loss, decided interest free loans in SSGC favour while minimum tax adjustment for loss making year of 2007-08 was decided against SSGC. The said minimum tax disallowance has been challenged before the Sindh High Court and is currently sub-judice.

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 2007-08 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 advisor are confident that the outcome of the case will be in favor of the Company.

17.1.10 As disclosed in Note 8 to these unconsolidated condensed interim financial statements – Trade debts, Interest income from K-Electric (KE) and Pakistan Steel (PSML) is not being recognized in the unconsolidated condensed interim financial statements, in accordance with requirements of International Accounting Standards (IAS) as well as legal and accounting opinions obtained by the Company. However, Tax Authorities have passed Orders for FY 2014-15 to 2019-20, 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 advisor are confident that the outcome of the case will be in favor of the Company.

17.1.11 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).

Upon appeal, the Commissioner (Appeals) decided the issues of re-gasification and supply of RLNG to customers against SSGC while issue of supply of natural gas to customers was remanded back to Tax Officer.

against Commissioner (Appeals) Order on RLNG, SSGC has filed appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

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

- 17.1.12** 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. The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Order of Commissioner (Appeals), which is pending adjudication.

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

- 17.1.13** Tax Authorities have passed Sales Tax Order for FY 2017-18 on issues of non-charging of Sales Tax on RLNG – Indigenous Gas Swap, Tariff Adjustments, RLNG Transportation Income among other observations.

Said Order was contested before Commissioner (Appeals) who upheld LTO Order. Company has challenged the matter before the Appellate Tribunal Inland Revenue which is pending adjudication.

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

- 17.1.14** The Company is subject to various other claims aggregate Rs. 15,815 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

- 17.1.15** There are several other pending litigations in the nature of billing disputes, employees disputes and related matters in which the Company is defendant/ respondent. The management, based on the view of the inhouse legal counsel, is of the view that the aggregate exposure in all the said cases is not material to the Company. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.

	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	----- (Rupees in '000) -----	
17.1.16 Claims against the Company not acknowledged as debt	<u>3,438,199</u>	<u>2,607,737</u>
The management is confident that ultimately these claims would not be payable.		
17.2 Commitments		
17.2.1 Guarantees issued on behalf of the Company	<u>8,832,132</u>	<u>6,960,185</u>
17.2.2 Commitments for capital and other expenditure	<u>5,386,512</u>	<u>3,752,118</u>

	Note	Half year ended		Quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(Un-audited)					
------(Rupees in '000)-----					
18 SALES					
Indigenous gas		90,128,418	105,908,338	42,721,900	50,967,787
RLNG		55,101,630	74,829,021	19,355,228	36,111,805
		145,230,048	180,737,359	62,077,128	87,079,592
Less: Sales tax					
Indigenous gas		(13,673,662)	(15,931,188)	(6,464,519)	(7,762,734)
RLNG		(8,085,762)	(10,820,458)	(2,848,962)	(5,326,452)
		(21,759,424)	(26,751,646)	(9,313,481)	(13,089,186)
		123,470,624	153,985,713	52,763,647	73,990,406
19 Tariff Adjustments					
Indigenous gas	19.1	77,156,188	32,397,615	34,078,977	22,961,793
RLNG	19.2	8,096,649	2,772,867	5,641,197	(838,027)
		85,252,837	35,170,482	39,720,174	22,123,766
19.1 Tariff adjustment - indigenous gas					
Price increase adjustment for the period		77,782,090	32,907,704	34,447,021	23,273,131
Subsidy for LPG air mix operations		(625,902)	(510,089)	(368,044)	(311,338)
		77,156,188	32,397,615	34,078,977	22,961,793
19.2 Tariff adjustment - RLNG					
GOP subsidy on RLNG tariff		1,212,884	-	646,458	-
Price increase adjustment for the period		6,883,765	2,772,867	4,994,739	(838,027)
		8,096,649	2,772,867	5,641,197	(838,027)
20 COST OF SALES					
Cost of gas	20.1	199,823,411	179,885,755	91,750,034	94,040,951
Transmission and distribution costs		11,097,709	7,209,427	5,620,147	3,480,756
		210,921,120	187,095,182	97,370,181	97,521,707
20.1 Cost of gas					
Opening gas in pipelines		1,285,918	1,105,599	1,676,544	1,353,320
RLNG purchases		55,248,001	66,700,192	22,865,481	34,321,452
Indigenous purchases		146,331,900	113,726,845	69,763,143	59,825,215
		202,865,819	181,532,636	94,305,168	95,499,987
Gas consumed internally		(1,265,658)	(385,162)	(778,384)	(197,317)
Closing gas in pipelines		(1,776,750)	(1,261,719)	(1,776,750)	(1,261,719)
		(3,042,408)	(1,646,881)	(2,555,134)	(1,459,036)
		199,823,411	179,885,755	91,750,034	94,040,951
21 OTHER OPERATING EXPENSES					
Workers' Profit Participation Fund		-	-	-	(77,373)
Auditors' remuneration		3,502	2,836	1,747	1,418
Sports expenses		1,073	46,237	241	26,568
Corporate social responsibility		1,470	6,019	290	2,380
Exchange loss		6,197,148	5,115,522	(1,158,002)	1,956,598
Provision against impaired stores and spares		23,968	107,186	8,874	98,902
Loss on disposal of property, plant and equipment		30,016	44,151	(67,232)	(84)
		6,257,177	5,321,951	(1,214,082)	2,008,409

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-audited)			
	------(Rupees in '000)-----			
22 OTHER INCOME				
Income from financial assets				
Income for receivable against asset contribution	17,620	17,185	8,350	8,567
Interest income on loan to related party	50,057	75,105	28,246	37,528
Income from net investment in finance lease	2,654	7,964	1,327	3,982
Return on term deposits and profit and loss bank accounts	10,368	14,015	4,183	9,215
Dividend income	19,055	21,781	6,510	5,303
Late payment surcharge	1,060,426	929,458	501,911	420,926
Interest income on late payment of gas bills from SNGPL - related party	572,601	572,601	286,300	286,300
Interest income on late payment of gas bills from WAPDA	278,269	165,923	141,056	87,357
Liquidity damaged recovered	53,206	39,422	21,639	32,487
	2,064,256	1,843,454	999,522	891,665
Income from other than financial assets				
Sale of gas condensate - net	(2,228)	(10,901)	(2,228)	2,452
Meter manufacturing division profit - net	7,169	5,661	5,075	2,232
Meter rentals	810,201	875,506	404,540	402,968
RLNG transportation income	3,192,165	4,104,038	1,655,157	2,034,914
Recognition of income against deferred credit and contract liability	340,185	408,969	172,506	205,647
Income from LPG air mix distribution	54,199	61,537	26,873	30,558
Income from sale of tender documents	5,338	3,381	2,052	1,684
Scrap sales	21,100	2,387	21,100	2,355
Recoveries from consumers	39,981	43,080	34,856	22,186
Amortization of Government grant	5,975	8,625	2,514	4,312
Rental income from SSGC LPG (Pvt) limited	620	513	310	257
LSA margins against RLNG	650,947	497,043	322,020	272,048
Miscellaneous	13,089	14,784	6,200	7,204
	7,202,997	7,858,077	3,650,497	3,880,482

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-audited)			
	------(Rupees in '000)-----			
23 TAXATION				
Current tax	1,634,746	1,422,335	730,923	688,730

23.1 As at December 31, 2022, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 63,292 million (June 30, 2022: Rs. 52,404 million) out of which deferred tax asset amounting to Rs.17,355 million has been recognised and remaining balance of Rs 45,937 million is unrecognised. As of the reporting date, the Company's minimum tax credit amounted to Rs.8,533 million (June 30, 2022: Rs. 7,872 million) having expiry period ranging between 2024 and 2027.

24 LOSS PER SHARE - BASIC AND DILUTED

Loss for the period	(Rupees in '000)	(9,573,753)	(2,001,089)	(3,979,103)	(2,737,576)
Average number of ordinary shares	(Number of shares)	880,916,309	880,916,309	880,916,309	880,916,309
Loss per share - basic and diluted	(Rupees)	(10.87)	(2.27)	(4.52)	(3.11)

		Half year ended	
		December 31, 2022	December 31, 2021
		(Un-audited)	
		------(Rupees in '000)-----	
25	ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS	Note	
	Provisions	25.1	2,269,357
	Depreciation on owned assets		1,674,081
	Depreciation on projects capitalised		3,555,354
	Depreciation on right of use assets		(13,922)
	Amortization of intangibles		(26,055)
	Finance cost		41,305
	Amortization of transaction cost		57,900
	Amortization of Government grant		53,415
	Recognition of income against deferred credit and contract liability		24,339
	Dividend income		2,868,412
	Interest income and return on term deposits		2,147,432
	Income from net investment in finance lease		16,920
	loss on disposal of property plant and equipment		28,903
	Lease rental from net investment in finance lease		(5,975)
	(Decrease) / Increase in long term advances		(8,625)
	Increase in deferred credit and contract liability		(365,137)
	Finance cost on lease liability		(436,571)
	Investment at cost in subsidiary		(19,055)
	Increase in payable against transfer of pipeline		(21,781)
			(880,293)
			(7,964)
			30,016
			44,151
			30,463
			36,872
			(39,426)
			15,696
			236,107
			767,730
			7,275
			6,704
			185,674
			-
			33,325
			36,284
			8,001,161
			4,849,548
25.1	Provisions		
	Provision against slow moving / obsolete stores		22,360
	Provision for compensated absences		107,181
	Provision for post retirement medical and free gas supply facilities		79,084
	Provision against retirement benefit		60,515
	Allowance for expected credit loss		562,159
			309,133
			448,760
			535,701
			1,156,994
			661,551
			2,269,357
			1,674,081
26	WORKING CAPITAL CHANGES		
	Increase in current assets		
	Stores and spares		(5,944)
	Stock-in-trade		4,833
	Customers' installation work-in-progress		(759,792)
	Trade debts		(2,043)
	Advances, deposits and short term prepayments		13,286
	Other receivables		(4,545,120)
			3,584,056
			(311,554)
			257,025
			(96,694,251)
			(39,825,307)
			(102,318,704)
			(36,199,245)
	Increase in current liabilities		
	Trade and other payables		96,804,255
			45,093,278
			(5,514,449)
			8,894,033
27	CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD		
	Cash and bank balances		680,108
	Short term borrowings		2,083,601
			(28,683,758)
			(24,666,450)
			(28,003,650)
			(22,582,849)

28 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.

	Relationship	Half year ended	
		December 31, 2022	December 31, 2021
		(Un-audited)	
----- (Rupees in '000) -----			
Government related entities	Associate		
- Purchase of fuel and lubricant		44,786	22,840
- Sale of gas and allied charges		46,519,752	78,754,578
- Mark-up expense on short term finance		108,968	48,623
- Mark-up expense on long term finance		15,760	151,717
- Income from net investment in finance lease		2,654	7,964
- Gas purchases - Indigenous gas		79,767,341	60,666,329
- Gas purchases - RLNG		55,248,001	66,700,192
- Sale of condensate		-	29,624
- Sale of gas meters		8,286	5,019
- Rent		10,249	7,222
- Insurance premium		86,060	83,859
- Royalty		523	1,035
- Telecommunication		647	538
- Electricity expenses		112,657	97,745
- Interest income		850,871	738,525
- Subscription		1,771	2,052
- RLNG transportation income		3,192,165	4,104,038
- Income against LNG service agreement		650,947	497,043
- LPG purchases		474,961	385,088
- Dividend income		18,106	14,485
Karachi Grammar School	Associated undertaking		
- Sale of gas and allied charges		26	29
Key management personnel			
- Remuneration		84,655	101,841
Pakistan Institute of Corporate Governance	Associate		
- Subscription / Trainings		876	284
Engro Fertilizers Limited	Associated company		
- Sale of gas and allied charges		13,232	16,734
Indus Hospital	Associated company		
- Sale of gas and allied charges		975	2,045
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest on loan		50,057	75,105
- Rental income		620	513
Staff retirement benefit plans	Employee benefit plan		
- Contribution to provident fund		179,111	160,426
- Contribution to pension fund		256,910	325,071
- Contribution to gratuity fund		199,202	210,630

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

28.2 Remuneration to the executive and 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.

28.3 Balances (due to) / receivable from in related parties.

		December 31, 2022 (Un-audited)	June 30 2022 (Audited)
	Relationship	------(Rupees in '000)-----	
Government related entities			
	Associate		
- Receivable in respect of sale of gas		83,819,302	76,775,417
- Investment		40,856	56,354
- Borrowings		(1,497,594)	(1,653,309)
- Net investment in finance lease		1,385,141	1,228,430
- Payable in respect of gas purchases - Indigenous gas		(501,945,202)	(433,823,800)
- Payable in respect of gas purchases - RLNG		(126,507,406)	(120,734,221)
- Receivable from SNGPL for differential tariff		4,284,080	4,284,080
- Receivable in respect of sale of gas condensate		35,504	66,712
- Receivable in respect of gas meters and spare parts		43,995	35,709
- Receivable in respect of uniform cost of gas		15,818,845	15,818,845
- Cash at bank		21,559	35,011
- Stock loan		-	1,740
- Payable to insurance		(7,720)	(1,899)
- Payable in respect of gas supply deposit		(80,954)	(51,263)
- Interest expense accrued - late payment surcharge on gas supplies bills		(15,832,411)	(15,832,411)
- Interest income accrued - late payment on gas bills		16,908,760	16,057,889
- Receivable in respect of professional charges		57	57
- Receivable in respect of contingent rent		12,545	10,315
- Prepaid rent		4,412	804
- Receivable in respect of capacity and utilisation charges of RLNG		59,656,119	55,656,646
- Receivable in respect of RLNG transportation income		35,371,559	34,843,282
- Receivable in respect of LSA margins		3,333,372	3,071,808
* - Receivable in respect of Interconnection Income		67,022	-
- Advance for sharing right of way		(18,088)	(18,088)
Karachi Grammar School			
	Associated undertaking		
- Receivable in respect of sale of gas		10	5
- Payable in respect of gas supply deposit		(22)	(22)
Engro Fertilizers Limited			
	Associated company		
- Receivable in respect of sale of gas		128	2,748
- Payable in respect of gas supply deposit		(2,851)	(2,851)
Indus Hospital			
	Associated company		
- Receivable in respect of sale of gas		-	352
- Payable in respect of gas supply deposit		(1,261)	-
SSGC LPG (Private) Limited			
	Wholly owned subsidiary		
- Long term investment		1,063,708	1,249,382

	December 31, 2022 (Un-audited)	June 30 2022 (Audited)
	----- (Rupees in '000) -----	
- Interest on loan	28,245	19,213
- Long term loan	675,000	700,000
- Deferred markup on loan	-	581,999
- Current portion of deferred markup	-	240,187
- Short term loan	889,292	-
- LPG sales	5,698	5,698
- Rent on premises	785	1,457
- Receivable of management fee	1,408	1,408

29 OPERATING SEGMENTS

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

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

Segment revenue and results

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

	Half year ended December 31, 2022	December 31, 2021
	----- (Rupees in '000) -----	
	(Un-audited)	
	Segment profit / (loss)	
<u>Return on Assets net of UFG disallowance</u>		
Gas transmission	4,214,096	4,434,579
Gas distribution and marketing		
- Lower Sindh	(2,369,990)	(1,259,076)
- Upper Sindh	(779,225)	(716,804)
- Balochistan	(8,558,561)	(4,751,872)
	(11,707,776)	(6,727,752)
Meter manufacturing	3,496	4,341
Total segment results	(7,490,184)	(2,288,832)
Unallocated		
Finance cost	(2,909,012)	(2,219,323)
Other income - net	2,460,190	3,929,401
Loss before tax	(7,939,006)	(578,754)

	December 31, 2022 (Un-audited)	June 30 2022 (Audited)
	------(Rupees in '000)-----	
Segment assets and liabilities		
Segment assets		
Gas transmission	238,260,953	211,254,930
Gas distribution and marketing		
- Lower Sindh	456,276,804	428,321,706
- Upper Sindh	90,556,446	84,625,629
- Balochistan	94,302,911	48,864,236
	641,136,161	561,811,571
Meter manufacturing	1,376,566	1,108,124
Total segment assets	880,773,680	774,174,625
Unallocated		
- Loans and advances	2,233,003	1,990,161
- Taxation - net	15,167,424	16,079,192
- Interest accrued	487,739	487,739
- Cash and bank balances	680,108	3,078,230
	18,568,274	21,635,322
Total assets as per unconsolidated condensed interim statement of financial position	899,341,954	795,809,947
Segment Liabilities		
Gas transmission	129,436,560	120,648,252
Gas distribution and marketing		
- Lower Sindh	500,886,985	460,918,599
- Upper Sindh	98,460,296	90,537,349
- Balochistan	184,419,684	127,923,669
	783,766,965	679,379,617
Meter manufacturing	199,939	260,931
Total assets as per unconsolidated condensed interim statement of financial position	913,403,464	800,288,800

30 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

30.1 Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying 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, 2022 (Un-audited)				
	Level 1	Level 2	Level 3	Total
-----Rupees in '000-----				
Assets				
Fair value through OCI				
Financial Assets				
Quoted equity securities	143,459	-	-	143,459

As at June 30, 2022 (Audited)				
	Level 1	Level 2	Level 3	Total
-----Rupees in '000-----				
Assets				
Fair value through OCI				
Financial Assets				
Quoted equity securities	152,363	-	-	152,363

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.

30.2 Fair value of other assets

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

As at December 31, 2022 (Un-audited)		
	Level 2	Fair Value
-----Rupees in '000-----		
Freehold land	39,143,790	39,143,790
Leasehold land	15,653,468	15,653,468
	<u>54,797,258</u>	<u>54,797,258</u>

	<u>As at June 30, 2022</u>	
	<u>Level 2</u>	<u>Fair Value</u>
	(Audited)	
	-----Rupees in '000-----	
Freehold Land	39,143,790	39,143,790
Leasehold Land	15,653,468	15,653,468
	<u>54,797,258</u>	<u>54,797,258</u>

31 GENERAL

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

32 CORRESPONDING FIGURES

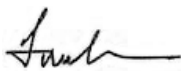
32.1 Corresponding figures have been rearranged and reclassified, wherever necessary.

33 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on March 9, 2024.



Dr. Shamshad Akhtar
Chairperson



Imran Maniar
Managing Director



Muhammad Amin Rajput
Chief Financial Officer



Consolidated Condensed Interim Financial Information (Un-Audited)
for the half year ended December 31, 2022

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Note	December 31, 2022 (Un-audited) ------(Rupees in '000)-----	June 30, 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	181,294,224	178,290,263
Intangible assets		208,826	226,754
Right of use assets	6	124,007	100,320
Deferred tax		2,946,150	2,973,990
Long term investments	7	143,459	152,363
Long term loans and advances		181,809	143,382
Long-term deposits		19,640	19,640
Total non-current assets		184,918,115	181,906,712
Current assets			
Stores, spares and loose tools		3,625,705	3,651,684
Stock-in-trade		3,199,691	2,575,577
Current maturity of net investment in finance lease		45,512	73,321
Customers' installation work-in-progress		246,348	244,305
Trade debts	8	105,612,468	102,219,864
Loans and advances		486,902	324,593
Advances, deposits and short term prepayments		1,490,373	1,160,835
Interest accrued	9	17,523,788	16,672,917
Other receivables	10	567,855,619	471,195,282
Taxation - net		15,986,650	16,600,280
Short term investment - term deposit receipt		129,223	129,223
Cash and bank balances		1,847,268	969,582
Total current assets		718,049,547	615,817,463
Total assets		902,967,662	797,724,175

The annexed notes 1 to 33 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 FINANCIAL POSITION

As at December 31, 2022

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	----- (Rupees in '000) -----	
EQUITY AND LIABILITIES			
EQUITY			
Share capital and reserves			
Share capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of FVTOCI investments		106,932	115,836
Surplus on revaluation of property plant and equipment		55,014,936	55,014,936
Accumulated losses		(81,739,413)	(72,421,784)
		(12,900,981)	(3,574,448)
LIABILITIES			
Non-current liabilities			
Long term financing	11	29,661,652	17,015,705
Long term deposits		26,332,726	24,915,225
Employee benefits		8,177,524	7,724,066
Payable against transfer of pipeline		647,204	684,981
Deferred credit	12	4,105,507	4,304,590
Contract liabilities	13	9,580,002	9,517,256
Lease liability		36,277	39,568
Long term advances		3,931,684	3,971,110
Total non-current liabilities		82,472,576	68,172,501
Current liabilities			
Current portion of long term finance	11	4,855,632	6,664,669
Current portion of payable against transfer of pipeline		73,900	70,664
Current portion of deferred credit	12	454,267	443,575
Current portion of contract liabilities	13	259,496	262,881
Current portion of lease liability		80,177	55,887
Short term borrowings	14	28,683,758	23,878,298
Trade and other payables	15	780,445,996	683,461,751
Short term deposits		88,126	45,540
Unclaimed dividend		285,373	285,373
Interest accrued	16	18,169,342	17,957,484
Total current liabilities		833,396,067	733,126,122
Total liabilities		915,868,643	801,298,623
TOTAL EQUITY AND LIABILITIES		902,967,662	797,724,175
CONTINGENCIES AND COMMITMENTS	17		


The annexed notes 1 to 33 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 half year ended December 31, 2022

	Note	Half year ended		Quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(Un-Audited)					
(Rupees in '000)					
Revenue from contract with customers - Gas sales	18	123,470,624	153,985,713	52,763,647	73,990,406
Tariff adjustments	19	85,252,837	35,170,482	39,720,174	22,123,766
Net sales		208,723,461	189,156,195	92,483,821	96,114,172
Cost of sales	20	(210,921,120)	(187,095,182)	(97,370,181)	(97,521,707)
Gross (loss) / profit		(2,197,659)	2,061,013	(4,886,360)	(1,407,535)
Administrative and selling expenses		(2,725,032)	(2,372,508)	(1,303,190)	(1,033,234)
Other operating expenses	21	(6,257,212)	(5,322,376)	1,213,754	(2,008,547)
Impairment loss against financial assets		(1,147,268)	(661,551)	(714,835)	(388,374)
		(10,129,512)	(8,356,435)	(804,271)	(3,430,155)
Other income	22	7,796,128	8,126,726	4,125,408	4,057,594
		(12,327,171)	(6,295,422)	(5,690,631)	(4,837,690)
Operating (loss) / profit		(4,531,043)	1,831,304	(1,565,223)	(780,096)
Finance cost		(3,011,480)	(2,222,391)	(1,332,272)	(1,132,004)
Loss before taxation		(7,542,523)	(391,087)	(2,897,495)	(1,912,100)
Taxation	23	(1,775,106)	(1,488,408)	(853,008)	(740,847)
Loss for the period		(9,317,629)	(1,879,495)	(3,750,503)	(2,652,947)
Loss per share - basic and diluted	24	(10.58)	(2.13)	(4.26)	(3.01)

The annexed notes 1 to 33 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 COMPREHENSIVE INCOME

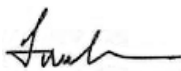
For the half year ended December 31, 2022

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-Audited)			
	----- (Rupees in '000) -----			
Loss for the period	(9,317,629)	(1,879,495)	(3,750,503)	(2,652,947)
Other comprehensive loss				
Items that will not be reclassified to profit or loss in subsequent periods:				
Unrealised loss on re-measurement of FVTOCI securities	(8,904)	(66,920)	(5,578)	(34,339)
Total comprehensive loss for the period	(9,326,533)	(1,946,415)	(3,756,081)	(2,687,286)

The annexed notes 1 to 33 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 CASH FLOW For the half year ended December 31, 2022

	Note	Half year ended	
		December 31, 2022	December 31, 2021
		(Un-audited)	
		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,542,523)	(391,087)
Adjustments for non-cash and other items	25	7,924,629	5,049,775
Working capital changes	26	(4,393,667)	8,606,378
Financial charges paid		(3,796,673)	(2,660,296)
Employee benefits paid		(187,785)	(71,430)
Payment for retirement benefits		(1,246,080)	(497,623)
Long term deposits received - net		1,417,501	1,155,760
Short term deposits received		42,586	113,302
Loans and advances to employee - net		(200,736)	292,070
Interest income received		29,422	48,743
Income taxes paid		(1,133,637)	(1,220,593)
Net cash (used in) / generated from operating activities		(9,086,963)	10,424,999
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(5,615,558)	(5,904,489)
Payments for intangible assets		(35,746)	(36,226)
Payment against transfer of pipeline		(67,866)	(67,866)
Proceeds from property, plant and equipment		91,363	1,825
Dividend received		19,055	21,781
Net cash used in investing activities		(5,608,752)	(5,984,975)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from loans		14,961,375	-
Repayments of local currency loans		(4,133,333)	(3,908,576)
Repayment of consumer finance		(8,052)	(9,344)
Repayment of lease liability		(52,049)	(76,229)
Dividend paid		-	(53)
Net cash generated / (used in) financing activities		10,767,941	(3,994,202)
Net decrease in cash and cash equivalents		(3,927,774)	445,822
Cash and cash equivalents at beginning of the period		(22,908,716)	(22,504,005)
Cash and cash equivalents at end of the period	27	(26,836,490)	(22,058,183)


The annexed notes 1 to 33 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

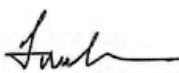
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half year ended December 31, 2022

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re- measurement of FVTOCI securities	Surplus on revaluation of property plant and equipment	Accumulated losses	Total
	(Rupees in '000)						
Balance as at June 30, 2021 (Audited)	8,809,163	234,868	4,672,533	172,772	25,254,815	(60,441,466)	(21,297,315)
Total comprehensive loss for the period ended December 31, 2021							
Loss for the period	-	-	-	-	-	(1,879,495)	(1,879,495)
Other comprehensive loss for the period	-	-	-	(66,920)	-	-	(66,920)
	-	-	-	(66,920)	-	(1,879,495)	(1,946,415)
Balance as at December 31, 2021	8,809,163	234,868	4,672,533	105,852	25,254,815	(62,320,961)	(23,243,730)
Balance as at June 30, 2022 (Audited)	8,809,163	234,868	4,672,533	115,836	55,014,936	(72,421,784)	(3,574,448)
Total comprehensive loss for the period ended December 31, 2022							
Loss for the period	-	-	-	-	-	(9,317,629)	(9,317,629)
Other comprehensive loss for the period	-	-	-	(8,904)	-	-	(8,904)
	-	-	-	(8,904)	-	(9,317,629)	(9,326,533)
Balance as at December 31, 2022	8,809,163	234,868	4,672,533	106,932	55,014,936	(81,739,413)	(12,900,981)

The annexed notes 1 to 32 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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS For the half year ended December 31, 2022

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

Subsidiary Company

- SSGC LPG (Private) Limited

	Percentage of holding	
	December 31, 2022	June 30, 2022
	%	%
	100	100

Sui Southern Gas Company Limited

Sui Southern Gas Holding Company Limited ("the Holding Company") is a public limited Holding 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 Company is situated at SSGC House, Sir Shah Muhammad 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., whereas, meter manufacturing plant is situated at its' registered office.

The addresses of other regional offices / business units of the Holding Company are as follows:

Region	Address
Karachi	SITE office, Karachi, Plot No. F-36 & F-37 SITE area Karachi.
Karachi East	Plot # 21/1, Sector 22, Korangi Industrial area, Karachi.
Karachi	SSGC Karachi Terminal opposite Safari Park Main University Road, 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.

SSGC LPG (Private) Limited

SSGC LPG (Private) Limited ("the Subsidiary Company") is a wholly owned subsidiary of Sui Southern Gas Company Limited. The registered office of the Subsidiary Company is situated at the 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
- Bottling plants at Sara-e-Gadai Stop, Kot Najeebullah Road, Industrial Estate Hattar-22610 Haripur, KPK and Sheikhhupura Bedad Road, Muridke Panjab through the High Court of Sindh auction during October 2011.

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

1.2 Basis of consolidation

- The consolidated financial statements include the condensed interim financial statements of the Holding Company and its Subsidiary Companies, together "the Group".
- The condensed interim financial statements of the Subsidiary are prepared for the same reporting year as the Holding Company for the purpose of consolidation, using consistent accounting
- The assets, liabilities, income and expenses of subsidiaries have been consolidated on a line by line basis.
- Minority interest represents the portion of the net results of operations and of net assets of Subsidiary attributable to interests which are not owned by the Holding Company.
- 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 16.60% 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 or short of the above guaranteed return is payable to or recoverable from the Government of Pakistan (GoP).

1.4 Status of the Company's Operations - Financial Performance

During the period, the Group has incurred a loss after tax of Rs. 9,318 million (December 31, 2021 Rs.1,879 million) resulting in increase in its accumulated losses to Rs. 81,739 million and diminishing equity to Rs. 12,901 million. As at period end, current liabilities exceed its current asset by Rs.115,347 million (June 30, 2022 Rs. 117,309).

To further improve the financial performance, the Holding Company is pursuing actions for reduction in UFG / enhancement of UFG benchmark based on Key Monitoring Indicators (KMI) as well as implementation of Economic Coordination Committee of the Cabinet (ECC) decision on RLNG volume handling which will help in significant reduction in UFG disallowances.

Following are the Key points relating to financial sustainability of the Holding Company:

- ECC in its meeting dated May 11, 2018 approved the summary submitted by the Petroleum Division under which the Holding Company was allowed UFG based on RLNG handling basis (volumetric basis) in the sale price of RLNG in the form of distribution loss due to swapping arrangements and consumption of RLNG in its franchise area. However, in its determination on Final Revenue Requirement (FRR) for FY 2017-18 and there after till June 30, 2022, carrying financial impact aggregating to Rs. 70,216 million as of the reporting date, 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, thus to sort out this issue, ECC constituted a Committee comprising of Secretaries of Petroleum & Finance. In line with Committee recommendations and having an independent view as requested by the Holding Company, OGRA hired the services of International Technical, Commercial and Management Auditors for determining actual UFG of Gas Companies in respect of indigenous gas as well as imported RLNG.
- The Holding Company has undertaken actions for reduction in UFG / enhancement of UFG benchmark based on Key Monitoring Indicators (KMI) as well as implementation of ECC decision on RLNG volume handling which will help in significant reduction in UFG

The Holding Company has devised a strategy to control UFG, duly approved by the board of directors and the same is under implementation.

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

In view of the above mentioned factors, the Holding Company's profitability and financial position will improve in the next few years. Accordingly, no material uncertainty exist relating to going concern status of the Holding Company.

2 BASIS FOR PREPARATION

2.1 Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017.
- Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These consolidated condensed interim financial statements do not include all the statements and disclosures required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended June 30, 2022 which have been prepared in accordance with accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.
- 2.3** The comparative consolidated statement of financial position presented in these consolidated condensed interim statement of financial position has been extracted from the annual audited consolidated financial statements of the Group for the year ended June 30, 2022, whereas the comparative consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of cash flows and consolidated condensed interim statement of changes in equity are extracted from the unaudited consolidated condensed interim financial statements for the half year ended December 31, 2022.

2.4 Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention unless stated otherwise.

2.5 Functional and presentation currency

These condensed interim consolidated financial statements have been presented in Pakistani Rupee, which is the functional and presentation currency of the Group.

3 MATERIAL ACCOUNTING POLICIES INFORMATION

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim consolidated financial statements are same as those for the preceding annual consolidated financial statements for the year ended June 30, 2022.

3.1 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 01, 2023, but are considered not to be relevant or expected to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim consolidated financial statements.

The Group adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they will impact the accounting policy information disclosed in the annual financial statements.

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments had no effect on the interim condensed financial statements of the Group as they relate to disclosures of accounting policies in the annual financial statements rather than interim financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the annual financial statements of the Group.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2024, but are considered not to be relevant or expected to have any significant effect on the Group's operations and are, therefore, not detailed in these condensed interim consolidated financial statements.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1** 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 Group for the year ended June 30, 2022.
- 4.2** The preparation of consolidated condensed interim financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended June 30, 2022 except for the following:

The charge in respect of staff retirement benefits has been recognised on the basis of Actuarial projection for FY 2022-23, hence it does not include consideration for actuarial gains / losses which will be determined at the year end.

- 4.3** There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Groups's accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have a significant effect on this condensed interim financial statements.
- 4.4** 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, 2022.

5 PROPERTY, PLANT AND EQUIPMENT

December 31, June 30,
2022 2022
(Un-audited) (Audited)
------(Rupees in '000)-----

Operating assets	163,103,798	163,318,855
Capital work-in-progress	18,190,426	14,971,408
	181,294,224	178,290,263

5.1 Following is the movement in property, plant and equipment during the period / year:

Operating fixed assets (WDV) - opening balance	163,318,855	127,408,805
Add: Additions (including transfers from CWIP) during the period / year	3,548,983	9,614,003
Add: Revaluation	-	29,760,121
	166,867,838	166,782,929
Less: Disposals during the period / year (WDV)	(121,516)	(138,702)
Less: Depreciation charge for the period / year	(3,642,524)	(3,325,372)
Operating fixed assets (WDV) - closing balance	163,103,798	163,318,855

(Un-audited)

December 31, 2022

------(Rupees in '000)-----

5.2 Following additions / transfer and deletions were made during the period in operating fixed assets:

	Additions At Cost	Deletion At WDV
--	----------------------	--------------------

Leasehold land terminal QP5	100	-
Buildings on leasehold land	6,850	-
Gas transmission pipeline	445,367	-
Gas distribution system	2,028,498	97,744
Compressors	292,221	-
Telecommunication	23,158	28
Plant and machinery	121,292	432
Cylinders	307,992	-
Tools and equipment	13,467	-
Motor vehicles	168,885	23,312
Bowsers and Bobtails	19,243	-
Furniture and fixture	21,680	-
Office equipment	20,936	-
Computer and ancillary equipments	79,294	-
	3,548,983	121,516

December 31, June 30,
2022 2022
(Un-audited) (Audited)
------(Rupees in '000)-----

5.3 Capital work in progress

Projects:		
Gas distribution system	9,058,592	6,930,961
Gas transmission system	1,262,539	478,624
Cost of buildings under construction and others	144,263	227,465
	10,465,394	7,637,050
Stores and spares held for capital projects	7,757,828	7,368,845
LPG air mix plant	419,755	418,065
	8,177,583	7,786,910
Impairment of capital work in progress	(452,551)	(452,552)
	18,190,426	14,971,408

5.3.1 Transfers from capital work in progress during the period amounting to Rs. 3,549 million (June 30, 2022: Rs. 9,614 million).

6 RIGHT OF USE ASSETS

Cost	272,463	264,249
Accumulated depreciation	(148,456)	(163,929)
Net book value	124,007	100,320
Cost		
Opening balance	264,249	367,452
Additions during the period	65,773	43,358
Derecognition during the period	(57,559)	(146,561)
Ending balance	272,463	264,249
Accumulated depreciation		
Opening balance	163,929	201,986
Depreciation charge for the period	42,086	106,809
Derecognition during the period	(57,559)	(144,866)
Ending balance	148,456	163,929

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

7 LONG TERM INVESTMENTS

Investments - fair value through other comprehensive income	143,459	152,363
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		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	------(Rupees in '000)-----	
8	TRADE DEBTS		
		33,951,285	30,384,173
		96,405,303	95,422,817
	8.1&8.2	130,356,588	125,806,990
		(24,744,120)	(23,587,126)
	8.3	105,612,468	102,219,864
	Provision against doubtful debts		

- 8.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Holding Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Holding Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 29,971 million (June 30, 2022: Rs. 29,652 million) as at December 31, 2022 receivables from KE against sale of indigenous gas, which is overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 162,771 million (June 30, 2022: Rs. 151,293 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

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

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

- a. Highest OD rate being paid by the Holding Company; or
- b. Highest rate at which interest is payable on gas producer bills.

As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Holding Company has legal claim over KE for charging of LPS.

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

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

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

Since June 2020, a proposal of finalization of ToRs for arbitration agreement has remained under discussion between the Inter-Ministerial committee nominated by the then Prime Minister of Pakistan, however. the same was not concluded.

In June 2022, a Task Force was constituted by the then Prime Minister to resolve issues / disputes related to K-Electric and during their meetings it was decided to enter into a multi-party Mediation Agreement in order to resolve KE's receivables and payables issues between all the stakeholders. Accordingly, after deliberations a Mediation Agreement has been initialed between the Holding company & KE after taking necessary Board approvals. Recently, the Mediation Agreement has been signed by all the stakeholders and the same has been pending for commencement of Mediation process. A formal letter from Federal Government is awaited.

- 8.2** As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis based on the opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 25,170 million (June 30, 2022: Rs. 25,312 million) including overdue balance of Rs. 25,100 million (June 30, 2022: Rs. 25,231 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 85,410 million (June 30, 2022: Rs. 82,214 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

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

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

Since 2021 Privatization Commission, MoIP and MoE-PD are working on a revival plan of PSML by transferring its core assets and 1,229 acres of land to a new subsidiary company namely M/s Steel Corp (Pvt.) Ltd. Accordingly, settlement of liabilities admitted by PSML were also agreed between the stakeholders through transfer / Lease of PSML land to SSGC after Legal and Financial due diligence. However, privatization process has now been referred to the SIFC - working Holding Company on Industries.

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.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
		------(Rupees in '000)-----	
8.3 Allowance for expected credit loss	Note		
Opening balance		23,587,126	21,502,162
Provision made during the period / year		1,156,994	2,084,964
Closing balance		<u>24,744,120</u>	<u>23,587,126</u>
9 INTEREST ACCRUED			
Interest accrued on late payment of bills / invoices from:			
Water and Power Development Authority (WAPDA)		5,378,945	5,100,675
Sui Northern Gas Pipelines Limited (SNGPL)		11,529,815	10,957,214
Jamshoro Joint Venture Limited (JJVL)		239,689	239,689
		<u>17,148,449</u>	<u>16,297,578</u>
Interest accrued on sales tax refund		487,739	487,739
		<u>17,636,188</u>	<u>16,785,317</u>
Less: Allowance for expected credit loss		<u>(112,400)</u>	<u>(112,400)</u>
		<u>17,523,788</u>	<u>16,672,917</u>
10 OTHER RECEIVABLES			
Tariff adjustments indigenous gas - receivable			
Government of Pakistan (GoP)	10.1	373,270,351	295,488,261
Receivable from SNGPL for differential tariff		4,284,080	4,284,080
Receivable from staff pension fund			198,562
Balance receivable for sale of gas condensate		77,609	108,817
Receivable from SNGPL - a related party			
Pipelines Limited	10.2	115,577,582	110,629,326
Receivable from Jamshoro Joint Venture			
Limited (JJVL)	10.3 & 10.4	2,501,824	2,501,824
Receivable from Pakistan LNG Limited		67,022	-
Gas infrastructure development cess receivable		6,861,644	6,876,666
Receivable from GPO against gas bill collection	10.5	2,315,215	2,315,215
Sales tax receivable	10.6	65,083,684	50,961,546
Sindh sales tax		2,451	2,451
Receivable against asset contribution	10.7	340,359	337,266
Accrued markup		8,986	2,098
Miscellaneous receivables		51,686	76,044
		<u>570,442,493</u>	<u>473,782,156</u>
Less: Allowance for expected credit loss		<u>(2,586,874)</u>	<u>(2,586,874)</u>
		<u>567,855,619</u>	<u>471,195,282</u>

December 31, **June 30,**
2022 **2022**
(Un-audited) **(Audited)**
 -----**(Rupees in '000)**-----

10.1 Tariff adjustments indigenous gas - receivable from GoP

Opening Balance	295,488,261	207,762,067
Recognized in statement of profit or loss	77,156,188	86,507,711
Subsidy for LPG air mix operations	625,902	1,223,309
Reversal of accrued interest on tariff adjustments	-	(4,826)
Ending Balance	373,270,351	295,488,261

10.2 At the reporting date, receivable balance from SNGPL comprises of the following:

Uniform cost of gas	15,818,846	15,818,845
Lease rentals	1,385,141	1,228,430
Contingent rent	12,545	10,315
LSA margins	3,333,372	3,071,808
Capacity and utilisation charges of RLNG	59,656,119	55,656,646
RLNG transportation income	35,371,559	34,843,282
	115,577,582	110,629,326

10.2.1 Upto December 31, 2022, the Holding Company has invoiced an amount of Rs. 179,359 million (June 30, 2022: Rs. 161,860) including Sindh Sales Tax of Rs. 20,777 million (June 30, 2022: Rs. 18,764) to SNGPL in respect of capacity and utilization charges (terminal charges), LSA margins and transportation charges relating to RLNG.

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 in which it was decided that from June 2020 onwards all the invoices will be paid on monthly basis by SNGPL, however, outstanding receivable balances before June 2020 amounting to Rs. 99,197 million which stands disputed as of the reporting date. OGRA appointed a consultant for technical, commercial and managerial audit to ascertain accuracy of Unaccounted-for Gas (UFG) of gas companies, encompassing both indigenous gas and imported RLNG. The draft report has been duly submitted to OGRA by the Consultant. Upon finalization of the same, adjustments resulting from it will be integrated into the financial records of both SUI companies, thereby facilitating the resolution of the underlying disputed balances. The Holding Company is also engaged with SNGPL to reconcile the differences so that upon the receipt of finalised report from OGRA, the settlement is made in the shortest possible time. The report is expected shortly.

- 10.3** The Holding Company had an arrangement in terms of MoUs with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Holding Company with total quantity of LPG extracted out of which 50% LPG was sold to JJVL as per the MoUs. The Holding Company paid processing charges of \$235/MT for the months in which JJVL's production share is below 53.55% and \$220/MT if JJVL's production share is more than 53.55%.

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. Subsequently, JJVL paid Rs. 1.5 billion as per SCP Order dated November 16, 2018 based on the report submitted by Chartered Accountant firm.

As per the new agreement signed between the Holding Company and JJVL pursuant to SCP order dated December 04, 2018 the Holding Company shall supply gas to Jamshoro Joint Venture Limited (JJVL) Plant for the extraction of LPG and NGL from its related field. LPG and NGL is owned by JJVL to be sold at its discretion. JJVL shall pay to the Holding Company a consideration which shall be a percentage the total value of extraction of LPG / NGL. The Holding Company percentage shall be 57% of the total value extraction of LPG and NGL on ad-hoc basis which will be finalized by the firm of Chartered Accountants as per the Agreement in its determination report. The Holding Company shall not pay any extraction charges to JJVL in respect of this agreement.

The new agreement was valid for 1.5 years and has expired on June 20, 2020. After the expiry of the said agreement, the Holding Company has not entered into any new arrangement with JJVL to date and hence, no gas has been supplied to JJVL plant since then.

- 10.4** This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, sale of natural gas liquids, federal excise duty, Sindh sales tax on franchise services, fuel charges receivable against processing charges from JJVL and receivable from JJVL @ 57% value of LPG / NGL extraction as per new agreement signed between the Holding Company and JJVL pursuant to SCP order dated December 04, 2018 amounting to Rs. (10) million (June 30, 2022: Rs. (10) million), Rs. 160 million (June 30, 2022: Rs. 160 million), Rs. 178 million (June 30, 2022: Rs. 178 million), Rs. 1,070 million (June 30, 2022: Rs. 1,070 million), Rs. 646 million (June 30, 2022: Rs. 646 million), Rs. 32 million (June 30, 2022: 32 million), Rs.6.6 million (June 30, 2022: Rs.6.6 million), Rs. 419 million (June 30, 2022: Rs.419 million) respectively.
- 10.5** As amount of Rs 2,315 million is receivable balance from Post Office against gas bills fund collected from January 2022 to March 2022 and deposited in Government Treasury.

As per the letter from Joint Secretary (Postal), letter no. F.No.1-672020-Cash(Pt) dated March 03, 2022 confirming that Pakistan Post Office Department is undergoing considerable transformation to align its services and re-engineer its procedure in order to comply with FATF, Pakistan Post Office stopped depositing funds collected against utility bills in Government Treasury and opened an agency account with National Bank of Pakistan. The new procedure became effective from April 01, 2022, and thereafter all the utility funds collected by Post Office against utility bills are deposited in its agency account with NBP and then released to utility companies but the balance of Rs 2.3 billion as at March 2022 is still outstanding and released through Letter of Credit issued by Ministry of Finance to Pakistan Post Office.

- 10.6** 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. Realising 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, such 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 Holding Company is making vigorous efforts for realisation of these refunds.
- 10.7** This represents receivable from Mari Gas Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cash flow technique.

	Note	December 31, 2022 (Un-audited) ------(Rupees in '000)-----	June 30, 2022 (Audited)
11 LONG-TERM FINANCING			
Secured			
Loans from banking companies	11.1 & 11.2 & 11.3	33,594,562	16,286,678
Unsecured			
Consumer financing		125,428	122,145
Government of Sindh loans		797,294	606,882
		<u>922,722</u>	<u>729,027</u>
		34,517,284	17,015,705
Less: Current portion shown under Current liabilities			
Loans from banking companies		(4,666,667)	(6,466,667)
Consumer financing		(2,298)	(11,335)
Government of Sindh loans		(186,667)	(186,667)
		<u>(4,855,632)</u>	<u>(6,664,669)</u>
		<u>29,661,652</u>	<u>10,351,036</u>

- 11.1** A long term finance facility amounting to Rs. 21,000 million was sanctioned in March 2022 from a syndicate of banks. This financial arrangement has been secured by GoP guarantee. During the period repayment of Rs.2,333 million has been made with regards to such loan. Further, additional long term finance facility amounting to Rs. 15,000 million was sanctioned in December 2022 from a syndicate of other banks.
- 11.2** A long term finance facility amounting to Rs. 18,000 million was sanctioned in December 2015 from a syndicate of banks. During the period, repayment of Rs. 1,800 million has been made and the loan stands fully settled.
- 11.3** These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	------(Rupees in '000)-----	
12 DEFERRED CREDIT			
Government of Pakistan contributions / grants			
Opening balance		2,762,110	2,968,896
Additions / adjustments during the period / year		25,924	95,527
Amortized during the period / year	22	(158,594)	(302,313)
Ending balance		2,629,440	2,762,110
Government of Sindh (Conversion of loan into grant)			
Opening balance		1,889,931	1,952,841
Additions during the period / year		13,501	62,280
Amortized during the period / year	22	(63,247)	(125,190)
Ending balance		1,840,185	1,889,931
Government of Sindh grants			
Opening balance		96,124	113,200
Amortized during the period / year	22 & 12.1	(5,975)	(17,076)
Ending balance		90,149	96,124
		4,559,774	4,748,165
Less: Current portion of deferred credit		(454,267)	(443,575)
		4,105,507	4,304,590

- 12.1** 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.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	------(Rupees in '000)-----	
13 CONTRACT LIABILITIES			
Contribution from consumers	13.1	2,993,788	2,975,653
Advance received from customers for laying of mains, etc.		6,586,214	6,541,603
		9,580,002	9,517,256

	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
13.1 Contribution from consumers	Note	------(Rupees in '000)-----
Opening balance	3,238,534	2,740,870
Additions / adjustments during the period / year	152,071	748,154
Amortized during the period / year	(137,321)	(250,490)
	3,253,284	3,238,534
Less: Current portion of contributions from consumers	(259,496)	(262,881)
Closing balance	<u>2,993,788</u>	<u>2,975,653</u>

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

14 SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 30,000 million (June 30, 2022: Rs. 25,000 million) and carry mark-up ranging from 0.00% to 1.00% (June 30, 2022: 0.00% to 0.20%) above the average one month KIBOR. These facilities are secured by first pari passu second amendment to the joint hypothecation agreement and ranking charge over present and future stock in trade and book debts of the Holding Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 1,316 million (June 30, 2022: Rs. 1,122 million).

	December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
15 TRADE AND OTHER PAYABLES	Note	------(Rupees in '000)-----
Creditors for:		
Indigenous Gas	15.1	608,941,043
RLNG	15.2	126,507,406
		<u>735,448,449</u>
Tariff adjustments RLNG- payable to GoP	15.3	20,826,562
Service charges payable to EETPL		2,769,478
Accrued liabilities		9,191,159
Provision for compensated absences - non executives		271,797
Payable to staff gratuity fund		1,590,990
Payable to pension fund		29,815
Payable to provident fund		86,563
Deposits / retention money		785,508
Advance for sharing right of way		18,088
Withholding tax payable		127,779
Sales tax and FED payable		585,796
Sindh sales tax		126,068
Gas infrastructure development cess payable		6,861,644
Unclaimed term finance certificate redemption profit		1,800
Advance from customers and distributors		759,250
Transport and advertisement services		41,307
Worker's profit participation fund	15.4	346,162
Provision		12,910
Others		564,871
		<u>780,445,996</u>
		<u>683,461,751</u>

- 15.1** Creditors for indigenous gas supplies include Rs. 494,053 million (June 30, 2022: Rs. 424,267 million) payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (June 30, 2022: Rs. 15,832 million) on their balances which have been presented in note 16.1 to these consolidated condensed interim financial statements. This also includes payable to SNGPL amounting to Rs. 6,639 million (June 30, 2022: Rs. 6,042 million) which stands outstanding as of the reporting date.

This also includes payable to SNGPL amounting to Rs. 6,639 million (June 30, 2022: Rs. 6,042 million) which stands outstanding as of the reporting date.

- 15.2** On December 12, 2017, the Ministry of Energy in pursuance of the decision of ECC vide case submitted on September 03, 2015, allocated 12 BCF RLNG volume to the Company and thereafter, allocated further 37 BCF. The ECC in its decision dated March 03, 2020 has allocated 71 BCF (in total to the Company) in order to resolve the matter of short supply with the direction to enter into an agreement with SNGPL.

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 allocated volumes.

During the year, Holding Company has recorded purchases of 12 BCF (2022: 37 BCF) from SNGPL amounting to Rs. 55,248 million (June 2022: Rs.118,289 million) based on OGRA's decision dated November 20, 2018.

Based on initialed agreement between the Holding Company and SNGPL dated January 25, 2021 in which it was decided that from June 2020 onwards all the invoices will be paid on monthly basis by SNGPL, however, outstanding payable balances in respect of RLNG purchases before June 2020 amounting to Rs. 86,643 million which stands disputed as of the reporting date. OGRA appointed a consultant for technical, commercial and managerial audit to ascertain accurate Unaccounted-for Gas (UFG) of gas companies, encompassing both indigenous gas and imported RLNG. The draft report has been duly submitted to OGRA by the Consultant. Upon finalization of the same, adjustments resulting from it will be integrated into the financial records of both SUI companies, thereby facilitating the resolution of the underlying disputed balances. The Holding Company is also engaged with SNGPL to reconcile the differences so that upon the receipt of finalised report from OGRA, the settlement is made in the shortest possible time. The report is expected shortly.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
		----- (Rupees in '000) -----	
15.3	Tariff adjustments RLNG - payable to GoP		
	Opening balance	28,923,211	18,346,037
	Recognized during the period / year	(8,096,649)	10,577,174
	Closing balance	<u>20,826,562</u>	<u>28,923,211</u>
15.4	Workers' Profit Participation Fund (WPPF)		
	Opening balance	315,979	234,255
	Interest on WPPF	30,183	81,724
	Closing balance	<u>346,162</u>	<u>315,979</u>
16	INTEREST ACCRUED		
	Long term financing - loans from banking companies	1,093,070	823,749
	Long term deposits from customers	420,191	681,113
	Short term borrowings	724,387	520,928
	Late payment surcharge on processing charges	99,283	99,283
	Late payment surcharge on gas supplies	15,832,411	15,832,411
		<u>18,169,342</u>	<u>17,957,484</u>

- 16.1** As disclosed in note 8.1 and 8.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per International Financial Reporting Standards 15: "Revenue from Contracts with Customers". However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E&P Companies i.e. Oil and Gas Development Holding Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of accounting and reporting standards as applicable in Pakistan, 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 fulfilment 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.

Based on the aforesaid letter and legal opinion obtained by the Holding Company, the aggregate unrecognized accrued markup up to December 31, 2022 stands at Rs. 151,245 million (June 30, 2022: Rs. 131,988 million).

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 In respect of the Holding Company

- 17.1.2** Jamshoro Power Company Limited (JPCL) lodged an aggregate claim amounting to Rs. 144,120 million (June 2022: Rs.144,120 million) which includes Rs. 44,990 million on account of the short supply of gas and due to utilization of alternate fuel amounting to Rs. 99,130 million under the provisions of an agreement dated April 10, 1995, between the Company and JPCL and Rs. 5.79 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 Ministry of Petroleum and Natural Resources (the ministry) vide its letter dated April 24, 2017 directed that the outstanding issues pertaining to the claims by JPCL shall be resolved and the Ministry has proposed that a committee be constituted comprising of members from two companies and the other concerned Ministries to resolve the matter as it involves parties who represent/relate to the Government of Pakistan. Furthermore, this matter was also pending in the Public Accounts Committee (PAC).

Pursuant to the directives of PAC, urgent meeting of the Secretaries Committee was held on 8 May 2023 and the Committee directed JPCL and the Company to submit data regarding actual loss suffered by the Companies.

Reports were submitted by both parties, wherein, JPCL reduced its claim from 144,000 million to 5,838 million and the Company revised its Take or pay claim from 2,800 million (up to April 2023) to 2,100 million (considering the difference between industrial and Domestic Tariff) whereas the amount pertaining to gas bills and LPS remains the same i.e., to Rs. 2,778 million (up to April 2023) and Rs. 3,615 million (up to June 2022) respectively remains the same. As a result, the claims summary stands as follows:

JPCL claims = Rs 5,838 million

Company claims = Rs 4,892 million

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

- 17.1.3** As disclosed in note 16.1, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2016 amounting to Rs. 26,222 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the year ended June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and for the period ended December 31, 2022 amounting to Rs. 7,569 million, Rs. 7,477 million, Rs. 10,525 million, Rs. 26,335 million, Rs 25,939 million and Rs. 27,921 million and Rs. 19,257 million in these consolidated condensed interim financial statements. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.
- 17.1.4** As disclosed in note 10.3, & 10.4, the Company had negative margins while doing business with Jamshoro Joint Venture Limited (JJVL) in financial year 2015-16 due to decline in oil prices and consequent decline in margins in LPG / NGL business. Consequently, the Company sent termination notices to JJVL dated May 4, 2016, against which JJVL obtained a stay order from the Sindh High Court.

The net receivable balance from JJVL amounts to Rs. 2,502 million other than interest accrued.

Due to ongoing freight case hearings by the Supreme Court of Pakistan (SCP), and keeping in view that there are certain matters under instant Arbitration which are also sub-judice at the Supreme Court of Pakistan (SCP) consequent upon the Termination of Memorandum of Understanding (MoUs) between the Company and JJVL the arbitration proceedings between the parties under the Pakistan Arbitration Act, 1940 as amended from time to time has been adjourned. All the disputed matters taken to arbitration would be finalized once SCP passes its order on freight charges and other matters. However, the Arbitration proceedings between the parties have now been resumed and in the first meeting dated 17 August 2023, it was decided that both the parties will file amended pleadings / claims & counter claims. the Company therefore filed its revised claims considering the revision in cut off dates which were earlier filed upto June 2016 have now been revised till June 2018 on account of principal amounts and August 2023 in respect of Markups.

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 well 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 eight 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 SCP.

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 Company's consideration will be subject to conclusion of this matter at SCP.

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

- 17.1.5** 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 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.

- 17.1.6** 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 musharaka arrangement.

All the Orders were contested before Commissioner (Appeals) who decided the case in Company's favor.

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

- 17.1.7** Income tax authorities have passed Orders disallowing Cost of Gas purchased but lost as UFG (in excess of OGRA Benchmark) for Financial Year (FY) 2008-09, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20.

All the Orders were contested before Commissioner (Appeals) who decided the cases in Company's favor. However, the said Commissioner (Appeals) Orders in Company's favor have been challenged by the tax authorities before the Appellate Tribunal Inland Revenue except for the appellate order for TY-2019-20 which has been remanded back by the Commissioner Appeals.

Since the said issue has already been decided in favor of SNGPL by Lahore Bench of Appellate Tribunal Inland Revenue and thus a Legal Precedent is in field which has also been upheld by Commissioner (Appeals) in Company's case.

Accordingly no provision has been made in these consolidated 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.

- 17.1.8** The Tax Authorities' passed Order for FY 2009-10 against the Company disallowing input Sales Tax credit on gas purchased but lost as Unaccounted for Gas (UFG), among other observations. The said Order was contested till Appellate Tribunal Inland Revenue (ATIR) who decided the case in the Company's favor thus setting a legal precedent of the matter so specified.

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 adverse inference was drawn in light of Binding Precedent set by ATIR for FY 2009-10.

The Company and its legal advisor are of the opinion that the Company has a strong case on legal merits as well as on technical grounds since legal precedent 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 Company and its legal advisor is confident that the outcome of the cases will be in favor of the Company.

- 17.1.9** The Additional Commissioner Inland Revenue passed an order against the Company with demand along with default surcharge and penalty for incorrect adjustment of withholding sales tax against input invoices for the period July 2017 – April 2018 . The principal tax demand of Rs. 1,235 Million was recovered by the authority. However, the Company has filed a reference with High Court 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 Company and its legal advisor are confident that the outcome of the case will be in favor of the Company.

17.1.10 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.

Commissioner (Appeals) order was contested before Appellate Tribunal Inland Revenue (ATIR) remanded back the issue of exchange loss, decided interest free loans in SSGC favour while minimum tax adjustment for loss making year of 2007-08 was decided against SSGC. The said minimum tax disallowance has been challenged before the Sindh High Court and is currently sub-judice.

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 2007-08 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 Company and its legal advisor are confident that the outcome of the case will be in favor of the Company.

17.1.11 As disclosed in Note 8 to these consolidated condensed interim financial statements – Trade debts, Interest income from K-Electric (KE) and Pakistan Steel (PSML) is not being recognized in the consolidated condensed interim financial statements, in accordance with requirements of International Accounting Standards (IAS) as well as legal and accounting opinions obtained by the Company. However, Tax Authorities have passed Orders for FY 2014-15 to 2019-20, 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 consolidated condensed interim financial statements as the Company and its legal advisor are confident that the outcome of the case will be in favor of the Company.

17.1.12 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).

Upon appeal, the Commissioner (Appeals) decided the issues of re-gasification and supply of RLNG to customers against SSGC while issue of supply of natural gas to customers was remanded back to Tax Officer.

Against Commissioner (Appeals) Order on RLNG, SSGC has filed appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

17.1.13 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. The tax department has filed an appeal before the Appellate Tribunal Inland Revenue against the aforesaid Order of Commissioner (Appeals), which is pending adjudication.

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

- 17.1.14** Tax Authorities have passed Sales Tax Order for FY 2017-18 on issues of non-charging of Sales Tax on RLNG – Indigenous Gas Swap, Tariff Adjustments, RLNG Transportation Income among other observations.

Said Order was contested before Commissioner (Appeals) who upheld LTO Order. Company has challenged the matter before the Appellate Tribunal Inland Revenue which is pending adjudication.

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

- 17.1.15** The Company is subject to various other claims aggregate Rs. 15,815 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

- 17.1.16** There are several other pending litigations in the nature of billing disputes, employees disputes and related matters in which the Company is defendant/ respondent. The management, based on the view of the in-house legal counsel, is of the view that the aggregate exposure in all the said cases is not material to the Company. Accordingly, no provision has been made in these consolidated condensed interim financial statements.

December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
------(Rupees in '000)-----	

- | | | |
|--|-------------------------|-------------------------|
| 17.1.17 Claims against the Company not acknowledged as debt | <u><u>3,438,199</u></u> | <u><u>2,607,737</u></u> |
|--|-------------------------|-------------------------|

The management is confident that ultimately these claims would not be payable.

17.2 Commitments

- | | | |
|---|-------------------------|-------------------------|
| 17.2.1 Guarantees issued on behalf of the Company | <u><u>8,832,132</u></u> | <u><u>6,960,185</u></u> |
| 17.2.2 Commitments for capital and other expenditure | <u><u>5,386,512</u></u> | <u><u>3,752,118</u></u> |

17.3. In respect of the Subsidiary

- 17.3.1** 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 as manufacturer under SRO 586 of 1991 and created a demand of Rs. 46.2 million. The Company had filed an appeal against the said order before Commissioner Inland Revenue (CIR), Appeals. Later CIR, Appeals passed the order dated May 15, 2015 and remanded back the case to the ACIR for reassessment on various issues as per grounds of appeal. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR Appeals, which is pending for hearing. The appeal before the ATIR has been fixed thrice but to date no order has been passed.

The ATIR in its order dated 23-06-2021 held that the Company LPG is not a manufacturer and upheld the order of the department, however the ATIR remanded back the issue with department and CIR(A) for detail findings after giving fair opportunity of being heard to the taxpayer. The department issued fresh order without giving fair opportunity of being heard to the taxpayer and created demand amount of Rs.46.2 million irrespective of the fact that main issue was whether chargeability of FTR is applicable on complete sale or otherwise. The taxpayer being aggrieved with in impugned order preferred an appeal before CIR (A) and hearing was fixed on 14-12-2021. On the day of hearing before learned CIR (A), the appellant submitted written arguments and argued about the scope of chargeability of FTR and NTR on the appellant.

The CIR(A) in its order dated 29-12-2021 remanded back the case to the department with directions to bifurcate sale revenue into FTR and NTR and allocation of expenses accordingly. No provision has been made due to the fact that CIR(A) has remanded back the case to the department with further directions to follow the order of the learned ATIR on "Manufacturer Status" of the Company.

Meanwhile, the Company has filed rectification application before the learned ATIR on ground that in Case Reference No. ITA 890/KB/2015: the Company LPG Vs ACIR for TY 2013, the learned ATIR did not consider or overlooked case reference number PTD 2018 of Hazara Efficient Gas which was binding on the learned ATIR while disposing off the case of the appellant. The ATIR has accepted the miscellaneous application and moved the application to larger bench. The ATIR has also granted stay against recovery of demand for tax year 2013 till the order of learned ATIR in miscellaneous application filed by the appellant. However the ACIR passed the fresh order on 15-06-2022 by ignoring the directions of the learned ATIR where it had been directed to the department to stop any proceedings or recover till the decision of the larger bench. The company being aggrieved against the impugned order preferred an appeal before the learned CIR(A) and waiting for the hearing of the same. The Company is confident based on its legal opinion that decision will come in its favour, hence no provision has been recorded in consolidated condensed interim financial statements for the period ended 30 June,2022.

- 17.3.2** 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 (Appeal).

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

- 17.3.3** The ACIR passed the order dated July 11, 2014 and created sales tax demand of Rs. 5.91 million on account of input tax disallowed pertaining to the tax year 2013 and 2014. The Company has filed an appeal before the Commissioner Appeals. During the process of appeal, the tax department issued a recovery notice and recovered demand amount from the Company's bank account. The Company based on legal opinion confident that the case will be decided in favor of the Company and recovered amount will be refunded to the Company.
- 17.3.4** 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 required the Company to submit necessary documents for reassessment of tax liability. Against the said notice the Company filed petition in Sindh High Court (SHC). The SHC granted stay to the Company and link the case with the decision of Tribunal for tax period 2013.

However after decision of ATIR dated 23-06-2021 regarding manufacturing status of the company, upheld the order of the department and remanded back the some issues to the department and CIR(A) for further findings. However, after the order of the learned ATIR, the ACIR issued fresh show cause notices to the company for TY 2015-2021 and subsequently passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand amount of PKR 1,351.687 million for TY 2015-2021. The Company being aggrieved with the impugned order passed by the learned ACIR preferred an appeal before learned CIR(A) for TY 2015-2021.

The Learned CIR(A) remanded back the impugned orders TY 2015 - 2020 and annulled order TY 2021 with directions to bifurcate the sales revenue into FTR and NTR and allocation of expenses for TY 2015-2020 and for TY 2021 on the basis of clause 46AA of part IV of second schedule of the Income Tax Ordinance, 2001 introduced through Finance Act, 2020 being exempt from applicability of withholding of the income tax u/s 153 of the Income Tax Ordinance, 2001. The Company has not record any provision as these orders have been set aside from CIR(A) and department has not issued fresh order under the direction of CIR(A), furthermore because of the fact that learned ATIR has accepted the rectification application u/s 221 of the Income Tax Ordinance, 2001 for TY 2013 and issue for TY 2015-2020 are connected with TY 2013.

17.3.5 On April 20, 2018, the 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 Company has filed petition in SHC. On May 23, 2018, the SHC has granted stay to the Company and the final decision is pending before the learned SHC. The Company is in opinion that the case will be decided in favor of the Company.

17.3.6 During 2020, SRB has issued notice regarding payment of Sindh Workers Profit Participation Fund contribution. According to said notice, the Company fall under the definition of "Industrial Undertaking" mentioned in Sindh Workers Profit Participation Act, 2015. As a result of which the WPPF contribution of amounting Rs. 2.783 million and 9.237 million has been claimed by SRB for two immediate profitable years of 2017 and 2018 respectively.

The Company has filed a petition against the said notice and granted a stay from Sindh High Court on the basis that Sindh Workers Profit Participation Act, 2015 is not applicable due to trans-provincial operations. The Company is confident, based on legal opinion that outcome of this case will be in favor of the company.

17.3.7 On August 05, 2020, the Company has received a legal notice and summon through the Bailiff of the Sindh High Court against a suit filed by one of the importers M/s Cress LPG (Private) Limited against their claim of Rs. 265.5 million. The Company is of the opinion that the case will be decided in favor of the Company.

The Inland Revenue Department also issued notice on selection in audit u/s 25 of the Sales Tax Act, 1990 and subsequent to the issuance of show cause notice and passed an order u/s 11 of the Sales Tax Act, 1990 and raised impugned demand amount of PKR 55,230,711/-. The Company being aggrieved with the impugned order preferred an appeal before the learned CIR(A) u/s 45 of the Sales Tax Act, 1990. The CIR(A) has partially upheld the order of the department and partially annulled the demand raised by the department. Being aggrieved with the order of the Commissioner(A), the company has filed appeal before the ATIR.

No Provision has been made in the consolidated condensed interim financial statements as the Company is confident, based on legal opinion, that the outcome of the case will be in favor of the Company.

17.3.8 The Sindh Revenue Board passed an order amount PKR 24,414,414/-on alleged violation of section 15,15A(1)(a) of the Sindh Sales Tax on Services Act, 2011 on account of inadmissible input tax for tax periods December 2016,February 2017,March 2017, April 2017, August 2017,November 2017,December 2017,January 2018 to May 2019 & July 2019.

Being aggrieved with the impugned order passed by the AC-SRB, the Company has preferred an appeal before the learned CIR(A)-SRB on the ground that input tax claimed on account of transportation and construction services are genuine as the taxpayer has not made any violation of relevant section the of the Sindh Sales Tax on Services Act,2011 because of the fact that if Form "I" has not been submitted by the service provider then it is dispute between the service provider and SRB, where as the company has claimed input tax on account of sales tax invoices at statutory rate of 13% issued by the service provider payment has been made through banking channels.

No provision has been made in the consolidated condensed interim financial statements as the Company is confident based on legal opinion that the outcome of the case will be in favor of the Company.

		December 31, 2022 (Un-audited)	June 30, 2022 (Audited)
	Note	------(Rupees in '000)-----	
17.4. Commitments			
17.4.1 Guarantees issued on behalf of the Company	17.4.2	116,973	116,973
17.4.2 This includes the bank guarantee paid to Port Qasim Authority against the compliance of their rules and regulation			

		Half year ended		Quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		(Un-audited)			
		------(Rupees in '000)-----			
18 SALES	Note				
Sale of Indigenous gas		90,128,418	105,908,338	42,721,900	50,967,787
Sale of RLNG		55,101,630	74,829,021	19,355,228	36,111,805
		145,230,048	180,737,359	62,077,128	87,079,592
Less: Sales tax					
Indigenous gas		(13,673,662)	(15,931,188)	(6,464,519)	(7,762,734)
RLNG		(8,085,762)	(10,820,458)	(2,848,962)	(5,326,452)
		(21,759,424)	(26,751,646)	(9,313,481)	(13,089,186)
		123,470,624	153,985,713	52,763,647	73,990,406
19 Tariff Adjustments					
Indigenous gas	19.1	77,156,188	32,397,615	34,078,977	22,961,793
RLNG	19.2	8,096,649	2,772,867	5,641,197	(838,027)
		85,252,837	35,170,482	39,720,174	22,123,766
19.1 Tariff adjustment - indigenous gas					
Price increase adjustment for the period		77,782,090	32,907,704	34,447,021	23,273,131
Subsidy for LPG air mix operations		(625,902)	(510,089)	(368,044)	(311,338)
		77,156,188	32,397,615	34,078,977	22,961,793
19.2 Tariff adjustment - RLNG					
GOP subsidy on RLNG tariff		1,212,884	-	646,458	-
Price increase adjustment for the period		6,883,765	2,772,867	4,994,739	(838,027)
		8,096,649	2,772,867	5,641,197	(838,027)

	Note	Half year ended		Quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		(Un-audited) ----- (Rupees in '000) -----			
20 COST OF SALES					
Cost of gas	20.1	199,823,411	179,885,755	91,750,034	94,040,951
Transmission and distribution costs		11,097,709	7,209,427	5,620,147	3,480,756
		210,921,120	187,095,182	97,370,181	97,521,707
20.1 Cost of gas					
Opening gas in pipelines		1,285,918	1,105,599	1,676,544	1,353,320
RLNG purchases		55,248,001	66,700,192	22,865,481	34,321,452
Indigenous purchases		146,331,900	113,726,845	69,763,143	59,825,215
		202,865,819	181,532,636	94,305,168	95,499,987
Gas consumed internally		(1,265,658)	(385,162)	(778,384)	(197,317)
Closing gas in pipelines		(1,776,750)	(1,261,719)	(1,776,750)	(1,261,719)
		(3,042,408)	(1,646,881)	(2,555,134)	(1,459,036)
		199,823,411	179,885,755	91,750,034	94,040,951
21 OTHER OPERATING EXPENSES					
Workers' Profit Participation Fund		-	-	-	(77,373)
Auditors' remuneration		4,000	3,261	2,075	1,556
Sports expenses		1,073	46,237	241	26,568
Corporate social responsibility		1,470	6,019	290	2,380
Exchange loss		6,197,148	5,115,522	(1,158,002)	1,956,598
Provision against impaired stores and spares		23,968	107,186	8,874	98,902
Loss on disposal of property, and equipment		29,553	44,151	(67,232)	(84)
		6,257,212	5,322,376	(1,213,754)	2,008,547
22 OTHER INCOME					
Income from financial assets					
Income for receivable against asset contribution		17,620	17,185	8,350	8,567
Late payment surcharge		1,060,426	929,458	501,911	420,926
Interest income on late payment of gas bills from SNGPL - related party		572,601	572,601	286,300	286,300
Liquidity damaged recovered		53,206	39,422	21,639	32,487
Income from net investment in finance lease		2,654	7,964	1,327	3,982
Return on term deposits and profit and loss bank accounts		39,587	31,558	22,060	16,836
Interest income from WAPDA		278,269	165,923	141,056	87,357
Dividend income		19,055	21,781	6,510	5,303
		2,043,418	1,785,892	989,153	861,758
Income from other than financial assets					
Income from LPG / NGL - net		614,049	312,962	485,294	205,548
Sale of gas condensate - net		(2,228)	(10,901)	(2,228)	2,452
Meter manufacturing division profit - net		7,169	5,661	5,075	2,232
Meter rentals		810,201	875,506	404,540	402,968
RLNG transportation income		3,192,165	4,104,038	1,655,157	2,034,914
Recognition of income against deferred credit and contract liability		340,185	408,969	172,506	205,647
Income from LPG air mix		54,199	61,537	26,873	30,558
Income from sale of tender documents		5,338	3,381	5,338	1,684
Scrap sales		21,100	15,431	17,814	3,878
Recoveries from consumers		39,981	43,080	34,856	22,186
Amortization of Government grant		5,975	8,625	2,514	4,312
LSA margins against RLNG		650,947	497,043	322,020	272,048
Miscellaneous		13,629	15,502	6,496	7,409
		7,796,128	8,126,726	4,125,408	4,057,594

23 TAXATION

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Un-audited)			
	------(Rupees in '000)-----			
Current tax	1,747,266	1,466,102	826,149	716,733
Deferred	27,840	22,306	26,859	24,114
	1,775,106	1,488,408	853,008	740,847

23.1 As at December 31, 2022, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 63,292 million (June 30, 2022: Rs. 52,404 million) out of which deferred tax asset amounting to Rs.17,355 million has been recognised and remaining balance of Rs 45,937 million is unrecognised. As at period end, the Holding Company's minimum tax credit amounted to Rs.8,533 million (June 30, 2022: Rs. 7,872 million) having expiry period ranging between 2024 and 2027.

24 LOSS PER SHARE - BASIC AND DILUTED

Loss for the	(Rupees in '000)	(9,317,629)	(1,879,495)	(3,750,503)	(2,652,947)
Average number of ordinary shares	(Number of shares)	880,916,309	880,916,309	880,916,309	880,916,309
Loss per share - basic and diluted	(Rupees)	(10.58)	(2.13)	(4.26)	(3.01)

25 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	Note	December 31,	December 31,
		2022	2021
		(Un-audited)	
		------(Rupees in '000)-----	
Provisions	25.1	2,275,346	1,677,126
Depreciation on owned assets		3,562,905	1,458,859
Less: Depreciation on projects capitalized		(13,922)	(26,055)
Depreciation on right of use assets		42,086	58,681
Amortization of intangibles		53,674	26,550
Finance cost		2,961,235	2,180,453
Amortization of transaction cost		16,920	28,903
Amortization of Government grant		(5,975)	(8,625)
Recognition of income against deferred credit and contract liability		(365,137)	(436,571)
Dividend income		(19,055)	(21,781)
Interest income and return on term deposits		(880,293)	(787,267)
Income from net investment in finance lease		(2,654)	(7,964)
loss on disposal of property plant and equipment		30,016	44,179
Lease rental from net investment in finance lease		30,463	36,872
Increase / (decrease) in long term advances		(39,426)	15,696
Increase in deferred credit and contract liability		236,107	767,731
Finance cost on lease liability		9,014	6,704
Decrease in payable against transfer of pipeline		33,325	36,284
		7,924,629	5,049,775

25.1 Provisions	Half year ended	
	December 31, 2022	December 31, 2021
	(Un-audited)	
	----- (Rupees in '000) -----	
Provision against slow moving / obsolete stores	22,360	107,181
Provision for compensated absences	79,084	60,515
Provision for post retirement medical and free gas supply facilities	562,159	309,133
Provision against retirement benefit	454,749	538,746
Allowance for expected credit loss	1,156,994	661,551
	<u>2,275,346</u>	<u>1,677,126</u>

26 WORKING CAPITAL CHANGES

Increase in current assets

Stores and spares	(9,158)	3,254
Stock-in-trade	(622,507)	(921,242)
Customers' installation work-in-progress	(2,043)	13,286
Trade debts	(4,549,598)	3,575,414
Advances, deposits and short term prepayments	(329,538)	215,509
Other receivables	(96,858,899)	(39,950,858)
	<u>(102,371,743)</u>	<u>(37,064,637)</u>

Increase in current liabilities

Trade and other payables	97,978,076	45,671,015
	<u>(4,393,667)</u>	<u>8,606,378</u>

27 CASH AND CASH EQUIVALENT AT THE END OF THE YEAR

Cash and bank balances	1,847,268	2,479,044
Term deposit receipts (TDR)	-	129,223
Short term borrowings	(28,683,758)	(24,666,450)
	<u>(26,836,490)</u>	<u>(22,058,183)</u>

28 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary Holding 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.

Relationship	Half year ended	
	December 31, 2022	December 31, 2021
	(Un-audited)	
	------(Rupees in '000)-----	
Government related entities		
- Purchase of fuel and lubricant	44,786	22,840
- Sale of gas and allied charges	46,519,752	78,754,578
- Mark-up expense on short term finance	108,968	48,623
- Mark-up expense on long term finance	15,760	151,717
- Income from net investment in finance lease	2,654	7,964
- Gas purchases - Indigenous gas	79,767,341	60,666,329
- Gas purchases - RLNG	55,248,001	66,700,192
- Sale of condensate	-	29,624
- Sale of gas meters	8,286	5,019
- Rent	10,249	7,222
- Insurance premium	86,060	83,859
- Royalty	523	1,035
- Telecommunication	647	538
- Electricity expenses	112,657	97,745
- Interest income	850,871	738,525
- Subscription	1,771	2,052
- RLNG transportation income	3,192,165	4,104,038
- Income against LNG service agreement	650,947	497,043
- LPG purchases	474,961	385,088
- Dividend income	18,106	14,485
Karachi Grammar School	Associate	
- Sale of gas and allied charges	26	29
Key management personnel		
- Remuneration	84,655	101,841
Pakistan Institute of Corporate Governance	Associate	
- Subscription / Trainings	876	284
Engro Fertilizers Limited	Associate	
- Sale of gas and allied charges	13,232	16,734
Indus Hospital	Associate	
- Sale of gas and allied charges	975	2,045
Staff retirement benefit plans		
- Contribution to provident fund	179,111	160,426
- Contribution to pension fund	256,910	325,071
- Contribution to gratuity fund	214,154	213,735

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

28.2 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.

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

	December 31, 2022 (Un-audited)	June 30 2022 (Audited)
Relationship	------(Rupees in '000)-----	
Associate		
Government related entities		
- Sale of gas	83,819,302	76,775,417
- Investment	40,856	56,354
- Borrowings	(1,497,594)	(1,653,309)
- Net investment in finance lease	1,385,141	1,228,430
- Gas purchases - Indigenous gas	(501,945,202)	(433,823,800)
- Gas purchases - RLNG	(126,507,406)	(120,734,221)
- Receivable from SNGPL for differential tariff	4,284,080	4,284,080
- Sale of gas condensate	35,504	66,712
- Gas meters and spare parts	43,995	35,709
- Uniform cost of gas	15,818,845	15,818,845
- Cash at bank	21,559	35,011
- Stock loan	(2)	1,740
- Payable to insurance	(7,720)	(1,899)
- Gas supply deposit	(80,954)	(51,263)
- Interest expense accrued - late payment on gas supplies bills	(15,832,411)	(15,832,411)
- Interest income accrued - late payment on gas bills	16,908,760	16,057,889
- Professional charges	57	57
- Contingent rent	12,545	10,315
- Prepaid rent	4,412	804
- Capacity and utilisation charges of RLNG	59,656,119	55,656,646
- RLNG transportation income	35,371,559	34,843,282
- LSA margins	3,333,372	3,071,808
- Interconnection income	67,022	-
- Advance for sharing right of way	(18,088)	(18,088)

	December 31, 2022 (Un-audited)	June 30 2022 (Audited)
Relationship	----- (Rupees in '000) -----	
Karachi Grammar School		
- Sale of gas and allied charges	10	-
- Gas supply deposit	(22)	5
Engro Fertilizers Limited		
- Sale of gas and allied charges	128	2,748
- Gas supply deposit	(2,851)	(2,851)
Indus Hospital		
- Sale of gas	-	352
- Sale of gas and allied charges	(1,261)	-

29 OPERATING SEGMENTS

IFRS 8 - Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group 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 Group's revenue and results by reportable segment.

	Half year ended December 31, 2022	December 31, 2021
	----- (Rupees in '000) -----	
	(Un-audited)	
	Segment profit / (loss)	
<u>Return on Assets net of UFG disallowance</u>		
Gas transmission	4,214,096	4,434,579
Gas distribution and marketing		
- Lower Sindh	(2,369,990)	(1,259,076)
- Upper Sindh	(779,225)	(716,804)
- Balochistan	(8,558,561)	(4,751,872)
Meter manufacturing	3,496	4,341
Total segment results	(7,490,184)	(2,288,832)
Unallocated Finance cost	(3,011,480)	(2,222,391)
Other income - net	2,959,141	4,120,136
(Loss) before tax	(7,542,523)	(391,087)

	December 31 2022 (Un-audited)	June 30 2022 (Audited)
----- (Rupees in '000) -----		
Segment assets and liabilities		
Segment assets		
Gas transmission	238,260,953	211,254,930
Gas distribution and marketing		
- Lower Sindh	459,480,418	433,345,682
- Upper Sindh	90,556,446	84,625,627
- Balochistan	94,302,911	48,864,236
Meter manufacturing	1,376,566	1,108,124
Total segment assets	883,977,294	779,198,599
Unallocated		
- Loans and advances	668,711	467,975
- Taxation - net	15,986,650	16,600,280
- Interest accrued	487,739	487,739
- Cash and bank balances	1,847,268	969,582
	18,990,368	18,525,576
Total assets as per consolidated condensed interim statement of financial position	902,967,662	797,724,175
Segment Liabilities		
Gas transmission	129,436,560	120,648,252
Gas distribution and marketing		
- Lower Sindh	503,352,164	461,928,422
- Upper Sindh	98,460,296	90,537,349
- Balochistan	184,419,684	127,923,669
Meter manufacturing	199,939	260,931
Total assets as per consolidated condensed interim statement of financial position	915,868,643	801,298,623

30 FAIR VALUE OF MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

30.1 Fair value of financial instruments

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying 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, 2022			
(Un-audited)			
Level 1	Level 2	Level 3	Total
-----Rupees in '000-----			
Assets			
Fair value through OCI			
Financial Assets			
Quoted equity securities	143,459	-	-
			143,459

As at June 30, 2022			
(Audited)			
Level 1	Level 2	Level 3	Total
-----Rupees in '000-----			
Assets			
Fair value through OCI			
Financial Assets			
Quoted equity securities	152,363	-	-
			152,363

The Group has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

30.2 Fair value of other assets

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

		As at December 31, 2022	
		Level 2	Fair Value
		(Un-audited)	
		-----Rupees in '000-----	
Freehold land		39,143,790	39,143,790
Leasehold land		15,653,468	15,653,468
		<u>54,797,258</u>	<u>54,797,258</u>
		As at June 30, 2022	
		Level 2	Fair Value
		(Audited)	
		-----Rupees in '000-----	
Freehold Land		39,143,790	39,143,790
Leasehold Land		15,653,468	15,653,468
		<u>54,797,258</u>	<u>54,797,258</u>

31 GENERAL

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

32 CORRESPONDING FIGURES

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

33 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in Board of Directors meeting held on March 9, 2024.



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,

	2022	2021
GAS SALES VOLUME (MMCF)	132,432	163,171
NUMBER OF CUSTOMERS (CUMULATIVE)		
INDUSTRIAL	4,524	4,325
COMMERCIAL	22,494	22,761
DOMESTIC	3,232,458	3,221,058
TOTAL	3,259,476	3,248,144
GAS METERS MANUFACTURED (NOS.)	217,600	206,608
TRANSMISSION NETWORK - CUMULATIVE (KM)		
DIAMETER		
6"	36	36
8"	26	26
12"	591	591
16"	558	558
18"	940	940
20"	844	844
24"	751	751
30"	26	26
42"	371	371
	4,143	4,143
DISTRIBUTION NETWORK - CUMULATIVE (KM)		
MAINS (1" - 30" DIAMETER)	37,992	37,551
SERVICES	11,368	11,291
	49,360	48,842

ایکسٹرنل آڈیٹر کی جائزہ رپورٹ میں کوالیفیکیشن

بیرونی آڈیٹر، بیسز نی ڈی او اور ایچ ایم اینڈ اینیٹی، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2022 کو ختم ہونے والی چھ ماہ کی مدت کے لیے اپنی جائزہ رپورٹ میں KE اور PSML سے واجب الادا رقم اور SGNPL اور WAPDA سے لیٹ بیٹمنٹ سرچارج (LPS) کے لیے سابقہ قابلیت کو جاری رکھا تھا۔

KE اور PSML سے قابل وصول

اس مدت کے دوران، K-Electric (KE) اور پاکستان اسٹیل ملز لمیٹڈ (PSML) کی نابدہندہ وصولی کی صورت حال گزشتہ ادوار کی طرح ہی رہی۔ انتظامیہ KE اور PSML کے خلاف دائرہ نگاری کے مقدمے کی بھرپور پیروی سے بیرونی کر رہی ہے۔ اس کے ساتھ ساتھ انتظامیہ متعلقہ وزارتوں کے ساتھ مسلسل رابطے میں ہے تاکہ کے ای اور پی ایس ایم ایل سے بتایا جات کی وصولی کو تیز کیا جاسکے۔ امید کی جاتی ہے کہ جیسے ہی یہ معاملہ مستقل طور پر حل ہو جائے گا، کمپنی کی مجموعی مالی حالت بہتر ہو جائے گی۔ KE اور PSML کے خلاف LPS سمیت کمپنی کا دعویٰ، 31 دسمبر 2022 تک بالترتیب 162,771 ملین روپے ہے۔ اور 85,410 ملین روپے ہے۔

SNGL اور واپڈا سے قابل وصول LPS

کمپنی کو مجموعی طور پر گردش قرضوں کی صورت حال کی وجہ سے SNGL اور واپڈا سے قابل وصولی کی صورت حال کا سامنا ہے۔ تاہم، مختلف شرائط و ضوابط کی بنیاد پر کمپنی واجب الادا رقم کے خلاف LPS جمع کر رہی ہے۔ کمپنی روزانہ کی بنیاد پر متعلقہ حکومتی کام کو اس موقف سے آگاہ کر رہی ہے اور امید کرتی ہے کہ جب قومی سطح پر گردش قرضے کو حل کیا جائے گا تو یہ مسئلہ حل ہو جائے گا۔

میٹر پر زور

مندرجہ بالا کے علاوہ، بیسز نی ڈی او اور ایچ ایم اینڈ اینیٹی، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2022 کو ختم ہونے والی چھ ماہ کی اپنی جائزہ رپورٹ میں موضوع پر توجہ کے ذریعے توجہ مبذول کرائی ہے، تبصرے درج ذیل ہیں:

- i. میٹر بل قانونی چارہ جوئی اور دعوے میں مختلف عدالتیں شامل ہیں، جن کا نتیجہ غیر یقینی ہے۔
- ii. کمپنی کے مستقبل کے آپریٹنگ کی بنیاد پر GoP اسپورٹس لیٹر پر جس نے صورتحال کو برقرار رکھنے کے لیے ضروری مالی مدد فراہم کرنے کی تصدیق کی ہے۔
- iii. ایس ایس جی سی نے 01 جولائی 2012 سے حکومت کے زیر کنٹرول E&P کمپنیوں (IPPL، OGDC اور GHPL) کو قابل ادائیگی LPS اخراجات کی شناخت بند کر دی ہے جب تک SSGC کو PSML اور KE سے LPS آمدنی حاصل نہیں ہو جاتی؛ اور
- iv. جون 2020 سے پہلے ایس ایس جی سی ایل کے ساتھ معاملات کا تصفیہ اور گرا کی مقرر کردہ کسٹنٹ رپورٹ پر منحصر ہے۔

مستقبل کی پیش نگاہ

آگے بڑھنے کے لئے، UFG میں کمپنی کو آپریٹنگ اور مالی طور پر قابل عمل رکھنے کی کلیدی ہے۔ مؤثر اور پائیدار UFG میں کمی کے لیے متعدد سخت اقدامات نافذ کیے گئے ہیں۔ لاگو کیے گئے اقدامات کے مثبت نتائج پچھلے نظر آرہے ہیں جبکہ منصوبہ بندی کے سخت کیے گئے اقدامات UFG کو مزید کم کر دیں گے۔ مندرجہ ذیل میں اقدامات اور اقدامات کا خلاصہ ہے:

- i. BOD کی رہنمائی میں قائم کردہ وقف شدہ UFG جب ڈویژن UFG کے تعاون کرنے والے عوامل کے خلاف موجودہ طریقہ کار اور پروٹوکول کو بہتر بنا رہا ہے۔ منصوبہ اور اقدامات تیز رفتاری سے شروع کیے جا رہے ہیں۔
- ii. بلوچستان UFG کے دائمی مسئلہ کو تمام متعلقہ حکام کے ساتھ فعال طور پر اٹھایا جا رہا ہے۔ حکومت بلوچستان اور وفاقی حکومت کے اعلیٰ حکام کے ساتھ متعدد میٹنگز کی گئی ہیں تاکہ مسائل کا تفصیلی تجزیہ اور ان کے قابل عمل حل پیش کیے جاسکیں۔
- iii. باریک بینی سے منصوبہ بندی کے ذریعے زبردیں سندھ (کراچی) ڈسٹری بیوشن آپریٹنگ کو آسٹریٹجک برنس پٹنس تصور کو اپناتے ہوئے از سر نو تشکیل دیا گیا ہے۔ نتیجتاً، UFG کی کارکردگی میں بڑے پیمانے پر بہتری دیکھاؤ کی گئی ہے۔ فرنیچر کے پورے علاقے میں اسی طرح کی تنظیم کو لاگو کرنے کے لیے منصوبہ بندی جاری ہے۔
- iv. پیائٹس اور بانگ کی درستی کو بہتر بنانے کے لیے پورے پورکوششیں کی گئی ہیں۔ ڈسٹری بیوشن نیٹ ورک کی بحالی کو ایک عملی حکمانہ تقریب سے وقف اور پیشہ ورانہ مسائل کے ساتھ ایک سرشار پروجیکٹ ٹیم میں منتقل کیا جا رہا ہے۔ گیس چوری اور غیر مجاز استعمال کے خلاف کارروائیاں تیز کر دی گئی ہیں جس کی مثال نہیں ملتی۔ نتیجے کے طور پر، زبردیں سندھ یعنی کراچی میں UFG (جہاں فرنیچر کی 65 فیصد گیس فروخت ہوتی ہے) کو متعلقہ ڈیپارٹمنٹ میں لانے کے قریب ہے۔
- v. ناؤن بارڈر اسٹیشن آڈیٹیشن پروجیکٹ کے ذریعے آپریٹنگ افادیت میں بڑے پیمانے پر بہتری کی توقع ہے۔
- vi. صنعتی اور گھریلو صارفین کو ان کی متعلقہ ضروریات کے مطابق گیس کی فراہمی کو بہتر بنانے کے لیے کافی تعداد میں سیکشن اور نیٹ ورک سیکرلیٹیشن کے منصوبے مکمل کیے گئے ہیں۔ مزید برآں، ان منصوبوں نے UFG کی گھرائی کی درستی کو بہتر بنایا ہے۔

اعترافات

بورڈر حصص یافتگان اور اس کے قابل قدر صارفین کی جانب سے مسلسل تعاون کے لیے تعریف کا اظہار کرنا چاہتا ہے۔ بورڈر ان تمام ملازمین کی گن کا بھی اعتراف کرتا ہے جنہوں نے کمپنی کو درپیش متعدد چیلنجوں کے باوجود سخت محنت کی۔ بورڈر رہنمائی اور تعاون پر حکومت پاکستان، وزارت توانائی اور اسٹیل اینڈ گیس ریگولیشن اتھارٹی کا بھی شکور ہے۔

بجلم بورڈر



عمران نیاز

منیجنگ ڈائریکٹر



ڈاکٹر شمشاد اختر

چیئر پرسن، بورڈر آف ڈائریکٹرز

تاریخ: 9 مارچ 2024

ڈائریکٹرز کا جائزہ 31 دسمبر 2022 کو ختم ہونے والی 6 ماہ کی مدت کے لیے

بورڈ آف ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والی 6 ماہ کی مدت کے لیے کھپتی کے نتائج پیش کرتا ہے۔

مالی جائزہ

اگر اکی جانب سے دی جانے والی میجر ڈس الاؤنسز کو شامل کرنے کے بعد کھپتی نے بعد از ٹیکس 9,574 ملین روپے کا نقصان ریکارڈ کیا۔
مذکورہ مدت کی مالیاتی جھلکیوں کا خلاصہ ذیل میں دیا گیا ہے:

فرق	دسمبر 2021	دسمبر 2022	
	(ملین روپے میں)		
تقل اور ٹیکس نقصان	(579)	(7,939)	
ٹیکس	(1,422)	(1,635)	
بعد از ٹیکس نقصان	(2,001)	(9,574)	
ٹی شیئر نقصان (روپے)	(2.27)	(10.87)	

ایس ایس جی سی کا منافع اگر اکر کے تجویز کردہ کارٹریڈر میژن فارمولے سے اخذ کیا گیا ہے جو کھپتی کے سرمائے کی ویڈو اور ریج کپٹل کاسٹ (WACC) پر مبنی ہے۔ اس فارمولے کے تحت، SSGC کو مالیاتی چارجز اور ٹیکسوں سے پہلے اپنے اوسط نسبت آپریٹنگ کسٹڈ اثاثوں پر 16.60 فیصد (دسمبر 2021: 17.43 فیصد) ریٹرن کی اجازت تھی۔ تاہم اگر اکر کارڈنگ سے متعلق معیارات یعنی ٹیکس (یو ایف جی)، بیوٹن ریسیورس شیئنگ مارک لاگت، مشکوک قرضوں کی فراہمی اور کچھ دیگر اخراجات/چارجز کی بنیاد پر محصولات کی ضروریات کا تعین کرتے ہوئے عدم اجازت/ایڈجسٹمنٹ کرتا ہے۔ یہ ڈس الاؤنس/ایڈجسٹمنٹ کھپتی کی سطحی لائن کو متاثر کرتی ہیں۔

06 اکتوبر 2023 کو جاری کردہ FY2021-22 کے لیے OGRA Determination on Final Revenue Requirement (DFRR) کے مطابق ان چھ ماہ کے مالیاتی نتائج میں جذب شدہ UFG ڈس الاؤنس کی رقم 15,479 ملین روپے تھی۔ برخلاف اثاثوں پر ریٹرن 7,989 ملین روپے۔ اسی مدت کے لیے مالیاتی لاگت 2,909 ملین روپے ہے۔
UFG کو کم کرنے اور کھپتی کو تین مل کرنے کی اہم کوششوں کے باوجود، بلوچستان کے علاقے میں بلند شرح UFG تمام کوششوں سے کہیں زیادہ ہے۔ زیر جائزہ مدت کے لیے تخم کے لحاظ سے بلوچستان یو ایف جی ویلیو 12.1 BCF ہے اور پرنٹنگ کے لحاظ سے 60.4 فیصد ہے (2021 کے لئے اعداد و شمار: 10.36 BCF 45.5 فیصد)۔
اس مسئلے پر وفاقی حکومت کی سطح پر پالیسی فیصلے کی ضرورت ہے تاکہ بلوچستان کو ٹیکس کی فراہمی تجارتی لحاظ سے قابل عمل بنایا جاسکے۔ UFG کو روکنے کے لیے سخت کوششوں کی وجہ سے بلوچستان میں UFG میں اضافے کے باوجود مجموعی طور پر کھپتی بھر میں یو ایف جی کی مقدار BCF 29.03 پر برقرار رکھی گئی ہے۔
یہ بات اہم ہے کہ اثاثوں پر ریٹرن اثاثوں پر PKR قیمت میں تاریخی لاگت پر مبنی ہے جبکہ UFG جرمائیس کی وزنی اوسط قیمت (WACOG) پر مبنی ہے جو بنیادی طور پر امریکی ڈالر پر مبنی ہے۔ حالیہ دنوں میں PKR، مقابلہ USD کی شدید گراؤ منفی باٹم لائن کا کلیدی عنصر رہا ہے۔ 31 دسمبر 2022 کو ختم ہونے والے ششماہی کے دوران WACOG 843.74 روپے فی ایم ایم ایف تھا جو کہ گزشتہ سال کی اسی مدت میں 594.54 ایم ایم ایف تھا جس میں 42 فیصد اضافہ دیکھا گیا۔ اس کے نتیجے میں اضافی UFG کی نام منظوری 4,570 ملین روپے ہوئی۔
کھپتی کی مالی حالت کو متاثر کرنے والی بنیادی وجوہات درج ذیل چیزز میں بیان کی گئی ہیں:

RLNG کاروبار پر UFG الاؤنس کی منظوری

SSGC وزارت توانائی (پیٹرولیم ڈویژن) کے ساتھ ساتھ اسلام آباد ہائی کورٹ (IHC) کے توسط سے OGRA کے ذریعے ڈسٹری بیوٹن نیٹ ورک میں RLNG کے کاروبار پر RLNG کی قیمتوں کے تعین سے متعلق ECC پالیسی کے رہنما خطوط کے مطابق حقیقی UFG کی اجازت دینے کے لیے بھر پور طریقے سے پیروی کر رہا ہے۔ IHC کے حکم کے بعد اور ان کے RLNG کی تنظیم کے کاروبار پر حقیقی UFG کی اجازت دے دی ہے۔

تاہم، اب بھی زیادہ UFG ڈس الاؤنس بنیادی طور پر اس حقیقت کی وجہ سے ہے کہ OGRA 11 مئی 2018 کو اقتصادی رابطہ کمیٹی (ECC) کی طرف سے منظور کردہ سمری کے ذریعے SSGC کے لیے منظور شدہ RLNG ویلیوم ہینڈلنگ بینیفٹ کو قبول نہیں کر رہا ہے۔ SSGC مینجمنٹ اور بورڈ آف ڈائریکٹرز کی بھر پور پیروی کے ذریعے اور ان کے RLNG پر UFG کی حد اور ہرسوئی کھپتی، یعنی SSGC اور SNGPL پر اس کے اثرات کا تعین کرنے کے لیے ایک کنسلٹنٹ کو شامل کیا ہے۔ کنسلٹنٹ اسٹڈی کے نتائج کا ابھی انتظار ہے۔

نا قابل وصول قرضوں کے خلاف فراہمی

اگر صرف منقطع صارفین سے متعلق آپریٹنگ اخراجات کے طور پر ناقابل وصول قرضوں کے خلاف فراہمی کی اجازت دیتا ہے۔ تاہم IFRS-9 کے نفاذ پر، پروویژن متوقع کریڈٹ نقصان کی بنیاد پر کیا جا رہا ہے، یعنی مستقبل کی نظر سے، جس میں الاؤنس صارفین کے خلاف بھی پروویژن کی ضرورت ہوتی ہے، نتیجتاً، کھپتی کے مالی نتائج پر اثر پڑ رہا ہے۔
چونکہ اور ان کے اس پوزیشن تک محدود رکھا ہے کہ وہ ماضی کے طریقوں کے مطابق فراہمی کی اجازت دے گا، یعنی صرف منقطع صارفین کے خلاف، اس طرح موجودہ مدت کی فراہمی کو DFRR 2021-22 کے مطابق کیا گیا ہے اور 422 ملین روپے کے ڈس الاؤنس کو تسلیم کیا گیا ہے۔

بلند مالیاتی لاگت

ایس ایس جی سی کو 2,909 ملین روپے باقی چارجز برداشت کرنے پڑے۔ بنیادی طور پر طویل مدتی اور قلیل مدتی قرضوں پر حاصل کیے گئے سرمائے کے اخراجات اور صرف نوٹیفیکیشن میں تاخیر کی وجہ سے ورکنگ کپٹل کی کمی ہوئی۔ تاہم، مذکورہ بالا میں سے 1,579 ملین روپے کی رقم۔ صرف نوٹیفیکیشن میں تاخیر کی حثانی کے لیے ماضی کی مشق کے مطابق اور اکی طرف سے اجازت دی گئی۔



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