



**Sui Southern Gas  
Company Limited**

# **PERSEVERE PROGRESS PROSPER**

**Un-Audited Condensed  
Interim Financial Information  
for the nine months period  
ended March 31, 2023**



Unconsolidated Condensed Interim Financial Information (Un-Audited)  
for the nine months period ended March 31, 2023



# CORPORATE PROFILE

## BOARD OF DIRECTORS

AS ON MARCH 31, 2023

|                              |             |
|------------------------------|-------------|
| Dr. Shamshad Akhtar          | Chairperson |
| Mr. Muhammad Raziuddin Monem | Director    |
| Mr. Abdul Aziz Uqaili        | Director    |
| Mr. Sajid Mehmood Qazi       | Director    |
| Ms. Saira Najeeb Ahmed       | 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

Ph: 92-21-99021000  
Fax: 92-21-99224279  
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

As on March 31, 2023

### Board Human Resource and Remuneration 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 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 Finance and Procurement Committee

|                        |          |
|------------------------|----------|
| Ms. Saira Najeeb Ahmed | Chairman |
| Mr. Ayaz Dawood        | Director |
| Mr. Zuhair Siddiqui    | Director |

### Special Committee of Directors 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    |

### Board Audit Committee

|                        |          |
|------------------------|----------|
| Mr. Ayaz Dawood        | Chairman |
| Dr. Sohail Razi Khan   | Director |
| Ms. Saira Najeeb Ahmed | Director |

## DIRECTORS' REVIEW

### For Nine Months Period Ended March 31, 2023

The Board of Directors presents the Company's results for nine months' period ended March 31, 2023.

#### Financial Overview

The Company has reported Loss after Tax of Rs. 17,350 million after incorporating major disallowances by OGRA. The summary of financial highlights of the period is given below:

|                      | March 2023          | March 2022 | Variance |
|----------------------|---------------------|------------|----------|
|                      | Amount              |            |          |
|                      | (Rupees in Million) |            |          |
| Loss before Taxation | (14,773)            | (3,592)    | (11,181) |
| Taxation             | (2,577)             | (2,104)    | (473)    |
| Loss after Taxation  | (17,350)            | (5,696)    | (11,654) |
| Loss Per Share (Rs.) | (19.70)             | (6.47)     | (13.23)  |

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% (March 2022: 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 nine months' financial results amounted to Rs. 25,437 million against Return on Assets of Rs. 11,953 million. Finance cost for the period is Rs. 5,228 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 20.98 BCF and in percentage is 60.1% (corresponding figure for FY 2021-22: 20.01 BCF and 52.2 %).

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 42.9 BCF and in percentage at 18.89% (corresponding figure for FY 2021-22: 45.18 BCF and 17.72 %).

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 on the Weighted Average Cost of Gas (WACOG) which is mainly 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 nine months ended March 31, 2023, was Rs. 939.75 per MMCF compared to Rs. 609.60 per MMCF for the corresponding period of last year which is significant 54% increase in WACOG resulted in incremental UFG disallowance of Rs. 8,932 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 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 final 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. 5,228 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. 2,628 million is treated as allowed by OGRA as per past practice to compensate the delay in Tariff Notifications.

### 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 planned 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 by 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:** April 30, 2024

**Place:** Karachi



**Imran Maniar**  
Managing Director

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

|   |      | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|------|-----------------------------------|-------------------------------|
|   | Note | ----- (Rupees in '000) -----      |                               |
| <b>ASSETS</b>                                       |      |                                   |                               |
| <b>Non-current assets</b>                           |      |                                   |                               |
| Property, plant and equipment                       | 5    | 179,236,883                       | 175,263,737                   |
| Intangibles   |      | 216,490                           | 226,209                       |
| Right of use assets                                 | 6    | 91,941                            | 85,051                        |
| Deferred tax  |      | 2,823,415                         | 2,823,415                     |
| Long term investments                               | 7    | 1,208,960                         | 1,401,745                     |
| Long term loans and advances                        |      | 814,820                           | 1,425,381                     |
| Long-term deposits                                  |      | 18,628                            | 18,632                        |
| <b>Total non-current assets</b>                     |      | <b>184,411,137</b>                | <b>181,244,170</b>            |
| <b>Current assets</b>                               |      |                                   |                               |
| Stores, spares and loose tools                      |      | 3,605,053                         | 3,645,946                     |
| Stock-in-trade                                      |      | 3,261,839                         | 2,304,295                     |
| Current maturity of net investment in finance lease |      | 29,960                            | 73,321                        |
| Customers' installation work-in-progress            |      | 266,006                           | 244,305                       |
| Trade debts   | 8    | 116,314,340                       | 102,209,200                   |
| Loans and advances                                  |      | 1,344,851                         | 564,780                       |
| Advances, deposits and short term prepayments       |      | 1,466,044                         | 975,841                       |
| Interest accrued                                    | 9    | 17,992,288                        | 16,692,130                    |
| Other receivables                                   | 10   | 648,214,409                       | 471,013,752                   |
| Taxation - net                                      |      | 14,779,846                        | 16,079,192                    |
| Cash and bank balances                              |      | 675,368                           | 763,015                       |
| <b>Total current assets</b>                         |      | <b>807,950,004</b>                | <b>614,565,777</b>            |
| <b>TOTAL ASSETS</b>                                 |      | <b>992,361,141</b>                | <b>795,809,947</b>            |

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 March 31, 2023

|   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|-----------------------------------|-------------------------------|
| Note  | ------(Rupees in '000)-----       |                               |
| <b>EQUITY AND LIABILITIES</b>                           |                                   |                               |
| <b>EQUITY</b>   |                                   |                               |
| <b>Share capital and reserves</b>                       |                                   |                               |
| Share Capital   | 8,809,163                         | 8,809,163                     |
| Reserves  | 4,907,401                         | 4,907,401                     |
| Surplus on re-measurement of FVTOCI securities          | 108,725                           | 115,836                       |
| Surplus on revaluation of property, plant and equipment | 54,107,435                        | 54,107,435                    |
| Accumulated losses                                      | (89,768,857)                      | (72,418,688)                  |
|   | <b>(21,836,133)</b>               | <b>(4,478,853)</b>            |
| <b>LIABILITIES</b>                                      |                                   |                               |
| <b>Non-current liabilities</b>                          |                                   |                               |
| Long term financing                                     | 11 27,331,703                     | 17,015,705                    |
| Long term deposits                                      | 26,849,051                        | 24,506,273                    |
| Employee benefits                                       | 8,400,525                         | 7,724,066                     |
| Payable against transfer of pipeline                    | 627,671                           | 684,981                       |
| Deferred credit   | 12 4,071,211                      | 4,304,590                     |
| Contract liabilities                                    | 13 9,646,569                      | 9,517,256                     |
| Lease liability   | 18,371                            | 19,029                        |
| Long term advances                                      | 4,504,218                         | 3,971,110                     |
| <b>Total non-current liabilities</b>                    | <b>81,449,319</b>                 | <b>67,743,010</b>             |
| <b>Current liabilities</b>                              |                                   |                               |
| Current portion of long term financing                  | 11 4,855,632                      | 6,664,669                     |
| Current portion of payable against transfer of pipeline | 75,574                            | 70,664                        |
| Current portion of deferred credit                      | 12 459,463                        | 443,575                       |
| Current portion of contract liabilities                 | 13 272,795                        | 262,881                       |
| Current portion of lease liability                      | 65,609                            | 55,475                        |
| Short term borrowings                                   | 14 22,154,435                     | 23,878,298                    |
| Trade and other payables                                | 15 887,351,904                    | 682,927,371                   |
| Unclaimed dividend                                      | 285,373                           | 285,373                       |
| Interest accrued  | 16 17,227,170                     | 17,957,484                    |
| <b>Total current liabilities</b>                        | <b>932,747,955</b>                | <b>732,545,790</b>            |
| <b>Total liabilities</b>                                | <b>1,014,197,274</b>              | <b>800,288,800</b>            |
| <b>TOTAL EQUITY AND LIABILITIES</b>                     | <b>992,361,141</b>                | <b>795,809,947</b>            |
| <b>CONTINGENCIES AND COMMITMENTS</b>                    | 17                                |                               |


The annexed notes 1 to 33 form an integral part of these unconsolidated condensed interim financial



**Dr. Shamshad Akhtar**  
Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
For the period ended March 31, 2023

|   | Note | Nine months period ended |                  | Quarter ended      |                  |
|---|------|--------------------------|------------------|--------------------|------------------|
|   |      | March 31<br>2023         | March 31<br>2022 | March 31<br>2023   | March 31<br>2022 |
| ------(Rupees in '000)-----                       |      |                          |                  |                    |                  |
| Revenue from contracts with customers - Gas sales | 18   | 177,121,782              | 213,962,241      | 53,651,158         | 59,976,528       |
| Tariff adjustments                                | 19   | 151,933,775              | 52,932,682       | 66,680,938         | 17,762,200       |
| <b>Net sales</b>                                  |      | <b>329,055,557</b>       | 266,894,923      | <b>120,332,096</b> | 77,738,728       |
| Cost of sales                                     | 20   | (312,737,607)            | (266,595,908)    | (101,816,487)      | (79,500,726)     |
| <b>Gross profit / (loss)</b>                      |      | <b>16,317,950</b>        | 299,015          | <b>18,515,609</b>  | (1,761,998)      |
| Administrative and selling expenses               |      | (4,043,844)              | (3,554,916)      | (1,412,956)        | (1,259,897)      |
| Other operating expenses                          | 21   | (32,056,738)             | (6,587,918)      | (25,799,561)       | (1,310,118)      |
| Allowance for expected credit loss                |      | (1,500,024)              | (1,420,147)      | (352,756)          | (758,596)        |
|   |      | (37,600,606)             | (11,562,981)     | (27,565,273)       | (3,328,611)      |
|   |      | (21,282,656)             | (11,263,966)     | (9,049,664)        | (5,090,609)      |
| Other income                                      | 22   | 11,737,049               | 11,401,979       | 4,534,052          | 3,588,053        |
| <b>Operating (loss) / profit</b>                  |      | <b>(9,545,607)</b>       | 138,013          | <b>(4,515,612)</b> | (1,502,556)      |
| Finance cost                                      |      | (5,227,544)              | (3,730,063)      | (2,318,532)        | (1,510,740)      |
| <b>Loss before taxation</b>                       |      | <b>(14,773,151)</b>      | (3,592,050)      | <b>(6,834,144)</b> | (3,013,296)      |
| Taxation  | 23   | (2,577,018)              | (2,103,742)      | (942,272)          | (681,407)        |
| <b>Loss for the period</b>                        |      | <b>(17,350,169)</b>      | (5,695,792)      | <b>(7,776,416)</b> | (3,694,703)      |
| Basic and diluted loss per share (Rupees)         | 24   | (19.70)                  | (6.47)           | (8.83)             | (4.19)           |

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

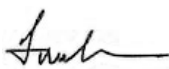
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**For the period ended March 31, 2023**

|   | Nine months period ended     |                    | Quarter ended      |                    |
|---|------------------------------|--------------------|--------------------|--------------------|
|   | March 31,<br>2023            | March 31,<br>2022  | March 31,<br>2023  | March 31,<br>2022  |
|   | ----- (Rupees in '000) ----- |                    |                    |                    |
| <b>Loss for the period</b>  | (17,350,169)                 | (5,695,792)        | (7,776,416)        | (3,694,703)        |
| <b>Other comprehensive income</b>                                 |                              |                    |                    |                    |
| Unrealised (loss) / profit on re-measurement of FVTOCI securities | (7,111)                      | (76,487)           | 1,793              | (9,567)            |
| <b>Total comprehensive loss for the period</b>                    | <u>(17,357,280)</u>          | <u>(5,772,279)</u> | <u>(7,774,623)</u> | <u>(3,704,270)</u> |

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Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)

For the period ended March 31, 2023

|  | Note | Nine months period ended |                   |
|--|------|--------------------------|-------------------|
|  |      | March 31,<br>2023        | March 31,<br>2022 |
| ----- (Rupees in '000) -----                         |      |                          |                   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>           |      |                          |                   |
| Loss before taxation                                 |      | (14,773,151)             | (3,592,050)       |
| Adjustments for non-cash and other items             | 25   | 13,217,990               | 8,536,081         |
| Working capital changes                              | 26   | 11,102,122               | 18,950,486        |
| Financial charges paid                               |      | (7,113,129)              | (3,927,757)       |
| Employee benefits paid                               |      | (200,614)                | (125,922)         |
| Payment for retirement benefits                      |      | (1,712,245)              | (861,184)         |
| Long term deposits received - net                    |      | 2,342,782                | 1,378,665         |
| Loans and advances to employee - net                 |      | (169,510)                | 231,212           |
| Interest income received                             |      | 125,630                  | 139,175           |
| Income taxes paid                                    |      | (1,277,672)              | (2,088,757)       |
| Net cash generated from operating activities         |      | 1,542,203                | 18,639,949        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>           |      |                          |                   |
| Fixed capital expenditure                            |      | (8,257,441)              | (9,178,322)       |
| Payments for acquisition of intangibles              |      | (76,586)                 | (39,085)          |
| Payment for payable against transfer of pipeline     |      | (101,799)                | (101,799)         |
| Proceeds from sale of property, plant and equipment  |      | 95,374                   | 68,528            |
| Dividend received                                    |      | 20,123                   | 22,492            |
| Net cash used in investing activities                |      | (8,320,329)              | (9,228,186)       |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>           |      |                          |                   |
| Proceeds from local currency loans                   |      | 14,961,375               | 21,000,000        |
| Repayments of local currency loans                   |      | (6,466,667)              | (25,100,000)      |
| Repayment of consumer finance                        |      | (12,334)                 | (13,615)          |
| Repayment of lease liability                         |      | (68,032)                 | (87,004)          |
| Dividend paid  |      | -                        | (54)              |
| Net cash generated / (used in) financing activities  |      | 8,414,342                | (4,200,673)       |
| Net decrease in cash and cash equivalents            |      | 1,636,216                | 5,211,090         |
| 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   | (21,479,067)             | (17,965,808)      |

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Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended March 31, 2023

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Capital<br>reserves | Revenue<br>reserves | Surplus on re-<br>measurement of<br>FVTOCI securities | Surplus on<br>revaluation of<br>property, plant<br>and equipment | Accumulated<br>losses | Total               |
|---|---|---------------------|---------------------|---|--|-----------------------|---------------------|
|   | ------(Rupees in '000)-----                     |                     |                     |   |  |                       |                     |
| <b>Balance as at June 30, 2021 (Audited)</b>                        | 8,809,163                                       | 234,868             | 4,672,533           | 172,772   | 24,347,314   | (60,408,205)          | (22,171,555)        |
| <b>Total comprehensive loss for the period ended March 31, 2022</b> |   |                     |                     |   |  |                       |                     |
| Loss for the period   | -   | -                   | -                   | -   | -  | (5,695,792)           | (5,695,792)         |
| Other comprehensive loss for the period                             | -   | -                   | -                   | (76,487)  | -  | -                     | (76,487)            |
|   | -   | -                   | -                   | (76,487)  | -  | (5,695,792)           | (5,772,279)         |
| <b>Balance as at March 31, 2022 (Un-Audited)</b>                    | <b>8,809,163</b>                                | <b>234,868</b>      | <b>4,672,533</b>    | <b>96,285</b>   | <b>24,347,314</b>  | <b>(66,103,997)</b>   | <b>(27,943,834)</b> |
| <b>Balance as at June 30, 2022 (Audited)</b>                        | 8,809,163                                       | 234,868             | 4,672,533           | 115,836   | 54,107,435   | (72,418,688)          | (4,478,853)         |
| <b>Total comprehensive loss for the period ended March 31, 2023</b> |   |                     |                     |   |  |                       |                     |
| Loss for the period   | -   | -                   | -                   | -   | -  | (17,350,169)          | (17,350,169)        |
| Other comprehensive loss for the period                             | -   | -                   | -                   | (7,111)   | -  | -                     | (7,111)             |
|   | -   | -                   | -                   | (7,111)   | -  | (17,350,169)          | (17,357,280)        |
| <b>Balance as at March 31, 2023 (Un-Audited)</b>                    | <b>8,809,163</b>                                | <b>234,868</b>      | <b>4,672,533</b>    | <b>108,725</b>  | <b>54,107,435</b>  | <b>(89,768,857)</b>   | <b>(21,836,133)</b> |

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 STATEMENT**  
**For the period ended March 31, 2023**

**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, 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, Samunli 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. 17,350 million (March 31, 2022 Rs.5,696 million) resulting in increase in its accumulated losses to Rs. 89,756 million and diminishing equity to Rs. 21,823 million. As at period end, current liabilities exceeded its current asset by Rs.124,785 million (June 30, 2022 Rs. 117,980 million).

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 Board approved Strategy to control UFG 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 for the nine months period ended March 31, 2023 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 nine months period ended March 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 MANAGEMENT

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.

**March 31,**                      **June 30,**  
**2023**                                      **2022**  
**(Un-audited)**                      **(Audited)**  
-----**(Rupees in '000)**-----

## 5 PROPERTY, PLANT AND EQUIPMENT

|                          | <b>159,415,892</b> | 160,332,379        |
|--------------------------|--------------------|--------------------|
| Operating assets         | <b>19,820,991</b>  | 14,931,358         |
| Capital work-in-progress | <b>179,236,883</b> | <u>175,263,737</u> |

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

|   |                    |                    |
|---|--------------------|--------------------|
| Operating fixed assets (WDV) - opening balance                          | <b>160,332,379</b> | 124,449,028        |
| Add: Additions (including transfers from CWIP) during the period / year | <b>4,621,578</b>   | 9,430,543          |
| Add: Revaluation  | -                  | 29,760,121         |
|   | <b>164,953,957</b> | 163,639,692        |
| Less: Disposals during the period / year (WDV)                          | <b>(123,760)</b>   | (136,532)          |
| Less: Depreciation charge for the period / year                         | <b>(5,414,305)</b> | (3,170,781)        |
| Operating fixed assets (WDV) - closing balance                          | <b>159,415,892</b> | <u>160,332,379</u> |

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

|                                   | <b>March 31, 2023</b><br><b>(Un-audited)</b><br>----- <b>(Rupees in '000)</b> ----- |                                  |
|-----------------------------------|---|----------------------------------|
|                                   | <b>Additions</b><br><b>(Cost)</b>   | <b>Deletion</b><br><b>(Cost)</b> |
| Buildings on leasehold land       | <b>6,850</b>  | -                                |
| Gas transmission pipeline         | <b>506,148</b>  | -                                |
| Gas distribution system           | <b>3,076,108</b>  | (253,058)                        |
| Compressors                       | <b>292,222</b>  | -                                |
| Telecommunication                 | <b>27,976</b>   | (2,654)                          |
| Plant and machinery               | <b>289,394</b>  | (30,240)                         |
| Tools and equipment               | <b>19,231</b>   | (1,781)                          |
| Motor vehicles                    | <b>241,022</b>  | (120,232)                        |
| Furniture and fixture             | <b>26,218</b>   | (1,515)                          |
| Office equipment                  | <b>30,611</b>   | (13,449)                         |
| Construction equipment            | <b>2,698</b>  | (164)                            |
| Scada                             | <b>400</b>  | -                                |
| Computer and ancillary equipments | <b>102,700</b>  | (125,505)                        |
|                                   | <b>4,621,578</b>  | <u>(548,598)</u>                 |



|   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|-----------------------------------|-------------------------------|
|   | ----- (Rupees in '000) -----      |                               |
| <b>5.3 Capital work in progress</b>             |                                   |                               |
| Projects:                                       |                                   |                               |
| Gas distribution system                         | 10,450,287                        | 6,910,090                     |
| Gas transmission system                         | 456,141                           | 478,624                       |
| Cost of buildings under construction and others | 666,102                           | 218,825                       |
|   | <u>11,572,530</u>                 | <u>7,607,539</u>              |
| Stores and spares held for capital projects     | 8,278,575                         | 7,358,306                     |
| LPG air mix plant                               | 422,438                           | 418,065                       |
|   | <u>8,701,013</u>                  | <u>7,776,371</u>              |
| Impairment of capital work in progress          | (452,552)                         | (452,552)                     |
|   | <u>19,820,991</u>                 | <u>14,931,358</u>             |

5.3.1 Transfers from capital work in progress during the period amounting to Rs. 4,698 million (June 30, 2022: Rs. 9,607 million).

|                                    | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|------------------------------------|-----------------------------------|-------------------------------|
|                                    | ----- (Rupees in '000) -----      |                               |
| <b>6 RIGHT OF USE ASSETS</b>       |                                   |                               |
| Cost                               | 242,580                           | 243,052                       |
| Accumulated depreciation           | (150,639)                         | (158,001)                     |
| Net book value                     | <u>91,941</u>                     | <u>85,051</u>                 |
| <b>Cost</b>                        |                                   |                               |
| Opening balance                    | 243,052                           | 346,255                       |
| Additions during the period        | 67,061                            | 43,358                        |
| Derecognition during the period    | (67,533)                          | (146,561)                     |
| Ending balance                     | <u>242,580</u>                    | <u>243,052</u>                |
| <b>Accumulated depreciation</b>    |                                   |                               |
| Opening balance                    | 158,001                           | 197,621                       |
| Depreciation charge for the period | 60,171                            | 105,246                       |
| Derecognition during the period    | (67,533)                          | (144,866)                     |
| Ending balance                     | <u>150,639</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.

|   |           | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|-----------|-----------------------------------|-------------------------------|
|   |           | ----- (Rupees in '000) -----      |                               |
| <b>7 LONG TERM INVESTMENTS</b>                              |           |                                   |                               |
| Investment at cost  |           | 1,063,708                         | 1,249,382                     |
| Investments - fair value through other comprehensive income |           | 145,252                           | 152,363                       |
|   |           | <u>1,208,960</u>                  | <u>1,401,745</u>              |
| <b>8 TRADE DEBTS</b>  |           |                                   |                               |
| Secured   |           | 33,939,570                        | 30,377,495                    |
| Unsecured   |           | 107,472,736                       | 95,418,831                    |
|   | 8.1 & 8.2 | <u>141,412,306</u>                | <u>125,796,326</u>            |
| Less: Allowance for expected credit loss                    | 8.3       | (25,097,966)                      | (23,587,126)                  |
|   |           | <u>116,314,340</u>                | <u>102,209,200</u>            |

**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. 30,035 million (June 30, 2022: Rs. 29,652 million) as at March 31, 2023 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. 169,117 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. 24,811 million (June 30, 2022: Rs. 25,312 million) which includes an overdue balance of Rs. 24,713 million (June 30, 2022: Rs. 25,231 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 87,131 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.

**March 31,**                      **June 30,**  
**2023**                              **2022**  
**(Un-audited)**                      **(Audited)**  
-----**(Rupees in '000)**-----

**8.3 Allowance for expected credit loss**

|   | 23,587,126        | 21,465,563        |
|---|-------------------|-------------------|
| Opening balance                         |                   |                   |
| Provision made during the period / year | 1,510,840         | 2,121,563         |
| Closing balance                         | <u>25,097,966</u> | <u>23,587,126</u> |

**9 INTEREST ACCRUED**

Interest accrued on late payment of bills / invoices from:

|   |                   |                   |
|---|-------------------|-------------------|
| Water and Power Development Authority (WAPDA) | 5,539,397         | 5,100,675         |
| Sui Northern Gas Pipelines Limited (SNGPL)    | 11,809,892        | 10,957,214        |
| Jamshoro Joint Venture Limited (JJVL)         | 239,689           | 239,689           |
|   | <u>17,588,978</u> | <u>16,297,578</u> |
| Interest accrued on sales tax refund          | 487,739           | 487,739           |
| Interest accrued on loan to related party     | 27,971            | 19,213            |
|   | <u>18,104,688</u> | <u>16,804,530</u> |
| Provision against impaired accrued income     | <u>(112,400)</u>  | <u>(112,400)</u>  |
|   | <u>17,992,288</u> | <u>16,692,130</u> |

|   |             | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|-------------|-----------------------------------|-------------------------------|
|   | Note        | ----- (Rupees in '000) -----      |                               |
| <b>10 OTHER RECEIVABLES</b>   |             |                                   |                               |
| Tariff adjustment indigenous gas - receivable                       |             |                                   |                               |
| Government of Pakistan (GoP)  | 10.1        | 437,997,165                       | 295,488,261                   |
| Receivable from SNGPL for differential tariff                       |             | 4,284,080                         | 4,284,080                     |
| Receivable from staff pension fund                                  |             | -                                 | 198,562                       |
| Receivable for sale of gas condensate                               |             | 108,201                           | 108,817                       |
| Receivable from SNGPL   | 10.2        | 123,362,874                       | 110,629,326                   |
| Receivable from JJVL  | 10.3 , 10.4 | 2,501,824                         | 2,501,824                     |
| Receivable from SSGC LPG (Private) Limited                          |             | 7,860                             | 8,563                         |
| Gas infrastructure development cess receivable                      |             | 6,841,753                         | 6,876,666                     |
| Receivable from GPO against gas bill collection                     | 10.5        | 2,315,215                         | 2,315,215                     |
| Receivable from PLL   |             | 112,179                           | -                             |
| Sales tax receivable  | 10.6        | 72,785,277                        | 50,773,703                    |
| Sindh sales tax   |             | 2,451                             | 2,451                         |
| Receivable against asset contribution                               | 10.7        | 429,507                           | 337,266                       |
| Miscellaneous   |             | 52,897                            | 75,892                        |
|   |             | <u>650,801,283</u>                | <u>473,600,626</u>            |
| Provision against impaired receivables                              |             | <u>(2,586,874)</u>                | <u>(2,586,874)</u>            |
|   |             | <u>648,214,409</u>                | <u>471,013,752</u>            |
| <b>10.1 Tariff adjustments indigenous gas - receivable from GoP</b> |             |                                   |                               |
| Opening Balance   |             | 295,488,261                       | 207,762,067                   |
| Recognized in statement of profit or loss                           |             | 141,437,256                       | 86,507,711                    |
| Subsidy for LPG air mix operations                                  |             | 1,071,648                         | 1,223,309                     |
| Reversal of accrued interest on tariff adjustments                  |             | -                                 | (4,826)                       |
| Closing Balance   |             | <u>437,997,165</u>                | <u>295,488,261</u>            |
| <b>10.2 Receivable from SNGPL</b>                                   |             |                                   |                               |
| Uniform cost of gas   |             | 15,818,845                        | 15,818,845                    |
| Lease rentals   |             | 1,466,079                         | 1,228,430                     |
| Contingent rent   |             | 12,545                            | 10,315                        |
| LSA margins   |             | 3,656,109                         | 55,656,646                    |
| Capacity and utilisation charges of RLNG                            | 10.2.1      | 65,652,161                        | 3,071,808                     |
| RLNG transportation income  |             | 36,757,135                        | 34,843,282                    |
|   |             | <u>123,362,874</u>                | <u>110,629,326</u>            |

**10.2.1** Upto March 31, 2023, the Company has invoiced an amount of Rs. 189,797 million (June 30, 2022: Rs. 161,860) including Sindh Sales Tax of Rs. 21,978 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           | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|----------------|-----------------------------------|-------------------------------|
|   |                | ----- (Rupees in '000) -----      |                               |
| <b>11 LONG-TERM FINANCING</b>                         |                |                                   |                               |
| Secured   |                |                                   |                               |
| Loans from banking companies                          | 11.1,11.2,11.3 | 31,267,023                        | 22,753,345                    |
| Unsecured   |                |                                   |                               |
| Consumer financing                                    |                | 121,146                           | 133,480                       |
| Government of Sindh loans                             |                | 799,166                           | 793,549                       |
|   |                | 920,312                           | 927,029                       |
|   |                | 32,187,335                        | 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)                   |
|   |                | 27,331,703                        | 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.4,667 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.

|           |   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|-----------|---|-----------------------------------|-------------------------------|
|           |   | ----- (Rupees in '000) -----      |                               |
| <b>12</b> | <b>DEFERRED CREDIT</b>                                    |                                   |                               |
|           | Government of Pakistan contributions / grants             |                                   |                               |
|           | Opening balance   | 2,762,110                         | 2,968,896                     |
|           | Additions / adjustments during the period / year          | 112,940                           | 95,527                        |
|           | Transferred to unconsolidated statement of profit or loss | (240,673)                         | (302,313)                     |
|           | Closing balance   | 2,634,377                         | 2,762,110                     |
|           | Government of Sindh (Conversion of loan into grant)       |                                   |                               |
|           | Opening balance   | 1,889,931                         | 1,952,841                     |
|           | Additions during the period / year                        | 14,166                            | 62,280                        |
|           | Transferred to unconsolidated statement of profit or loss | (94,961)                          | (125,190)                     |
|           | Closing balance   | 1,809,136                         | 1,889,931                     |
|           | Government of Sindh grants                                |                                   |                               |
|           | Opening balance   | 96,124                            | 113,200                       |
|           | Transferred to unconsolidated statement of profit or loss | (8,963)                           | (17,076)                      |
|           | Closing balance   | 87,161                            | 96,124                        |
|           |   | 4,530,674                         | 4,748,165                     |
|           | Less: Current portion of deferred credit                  | (459,463)                         | (443,575)                     |
|           |   | <u>4,071,211</u>                  | <u>4,304,590</u>              |

**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.

|             |   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|-------------|---|-----------------------------------|-------------------------------|
|             |   | ----- (Rupees in '000) -----      |                               |
| <b>13</b>   | <b>CONTRACT LIABILITIES</b>                               |                                   |                               |
|             | Contribution from consumers                               | 2,993,957                         | 2,975,653                     |
|             | Advance received from customers for laying of mains, etc. | 6,652,612                         | 6,541,603                     |
|             |   | <u>9,646,569</u>                  | <u>9,517,256</u>              |
| <b>13.1</b> | Contribution from consumers                               |                                   |                               |
|             | Opening balance   | 3,238,534                         | 2,740,870                     |
|             | Additions / adjustments during the period / year          | 232,814                           | 748,154                       |
|             | Transferred to unconsolidated statement of profit or loss | (204,596)                         | (250,490)                     |
|             |   | 3,266,752                         | 3,238,534                     |
|             | Less: Current portion of contributions from consumers     | (272,795)                         | (262,881)                     |
|             | Closing balance   | <u>2,993,957</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. 7,846 million (June 30, 2022: Rs. 1,122 million).

|  |             | <b>March 31,<br/>2023</b>           | <b>June 30,<br/>2022</b> |
|--|-------------|-------------------------------------|--------------------------|
|  | <b>Note</b> | <b>(Un-audited)</b>                 | <b>(Audited)</b>         |
|  |             | <b>----- (Rupees in '000) -----</b> |                          |
| <b>15 TRADE AND OTHER PAYABLES</b>                   |             |                                     |                          |
| Creditors for:                                       |             |                                     |                          |
| Indigenous Gas                                       | 15.1        | 713,463,016                         | 511,835,476              |
| RLNG   | 15.2        | 132,117,356                         | 120,734,221              |
|  |             | <b>845,580,372</b>                  | <b>632,569,697</b>       |
| Tariff adjustments RLNG - payable to GoP             | 15.3        | 18,426,692                          | 28,923,211               |
| Service charges payable to EETPL                     |             | 3,635,241                           | 2,604,792                |
| Accrued liabilities                                  |             | 8,370,859                           | 7,035,370                |
| Provision for compensated absences - non executives  |             | 318,727                             | 177,936                  |
| Payable to staff gratuity fund                       |             | 1,412,972                           | 2,545,198                |
| Payable to pension fund                              |             | 150,415                             | -                        |
| Payable to provident fund                            |             | 92,285                              | 93,339                   |
| Deposits / retention money                           |             | 829,055                             | 757,997                  |
| Advance for sharing right of way                     |             | 18,088                              | 18,088                   |
| Withholding tax payable                              |             | 52,361                              | 22,687                   |
| Sales tax and FED payable                            |             | 543,813                             | 444,625                  |
| Provincial sales tax on services                     |             | 117,207                             | 76,188                   |
| Gas infrastructure development cess payable          |             | 6,841,753                           | 6,876,666                |
| Unclaimed term finance certificate redemption profit |             | 1,800                               | 1,800                    |
| Worker's profit participation fund                   | 15.4        | 361,255                             | 315,979                  |
| Others   |             | 599,009                             | 463,798                  |
|  |             | <b>887,351,904</b>                  | <b>682,927,371</b>       |

- 15.1** Creditors for indigenous gas supplies include Rs. 544,106 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. 7,314 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 14 BCF (2022: 37 BCF) from SNGPL amounting to Rs. 66,890 million (June 2022: Rs.118,289 million) based on OGRA's decision dated November 20, 2018.



As disclosed in Note 10.2.1, 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.

|                             |  | March 31,<br>2023 | June 30,<br>2022  |
|-----------------------------|--|-------------------|-------------------|
|                             | Note   | (Un-audited)      | (Audited)         |
| ------(Rupees in '000)----- |  |                   |                   |
| 15.3                        | <b>Tariff adjustments RLNG - payable to GoP</b>    |                   |                   |
|                             | Opening balance                                    | 28,923,211        | 18,346,037        |
|                             | Recognized during the period                       | (10,496,519)      | 10,577,174        |
|                             | Closing balance                                    | <u>18,426,692</u> | <u>28,923,211</u> |
| 15.4                        | <b>Workers' Profit Participation Fund (WPPF)</b>   |                   |                   |
|                             | Opening balance                                    | 315,979           | 234,255           |
|                             | Interest on WPPF                                   | 45,276            | 81,724            |
|                             | Closing balance                                    | <u>361,255</u>    | <u>315,979</u>    |
| 16                          | <b>INTEREST ACCRUED</b>                            |                   |                   |
|                             | Long term financing - loans from banking companies | 105,829           | 823,749           |
|                             | Long term deposits from customers                  | 595,906           | 681,113           |
|                             | Short term borrowings                              | 593,741           | 520,928           |
|                             | Late payment surcharge on processing charges       | 99,283            | 99,283            |
|                             | Late payment surcharge on gas supplies             | 16.1 15,832,411   | 15,832,411        |
|                             |  | <u>17,227,170</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 during the period stands at Rs. 162,585 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 March 31, 2023 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. 30,597 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 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.

- 17.1.4** 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 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 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 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 unconsolidated condensed interim financial statements.

|  | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|--|-----------------------------------|-------------------------------|
|  | ----- (Rupees in '000) -----      |                               |
| 17.1.6 Claims against the Company not acknowledged as debt                     | 3,464,581                         | 2,607,737                     |
| The management is confident that ultimately these claims would not be payable. |                                   |                               |
| <b>17.2 Commitments</b>  |                                   |                               |
| 17.2.1 Guarantees issued on behalf of the Company                              | 8,832,132                         | 6,960,185                     |
| 17.2.2 Commitments for capital and other expenditure                           | 6,351,357                         | 3,752,118                     |

|  | Note | Nine months ended            |                                   | Quarter ended     |                   |
|--|------|------------------------------|-----------------------------------|-------------------|-------------------|
|  |      | March 31,<br>2023            | March 31,<br>2022<br>(Un-audited) | March 31,<br>2023 | March 31,<br>2022 |
|  |      | ----- (Rupees in '000) ----- |                                   |                   |                   |
| <b>18 SALES</b>                          |      |                              |                                   |                   |                   |
| Indigenous gas                           |      | 140,688,918                  | 153,706,084                       | 50,560,500        | 47,797,746        |
| RLNG                                     |      | 68,042,990                   | 97,705,340                        | 12,941,360        | 22,876,319        |
|  |      | 208,731,908                  | 251,411,424                       | 63,501,860        | 70,674,065        |
| <b>Less: Sales tax</b>                   |      |                              |                                   |                   |                   |
| Indigenous gas                           |      | (21,574,653)                 | (23,259,039)                      | (7,900,991)       | (7,327,851)       |
| RLNG                                     |      | (10,035,473)                 | (14,190,144)                      | (1,949,711)       | (3,369,686)       |
|  |      | (31,610,126)                 | (37,449,183)                      | (9,850,702)       | (10,697,537)      |
|  |      | 177,121,782                  | 213,962,241                       | 53,651,158        | 59,976,528        |
| <b>19 TARIFF ADJUSTMENTS</b>             |      |                              |                                   |                   |                   |
| Indigenous gas                           | 19.1 | 141,437,256                  | 52,233,511                        | 64,281,068        | 19,835,896        |
| RLNG                                     | 19.2 | 10,496,519                   | 699,171                           | 2,399,870         | (2,073,696)       |
|  |      | 151,933,775                  | 52,932,682                        | 66,680,938        | 17,762,200        |
| <b>19.1 Indigenous gas</b>               |      |                              |                                   |                   |                   |
| GDS recovered during the period          |      |                              |                                   |                   |                   |
| Price increase adjustment for the period |      | 142,508,904                  | 53,086,337                        | 64,726,814        | 20,178,633        |
| Subsidy for LPG air mix operations       |      | (1,071,648)                  | (852,826)                         | (445,746)         | (342,737)         |
|  |      | 141,437,256                  | 52,233,511                        | 64,281,068        | 19,835,896        |
| <b>19.2 Tariff adjustment - RLNG</b>     |      |                              |                                   |                   |                   |
| GOP subsidy on RLNG tariff               |      | 1,770,962                    | -                                 | 558,078           | -                 |
| Price increase adjustment for the period |      | 8,725,557                    | 699,171                           | 1,841,792         | (2,073,696)       |
|  |      | 10,496,519                   | 699,171                           | 2,399,870         | (2,073,696)       |

|             |  | Nine months ended            |                    | Quarter ended      |                    |
|-------------|--|------------------------------|--------------------|--------------------|--------------------|
|             |  | March 31,<br>2023            | March 31,<br>2022  | March 31,<br>2023  | March 31,<br>2022  |
|             |  | (Un-audited)                 |                    |                    |                    |
|             |  | ----- (Rupees in '000) ----- |                    |                    |                    |
| <b>20</b>   | <b>COST OF SALES</b>   |                              |                    |                    |                    |
|             | Cost of gas  | 295,631,423                  | 255,572,644        | 95,808,012         | 75,686,889         |
|             | Transmission and distribution costs                                  | 17,106,184                   | 11,023,264         | 6,008,475          | 3,813,837          |
|             |  | <b>312,737,607</b>           | <b>266,595,908</b> | <b>101,816,487</b> | <b>79,500,726</b>  |
| <b>20.1</b> | <b>Cost of gas</b>   |                              |                    |                    |                    |
|             | Opening gas in pipelines   | 1,285,918                    | 1,105,599          | 1,776,750          | 1,261,719          |
|             | RLNG purchases   | 66,889,955                   | 83,929,539         | 11,641,954         | 17,229,347         |
|             | Gas purchases  | 231,415,801                  | 172,342,716        | 85,083,901         | 58,615,871         |
|             |  | <b>299,591,674</b>           | <b>257,377,854</b> | <b>98,502,605</b>  | <b>77,106,937</b>  |
|             | Gas consumed internally  | (2,083,002)                  | (551,482)          | (817,344)          | (166,320)          |
|             | Closing gas in pipelines   | (1,877,249)                  | (1,253,728)        | (1,877,249)        | (1,253,728)        |
|             |  | <b>(3,960,251)</b>           | <b>(1,805,210)</b> | <b>(2,694,593)</b> | <b>(1,420,048)</b> |
|             |  | <b>295,631,423</b>           | <b>255,572,644</b> | <b>95,808,012</b>  | <b>75,686,889</b>  |
| <b>21</b>   | <b>OTHER OPERATING EXPENSES</b>                                      |                              |                    |                    |                    |
|             | Auditors' remuneration   | 5,254                        | 4,253              | 1,752              | 1,417              |
|             | Sports expenses  | 1,756                        | 54,998             | 683                | 8,761              |
|             | Corporate social responsibility                                      | 6,392                        | 6,995              | 4,922              | 976                |
|             | Provision against impaired stores and spares                         | 58,260                       | 94,682             | 34,292             | (12,504)           |
|             | Exchange loss  | 31,956,491                   | 6,426,990          | 25,759,343         | 1,311,468          |
|             | Loss / (gain) on sale of property, plant and equipment               | 28,585                       | -                  | (1,431)            | -                  |
|             |  | <b>32,056,738</b>            | <b>6,587,918</b>   | <b>25,799,561</b>  | <b>1,310,118</b>   |
| <b>22</b>   | <b>OTHER INCOME</b>  |                              |                    |                    |                    |
|             | <b>Income from financial assets</b>                                  |                              |                    |                    |                    |
|             | Income for receivable against asset contribution                     | 26,923                       | 25,487             | 9,303              | 8,302              |
|             | Interest income on loan to related party                             | 78,028                       | 112,269            | 27,971             | 37,164             |
|             | Income from net investment in finance lease                          | 3,980                        | 11,945             | 1,326              | 3,981              |
|             | Return on term deposits and profit and loss bank accounts            | 29,437                       | 18,239             | 19,069             | 4,224              |
|             | Dividend income  | 20,123                       | 22,492             | 1,068              | 711                |
|             | Late payment surcharge   | 1,663,312                    | 1,496,886          | 602,886            | 567,428            |
|             | Interest income on late payment of gas bills from SNGPL              | 852,678                      | 852,678            | 280,077            | 280,077            |
|             | Water & Power Development Authority (WAPDA)                          | 438,722                      | 262,782            | 160,453            | 96,859             |
|             | Liquidity damaged recovered  | 67,463                       | 60,408             | 14,257             | 20,986             |
|             |  | <b>3,180,666</b>             | <b>2,863,186</b>   | <b>1,116,410</b>   | <b>1,019,732</b>   |
|             | <b>Income from other than financial assets</b>                       |                              |                    |                    |                    |
|             | Sale of gas condensate - net loss                                    | 10,939                       | (2,839)            | 13,167             | 8,062              |
|             | Meter manufacturing division profit - net                            | (19,531)                     | 8,964              | (26,700)           | 3,303              |
|             | Meter rentals  | 1,213,631                    | 1,280,608          | 403,430            | 405,102            |
|             | RLNG transportation income   | 4,995,029                    | 5,792,988          | 1,802,864          | 1,688,950          |
|             | Recognition of income against deferred credit and contract liability | 511,765                      | 481,875            | 171,580            | 72,906             |
|             | Income from LPG air mix distribution - net                           | 80,615                       | 91,628             | 26,416             | 30,091             |
|             | Income from sale of tender documents                                 | 6,587                        | 5,278              | 1,249              | 1,897              |
|             | Scrap sales  | 16,315                       | 13,117             | (4,785)            | 10,730             |
|             | Recoveries from consumers  | 84,494                       | 75,248             | 44,513             | 32,168             |
|             | Gain on sale of property, plant and equipment                        |                              | 1,052              | -                  | 45,203             |
|             | Amortization of Government grant                                     | 8,963                        | 12,938             | 2,988              | 4,313              |
|             | Rental income from SSGC LPG (Pvt) Limited                            | 931                          | 769                | 311                | 256                |
|             | Fixed charges billed   | 578,773                      | -                  | 578,773            | -                  |
|             | LSA margins against RLNG   | 1,048,839                    | 755,631            | 397,892            | 258,588            |
|             | Miscellaneous  | 19,033                       | 21,536             | 5,944              | 6,752              |
|             |  | <b>11,737,049</b>            | <b>11,401,979</b>  | <b>4,534,052</b>   | <b>3,588,053</b>   |



|             | Nine months ended           |                   | Quarter ended     |                   |
|-------------|-----------------------------|-------------------|-------------------|-------------------|
|             | March 31,<br>2023           | March 31,<br>2022 | March 31,<br>2023 | March 31,<br>2022 |
|             | (Un-audited)                |                   |                   |                   |
|             | ------(Rupees in '000)----- |                   |                   |                   |
| 23 TAXATION |                             |                   |                   |                   |
| Current tax | 2,577,018                   | 2,103,742         | 942,272           | 681,407           |
|             | <u>2,577,018</u>            | <u>2,103,742</u>  | <u>942,272</u>    | <u>681,407</u>    |

As at March 31, 2023, the Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 65,962 million (June 30, 2022: Rs. 52,404 million) out of which deferred tax asset amounting to Rs.18,980 million has been recognised and remaining balance of Rs 46,982 million is unrecognised. As of the reporting date, the Company's minimum tax credit amounted to Rs.6,905 million (June 30, 2022: Rs. 7,872 million) having expiry period ranging between 2024 and 2027.

|   | Nine months ended           |                   | Quarter ended     |                   |
|---|-----------------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2023           | March 31,<br>2022 | March 31,<br>2023 | March 31,<br>2022 |
|   | (Un-audited)                |                   |                   |                   |
|   | ------(Rupees in '000)----- |                   |                   |                   |
| 24 LOSS PER SHARE - BASIC AND DILUTED       |                             |                   |                   |                   |
| Loss for the period                         | (17,350,169)                | (5,695,792)       | (7,776,416)       | (3,694,703)       |
| Average number of ordinary shares           | 880,916,309                 | 880,916,309       | 880,916,309       | 880,916,309       |
| Loss per share - basic and diluted (Rupees) | <u>(19.70)</u>              | <u>(6.47)</u>     | <u>(8.83)</u>     | <u>(4.19)</u>     |

|  | Note | March 31,                   | March 31,        |
|--|------|-----------------------------|------------------|
|  |      | 2023                        | 2022             |
|  |      | (Un-audited)                |                  |
|  |      | ------(Rupees in '000)----- |                  |
| 25 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS                          |      |                             |                  |
| Provisions   | 25.1 | 3,166,016                   | 2,979,388        |
| Depreciation on owned assets   |      | 5,414,305                   | 2,159,744        |
| Depreciation on projects capitalized                                 |      | (18,402)                    | (31,071)         |
| Depreciation on right of use assets                                  |      | 60,171                      | 81,673           |
| Amortization of intangibles  |      | 86,305                      | 38,587           |
| Finance cost   |      | 5,167,698                   | 3,508,153        |
| Amortization of transaction cost                                     |      | 24,587                      | 158,655          |
| Amortization of Government grant                                     |      | (8,963)                     | (12,938)         |
| Recognition of income against deferred credit and contract liability |      | (540,230)                   | (510,341)        |
| Dividend income  |      | (20,123)                    | (22,492)         |
| Interest income and return on term deposits                          |      | (1,425,788)                 | (1,271,455)      |
| Income from net investment in finance lease                          |      | (3,980)                     | (11,945)         |
| (Gain) / loss on disposal of property plant and equipment            |      | 28,459                      | (3,017)          |
| Decrease in long term advances                                       |      | 533,108                     | 12,171           |
| Lease rental from net investment in finance lease                    |      | 47,341                      | 55,306           |
| Increase in deferred credit and contract liability                   |      | 461,966                     | 1,342,408        |
| Finance cost in respect of leases                                    |      | 10,447                      | 9,367            |
| Investment at cost in subsidiary                                     |      | 185,674                     | -                |
| Finance cost on payable against transfer of pipeline                 |      | 49,399                      | 53,888           |
|  |      | <u>13,217,990</u>           | <u>8,536,081</u> |
| 25.1 Provision   |      |                             |                  |
| Provision against slow moving / obsolete stores                      |      | 9,146                       | 94,457           |
| Allowance for expected credit loss                                   |      | 1,510,840                   | 1,420,147        |
| Provision for compensated absences                                   |      | 118,626                     | 90,773           |
| Provision for post retirement medical and free gas supply facilities |      | 843,238                     | 463,699          |
| Provision against retirement benefit                                 |      | 684,166                     | 910,312          |
|  |      | <u>3,166,016</u>            | <u>2,979,388</u> |

**26 WORKING CAPITAL CHANGES**

|   | Nine months ended            |                     |
|---|------------------------------|---------------------|
|   | March 31,<br>2023            | March 31,<br>2022   |
|   | (Un-audited)                 |                     |
|   | ----- (Rupees in '000) ----- |                     |
| Decrease / (increase) in current assets                     |                              |                     |
| Stores and spares   | 18,783                       | (534,606)           |
| Stock-in-trade  | (955,941)                    | (499,042)           |
| Customers' installation work-in-progress                    | (21,701)                     | 12,736              |
| Trade debts   | (15,615,980)                 | (2,885,066)         |
| Advances, deposits and short term prepayments               | (490,203)                    | 654,754             |
| Other receivables   | (177,399,219)                | (63,889,645)        |
|   | <u>(194,464,261)</u>         | <u>(67,140,869)</u> |
| Increase in current liabilities                             |                              |                     |
| Trade and other payables                                    | 205,566,383                  | 86,091,355          |
|   | <u>11,102,122</u>            | <u>18,950,486</u>   |
| <b>27 CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b> |                              |                     |
| Cash and bank balances                                      | 675,368                      | 4,515,575           |
| Short term borrowings                                       | (22,154,435)                 | (22,481,383)        |
|   | <u>(21,479,067)</u>          | <u>(17,965,808)</u> |
| <b>28 TRANSACTIONS WITH RELATED PARTIES</b>                 |                              |                     |

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.

|   | Nine months ended            |                   |
|---|------------------------------|-------------------|
|   | March 31<br>2023             | March 31,<br>2022 |
|   | (Un-audited)                 |                   |
|   | ----- (Rupees in '000) ----- |                   |
| <b>Government related entities</b>            |                              |                   |
| - Purchase of fuel and lubricant              | 77,850                       | 35,424            |
| - Sale of gas and allied charges              | 52,175,299                   | 96,515,125        |
| - Mark-up expense on short term finance       | 171,781                      | 86,504            |
| - Mark-up expense on long term finance        | 15,760                       | 253,794           |
| - Income from net investment in finance lease | 3,980                        | 11,945            |
| - Gas purchases - Indigenous gas              | 126,537,593                  | 92,503,715        |
| - Gas purchases - RLNG                        | 66,889,955                   | 83,929,539        |
| - Sale of gas condensate                      | 30,592                       | 67,437            |
| - Sale of gas meters                          | 10,053                       | 7,629             |
| - Rent  | 14,109                       | 10,832            |
| - Insurance premium                           | 90,892                       | 92,070            |
| - Royalty                                     | 560                          | 1,037             |
| - Telecommunication                           | 1,041                        | 862               |
| - Electricity expenses                        | 171,513                      | 128,674           |
| - Interest income                             | 1,291,400                    | 1,115,460         |
| - RLNG transportation income                  | 4,995,029                    | 5,792,988         |
| - Income against LNG service agreement        | 1,048,839                    | 755,631           |
| - LPG purchases                               | 881,514                      | 694,116           |
| - Dividend income                             | 18,106                       | 14,485            |

|   |                         | Nine months ended            |                   |
|---|-------------------------|------------------------------|-------------------|
|   |                         | March 31,<br>2023            | March 31,<br>2022 |
| Relationship                                      |                         | (Un-audited)                 |                   |
|   |                         | ----- (Rupees in '000) ----- |                   |
| <b>Karachi Grammar School</b>                     | Associate               |                              |                   |
| - Sale of gas and allied charges                  |                         | 43                           | 44                |
| <b>Key management personnel</b>                   |                         |                              |                   |
| - Remuneration                                    |                         | 117,604                      | 147,788           |
| <b>Pakistan Institute of Corporate Governance</b> | Associate               |                              |                   |
| - Subscription / Trainings                        |                         | 876                          | 284               |
| <b>Engro Fertilizers Limited</b>                  | Associate               |                              |                   |
| - Sale of gas and allied charges                  |                         | 17,637                       | 26,335            |
| <b>Indus Hospital</b>                             | Associate               |                              |                   |
| - Sale of gas and allied charges                  |                         | 1,150                        | 2,575             |
| <b>SSGC LPG (Private) Limited</b>                 | Wholly owned subsidiary |                              |                   |
| - Interest on loan                                |                         | 78,028                       | 112,269           |
| - Rental income                                   |                         | 931                          | 769               |
| <b>Staff retirement benefit plans</b>             | Associate               |                              |                   |
| - Contribution to provident fund                  |                         | 273,380                      | 249,138           |
| - Contribution to pension fund                    |                         | 385,364                      | 551,698           |
| - Contribution to gratuity fund                   |                         | 298,802                      | 358,614           |

- 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.

|  |  | March 31<br>2023             | June 30<br>2022 |
|--|--|------------------------------|-----------------|
|  |  | (Un-audited)                 | (Audited)       |
|  |  | ----- (Rupees in '000) ----- |                 |
| <b>Government related entities</b>                     |  |                              |                 |
| - Receivable in respect of sale of gas                 |  | 83,514,071                   | 76,775,417      |
| - Investment   |  | 38,241                       | 56,354          |
| - Borrowings   |  | (1,475,646)                  | (1,653,309)     |
| - Net investment in finance lease                      |  | 1,466,079                    | 1,228,430       |
| - Payable in respect of gas purchases - Indigenous gas |  | (554,549,923)                | (433,823,800)   |
| - Payable in respect of gas purchases - RLNG           |  | (132,117,357)                | (120,734,221)   |
| - Receivable from SNGPL for differential tariff        |  | 4,284,080                    | 4,284,080       |
| - Receivable in respect of sale of gas condensate      |  | 66,096                       | 66,712          |
| - Receivable in respect of gas meters & spare parts    |  | 44,859                       | 35,709          |
| - Receivable in respect of uniform cost of gas         |  | 15,818,846                   | 15,818,846      |
| - Cash at bank   |  | 163,685                      | 35,011          |
| - Stock loan   |  | 779                          | 1,740           |
| - Payable to insurance                                 |  | (7,990)                      | (1,899)         |

|   |                         | March 31<br>2022<br>(Un-audited) | June 30<br>2022<br>(Audited) |
|---|-------------------------|----------------------------------|------------------------------|
|   |                         | ------(Rupees in '000)-----      |                              |
| - 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                     |                         | 17,349,289                       | 16,057,889                   |
| - Receivable in respect of professional charges                           |                         | 57                               | 57                           |
| - Receivable in respect of contingent rent                                |                         | 12,545                           | 10,315                       |
| - Prepaid rent  |                         | 6,487                            | 804                          |
| - Receivable in respect of capacity and utilisation charges of RLNG       |                         | 65,652,161                       | 55,656,646                   |
| - Receivable in respect of RLNG transportation income                     |                         | 36,869,314                       | 34,843,282                   |
| - Receivable in respect of LSA margins                                    |                         | 3,656,109                        | 3,071,808                    |
| - Advance for sharing right of way  |                         | (18,088)                         | (18,088)                     |
| <b>Karachi Grammar School</b>   | Associate               |                                  |                              |
| - Receivable in respect of sale of gas                                    |                         | 7                                | 5                            |
| - Payable in respect of gas supply deposit                                |                         | (22)                             | (22)                         |
| <b>Engro Fertilizers Limited</b>  | Associate               |                                  |                              |
| - Receivable in respect of sale of gas                                    |                         | 3,156                            | 2,748                        |
| - Payable in respect of gas supply deposit                                |                         | (2,851)                          | (2,851)                      |
| <b>Indus Hospital</b>   | Associate               |                                  |                              |
| - Receivable in respect of sale of gas                                    |                         | 186                              | 352                          |
| - Payable in respect of gas supply deposit                                |                         | (1,261)                          | -                            |
| <b>SSGC LPG (Private) Limited</b>   | Wholly owned subsidiary |                                  |                              |
| - Long term investment  |                         | 1,063,708                        | 1,249,382                    |
| - Interest on loan  |                         | 27,971                           | 19,213                       |
| - Long term loan  |                         | 650,000                          | 700,000                      |
| - Deferred markup on loan   |                         | -                                | 581,999                      |
| - Current portion of deferred markup                                      |                         | -                                | 240,187                      |
| - Short term loan   |                         | 830,006                          | -                            |
| - LPG sales   |                         | 5,698                            | 5,698                        |
| - Rent on premises  |                         | 755                              | 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 AND REVENUE RESULTS

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

|  | March 31, 2023               | March 31, 2022     |
|--|------------------------------|--------------------|
|  | ----- (Rupees in '000) ----- |                    |
|  | Segment profit / (loss)      |                    |
| <b><u>Return on Assets net of UFG disallowance</u></b>                         |                              |                    |
| Gas transmission   | 6,294,817                    | 6,651,937          |
| Gas distribution and marketing   |                              |                    |
| - Lower Sindh  | (1,970,791)                  | (548,166)          |
| - Upper Sindh  | (1,099,242)                  | (1,080,245)        |
| - Balochistan  | (16,717,757)                 | (9,863,996)        |
| Meter Manufacturing  | 9,150                        | 6,369              |
| <b>Total segment results</b>   | <b>(13,483,823)</b>          | <b>(4,834,101)</b> |
| Unallocated Finance cost   | (5,227,544)                  | (3,730,063)        |
| Other income - net   | 3,938,216                    | 4,972,114          |
| <b>Profit / (loss) before tax</b>  | <b>(14,773,151)</b>          | <b>(3,592,050)</b> |
|  | <b>March 31,</b>             | <b>June 30</b>     |
|  | <b>2023</b>                  | <b>2022</b>        |
|  | <b>(Un-audited)</b>          | <b>(Audited)</b>   |
|  | ----- (Rupees in '000) ----- |                    |
| <b>Segment assets and liabilities</b>  |                              |                    |
| <b>Segment assets</b>  |                              |                    |
| Gas transmission   | 252,707,825                  | 211,254,930        |
| Gas distribution and marketing   |                              |                    |
| - Lower Sindh  | 507,611,600                  | 428,321,706        |
| - Upper Sindh  | 107,805,278                  | 84,625,629         |
| - Balochistan  | 104,540,224                  | 48,864,236         |
| Meter manufacturing  | 1,593,590                    | 1,108,124          |
| <b>Total segment assets</b>  | <b>721,550,692</b>           | <b>562,919,695</b> |
| Unallocated  |                              |                    |
| - Loans and advances   | 2,159,671                    | 1,990,161          |
| - Taxation - net   | 14,779,846                   | 16,079,192         |
| - Interest accrued   | 487,739                      | 487,739            |
| - Cash and bank balances   | 675,368                      | 3,078,230          |
|  | <b>18,102,624</b>            | <b>21,635,322</b>  |
| <b>Total assets as per unconsolidated statement of financial position</b>      | <b>992,361,141</b>           | <b>795,809,947</b> |
| <b>Segment Liabilities</b>   |                              |                    |
| Gas transmission   | 141,913,677                  | 120,648,252        |
| Gas distribution and marketing   |                              |                    |
| - Lower Sindh  | 552,206,033                  | 460,918,599        |
| - Upper Sindh  | 116,079,410                  | 90,537,349         |
| - Balochistan  | 203,818,108                  | 127,923,669        |
| Meter manufacturing  | 180,045                      | 260,931            |
| <b>Total liabilities as per unconsolidated statement of financial position</b> | <b>1,014,197,274</b>         | <b>800,288,800</b> |

### 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 book value.

The table below analyses financial instruments carried at fair value. The different levels has been defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the financial assets which are carried at fair value:

| As at March 31, 2023<br>(Un-audited)           |         |         |         |         |
|--|---------|---------|---------|---------|
|  | Level 1 | Level 2 | Level 3 | Total   |
| -----Rupees in '000-----                       |         |         |         |         |
| <b>Assets</b>                                  |         |         |         |         |
| <b>Fair value through OCI Financial Assets</b> |         |         |         |         |
| Quoted equity securities                       | 145,252 | -       | -       | 145,252 |
|  |         |         |         |         |
| As at June 30, 2022<br>(Audited)               |         |         |         |         |
|  | Level 1 | Level 2 | Level 3 | Total   |
| -----Rupees in '000-----                       |         |         |         |         |
| <b>Assets</b>                                  |         |         |         |         |
| <b>Fair value through OCI Financial Assets</b> |         |         |         |         |
| 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:

|                | <u>As at March 31, 2023</u> |                   |
|----------------|-----------------------------|-------------------|
|                | (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> |                   |
|----------------|----------------------------|-------------------|
|                | (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> |

## 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 April 30, 2024.



**Dr. Shamshad Akhtar**  
Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer









Consolidated Condensed Interim Financial Information (Un-Audited)  
for the nine months period ended March 31, 2023

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

|   |      | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|------|-----------------------------------|-------------------------------|
|   | Note | ----- (Rupees in '000) -----      |                               |
| <b>ASSETS</b>                                       |      |                                   |                               |
| <b>Non-current assets</b>                           |      |                                   |                               |
| Property, plant and equipment                       | 5    | 182,751,832                       | 178,290,263                   |
| Intangibles   |      | 217,282                           | 226,754                       |
| Right of use assets                                 | 6    | 106,038                           | 100,320                       |
| Deferred tax  |      | 2,914,650                         | 2,973,990                     |
| Long term investments                               | 7    | 145,252                           | 152,363                       |
| Long term loans and advances                        |      | 164,820                           | 143,382                       |
| Long-term deposits                                  |      | 19,636                            | 19,640                        |
| <b>Total non-current assets</b>                     |      | <b>186,319,510</b>                | <b>181,906,712</b>            |
| <b>Current assets</b>                               |      |                                   |                               |
| Stores, spares and loose tools                      |      | 3,614,832                         | 3,651,684                     |
| Stock-in-trade                                      |      | 3,441,266                         | 2,575,577                     |
| Current maturity of net investment in finance lease |      | 29,960                            | 73,321                        |
| Customers' installation work-in-progress            |      | 266,006                           | 244,305                       |
| Trade debts   | 8    | 116,344,122                       | 102,219,864                   |
| Loans and advances                                  |      | 514,845                           | 324,593                       |
| Advances, deposits and short term prepayments       |      | 1,612,458                         | 1,160,835                     |
| Interest accrued                                    | 9    | 17,964,317                        | 16,672,917                    |
| Other receivables                                   | 10   | 648,600,461                       | 471,195,282                   |
| Taxation - net                                      |      | 15,862,898                        | 16,600,280                    |
| Short term investment - term deposit receipt        |      | 129,223                           | 129,223                       |
| Cash and bank balances                              |      | 1,880,435                         | 969,582                       |
| <b>Total current assets</b>                         |      | <b>810,260,823</b>                | <b>615,817,463</b>            |
| <b>TOTAL ASSETS</b>                                 |      | <b>996,580,333</b>                | <b>797,724,175</b>            |

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 March 31, 2023

|   |      | March 31,<br>2023           | June 30,<br>2022   |
|---|------|-----------------------------|--------------------|
|   |      | (Un-audited)                | (Audited)          |
|   | Note | ------(Rupees in '000)----- |                    |
| <b>EQUITY AND LIABILITIES</b>                           |      |                             |                    |
| <b>EQUITY</b>   |      |                             |                    |
| <b>Share capital and reserves</b>                       |      |                             |                    |
| Share Capital   |      | 8,809,163                   | 8,809,163          |
| Reserves  |      | 4,907,401                   | 4,907,401          |
| Surplus on re-measurement of FVTOCI securities          |      | 108,725                     | 115,836            |
| Surplus on revaluation of property, plant and equipment |      | 55,014,936                  | 55,014,936         |
| Accumulated losses                                      |      | (89,248,852)                | (72,421,784)       |
|   |      | <b>(20,408,627)</b>         | <b>(3,574,448)</b> |
| <b>LIABILITIES</b>                                      |      |                             |                    |
| <b>Non-current liabilities</b>                          |      |                             |                    |
| Long term financing                                     | 11   | 27,331,703                  | 17,015,705         |
| Long term deposits                                      |      | 27,752,731                  | 24,915,225         |
| Employee benefits                                       |      | 8,400,525                   | 7,724,066          |
| Payable against transfer of pipeline                    |      | 627,671                     | 684,981            |
| Deferred credit   | 12   | 4,071,211                   | 4,304,590          |
| Contract liabilities                                    | 13   | 9,646,569                   | 9,517,256          |
| Lease liability   |      | 37,273                      | 39,568             |
| Long term advances                                      |      | 4,504,218                   | 3,971,110          |
| <b>Total non-current liabilities</b>                    |      | <b>82,371,901</b>           | <b>68,172,501</b>  |
| <b>Current liabilities</b>                              |      |                             |                    |
| Current portion of long term financing                  | 11   | 4,855,632                   | 6,664,669          |
| Current portion of payable against transfer of pipeline |      | 75,574                      | 70,664             |
| Current portion of deferred credit                      | 12   | 459,463                     | 443,575            |
| Current portion of contract liabilities                 | 13   | 272,795                     | 262,881            |
| Current portion of lease liability                      |      | 66,401                      | 55,887             |
| Short term borrowings                                   | 14   | 22,154,435                  | 23,878,298         |
| Trade and other payables                                | 15   | 889,115,017                 | 683,461,751        |
| Short term deposits                                     |      | 105,199                     | 45,540             |
| Unclaimed dividend                                      |      | 285,373                     | 285,373            |
| Interest accrued  | 16   | 17,227,170                  | 17,957,484         |
| <b>Total current liabilities</b>                        |      | <b>934,617,059</b>          | <b>733,126,122</b> |
| <b>Total liabilities</b>                                |      | <b>1,016,988,960</b>        | <b>801,298,623</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                     |      | <b>996,580,333</b>          | <b>797,724,175</b> |
| <b>CONTINGENCIES AND COMMITMENTS</b>                    | 17   |                             |                    |

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



**Dr. Shamshad Akhtar**  
Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
For the nine months period ended March 31, 2023

|   | Note | Nine months period ended |                  | Quarter ended      |                  |
|---|------|--------------------------|------------------|--------------------|------------------|
|   |      | March 31<br>2023         | March 31<br>2022 | March 31<br>2023   | March 31<br>2022 |
| ------(Rupees in '000)-----                       |      |                          |                  |                    |                  |
| Revenue from contracts with customers - Gas sales | 18   | 177,121,782              | 213,962,241      | 53,651,158         | 59,976,528       |
| Tariff adjustments                                | 19   | 151,933,775              | 52,932,682       | 66,680,938         | 17,762,200       |
| <b>Net sales</b>                                  |      | <b>329,055,557</b>       | 266,894,923      | <b>120,332,096</b> | 77,738,728       |
| Cost of sales                                     | 20   | (312,737,607)            | (266,595,908)    | (101,816,487)      | (79,500,726)     |
| <b>Gross profit / (loss)</b>                      |      | <b>16,317,950</b>        | 299,015          | <b>18,515,609</b>  | (1,761,998)      |
| Administrative and selling expenses               |      | (4,191,354)              | (3,668,649)      | (1,466,322)        | (1,296,141)      |
| Other operating expenses                          | 21   | (32,057,395)             | (6,588,056)      | (25,800,183)       | (1,309,831)      |
| Allowance for expected credit loss                |      | (1,500,024)              | (1,420,147)      | (352,756)          | (758,596)        |
|   |      | (37,748,773)             | (11,676,852)     | (27,619,261)       | (3,364,568)      |
|   |      | (21,430,823)             | (11,377,837)     | (9,103,652)        | (5,126,566)      |
| Other income                                      | 22   | 13,026,616               | 11,758,469       | 5,230,488          | 3,675,894        |
| <b>Operating (loss) / profit</b>                  |      | <b>(8,404,207)</b>       | 380,632          | <b>(3,873,164)</b> | (1,450,672)      |
| Finance cost                                      |      | (5,569,126)              | (3,734,513)      | (2,557,646)        | (1,512,122)      |
| <b>Loss before taxation</b>                       |      | <b>(13,973,333)</b>      | (3,353,881)      | <b>(6,430,810)</b> | (2,962,794)      |
| Taxation  | 23   | (2,853,735)              | (2,191,080)      | (1,078,629)        | (702,672)        |
| <b>Loss for the period</b>                        |      | <b>(16,827,068)</b>      | (5,544,961)      | <b>(7,509,439)</b> | (3,665,466)      |
| Basic and diluted loss per share (Rupees)         | 24   | (19.10)                  | (6.29)           | (8.52)             | (4.16)           |

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 (UN-AUDITED)**  
**For the nine months period ended March 31, 2023**

|   | Nine months period ended     |                   | Quarter ended      |                   |
|---|------------------------------|-------------------|--------------------|-------------------|
|   | March 31,<br>2023            | March 31,<br>2022 | March 31,<br>2023  | March 31,<br>2022 |
|   | ----- (Rupees in '000) ----- |                   |                    |                   |
| <b>Loss for the period</b>                                      | <b>(16,827,068)</b>          | (5,544,961)       | <b>(7,509,439)</b> | (3,665,466)       |
| <b>Other comprehensive income</b>                               |                              |                   |                    |                   |
| Unrealised (loss) profit on re-measurement of FVTOCI securities | (7,111)                      | (76,487)          | 1,793              | (9,567)           |
| <b>Total comprehensive loss for the period</b>                  | <b>(16,834,179)</b>          | (5,621,448)       | <b>(7,507,646)</b> | (3,675,033)       |

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



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Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)

For the nine months period ended March 31, 2023

|  | Note | Nine months period ended |                   |
|--|------|--------------------------|-------------------|
|  |      | March 31,<br>2023        | March 31,<br>2022 |
| ------(Rupees in '000)-----                          |      |                          |                   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>           |      |                          |                   |
| Loss before taxation                                 |      | (13,973,333)             | (3,353,881)       |
| Adjustments for non-cash and other items             | 25   | 13,643,305               | 8,813,974         |
| Working capital changes                              | 26   | 12,350,673               | 18,949,007        |
| Financial charges paid                               |      | (7,606,841)              | (4,131,052)       |
| Employee benefits paid                               |      | (200,614)                | (125,922)         |
| Payment for retirement benefits                      |      | (1,728,055)              | (861,640)         |
| Deposits received - net                              |      | 2,897,169                | 1,420,372         |
| Loans and advances to employee - net                 |      | (211,690)                | 231,212           |
| Interest income received                             |      | 56,360                   | 139,175           |
| Income taxes paid                                    |      | (2,057,014)              | (2,343,512)       |
| Net cash generated from operating activities         |      | 3,169,960                | 18,737,733        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>           |      |                          |                   |
| Fixed capital expenditure                            |      | (8,886,371)              | (9,226,330)       |
| Payments for acquisition of intangibles              |      | (77,222)                 | (38,585)          |
| Payment for payable against transfer of pipeline     |      | (101,799)                | (101,799)         |
| Proceeds from sale of property, plant and equipment  |      | 96,941                   | 68,820            |
| Dividend received                                    |      | 20,123                   | 22,492            |
| Net cash used in investing activities                |      | (8,948,328)              | (9,275,402)       |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>           |      |                          |                   |
| Proceeds from local currency loans                   |      | 14,961,375               | 21,000,000        |
| Repayments of local currency loans                   |      | (6,466,667)              | (25,100,000)      |
| Repayment of consumer finance                        |      | (12,334)                 | (13,615)          |
| Repayment of lease liability                         |      | (69,290)                 | (87,975)          |
| Dividend paid  |      | -                        | (54)              |
| Net cash generated / (used in) financing activities  |      | 8,413,084                | (4,201,644)       |
| Net decrease in cash and cash equivalents            |      | 2,634,716                | 5,260,687         |
| 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   | (20,274,000)             | (17,243,318)      |

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 nine months period ended March 31, 2023

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Capital<br>reserves | Revenue<br>reserves | Surplus on re-<br>measurement of<br>FVTOCI securities | Surplus on<br>revaluation of<br>property, plant<br>and equipment | Accumulated<br>losses | Total               |
|---|---|---------------------|---------------------|---|--|-----------------------|---------------------|
|   | (Rupees in '000)                                |                     |                     |   |  |                       |                     |
| <b>Balance as at June 30, 2021 (Audited)</b>                        | 8,809,163                                       | 234,868             | 4,672,533           | 172,772   | 25,254,815   | (60,441,466)          | (21,297,315)        |
| <b>Total comprehensive loss for the period ended March 31, 2022</b> |   |                     |                     |   |  |                       |                     |
| Loss for the period   | -   | -                   | -                   | (76,487)  | -  | (5,544,961)           | (5,544,961)         |
| Other comprehensive loss for the period                             | -   | -                   | -                   | (76,487)  | -  | (5,544,961)           | (6,211,448)         |
| <b>Balance as at March 31, 2022 (Un-Audited)</b>                    | <b>8,809,163</b>                                | <b>234,868</b>      | <b>4,672,533</b>    | <b>96,285</b>   | <b>25,254,815</b>  | <b>(65,986,427)</b>   | <b>(26,918,763)</b> |
| <b>Balance as at June 30, 2022 (Audited)</b>                        | 8,809,163                                       | 234,868             | 4,672,533           | 115,836   | 55,014,936   | (72,421,784)          | (3,574,448)         |
| <b>Total comprehensive loss for the period ended March 31, 2023</b> |   |                     |                     |   |  |                       |                     |
| Loss for the period   | -   | -                   | -                   | (7,111)   | -  | (16,827,068)          | (16,827,068)        |
| Other comprehensive loss for the period                             | -   | -                   | -                   | (7,111)   | -  | (16,827,068)          | (16,834,179)        |
| <b>Balance as at March 31, 2023 (Un-Audited)</b>                    | <b>8,809,163</b>                                | <b>234,868</b>      | <b>4,672,533</b>    | <b>108,725</b>  | <b>55,014,936</b>  | <b>(89,248,852)</b>   | <b>(20,408,627)</b> |

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



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT  
For the nine months period ended March 31, 2023**

**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

|  | <b>Percentage of holding</b> |                          |
|--|------------------------------|--------------------------|
|  | <b>March 31,<br/>2023</b>    | <b>June 30,<br/>2022</b> |
|  | %                            | %                        |
|  | <b>100</b>                   | <b>100</b>               |

**Sui Southern Gas Company Limited**

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

The registered office of the Holding 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:

| <b><u>Region</u></b> | <b><u>Address</u></b>   |
|----------------------|---|
| 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, 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 Qasim,
- 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 policies.
- 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. 16,827 million (March 31, 2022 Rs.5,545 million) resulting in increase in its accumulated losses to Rs. 89,249 million and diminishing equity to Rs. 20,409 million. As at period end, current liabilities exceeded its current asset by Rs.124,356 million (June 30, 2022 Rs. 117,309 million).

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 disallowances.
- The Holding company has devised a Board approved Strategy to control UFG 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.

Management believes that, in view of the above mentioned steps, 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 for the nine months period ended March 31, 2023 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 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 March 31, 2023.

**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 consolidated condensed interim 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 consolidated condensed interim 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 July 01, 2022, 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 consolidated 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 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, 2023, but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these condensed interim 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 these consolidated condensed interim financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the 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 Group'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 consolidated 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.

|  | <b>March 31,<br/>2023<br/>(Un-audited)</b> | <b>June 30,<br/>2022<br/>(Audited)</b> |
|--|--|--|
|  | ----- (Rupees in '000) -----               |  |
| <b>5 PROPERTY, PLANT AND EQUIPMENT</b> |  |  |
| Operating assets                       | <b>162,842,460</b>                         | 163,318,855                            |
| Capital work-in-progress               | <b>19,909,372</b>                          | 14,971,408                             |
|  | <b>182,751,832</b>                         | <u>178,290,263</u>                     |

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

|   |                    |                    |
|---|--------------------|--------------------|
| Operating fixed assets (WDV) - opening balance                          | <b>163,318,855</b> | 127,408,805        |
| Add: Additions (including transfers from CWIP) during the period / year | <b>5,202,177</b>   | 9,614,003          |
| Add: Revaluation  | -                  | 29,760,121         |
|   | <b>168,521,032</b> | 166,782,929        |
| Less: Disposals during the period / year (WDV)                          | <b>(125,336)</b>   | (138,702)          |
| Less: Depreciation charge for the period / year                         | <b>(5,553,236)</b> | (3,325,372)        |
| Operating fixed assets (WDV) - closing balance                          | <b>162,842,460</b> | <u>163,318,855</u> |

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

|  | March 31, 2023<br>(Un-audited) |                    |
|--|--------------------------------|--------------------|
|  | ------(Rupees in '000)-----    |                    |
|  | Additions<br>(Cost)            | Deletion<br>(Cost) |
| Civil Structure leasehold land Trestle and Jetty | 101                            | -                  |
| Buildings on leasehold land                      | 6,850                          | -                  |
| Gas transmission pipeline                        | 506,148                        | -                  |
| Gas distribution system                          | 3,076,108                      | (253,058)          |
| Compressors                                      | 292,222                        | -                  |
| Telecommunication                                | 27,976                         | (2,654)            |
| Plant and machinery                              | 292,642                        | (35,484)           |
| Cylinders  | 542,956                        | -                  |
| Tools and equipment                              | 19,231                         | (1,781)            |
| Motor vehicles                                   | 251,013                        | (123,030)          |
| Bowsers and Bobtails                             | 19,308                         | -                  |
| Furniture and fixture                            | 28,168                         | (1,515)            |
| Office equipment                                 | 31,588                         | (13,449)           |
| Construction equipment                           | 2,698                          | (164)              |
| Scada  | 400                            | -                  |
| Computer and ancillary equipments                | 104,768                        | (125,505)          |
|  | <b>5,202,177</b>               | <b>(556,640)</b>   |

5.3 Capital work in progress

|   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|-----------------------------------|-------------------------------|
|   | ------(Rupees in '000)-----       |                               |
| Projects:                                       |                                   |                               |
| Gas distribution system                         | 10,472,483                        | 6,930,961                     |
| Gas transmission system                         | 456,141                           | 478,624                       |
| Cost of buildings under construction and others | 721,798                           | 227,465                       |
|   | <b>11,650,422</b>                 | <b>7,637,050</b>              |
| Stores and spares held for capital projects     | 8,289,064                         | 7,368,845                     |
| LPG air mix plant                               | 422,438                           | 418,065                       |
|   | <b>8,711,502</b>                  | <b>7,786,910</b>              |
| Impairment of capital work in progress          | (452,552)                         | (452,552)                     |
|   | <b>19,909,372</b>                 | <b>14,971,408</b>             |

5.3.1 Transfers from capital work in progress during the period amounting to Rs. 5,279 million (June 30, 2022: 9,790 million).

6 RIGHT OF USE ASSETS

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Cost                               | 263,777        | 264,249        |
| Accumulated depreciation           | (157,739)      | (163,929)      |
| Net book value                     | <b>106,038</b> | <b>100,320</b> |
| <b>Cost</b>                        |                |                |
| Opening balance                    | 264,249        | 367,452        |
| Additions during the period        | 67,061         | 43,358         |
| Derecognition during the period    | (67,533)       | (146,561)      |
| Ending balance                     | <b>263,777</b> | <b>264,249</b> |
| <b>Accumulated depreciation</b>    |                |                |
| Opening balance                    | 163,929        | 201,986        |
| Depreciation charge for the period | 61,343         | 106,809        |
| Derecognition during the period    | (67,533)       | (144,866)      |
| Ending balance                     | <b>157,739</b> | <b>163,929</b> |

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

|          |   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|----------|---|-----------------------------------|-------------------------------|
|          | Note  | ------(Rupees in '000)-----       |                               |
| <b>7</b> | <b>LONG TERM INVESTMENTS</b>                                |                                   |                               |
|          | Investments - fair value through other comprehensive income | <b>145,252</b>                    | 152,363                       |
| <b>8</b> | <b>TRADE DEBTS</b>  |                                   |                               |
|          | Secured   | <b>33,948,430</b>                 | 30,384,173                    |
|          | Unsecured   | <b>107,530,257</b>                | 95,422,817                    |
|          |   | <b>141,478,687</b>                | 125,806,990                   |
|          | Less: Allowance for expected credit loss                    | <b>(25,134,565)</b>               | (23,587,126)                  |
|          |   | <b>116,344,122</b>                | 102,219,864                   |

**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. 30,035 million (June 30, 2022: Rs. 29,652 million) as at March 31, 2023 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 Holding Company from KE amounts to Rs. 169,117 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 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 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 by the Holding 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 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. 24,811 million (June 30, 2022: Rs. 25,312 million) which includes an overdue balance of Rs. 24,713 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. 87,131 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 Holding 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.



|             |  | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|-------------|--|-----------------------------------|-------------------------------|
|             |  | ------(Rupees in '000)-----       |                               |
| <b>8.3</b>  | <b>Allowance for expected credit loss</b>                      |                                   |                               |
|             | Opening balance  | 23,587,126                        | 21,502,162                    |
|             | Provision made during the period / year                        | 1,547,439                         | 2,084,964                     |
|             | Closing balance  | <u>25,134,565</u>                 | <u>23,587,126</u>             |
|             |  | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|             |  | ------(Rupees in '000)-----       |                               |
| <b>9</b>    | <b>INTEREST ACCRUED</b>  |                                   |                               |
|             | Interest accrued on late payment of bills / invoices from:     |                                   |                               |
|             | Water and Power Development Authority (WAPDA)                  | 5,539,397                         | 5,100,675                     |
|             | Sui Northern Gas Pipelines Limited (SNGPL)                     | 11,809,892                        | 10,957,214                    |
|             | Jamshoro Joint Venture Limited (JJVL)                          | 239,689                           | 239,689                       |
|             |  | <u>17,588,978</u>                 | <u>16,297,578</u>             |
|             | Interest accrued on sales tax refund                           | 487,739                           | 487,739                       |
|             |  | 18,076,717                        | 16,785,317                    |
|             | Provision against impaired accrued income                      | (112,400)                         | (112,400)                     |
|             |  | <u>17,964,317</u>                 | <u>16,672,917</u>             |
| <b>10</b>   | <b>OTHER RECEIVABLES</b>                                       |                                   |                               |
|             | Tariff adjustment indigenous gas - receivable                  |                                   |                               |
|             | Government of Pakistan (GoP)                                   | 437,997,165                       | 295,488,261                   |
|             | Receivable from SNGPL for differential tariff                  | 4,284,080                         | 4,284,080                     |
|             | Receivable from staff pension fund                             | -                                 | 198,562                       |
|             | Receivable for sale of gas condensate                          | 108,201                           | 108,817                       |
|             | Receivable from SNGPL  | 123,362,874                       | 110,629,326                   |
|             | Receivable from JJVL   | 2,501,824                         | 2,501,824                     |
|             | Gas infrastructure development cess receivable                 | 6,841,753                         | 6,876,666                     |
|             | Receivable from GPO against gas bill collection                | 2,315,215                         | 2,315,215                     |
|             | Receivable from PLL  | 112,179                           | -                             |
|             | Sales tax receivable   | 73,165,782                        | 50,961,546                    |
|             | Sindh sales tax  | 2,451                             | 2,451                         |
|             | Receivable against asset contribution                          | 429,507                           | 337,266                       |
|             | Accrued Markup   | 12,491                            | 2,098                         |
|             | Miscellaneous  | 53,813                            | 76,044                        |
|             |  | <u>651,187,335</u>                | <u>473,782,156</u>            |
|             | Provision against impaired receivables                         | (2,586,874)                       | (2,586,874)                   |
|             |  | <u>648,600,461</u>                | <u>471,195,282</u>            |
| <b>10.1</b> | <b>Tariff adjustments indigenous gas - receivable from GoP</b> |                                   |                               |
|             | Opening balance  | 295,488,261                       | 207,762,067                   |
|             | Recognized in statement of profit or loss                      | 141,437,256                       | 86,507,711                    |
|             | Subsidy for LPG air mix operations                             | 1,071,648                         | 1,223,309                     |
|             | Reversal of accrued interest on tariff adjustments             | -                                 | (4,826)                       |
|             | Closing balance  | <u>437,997,165</u>                | <u>295,488,261</u>            |

|  |        | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|--|--------|-----------------------------------|-------------------------------|
|  | Note   | ----- (Rupees in '000) -----      |                               |
| <b>10.2 Receivable from SNGPL</b>        |        |                                   |                               |
| Uniform cost of gas                      |        | 15,818,845                        | 15,818,845                    |
| Lease rentals                            |        | 1,466,079                         | 1,228,430                     |
| Contingent rent                          |        | 12,545                            | 10,315                        |
| LSA margins                              |        | 3,656,109                         | 55,656,646                    |
| Capacity and utilisation charges of RLNG | 10.2.1 | 65,652,161                        | 3,071,808                     |
| RLNG transportation income               |        | 36,757,135                        | 34,843,282                    |
|  |        | <u>123,362,874</u>                | <u>110,629,326</u>            |

**10.2.1** Upto March 31, 2023, the Holding Company has invoiced an amount of Rs. 189,797 million (June 30, 2022: Rs. 161,860) including Sindh Sales Tax of Rs. 21,978 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 4 December 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. 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.

|             |   | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|-------------|---|-----------------------------------|-------------------------------|
|             |   | ----- (Rupees in '000) -----      |                               |
| <b>11</b>   | <b>LONG-TERM FINANCING</b>  |                                   |                               |
|             | Secured   |                                   |                               |
|             | Loans from banking companies  | 11.1,11.2,11.3                    | 31,267,023                    |
|             | Unsecured   |                                   |                               |
|             | Consumer financing  |                                   | 121,146                       |
|             | Government of Sindh loans   |                                   | 799,166                       |
|             |   |                                   | 133,480                       |
|             |   |                                   | 793,549                       |
|             |   |                                   | 920,312                       |
|             |   |                                   | 927,029                       |
|             |   |                                   | 32,187,335                    |
|             |   |                                   | 23,680,374                    |
|             | Less: Current portion shown under Current liabilities   |                                   |                               |
|             | Loans from banking companies  |                                   | (4,666,667)                   |
|             | Consumer financing  |                                   | (2,298)                       |
|             | Government of Sindh loans   |                                   | (186,667)                     |
|             |   |                                   | (186,667)                     |
|             |   |                                   | (4,855,632)                   |
|             |   |                                   | (6,664,669)                   |
|             |   |                                   | 27,331,703                    |
|             |   |                                   | 17,015,705                    |
| <b>11.1</b> | 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.4,667 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.   |                                   |                               |
| <b>11.2</b> | 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.  |                                   |                               |
| <b>11.3</b> | These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.  |                                   |                               |
| <b>12</b>   | <b>DEFERRED CREDIT</b>  |                                   |                               |
|             | Government of Pakistan contributions / grants   | Note                              |                               |
|             | Opening balance   |                                   | 2,762,110                     |
|             | Additions / adjustments during the period / year  |                                   | 112,940                       |
|             | Transferred to consolidated statement of profit or loss   | 22                                | (240,673)                     |
|             | Closing balance   |                                   | 2,634,377                     |
|             | Government of Sindh (Conversion of loan into grant)   |                                   |                               |
|             | Opening balance   |                                   | 1,889,931                     |
|             | Additions during the period / year  |                                   | 14,166                        |
|             | Transferred to consolidated statement of profit or loss   | 22                                | (94,961)                      |
|             | Closing balance   |                                   | 1,809,136                     |
|             | Government of Sindh grants  |                                   |                               |
|             | Opening balance   |                                   | 96,124                        |
|             | Transferred to consolidated statement of profit or loss   | 22 & 12.1                         | (8,963)                       |
|             | Closing balance   |                                   | 87,161                        |
|             |   |                                   | 4,530,674                     |
|             |   |                                   | 4,748,165                     |
|             | Less: Current portion of deferred credit  |                                   | (459,463)                     |
|             |   |                                   | 4,071,211                     |
|             |   |                                   | 4,304,590                     |
| <b>12.1</b> | 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 consolidated condensed interim statement of profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate. |                                   |                               |

|   |      | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|---|------|-----------------------------------|-------------------------------|
|   | Note | ------(Rupees in '000)-----       |                               |
| <b>13 CONTRACT LIABILITIES</b>                            |      |                                   |                               |
| Contribution from consumers                               | 13.1 | 2,993,957                         | 2,975,653                     |
| Advance received from customers for laying of mains, etc. |      | 6,652,612                         | 6,541,603                     |
|   |      | <u>9,646,569</u>                  | <u>9,517,256</u>              |
| <b>13.1 Contribution from consumers</b>                   |      |                                   |                               |
| Opening balance   |      | 3,238,534                         | 2,740,870                     |
| Additions / adjustments during the period / year          |      | 232,814                           | 748,154                       |
| Transferred to consolidated statement of profit or loss   |      | (204,596)                         | (250,490)                     |
|   |      | <u>3,266,752</u>                  | <u>3,238,534</u>              |
| Less: Current portion of contributions from consumers     |      | (272,795)                         | (262,881)                     |
| Closing balance   |      | <u>2,993,957</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.

As of the reporting date, the aggregate unavailed short term borrowing facilities amounted to Rs. 7,846 million (June 30, 2022: Rs. 1,122 million).

|  |      | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|--|------|-----------------------------------|-------------------------------|
|  | Note | ------(Rupees in '000)-----       |                               |
| <b>15 TRADE AND OTHER PAYABLES</b>                   |      |                                   |                               |
| Creditors for:                                       |      |                                   |                               |
| Indigenous Gas                                       | 15.1 | 713,463,016                       | 511,835,476                   |
| RLNG   | 15.2 | 132,117,356                       | 120,734,221                   |
|  |      | <u>845,580,372</u>                | <u>632,569,697</u>            |
| Tariff adjustments RLNG - payable to GoP             | 15.3 | 18,426,692                        | 28,923,211                    |
| Service charges payable to EETPL                     |      | 3,635,241                         | 2,604,792                     |
| Accrued liabilities                                  |      | 9,788,927                         | 7,363,321                     |
| Provision for compensated absences - non executives  |      | 318,727                           | 177,936                       |
| Payable to staff gratuity fund                       |      | 1,415,531                         | 2,555,006                     |
| Payable to pension fund                              |      | 150,415                           | -                             |
| Payable to provident fund                            |      | 92,285                            | 93,339                        |
| Deposits / retention money                           |      | 832,674                           | 762,085                       |
| Advance for sharing right of way                     |      | 18,088                            | 18,088                        |
| Withholding tax payable                              |      | 55,251                            | 26,940                        |
| Sales tax and FED payable                            |      | 544,519                           | 447,837                       |
| Provincial sales tax on services                     |      | 118,201                           | 79,910                        |
| Gas infrastructure development cess payable          |      | 6,841,753                         | 6,876,666                     |
| Unclaimed term finance certificate redemption profit |      | 1,800                             | 1,800                         |
| Advance from customers and distributors              |      | 191,301                           | 146,036                       |
| Transport and advertisement services                 |      | 120,315                           | 19,724                        |
| Worker's profit participation fund                   | 15.4 | 361,255                           | 315,979                       |
| Provision  |      | 12,435                            | 12,366                        |
| Others   |      | 609,235                           | 467,018                       |
|  |      | <u>889,115,017</u>                | <u>683,461,751</u>            |

- 15.1** Creditors for indigenous gas supplies include Rs. 544,106 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. 7,314 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 Holding Company and thereafter, allocated further 37 BCF. The ECC in its decision dated March 03, 2020 has allocated 71 BCF (in total to the Holding 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 period, Holding Company has recorded purchases of 14 BCF (2022: 37 BCF) from SNGPL amounting to Rs. 66,890 million (June 2022: Rs.118,289 million) based on OGRA's decision dated November 20, 2018.

As disclosed in Note 10.2.1, 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.

| <b>15.3</b> | <b>Tariff adjustments RLNG - payable to GoP</b>    | <b>March 31,<br/>2023<br/>(Un-audited)</b> | <b>June 30,<br/>2022<br/>(Audited)</b> |
|-------------|--|--|--|
| Note        |  | ----- (Rupees in '000) -----               |  |
|             | Opening balance                                    | 28,923,211                                 | 18,346,037                             |
|             | Recognized during the period                       | (10,496,519)                               | 10,577,174                             |
|             | Closing balance                                    | <u>18,426,692</u>                          | <u>28,923,211</u>                      |
| <b>15.4</b> | <b>Workers' Profit Participation Fund (WPPF)</b>   |  |  |
|             | Opening balance                                    | 315,979                                    | 234,255                                |
|             | Interest on WPPF                                   | 45,276                                     | 81,724                                 |
|             | Closing balance                                    | <u>361,255</u>                             | <u>315,979</u>                         |
| <b>16</b>   | <b>INTEREST ACCRUED</b>                            |  |  |
|             | Long term financing - loans from banking companies | 105,829                                    | 823,749                                |
|             | Long term deposits from customers                  | 595,906                                    | 681,113                                |
|             | Short term borrowings                              | 593,741                                    | 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>17,227,170</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 during the period stands at Rs. 162,585 million (June 30, 2022: Rs. 131,988 million).

## **17 CONTINGENCIES AND COMMITMENTS**

### **17.1 Contingencies**

#### **17.1.1 In respect of the Holding Company**

**17.1.1.1** 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.

- 17.1.1.2** 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 march 31, 2023 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. 30,597 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.
- 17.1.1.3** 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.

- 17.1.1.4** 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 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.

- 17.1.1.5** 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 musharaka arrangement.

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

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.

- 17.1.1.6** 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 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.

- 17.1.1.7** 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 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.

- 17.1.1.8** 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 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.

- 17.1.1.9** 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 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.

**17.1.1.10** 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.

**17.1.1.11** 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 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.

**17.1.1.12** 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 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.

**17.1.1.13** 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 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.

**17.1.1.14** 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.

**17.1.1.15** 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 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.

|  | March 31,<br>2023<br>(Un-audited) | June 30,<br>2022<br>(Audited) |
|--|-----------------------------------|-------------------------------|
|  | ------(Rupees in '000)-----       |                               |
| <b>17.1.1.16</b> Claims against the Company not acknowledged as debt           | <u>3,464,581</u>                  | <u>2,607,737</u>              |
| The management is confident that ultimately these claims would not be payable. |                                   |                               |
| <b>17.2</b> Commitments  |                                   |                               |
| <b>17.2.1</b> In respect of the Holding Company                                |                                   |                               |
| <b>17.2.1.1</b> Guarantees issued on behalf of the Company                     | <u>8,832,132</u>                  | <u>6,960,185</u>              |
| <b>17.2.1.2</b> Commitments for capital and other expenditure                  | <u>6,351,357</u>                  | <u>3,752,118</u>              |

### 17.3 Contingencies

#### 17.3.1 In respect of the Subsidiary

**17.3.1.1** 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-Appeals 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-Appeals and hearing was fixed on 14-12-2021. On the day of hearing before learned CIR-Appeals, the appellant submitted written arguments and argued about the scope of chargeability of FTR and NTR on the appellant.

The CIR-Appeals 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-Appeals 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-Appeals 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.

**17.3.1.2** 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-Appeals 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.

- 17.3.1.3** 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.
- 17.3.1.4** 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-Appeals 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 Rs. 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-Appeals for TY 2015-2021.

The Learned CIR-Appeals 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-Appeals and department has not issued fresh order under the direction of CIR-Appeals, 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.

- 17.3.1.5** 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.
- 17.3.1.6** 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 Rs. 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.

**17.3.1.7** 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 Rs. 55.23 million. The Company being aggrieved with the impugned order preferred an appeal before the learned CIR-Appeals u/s 45 of the Sales Tax Act, 1990. The CIR-Appeals 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.

**17.3.1.8** The Sindh Revenue Board passed an order amount Rs. 24,414 million 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 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.

|               |  | <b>March 31,<br/>2023<br/>(Un-audited)</b> | <b>June 30,<br/>2022<br/>(Audited)</b> |
|---------------|--|--|--|
|               |  | ----- (Rupees in '000) -----               |  |
| <b>17.4.</b>  | <b>Commitments</b>   | Note                                       |  |
| <b>17.4.1</b> | Guarantees issued on behalf of the Company   | 17.4.2                                     | 116,973                                |
| <b>17.4.2</b> | This includes the bank guarantee paid to Port Qasim Authority against the compliance of their rules and regulation |  |  |

|  | Note | Nine months ended            |                     | Quarter ended      |                     |
|--|------|------------------------------|---------------------|--------------------|---------------------|
|  |      | March 31, 2023               | March 31, 2022      | March 31, 2023     | March 31, 2022      |
|  |      | (Un-audited)                 |                     |                    |                     |
|  |      | ----- (Rupees in '000) ----- |                     |                    |                     |
| <b>18 SALES</b>                          |      |                              |                     |                    |                     |
| Indigenous gas                           |      | 140,688,918                  | 153,706,084         | 50,560,500         | 47,797,746          |
| RLNG                                     |      | 68,042,990                   | 97,705,340          | 12,941,360         | 22,876,319          |
|  |      | <b>208,731,908</b>           | <b>251,411,424</b>  | <b>63,501,860</b>  | <b>70,674,065</b>   |
| <b>Less: Sales tax</b>                   |      |                              |                     |                    |                     |
| Indigenous gas                           |      | (21,574,653)                 | (23,259,039)        | (7,900,991)        | (7,327,851)         |
| RLNG                                     |      | (10,035,473)                 | (14,190,144)        | (1,949,711)        | (3,369,686)         |
|  |      | <b>(31,610,126)</b>          | <b>(37,449,183)</b> | <b>(9,850,702)</b> | <b>(10,697,537)</b> |
|  |      | <b>177,121,782</b>           | <b>213,962,241</b>  | <b>53,651,158</b>  | <b>59,976,528</b>   |
| <b>19 TARIFF ADJUSTMENTS</b>             |      |                              |                     |                    |                     |
| Indigenous gas                           | 19.1 | 141,437,256                  | 52,233,511          | 64,281,068         | 19,835,896          |
| RLNG                                     | 19.2 | 10,496,519                   | 699,171             | 2,399,870          | (2,073,696)         |
|  |      | <b>151,933,775</b>           | <b>52,932,682</b>   | <b>66,680,938</b>  | <b>17,762,200</b>   |
| <b>19.1 Indigenous Gas</b>               |      |                              |                     |                    |                     |
| GDS recovered during the period          |      |                              |                     |                    |                     |
| Price increase adjustment for the period |      | 142,508,904                  | 53,086,337          | 64,726,814         | 20,178,633          |
| Subsidy for LPG air mix operations       |      | (1,071,648)                  | (852,826)           | (445,746)          | (342,737)           |
|  |      | <b>141,437,256</b>           | <b>52,233,511</b>   | <b>64,281,068</b>  | <b>19,835,896</b>   |
| <b>19.2 Tariff adjustment - RLNG</b>     |      |                              |                     |                    |                     |
| GOP subsidy on RLNG tariff               |      | 1,770,962                    | -                   | 558,078            | -                   |
| Price increase adjustment for the period |      | 8,725,557                    | 699,171             | 1,841,792          | (2,073,696)         |
|  |      | <b>10,496,519</b>            | <b>699,171</b>      | <b>2,399,870</b>   | <b>(2,073,696)</b>  |
| <b>20 COST OF SALES</b>                  |      |                              |                     |                    |                     |
| Cost of gas                              | 20.1 | 295,631,423                  | 255,572,644         | 95,808,012         | 75,686,889          |
| Transmission and distribution costs      |      | 17,106,184                   | 11,023,264          | 6,008,475          | 3,813,837           |
|  |      | <b>312,737,607</b>           | <b>266,595,908</b>  | <b>101,816,487</b> | <b>79,500,726</b>   |
| <b>20.1 Cost of gas</b>                  |      |                              |                     |                    |                     |
| Opening gas in pipelines                 |      | 1,285,918                    | 1,105,599           | 1,776,750          | 1,261,719           |
| RLNG purchases                           |      | 66,889,955                   | 83,929,539          | 11,641,954         | 17,229,347          |
| Gas purchases                            |      | 231,415,801                  | 172,342,716         | 85,083,901         | 58,615,871          |
|  |      | <b>299,591,674</b>           | <b>257,377,854</b>  | <b>98,502,605</b>  | <b>77,106,937</b>   |
| Gas consumed internally                  |      | (2,083,002)                  | (551,482)           | (817,344)          | (166,320)           |
| Closing gas in pipelines                 |      | (1,877,249)                  | (1,253,728)         | (1,877,249)        | (1,253,728)         |
|  |      | <b>(3,960,251)</b>           | <b>(1,805,210)</b>  | <b>(2,694,593)</b> | <b>(1,420,048)</b>  |
|  |      | <b>295,631,423</b>           | <b>255,572,644</b>  | <b>95,808,012</b>  | <b>75,686,889</b>   |

|   | Nine months ended            |                   | Quarter ended     |                   |
|---|------------------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2023            | March 31,<br>2022 | March 31,<br>2023 | March 31,<br>2022 |
|   | (Un-audited)                 |                   |                   |                   |
|   | ----- (Rupees in '000) ----- |                   |                   |                   |
| <b>21 OTHER OPERATING EXPENSES</b>                        |                              |                   |                   |                   |
| Auditors' remuneration                                    | 5,911                        | 4,391             | 1,911             | 1,130             |
| Sports expenses   | 1,756                        | 54,998            | 683               | 8,761             |
| Corporate social responsibility                           | 6,392                        | 6,995             | 4,922             | 976               |
| Provision against impaired stores and spares              | 58,260                       | 94,682            | 34,292            | (12,504)          |
| Exchange loss   | 31,956,491                   | 6,426,990         | 25,759,343        | 1,311,468         |
| Loss / (gain) on sale of property, plant and equipment    | 28,585                       | -                 | (968)             | -                 |
|   | <b>32,057,395</b>            | <b>6,588,056</b>  | <b>25,800,183</b> | <b>1,309,831</b>  |
| <b>22 OTHER INCOME</b>                                    |                              |                   |                   |                   |
| <b>Income from financial assets</b>                       |                              |                   |                   |                   |
| Income for receivable against asset contribution          | 26,923                       | 25,487            | 9,303             | 8,302             |
| Interest income on loan to related party                  | -                            | -                 | -                 | -                 |
| Income from net investment in finance lease               | 3,980                        | 11,945            | 1,326             | 3,981             |
| Return on term deposits and profit and loss bank accounts | 29,437                       | 47,777            | (10,150)          | 16,219            |
| Dividend income   | 20,123                       | 22,492            | 1,068             | 711               |
| Late payment surcharge                                    | 1,663,312                    | 1,496,886         | 602,886           | 567,428           |
| Interest income on late payment of gas bills              | 852,678                      | 852,678           | 280,077           | 280,077           |
| Water & Power Development Authority (WAPDA)               | 438,722                      | 262,782           | 160,453           | 96,859            |
| Liquidity damaged recovered                               | 122,746                      | 60,408            | 69,540            | 20,986            |
|   | <b>3,157,921</b>             | <b>2,780,455</b>  | <b>1,114,503</b>  | <b>994,563</b>    |
| <b>Income from other than financial assets</b>            |                              |                   |                   |                   |
| Income from LPG / NGL - net                               | 1,312,359                    | 425,969           | 698,310           | 113,007           |
| Sale of gas condensate - net loss                         | 10,939                       | (2,839)           | 13,167            | 8,062             |
| Meter manufacturing division profit - net                 | (19,531)                     | 8,964             | (26,700)          | 3,303             |
| Meter rentals   | 1,213,631                    | 1,280,608         | 403,430           | 405,102           |
| RLNG transportation income                                | 4,995,029                    | 5,792,988         | 1,802,864         | 1,688,950         |
| Recognition of income against deferred credit             | 511,765                      | 481,875           | 171,580           | 72,906            |
| Income from LPG air mix distribution - net                | 80,615                       | 91,628            | 26,416            | 30,091            |
| Income from sale of tender documents                      | 6,733                        | 5,278             | 1,395             | 1,897             |
| Scrap sales   | 16,315                       | 26,161            | (4,785)           | 10,730            |
| Recoveries from consumers                                 | 84,494                       | 75,248            | 44,513            | 32,168            |
| Gain on sale of property, plant and equipment             | -                            | 1,052             | -                 | 45,203            |
| Amortization of Government grant                          | 8,963                        | 12,938            | 2,988             | 4,313             |
| Fixed charges billed                                      | 578,773                      | -                 | 578,773           | -                 |
| LSA margins against RLNG                                  | 1,048,839                    | 755,631           | 397,892           | 258,588           |
| Miscellaneous   | 19,771                       | 22,513            | 6,142             | 7,011             |
|   | <b>13,026,616</b>            | <b>11,758,469</b> | <b>5,230,488</b>  | <b>3,675,894</b>  |



|              | Nine months ended           |                   | Quarter ended     |                   |
|--------------|-----------------------------|-------------------|-------------------|-------------------|
|              | March 31,<br>2023           | March 31,<br>2022 | March 31,<br>2023 | March 31,<br>2022 |
|              | (Un-audited)                |                   |                   |                   |
|              | ------(Rupees in '000)----- |                   |                   |                   |
| 23 TAXATION  |                             |                   |                   |                   |
| Current tax  | 2,794,396                   | 2,172,858         | 1,047,130         | 706,756           |
| Deferred tax | 59,339                      | 18,222            | 31,499            | (4,084)           |
|              | <u>2,853,735</u>            | <u>2,191,080</u>  | <u>1,078,629</u>  | <u>702,672</u>    |

As at March 31, 2023, the Holding Company has aggregate deferred tax asset on deductible temporary differences amounting to Rs. 65,962 million (June 30, 2022: Rs. 52,404 million) out of which deferred tax asset amounting to Rs.18,980 million has been recognised and remaining balance of Rs 46,982 million is unrecognised. As of the reporting date, the Holding Company's minimum tax credit amounted to Rs.6,905 million (June 30, 2022: Rs. 7,872 million) having expiry period ranging between 2024 and 2027.

|   | Nine months ended           |                   | Quarter ended     |                   |
|---|-----------------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2023           | March 31,<br>2022 | March 31,<br>2023 | March 31,<br>2022 |
|   | (Un-audited)                |                   |                   |                   |
|   | ------(Rupees in '000)----- |                   |                   |                   |
| 24 LOSS PER SHARE - BASIC AND DILUTED       |                             |                   |                   |                   |
| Loss for the period                         | (16,827,068)                | (5,544,961)       | (7,509,439)       | (3,665,466)       |
| Average number of ordinary shares           | 880,916,309                 | 880,916,309       | 880,916,309       | 880,916,309       |
| Loss per share - basic and diluted (Rupees) | (19.10)                     | (6.29)            | (8.52)            | (4.16)            |

|  | Note | March 31,                   | March 31,        |
|--|------|-----------------------------|------------------|
|  |      | 2023                        | 2022             |
|  |      | (Un-audited)                |                  |
|  |      | ------(Rupees in '000)----- |                  |
| 25 ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS                          |      |                             |                  |
| Provisions   | 25.1 | 3,211,176                   | 2,982,454        |
| Depreciation on owned assets   |      | 5,553,236                   | 2,265,780        |
| Depreciation on projects capitalized                                 |      | (18,402)                    | (31,071)         |
| Depreciation on right of use assets                                  |      | 67,061                      | 82,845           |
| Amortization of intangibles  |      | 86,694                      | 40,927           |
| Finance cost   |      | 5,506,685                   | 3,558,507        |
| Amortization of transaction cost                                     |      | 24,587                      | 158,655          |
| Amortization of Government grant                                     |      | (8,963)                     | (12,938)         |
| Recognition of income against deferred credit and contract liability |      | (540,230)                   | (510,341)        |
| Dividend income  |      | (20,123)                    | (22,492)         |
| Interest income and return on term deposits                          |      | (1,347,760)                 | (1,159,186)      |
| Income from net investment in finance lease                          |      | (3,980)                     | (11,945)         |
| Loss / (Gain) on disposal of property plant and equipment            |      | 28,468                      | (2,989)          |
| Decrease in long term advances                                       |      | 533,108                     | 12,171           |
| Lease rental from net investment in finance lease                    |      | 47,341                      | 55,306           |
| Increase in deferred credit and contract liability                   |      | 461,966                     | 1,342,408        |
| Finance cost in respect of leases                                    |      | 13,042                      | 11,995           |
| Finance cost on payable against transfer of pipeline                 |      | 49,399                      | 53,888           |
|  |      | <u>13,643,305</u>           | <u>8,813,974</u> |
| 25.1 Provision   |      |                             |                  |
| Provision against slow moving / obsolete stores                      |      | 9,146                       | 94,457           |
| Allowance for expected credit loss                                   |      | 1,547,439                   | 1,420,147        |
| Provision for compensated absences                                   |      | 118,626                     | 90,773           |
| Provision for post retirement medical and free gas supply facilities |      | 843,238                     | 463,699          |
| Provision against retirement benefit                                 |      | 692,727                     | 913,378          |
|  |      | <u>3,211,176</u>            | <u>2,982,454</u> |

**26 WORKING CAPITAL CHANGES**

|   | Nine months ended            |                     |
|---|------------------------------|---------------------|
|   | March 31,<br>2023            | March 31,<br>2022   |
|   | (Un-audited)                 |                     |
|   | ----- (Rupees in '000) ----- |                     |
| Decrease / (increase) in current assets                     |                              |                     |
| Stores and spares   | 14,742                       | (536,264)           |
| Stock-in-trade  | (864,086)                    | (586,717)           |
| Customers' installation work-in-progress                    | (21,701)                     | 6,142               |
| Trade debts   | (15,671,697)                 | (2,885,066)         |
| Advances, deposits and short term prepayments               | (305,209)                    | 658,741             |
| Other receivables   | (177,603,741)                | (63,902,843)        |
|   | <u>(194,451,692)</u>         | <u>(67,246,007)</u> |
| Increase in current liabilities                             |                              |                     |
| Trade and other payables                                    | 206,802,365                  | 86,195,014          |
|   | <u>12,350,673</u>            | <u>18,949,007</u>   |
| <b>27 CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b> |                              |                     |
| Cash and bank balances                                      | 1,880,435                    | 4,908,842           |
| Term deposit receipts (TDR)                                 | -                            | 329,223             |
| Short term borrowings                                       | (22,154,435)                 | (22,481,383)        |
|   | <u>(20,274,000)</u>          | <u>(17,243,318)</u> |

**28 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of subsidiary Group, 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.

|   | Nine months ended            |                   |
|---|------------------------------|-------------------|
|   | March 31<br>2023             | March 31,<br>2022 |
|   | (Un-audited)                 |                   |
|   | ----- (Rupees in '000) ----- |                   |
| <b>Government related entities</b>            |                              |                   |
| - Purchase of fuel and lubricant              | 77,850                       | 35,424            |
| - Sale of gas and allied charges              | 52,175,299                   | 96,515,125        |
| - Mark-up expense on short term finance       | 171,781                      | 86,504            |
| - Mark-up expense on long term finance        | 15,760                       | 253,794           |
| - Income from net investment in finance lease | 3,980                        | 11,945            |
| - Gas purchases - Indigenous gas              | 126,537,593                  | 92,503,715        |
| - Gas purchases - RLNG                        | 66,889,955                   | 83,929,539        |
| - Sale of gas condensate                      | 30,592                       | 67,437            |
| - Sale of gas meters                          | 10,053                       | 7,629             |
| - Rent  | 14,109                       | 10,832            |
| - Insurance premium                           | 90,892                       | 92,070            |
| - Royalty                                     | 560                          | 1,037             |
| Telecommunication                             | 1,041                        | 862               |
| - Electricity expenses                        | 171,513                      | 128,674           |
| - Interest income                             | 1,291,400                    | 1,115,460         |
| - RLNG transportation income                  | 4,995,029                    | 5,792,988         |
| - Income against LNG service agreement        | 1,048,839                    | 755,631           |
| - LPG purchases                               | 881,514                      | 694,116           |
| - Dividend income                             | 18,106                       | 14,485            |

|   | Relationship | Nine months ended            |                |
|---|--------------|------------------------------|----------------|
|   |              | March 31, 2023               | March 31, 2022 |
|   |              | (Un-audited)                 |                |
|   |              | ----- (Rupees in '000) ----- |                |
| <b>Karachi Grammar School</b>                     | Associate    |                              |                |
| - Sale of gas and allied charges                  |              | 43                           | 44             |
| <b>Key management personnel</b>                   |              |                              |                |
| - Remuneration                                    |              | 117,604                      | 147,788        |
| <b>Pakistan Institute of Corporate Governance</b> | Associate    |                              |                |
| - Subscription / Trainings                        |              | 876                          | 284            |
| <b>Engro Fertilizers Limited</b>                  | Associate    |                              |                |
| - Sale of gas and allied charges                  |              | 17,637                       | 26,335         |
| <b>Indus Hospital</b>                             | Associate    |                              |                |
| - Sale of gas and allied charges                  |              | 1,150                        | 2,575          |

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 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.

| Government related entities                            | March 31                     | June 30       |
|--|------------------------------|---------------|
|  | 2023                         | 2022          |
|  | (Un-audited)                 | (Audited)     |
|  | ----- (Rupees in '000) ----- |               |
| - Receivable in respect of sale of gas                 | 83,514,071                   | 76,775,417    |
| - Investment   | 38,241                       | 56,354        |
| - Borrowings   | (1,475,646)                  | (1,653,309)   |
| - Net investment in finance lease                      | 1,466,079                    | 1,228,430     |
| - Payable in respect of gas purchases - Indigenous gas | (554,549,923)                | (433,823,800) |
| - Payable in respect of gas purchases - RLNG           | (132,117,357)                | (120,734,221) |
| - Receivable from SNGPL for differential tariff        | 4,284,080                    | 4,284,080     |
| - Receivable in respect of sale of gas condensate      | 66,096                       | 66,712        |
| - Receivable in respect of gas meters & spare parts    | 44,859                       | 35,709        |
| - Receivable in respect of uniform cost of gas         | 15,818,846                   | 15,818,846    |
| - Cash at bank   | 163,685                      | 35,011        |
| - Stock loan   | 779                          | 1,740         |
| - Payable to insurance                                 | (7,990)                      | (1,899)       |

| Relationship  | March 31             | June 30           |
|---|----------------------|-------------------|
|   | 2022<br>(Un-audited) | 2022<br>(Audited) |
| ------(Rupees in '000)-----   |                      |                   |
| <b>Government related entities</b>  |                      |                   |
| - 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                     | 17,349,289           | 16,057,889        |
| - Receivable in respect of professional charges                           | 57                   | 57                |
| - Receivable in respect of contingent rent                                | 12,545               | 10,315            |
| - Prepaid rent  | 6,487                | 804               |
| - Receivable in respect of capacity and utilisation charges of RLNG       | 65,652,161           | 55,656,646        |
| - Receivable in respect of RLNG transportation income                     | 36,869,314           | 34,843,282        |
| - Receivable in respect of LSA margins                                    | 3,656,109            | 3,071,808         |
| - Advance for sharing right of way  | (18,088)             | (18,088)          |
| <b>Karachi Grammar School</b>   | Associate            |                   |
| - Receivable in respect of sale of gas                                    | 7                    | 5                 |
| - Payable in respect of gas supply deposit                                | (22)                 | (22)              |
| <b>Engro Fertilizers Limited</b>  | Associate            |                   |
| - Receivable in respect of sale of gas                                    | 3,156                | 2,748             |
| - Payable in respect of gas supply deposit                                | (2,851)              | (2,851)           |
| <b>Indus Hospital</b>   | Associate            |                   |
| - Receivable in respect of sale of gas                                    | 186                  | 352               |
| - Payable in respect of gas supply deposit                                | (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 AND REVENUE RESULTS

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

|  | March 31, 2023               | March 31, 2022     |
|--|------------------------------|--------------------|
|  | ----- (Rupees in '000) ----- |                    |
|  | Segment profit / (loss)      |                    |
| <b><u>Return on Assets net of UFG disallowance</u></b>                       |                              |                    |
| Gas transmission   | 6,294,817                    | 6,651,937          |
| Gas distribution and marketing   |                              |                    |
| - Lower Sindh  | (1,970,791)                  | (548,166)          |
| - Upper Sindh  | (1,099,242)                  | (1,080,245)        |
| - Balochistan  | (16,717,757)                 | (9,863,996)        |
| Meter manufacturing  | 9,150                        | 6,369              |
| <b>Total segment results</b>   | <b>(13,483,823)</b>          | <b>(4,834,101)</b> |
| Unallocated finance cost   | (5,569,126)                  | (3,734,513)        |
| Other income - net   | 5,079,616                    | 5,214,733          |
| <b>Profit / (loss) before tax</b>  | <b>(13,973,333)</b>          | <b>(3,353,881)</b> |
|  | <b>March 31,</b>             | <b>June 30</b>     |
|  | <b>2023</b>                  | <b>2022</b>        |
|  | <b>(Un-audited)</b>          | <b>(Audited)</b>   |
|  | ----- (Rupees in '000) ----- |                    |
| <b>Segment assets and liabilities</b>  |                              |                    |
| <b>Segment assets</b>  |                              |                    |
| Gas transmission   | 252,707,825                  | 211,254,930        |
| Gas distribution and marketing   |                              |                    |
| - Lower Sindh  | 511,830,792                  | 433,345,682        |
| - Upper Sindh  | 107,805,278                  | 84,625,627         |
| - Balochistan  | 104,540,224                  | 48,864,236         |
| Meter manufacturing  | 1,593,590                    | 1,108,124          |
| <b>Total segment assets</b>  | <b>725,769,884</b>           | <b>567,943,669</b> |
| Unallocated  |                              |                    |
| - Loans and advances   | 2,159,671                    | 467,975            |
| - Taxation - net   | 14,779,846                   | 16,600,280         |
| - Interest accrued   | 487,739                      | 487,739            |
| - Cash and bank balances   | 675,368                      | 969,582            |
|  | <b>18,102,624</b>            | <b>18,525,576</b>  |
| <b>Total assets as per consolidated statement of financial position</b>      | <b>996,580,333</b>           | <b>797,724,175</b> |
| <b>Segment Liabilities</b>   |                              |                    |
| Gas transmission   | 141,913,677                  | 120,648,252        |
| Gas distribution and marketing   |                              |                    |
| - Lower Sindh  | 554,997,719                  | 461,928,422        |
| - Upper Sindh  | 116,079,410                  | 90,537,349         |
| - Balochistan  | 203,818,108                  | 127,923,669        |
| Meter manufacturing  | 180,045                      | 260,931            |
| <b>Total liabilities as per consolidated statement of financial position</b> | <b>1,016,988,960</b>         | <b>801,298,623</b> |

### 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 book value.

The table below analyses financial instruments carried at fair value. The different levels has been defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the financial assets which are carried at fair value:

| <b>As at March 31, 2023</b>             |                |                |                |              |
|---|----------------|----------------|----------------|--------------|
| <b>(Un-audited)</b>                     |                |                |                |              |
|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| -----Rupees in '000-----                |                |                |                |              |
| <b>Assets</b>                           |                |                |                |              |
| <b>Fair value through OCI Financial</b> |                |                |                |              |
| <b>Assets</b>                           |                |                |                |              |
| Quoted equity securities                | 145,252        | -              | -              | 145,252      |
| <br>                                    |                |                |                |              |
| <b>As at June 30, 2022</b>              |                |                |                |              |
| <b>(Audited)</b>                        |                |                |                |              |
|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| -----Rupees in '000-----                |                |                |                |              |
| <b>Assets</b>                           |                |                |                |              |
| <b>Fair value through OCI Financial</b> |                |                |                |              |
| <b>Assets</b>                           |                |                |                |              |
| 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:

|                | <u>As at March 31, 2023</u> |                   |
|----------------|-----------------------------|-------------------|
|                | (Un-audited)                |                   |
|                | Level 2                     | Fair Value        |
|                | -----Rupees in '000-----    |                   |
| Freehold land  | 39,538,556                  | 39,538,556        |
| Leasehold land | 16,314,617                  | 16,314,617        |
|                | <u>55,853,173</u>           | <u>55,853,173</u> |

|                | <u>As at June 30, 2022</u> |                   |
|----------------|----------------------------|-------------------|
|                | (Audited)                  |                   |
|                | Level 2                    | Fair Value        |
|                | -----Rupees in '000-----   |                   |
| Freehold Land  | 39,538,556                 | 39,538,556        |
| Leasehold Land | 16,314,617                 | 16,314,617        |
|                | <u>55,853,173</u>          | <u>55,853,173</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 April 30, 2024.



**Dr. Shamshad Akhtar**  
Chairperson



**Imran Maniar**  
Managing Director



**Muhammad Amin Rajput**  
Chief Financial Officer

## KEY DATA

### FRANCHISE AREA

### SINDH AND BALOCHISTAN

|   | Nine months period ended March 31, |                  |
|---|------------------------------------|------------------|
|   | 2022                               | 2023             |
| <b>GAS SALES VOLUME (MMCF)</b>                | <b>193,756</b>                     | <b>233,841</b>   |
| <b>NUMBER OF CUSTOMERS (CUMULATIVE)</b>       |                                    |                  |
| INDUSTRIAL                                    | 4,510                              | 4,332            |
| COMMERCIAL                                    | 21,897                             | 22,662           |
| DOMESTIC                                      | 3,222,913                          | 3,239,651        |
| <b>TOTAL</b>                                  | <b>3,249,320</b>                   | <b>3,266,645</b> |
| <b>GAS METERS MANUFACTURED (NOS.)</b>         | <b>285,400</b>                     | <b>330,108</b>   |
| <b>TRANSMISSION NETWORK - CUMULATIVE (KM)</b> |                                    |                  |
| DIAMETER                                      |                                    |                  |
| 6"  | 36                                 | 36               |
| 8"  | 26                                 | 26               |
| 12"   | 591                                | 591              |
| 16"   | 558                                | 558              |
| 18"   | 940                                | 940              |
| 20"   | 844                                | 844              |
| 24"   | 751                                | 751              |
| 30"   | 58                                 | 26               |
| 42"   | 371                                | 371              |
|   | <b>4,175</b>                       | <b>4,143</b>     |
| <b>DISTRIBUTION NETWORK - CUMULATIVE (KM)</b> |                                    |                  |
| MAINS (1" - 30" DIAMETER)                     | 38,056                             | 37,664           |
| SERVICES                                      | 11,369                             | 11,359           |
|   | <b>49,425</b>                      | <b>49,023</b>    |



کے ذریعے اوکرا نے آرائل این جی پریوایف جی کی حد اور سوئی سدرن کمپنی یعنی ایس ایس جی سی اور ایس این جی پی ایل پراس کے اثرات کا تعین کرنے کے لئے ایک کنسلٹنٹ کی خدمات حاصل کی ہیں۔ کنسلٹنٹ کی اسٹڈی کے نتائج کا بھی انتظار ہے۔

## نقصان دہ قرضوں کے خلاف فراہمی

اگر ان کمزور قرضوں کے عوض فراہمی کی اجازت دی ہے کیونکہ آپریٹنگ اخراجات صرف منقطع صارفین سے متعلق ہیں۔ تاہم آئی ایف آر ایس-9 کو اپنانے کے بعد متوقع کریڈٹ لاس کی بنیاد پر پروویژن کیا جا رہا ہے یعنی آگے بڑھنے کا طریقہ کار جس میں لائیکوٹمز کے خلاف بھی پروویژن کی ضرورت ہوتی ہے، جس کے نتیجے میں کمپنی کی چلی سٹ مٹا کر ہوتی ہے۔ چونکہ اوگرا نے اس موقف کو محدود کر رکھا ہے کہ وہ صرف منقطع صارفین کے خلاف ماضی کے طریقہ کار کے مطابق فراہمی کی اجازت دے گا، اس طرح موجودہ مدت کی فراہمی کو ڈی ایف آر ریمالی سال 2021-22 کے مطابق سمجھا گیا ہے اور 422 ملین روپے کی ڈس الاؤنس کو تسلیم کیا گیا ہے۔

## بلند ترین مالیاتی لاگت

ٹیرف نوٹیفیکیشن میں تاخیر کی وجہ سے سوئی سدرن کمپنی کو 5,228 ملین روپے کے مالی چارجز برداشت کرنے پڑے جن میں بنیادی طور پر کیپیٹل اخراجات اور ورکنگ کیپیٹل شارٹ فال کے لئے حاصل کردہ طویل مدتی اور قلیل مدتی قرضے شامل تھے۔ تاہم مذکورہ بالا میں سے 2,628 ملین روپے کی رقم اوگرا کی جانب سے ماضی کے طریقہ کار کے مطابق ٹیرف نوٹیفیکیشن میں تاخیر کی تلافی کے لیے منظور کی گئی ہے۔

## مستقبل کا نقطہ نظر

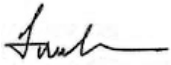
آگے بڑھتے ہوئے، یو ایف جی میں کی کمپنی کو آپریٹنگ اور مالی طور پر قابل عمل رکھنے کی کلید ہے۔ یو ایف جی میں موثر اور پائیدارگی کے لئے متعدد سخت اقدامات نافذ کیے گئے ہیں۔ نافذ شدہ اقدامات کے مثبت نتائج پہلے ہی نظر آ رہے ہیں جبکہ منصوبہ بند اقدامات سے یو ایف جی میں مزید کمی آئے گی۔ مندرجہ ذیل اقدامات اور اینٹیسیپو کا خلاصہ دیا جا رہا ہے:

- 1- بی او ڈی کی رہنمائی میں قائم یو ایف جی جب ڈویژن کو یو ایف جی کے معاون عوامل کے خلاف موجودہ طریقہ کار اور پروٹوکول کو بہتر بنانے کا سلسلہ جاری رکھا ہے۔
- 2- بلوچستان یو ایف جی کا دیرینہ مسئلہ تمام متعلقہ حکام کے ساتھ فعال طور پر اٹھایا جا رہا ہے۔ حکومت بلوچستان اور وفاقی حکومت کے اعلیٰ حکام کے ساتھ متعدد ملاقاتیں کی گئی ہیں تاکہ مسائل کا تفصیلی تجزیہ اور ان کے قابل عمل حل پیش کیے جاسکیں۔
- 3- محتاط منصوبہ بندی کے ذریعے لوئر سندھ (کراچی) ڈسٹری بیوشن آپریٹرز کو 'اسٹریٹجک برنس یونٹس کے تصور' کو اپناتے ہوئے از سر نو تشکیل دیا گیا ہے۔ نتیجے کے طور پر یو ایف جی کی کارکردگی میں بڑے پیمانے پر بہتری ریکارڈ کی گئی ہے۔ فرنیچر کے علاقے میں اسی طرح کی تنظیم نو کے نفاذ کے لئے منصوبہ بندی جاری ہے۔
- 4- پینکشن اور بلنگ کی درستگی کو بہتر بنانے کے لئے سخت کوششیں کی گئی ہیں۔ ڈسٹری بیوشن نیٹ ورک کی بحالی کو ایک ذیلی محکمہ فنانس سے وقف اور پیشہ ورانہ وسائل کے ساتھ ایک وقف پروجیکٹ ٹیم میں منتقل کیا جا رہا ہے۔ گیس چوری اور غیر مجاز استعمال کے خلاف کارروائیاں غیر معمولی حد تک تیز کر دی گئی ہیں۔ نیچن زیریں سندھ یعنی کراچی (جہاں فرنیچر کی 65 فیصد گیس فروخت ہوتی ہے) میں یو ایف جی سنگل ڈسٹری بیوشن میں لانے کے قریب ہے۔
- 5- ناڈن ہارڈ رائٹیشن آؤٹیشن پروجیکٹ کے ذریعے آپریٹنگ اسٹندارڈز میں بڑے پیمانے پر بہتری کی توقع ہے۔
- 6- صنعتی اور گھریلو صارفین کو ان کے متعلقہ ضروریات کے مطابق گیس کی فراہمی کو بہتر بنانے کے لئے تقسیم اور نیٹ ورک الگ تھلک کرنے کے منصوبوں کی کافی تعداد مکمل کی گئی ہے۔ اس کے علاوہ ان منصوبوں نے یو ایف جی مانیٹرنگ کی درستگی کو بہتر بنایا ہے۔

## اعترافات

بورڈ، مینجمنٹ، ہولڈرز اور اس کے قابل قدر صارفین کی جانب سے موصول ہونے والی مسلسل سپورٹ پر شکریہ ادا کرتا ہے اور اسے سراہتا ہے۔ بورڈ ان تمام ملازمین کی لگن کا بھی اعتراف کرتا ہے جنہوں نے کمپنی کو درپیش متعدد چیلنجوں کے باوجود اپنی سخت محنت جاری رکھی۔ بورڈ حکومت پاکستان، وزارت توانائی اور آئل اینڈ گیس ریگولیٹری اتھارٹی کا بھی شکریہ ادا کرتا ہے جنہوں نے مسلسل رہنمائی اور تعاون کیا۔

بحکم بورڈ



عمران میار  
مینیجنگ ڈائریکٹر



ڈاکٹر شمس الدین  
چیئر پرسن، بورڈ آف ڈائریکٹرز

تاریخ: اپریل 2024، 30  
کراچی

## ڈائریکٹرز کا جائزہ

### 31 دسمبر 2023 کو ختم ہونے والی 9 ماہ کی مدت کے لیے

بورڈ آف ڈائریکٹرز 31 مارچ 2023 کو ختم ہونے والے 9 ماہ کی مدت کے لئے کمپنی کے نتائج پیش کرتے ہیں۔

#### مالی جائزہ

کمپنی کو اوگرا کی جانب سے بڑی ڈس الاؤنسز کے بعد، بعد از ٹیکس 17,350 ملین روپے کا نقصان ہوا ہے۔ اس مدت کی مالیاتی جھلکیوں کا خلاصہ ذیل میں دیا گیا ہے:

| تعداد    | مارچ 2022            | مارچ 2023 |                      |
|----------|----------------------|-----------|----------------------|
|          | <b>ملین روپے میں</b> |           |                      |
| (11,181) | (3,592)              | (14,773)  | نقصان قبل از ٹیکسیشن |
| (473)    | (2,104)              | (2,577)   | ٹیکسیشن              |
| (11,654) | (5,696)              | (17,350)  | نقصان بعد از ٹیکسیشن |
| (13.23)  | (6.47)               | (19.70)   | نقصان فی شیئر (روپے) |

سوئی سدرن کمپنی کا منافع اوگرا کی جانب سے مقرر کردہ گارنٹیڈ ریٹرن فارمولے سے حاصل کیا گیا ہے جو کمپنی کی ویڈیو اوسط کپینٹل لاگت (ڈبلیو ایس سی) پر مبنی ہے۔ اس فارمولے کے تحت ایس ایس ایس جی سی کو مالی چارجز اور ٹیکسوں سے قبل اپنے اوسط نیٹ آپریٹنگ فکسڈ اثاثوں پر 16.60 فیصد (مارچ 2022: 17.43 فیصد) ریٹرن کی اجازت دی گئی تھی۔ تاہم اوگرا کارکردگی سے متعلق بیچ مارک جیسے غیر حساب شدہ گیس (یو ایف جی)، ہیومن ریسورس بیچ مارک لاگت، مشکوک قرضوں کی فراہمی اور کچھ دیگر اخراجات/چارجز کی بنیاد پر محصولات کی ضروریات کا تعین کرتے وقت ڈس الاؤنسز/ایڈجسٹمنٹس کرتا ہے۔ یہ ڈس الاؤنسز/ایڈجسٹمنٹس کمپنی کی چھٹی لائن کومناٹر کرتی ہیں۔ 16 اکتوبر 2023ء کو جاری کردہ مالی سال 2021-22 کے لئے حتمی محصولات کی ضرورت (ڈی ایف آر آر) پر اوگرا کے فیصلے کے مطابق ان 9 ماہ کے مالی نتائج میں یو ایف جی کی ڈس الاؤنس 25,437 ملین روپے رہی جبکہ اثاثوں پر واپسی 11,953 ملین روپے تھی۔ اس مدت کے لئے مالی لاگت 5,228 ملین روپے ہے۔

یو ایف جی کو کم کرنے اور بیچ کو تبدیل کرنے کے لئے نمایاں کوششوں کے باوجود، بلوچستان کے خطے میں اعلیٰ یو ایف جی تمام کوششوں سے کہیں زیادہ ہے۔ زیر غور مدت کے لئے، حجم کے لحاظ سے بلوچستان یو ایف جی 20.98 بی سی ایف اور فیصد میں 60.1 فیصد ہے (مالی سال 2021-22 کے لئے متعلقہ اعداد و شمار: 20.01 بی سی ایف اور 52.2 فیصد)۔ بلوچستان کو گیس کی فراہمی کو تجارتی طور پر قابل عمل بنانے کے لیے وفاقی حکومت کی سطح پر پالیسی فیصلے کی ضرورت ہے۔ یو ایف جی کی روک تھام کے لئے سخت کوششوں کی وجہ سے، بلوچستان میں یو ایف جی میں اضافے کے باوجود، مجموعی طور پر کمپنی بھر میں یو ایف جی حجم کے لحاظ سے 42.9 بی سی ایف اور فیصد میں 18.89 فیصد پر برقرار ہے (مالی سال 2021-22 کے لئے متعلقہ اعداد و شمار: 45.18 بی سی ایف اور 17.72 فیصد)۔

اس بات پر زور دینا ضروری ہے کہ اثاثوں کی واپسی اثاثوں کی پاکستانی روپے کی قیمت میں تاریخی لاگت پر مبنی ہے جبکہ یو ایف جی جرمانہ گیس کی وزنی اوسط لاگت (WACOG) پر مبنی ہے جو بنیادی طور پر امریکی ڈالر پر مبنی ہے۔ حالیہ دنوں میں امریکی ڈالر کے مقابلے میں روپے کی قدر میں تیزی سے کمی منحنی سطح کا اہم عنصر رہی ہے۔ 31 مارچ 2023 کو ختم ہونے والے 9 ماہ کے دوران WACOG 939.75 روپے فی ایم ایم سی ایف رہا جو گزشتہ سال کے اسی عرصے میں 609.60 روپے فی ایم ایم سی ایف تھا جو WACOG میں 54 فیصد اضافے کے نتیجے میں 8,932 ملین روپے کی یو ایف جی کی ڈس الاؤنسز میں اضافہ ہوا۔ کمپنی کی مالی پوزیشن کو متاثر کرنے والی بنیادی وجوہات مندرجہ ذیل پیرا گراف میں بیان کی گئی ہیں:

#### آرائل این جی کاروبار پر یو ایف جی الاؤنس کی منظوری

سوئی سدرن کمپنی وزارت توانائی (پیٹرولیم ڈویژن) اور اسلام آباد ہائی کورٹ کے ذریعے اوگرا سے بھر پور پیروی کر رہی ہے تاکہ آرائل این جی پرائسنگ سے متعلق ای سی سی پالیسی کا ریڈ لائنز کے مطابق ڈسٹری بیوٹن نیٹ ورک میں آرائل این جی کاروبار پر حتمی یو ایف جی کی اجازت دی جاسکے۔ اسلام آباد ہائی کورٹ کے حکم امتناع کے نتیجے میں اوگرا نے آرائل این جی ڈسٹری بیوٹن نیٹ ورک پر حتمی یو ایف جی کی اجازت دے دی ہے۔ تاہم، اب بھی یو ایف جی کی ڈس الاؤنسز کی بنیادی وجہ یہ ہے کہ اوگرا 11 مئی، 2018ء کو اقتصادی رابطہ کمیٹی (ای سی سی) کی جانب سے منظور کردہ سمری کے ذریعے ایس ایس جی کے لیے منظور کردہ آرائل این جی حجم ہینڈلنگ کا فائدہ قبول نہیں کر رہا ہے۔ ایس ایس جی سی ٹی بیٹمنٹ اور بورڈ آف ڈائریکٹرز کی بھر پور پیروی



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