

# NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

**for the quarter ended 30 September 2009**

**1. Status and nature of business**

Sui Southern Gas Company Limited is a public limited company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the Company is transmission and distribution of natural gas in the provinces of 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.

**2. Basis of preparation**

This financial information has been prepared in accordance with the requirements of International Accounting Standard No. 34 "Interim Financial Reporting" and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges of Pakistan. This condensed financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2009.

The financial information comprises of the balance sheet as at 30 September 2009 and the profit and loss account, statement of changes in equity and the cash flow statement for the three months period ended 30 September 2009 which are unaudited.

**3. Accounting policies**

The accounting policies adopted in the preparation of this financial information are the same as those applied in preparation of the annual audited financial information of the Company for the year ended 30 June 2009.

**4. Estimates**

The preparation of financial information requires management to make judgments, estimates and assumption that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the company's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2009.

**5. Financial risk management**

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and of the year ended 30 June 2009.

			<b>30 September 2009 (un-audited)</b>	30 June 2009 (audited)
			(Rupees in thousand)	
<b>6. Property, plant and equipment</b>				
Operating assets	6.1		<b>34,563,031</b>	34,557,963
Capital work-in-progress	6.2		<b>3,855,271</b>	3,537,669
			<b><u>38,418,302</u></b>	<u>38,095,632</u>

## 6.1 Additions to and disposal of fixed assets

Details of additions to and disposal of operating fixed assets during the quarter ended 30 September 2009 are as follows:

	Note	Cost of additions (Rupees in thousand)	Written down value of (disposals/transfers)
<b>Owned</b>			
Gas transmission and distribution pipeline system		662,430	-
Plant, machinery and other equipment		13,172	-
Motor vehicles		3,579	839
Buildings		23,305	-
		<b>702,486</b>	<b>839</b>
<b>6.2 Capital work-in-progress</b>			
<b>Projects:</b>			
Gas transmission and distribution system		896,944	(550,854)
Cost of building under construction		11,256	(39,744)
		<b>908,200</b>	<b>(590,598)</b>
Financial charges capitalised		73,329	(73,329)
Depreciation charged to projects		38,559	(38,559)
		<b>1,020,088</b>	<b>(702,486)</b>
		<b>30 September 2009 (un-audited)</b>	<b>30 June 2009 (audited)</b>
		(Rupees in thousand)	
<b>7. Long-term investments</b>			
Investments in related parties		63,710	71,883
Other investments		47,386	35,559
		<b>111,096</b>	<b>107,442</b>
<b>8. Trade debts</b>			
Considered good - secured		6,897,521	6,909,685
Considered good - unsecured		27,008,702	25,658,520
		<b>33,906,223</b>	<b>32,568,205</b>
Considered doubtful		2,229,496	2,163,753
		<b>36,135,719</b>	<b>34,731,958</b>
Provision against impaired debts		(2,229,496)	(2,163,753)
		<b>33,906,223</b>	<b>32,568,205</b>
<b>9. Other receivables - considered good</b>			
Gas development surcharge receivable from GoP		1,262,787	5,363,824
Receivable from Sui Northern Gas Pipelines Limited (SNGPL)	9.1	5,499,766	8,019,730
Receivable from Jamshoro Joint Venture Limited (JJVL)		637,518	303,506
Sales tax receivable		9,043,666	8,683,445
Receivable from staff pension fund - non executives		168,733	168,733
Balance receivable for sale of gas condensate		77,333	155,480
Pipeline rentals receivable		20,675	20,221
Claims receivable		2,011	1,266
Miscellaneous	9.2	226,730	255,409
		<b>16,939,219</b>	<b>22,971,614</b>
Provision against impaired receivables		(1,485)	(1,485)
		<b>16,937,734</b>	<b>22,970,129</b>

9.1 This includes pipeline rentals receivable Rs. 94.666 million (June 2009: Rs. 79.842 million) and Rs. 5,404.988 million (June 2009: Rs. 7,939.768 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited.

9.2 This includes Rs. 206.886 million (30 June 2009: Rs.225.694 million) recoverable from GoP under deferred tariff adjustment.

	Note	<b>30 September 2009 (un-audited)</b>	30 June 2009 (audited)
		(Rupees in thousand)	
<b>10. Trade and other payables</b>			
Creditors for:			
- gas		<b>39,382,738</b>	45,490,188
- supplies		<b>103,380</b>	122,111
Amount received from customers / GOP for laying of mains etc.		<b>2,815,947</b>	2,806,125
Accrued liabilities		<b>938,131</b>	1,117,300
Provision for compensated absences - non executives		<b>83,791</b>	83,791
Payable to staff gratuity fund - non executives		<b>1,493</b>	-
Deposits / retention money		<b>162,435</b>	194,589
Foreign bills payable		-	23,521
Advance for sharing right of way		<b>18,088</b>	18,088
Unclaimed dividend		<b>40,096</b>	40,187
Unclaimed TFC redemption/ profit		<b>1,975</b>	1,975
Withholding tax payable		<b>39,000</b>	51,685
Inter State Gas System (Private) Limited (ISGSL)		<b>4,906</b>	8,628
Others		<b>147,524</b>	141,558
		<b>43,739,504</b>	50,099,746
<b>11. Deferred credit</b>			
- <b>Government contributions / grants</b>			
Balance at 1 July		<b>2,161,269</b>	1,444,501
Addition during the period		<b>43,303</b>	810,526
		<b>2,204,572</b>	2,255,027
Transferred to profit and loss account		<b>(23,153)</b>	(93,758)
		<b>2,181,419</b>	2,161,269
- <b>Contribution from customers</b>			
Balance at 1 July		<b>2,685,259</b>	2,375,430
Addition during the period		<b>43,592</b>	514,002
		<b>2,728,851</b>	2,889,432
Transferred to profit and loss account		<b>(49,362)</b>	(204,173)
		<b>2,679,489</b>	2,685,259
		<b>4,860,908</b>	4,846,528
<b>12. Contingencies and commitments</b>			
<b>12.1</b>	There has been no significant change in contingencies since the preceding annual published financial statements except for the matters stated as under:		
<b>12.2</b>	Claims against the Company not acknowledged as debt	<b>518,163</b>	518,163
<b>12.3</b>	Aggregate commitments for capital and other expenditure	<b>1,434,831</b>	1,051,609
<b>12.4</b>	Guarantees issued on behalf of the Company	<b>1,791,423</b>	1,792,153
<b>12.5</b>	Demand finance facilities to the Company's employees	<b>15,418</b>	16,797
<b>12.6</b>	The management is confident that ultimately these claims (note 12.2) would not be payable.		

**Quarter ended 30 September**  
**2009**                      2008  
**(un-audited)**  
(Rupees in thousand)

<b>13. Other operating expenses</b>		
Auditors' remuneration	313	313
Workers' Profit Participation Fund	10,329	7,001
Exchange loss on foreign transactions	105,771	919,148
Others	4,775	10,442
	<u>121,188</u>	<u>936,904</u>
<b>14. Other operating income</b>		
<b>- Income from other than financial assets</b>		
Meter rentals	134,200	139,593
Recognition of income against deferred credit	72,515	67,790
Sale of gas condensate	110,033	213,141
Gas shrinkage - JJVL	806,355	770,837
Gas transportation	13,256	12,655
Royalty income	539,104	569,763
Meter manufacturing profit - net	39,778	33,268
Income from LPG distribution operation in Gwadar	3,386	3,410
Gain on sale of fixed assets	3,813	3,783
Recoveries from customers	6,933	6,755
Liquidity damages recovered	6,120	727
Advertising income	1,415	1,192
Miscellaneous	4,242	2,985
	<u>1,741,150</u>	<u>1,825,899</u>
<b>- Income from investment in debts, loans, advances and recoveries from related party</b>		
Contingent rental income - SNGPL	5,620	4,438
	<u>1,746,770</u>	<u>1,830,337</u>
<b>15. Other non-operating income</b>		
<b>- Income from financial assets</b>		
Late payment surcharge	196,617	78,726
Income from net investment in finance lease	13,365	12,163
Interest / profit on bank deposits	40,629	36,241
Interest on staff loans	405	578
Interest income from KESC	514,721	232,382
Interest income from WAPDA (JPCL)	134,488	-
Interest income from SNGPL	144,280	-
Interest income from JJVL	26,004	13,208
	<u>1,070,509</u>	<u>373,298</u>
<b>- Income from investment in debts, loans, advances and recoveries from related party</b>		
Income from net investment in finance lease - SNGPL	34,222	39,787
Income from net investment in finance lease - OGDCL	1,156	1,651
	<u>1,105,887</u>	<u>414,736</u>
<b>16. Finance cost</b>		
Mark-up on :		
- musharaka	303,375	308,678
- local currency financing	430,548	250,286
- short term financing	51,216	52,459
- consumers' deposits	23,854	17,480
- delayed payment of gas bills	771,603	232,382
- others	2,291	214
	<u>1,582,887</u>	<u>861,499</u>
Finance cost charged to projects	(73,329)	(30,294)
	<u>1,509,558</u>	<u>831,205</u>

**Quarter ended 30 September**  
**2009**                      **2008**  
**(un-audited)**  
(Rupees in thousand)

<b>17. Taxation</b>		
Current	<b>130,936</b>	-
Deferred	-	46,558
	<b>130,936</b>	<b>46,558</b>
Current tax has been provided under Section 113 of the Income Tax Ordinance 2001.		
<b>18. Cash generated from operations</b>		
Depreciation	<b>658,020</b>	675,978
Amortization of intangibles	<b>10,953</b>	13,533
Finance cost	<b>1,509,558</b>	831,205
Amortization of transaction cost	<b>1,226</b>	1,226
Provision against doubtful debts	<b>65,743</b>	65,818
Provision for employee benefits	<b>55,782</b>	27,762
Recognition of income against deferred credit	<b>(72,515)</b>	(67,790)
Profit / interest on term deposits	<b>(860,527)</b>	(282,409)
Income from net investment in finance lease	<b>(48,743)</b>	(53,601)
Profit on disposal of fixed assets	<b>(3,813)</b>	(3,783)
Net cash generated from operations	<b>1,315,684</b>	<b>1,207,939</b>
<b>19. Changes in working capital</b>		
Stores and spares	<b>44,250</b>	164,238
Stock-in-trade	<b>14,746</b>	93,362
Customers' installation work-in-progress	<b>2,098</b>	6,956
Trade debts	<b>(1,403,761)</b>	(7,396,863)
Loans and advances	<b>(107,515)</b>	(106,428)
Trade deposits and short term prepayments	<b>(24,731)</b>	49,872
Other receivables - net	<b>6,032,395</b>	(1,399,324)
Trade and other payables - net	<b>(6,360,151)</b>	10,118,023
	<b>(1,802,669)</b>	<b>1,529,836</b>
<b>20. Cash and cash equivalents</b>		
Cash and bank balances	<b>1,363,831</b>	5,125,780
Short term borrowings	<b>(1,913,662)</b>	-
	<b>(549,831)</b>	<b>5,125,780</b>
<b>21. Transactions with related parties</b>		

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefit plans and the Company's directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates fixed and notified by Ministry of Petroleum & Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company (comparable uncontrolled price method).

The details of transactions with related parties not disclosed elsewhere in this financial information are as follows:

		<b>Quarter ended 30 September</b>	
		<b>2009</b>	<b>2008</b>
		<b>(un-audited)</b>	
	<i>Note</i>	(Rupees in thousand)	
<b>Sui Northern Gas Pipelines Limited</b>			
- Pipeline rental income		<u>97,377</u>	<u>103,399</u>
- Sale of gas meters		<u>257,705</u>	<u>279,547</u>
- Gas purchases		<u>61,425</u>	<u>24,033</u>
- Uniform cost of gas		<u>4,307,479</u>	<u>6,597,648</u>
<b>Oil and Gas Development Company Limited</b>			
- Pipeline rental income		<u>9,041</u>	<u>9,816</u>
- Gas purchases		<u>4,798,370</u>	<u>5,641,276</u>
<b>Mari Gas Company Limited</b>			
- Gas purchases		<u>2,036</u>	<u>1,449</u>
<b>State Life Insurance Corporation Limited</b>			
- Rent of premises		<u>131</u>	<u>137</u>
<b>Liaqat National Hospital</b>			
- Medical services		<u>4,790</u>	<u>4,180</u>
<b>Inter State Gas Systems (Private) Limited</b>			
- Reimbursement of expenses on the basis of joint venture agreement		<u>8,224</u>	<u>9,872</u>
<b>Petroleum Institute of Pakistan</b>			
- Subscription		<u>243</u>	<u>241</u>
<b>Siemens Pakistan Engineering Limited</b>			
- Supplies and maintenance		<u>-</u>	<u>632</u>
<b>Dawood Islamic Bank Limited</b>			
- Profit on investments		<u>22,431</u>	<u>-</u>
<b>Staff retirement benefit plans</b>			
- Contribution to provident fund	21.1	<u>25,990</u>	<u>18,388</u>
- Contribution to pension fund		<u>(25,354)</u>	<u>(4,419)</u>
- Contribution to gratuity fund		<u>29,284</u>	<u>27,140</u>
<b>Remuneration of key management personnel</b>	21.2	<u>16,436</u>	<u>15,885</u>

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

**21.2** Remuneration to the executive officers of the Company are as per the terms of employment.

**21.3** Several companies in which SSGCL Directors are also interested as Directors are customers for the gas sold by the Company. This sale is made at prices notified by the GOP for all the industrial and commercial establishments.

- 21.4 Banking relationship maintained with the related parties (common directorship) at normal commercial terms.
- 21.5 Gas purchases figures reported above and sale of meters to SNGPL are exclusive of GST.
- 21.6 As per agreement for equalization of cost of gas between SSGCL and SNGPL, monthly adjustment is effected to equalize the input cost of gas of both the companies.

**21.7 Amount (due to) / receivable from related parties**

The details of amount (due to) / receivable from related parties not disclosed elsewhere in this financial information are as follows:

	Receivable / (Payable) at	
	<b>30 September 2009 (un-audited)</b>	30 June 2009 (audited)
	(Rupees in thousand)	
<b>Sui Northern Gas Pipelines Limited</b>		
- Lease rentals	<u>97,377</u>	<u>79,842</u>
- Sale of gas meters	<u>72,955</u>	<u>15,258</u>
- Gas purchases	<u>(88,108)</u>	<u>(26,683)</u>
- Cost of gas levelisation	<u>5,404,988</u>	<u>7,939,768</u>
<b>Oil and Gas Development Company Limited</b>		
- Gas purchases	<u>(12,514,327)</u>	<u>(12,924,481)</u>
<b>Mari Gas Company Limited</b>		
- Gas purchases	<u>(1,515)</u>	<u>(3,478)</u>
<b>Inter State Gas Systems (Private) Limited</b>		
- Reimbursement of expenses on the basis of joint venture agreement	<u>(4,906)</u>	<u>(8,628)</u>
<b>Dawood Islamic Bank Limited</b>		
- Bank balances	<u>98,887</u>	<u>51,134</u>
- Profit receivable	<u>22,431</u>	<u>8,800</u>

**22. General**

- 22.1 This interim financial information was authorized for issue on 29 October 2009 by the Board of Directors of the Company.
- 22.2 Previous period's figures have been rearranged wherever necessary, for the purpose of comparison.
- 22.3 Figures have been rounded off to the nearest thousand rupees.



**Shahid Aziz Siddiqui**  
Director



**Umair Khan**  
Managing Director

Karachi  
29 October 2009

**SUI SOUTHERN GAS COMPANY LIMITED**  
**CONSOLIDATED CONDENSED**  
**INTERIM FINANCIAL INFORMATION**  
**(UN-AUDITED)**

**FOR THE FIRST QUARTER ENDED**  
**30 SEPTEMBER 2009**

# CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

as at 30 September 2009

			30 September 2009 (un-audited)	30 June 2009 (audited)
			(Rupees in thousand)	
<b>Non current assets</b>				
	Note			
Property, plant and equipment	6		38,418,302	38,095,632
Intangible assets			32,938	43,891
Long-term investments	7		105,996	102,342
Share of investment in jointly controlled entity	8		5,100	5,100
Net investment in finance lease			1,126,609	1,159,336
Long-term loans and advances			107,860	111,779
Long-term deposits			3,250	3,250
			<u>39,800,055</u>	<u>39,521,330</u>
<b>Current assets</b>				
Stores, spares and loose tools			1,658,306	1,702,556
Stock-in-trade			475,793	490,539
Current portion of net investment in finance lease			118,334	118,796
Customers' installation work-in-progress			134,168	136,266
Trade debts	9		33,906,223	32,568,205
Loans and advances			201,095	93,580
Trade deposits and short term prepayments			135,543	110,812
Interest accrued			1,497,385	1,198,062
Other receivables	10		16,937,734	22,970,129
Taxation - net			79,115	166,500
Cash and bank balances			1,363,831	1,477,155
			<u>56,507,527</u>	<u>61,032,600</u>
<b>Less: Current liabilities</b>				
Current portion of long term financing			7,108,092	4,969,490
Trade and other payables	11		43,739,504	50,099,746
Interest and mark-up accrued			4,911,252	4,181,967
Short term borrowings			1,913,662	-
			<u>57,672,510</u>	<u>59,251,203</u>
			<u>(1,164,983)</u>	<u>1,781,397</u>
<b>Net current assets</b>			<u>38,635,072</u>	<u>41,302,727</u>
<b>Total assets and current liabilities</b>			<u>38,635,072</u>	<u>41,302,727</u>
<b>Financed by</b>				
<b>Authorised share capital</b>			<u>10,000,000</u>	<u>10,000,000</u>
<b>Share capital and reserves</b>				
Issued, subscribed and paid-up capital			6,711,743	6,711,743
Reserves			2,619,662	2,619,662
Gain on remeasurement of available for sale securities			97,467	93,813
Unappropriated profit			323,618	258,306
			<u>9,752,490</u>	<u>9,683,524</u>
<b>Non current liabilities</b>				
Long term financing			14,611,473	17,496,775
Long term deposits			3,032,705	2,954,186
Deferred tax			5,013,538	5,013,538
Employee benefits			1,363,958	1,308,176
Deferred credit	12		4,860,908	4,846,528
			<u>28,882,582</u>	<u>31,619,203</u>
<b>Total shareholders' equity and non current liabilities</b>			<u>38,635,072</u>	<u>41,302,727</u>
<b>Contingencies and commitments</b>	13			

The annexed notes form an integral part of this interim financial information.



**Shahid Aziz Siddiqui**  
Director



**Umair Khan**  
Managing Director