

REVIEW REPORT TO THE MEMBERS

Independent Auditors' Report on Review of Unconsolidated Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Sui Southern Gas Company Limited ("the Company") as at December 31, 2009 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of changes in equity for the six-month period then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended December 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2009.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as at December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to the following matters, in respect of which our review report is not qualified:

- a) Note 14.6 of the unconsolidated condensed interim financial information in respect of reinstatement of 2,500 employees under the requirements of Sacked Employees (Reinstatement) Ordinance, 2009.

- b) As explained in note 8.1 to the unconsolidated condensed interim financial information, amounts receivable from Karachi Electric Supply Company Limited, Jamshoro Power Company Limited and Sui Northern Gas Pipelines Limited amounts to Rs. 28,751 million along with interest of Rs. 1,676 million accrued on such balances and an aggregate amount of Rs 28,093 million is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited, Government Holding (Private) Limited along with interest of Rs. 5,213 million on such balance. The settlement of these debts is dependent on the resolution of inter circular corporate debts.
- c) Note 9.2 to the unconsolidated condensed interim financial information which explains the reason for accumulation of large amount of sales tax refund of Rs. 9,299 million.

Other matters

The unconsolidated condensed interim financial information for the six-month period ended December 31, 2008 and the financial statements for the year ended June 30, 2009 of the Company were reviewed and audited by KPMG Taseer Hadi & Co., Chartered Accountants who issued review and audit reports thereon. In the review report dated February 27, 2009, they issued qualified conclusion in respect of Unaccounted for Gas (UFG) which had been recorded on estimated basis instead of actual basis, and also included two paragraphs of emphasis in the review report with regard to reinstatement of employees under the requirements of Sacked Employees (Reinstatement) Ordinance, 2009, and settlement of circular debt. Further, the auditors, in their audit report dated September 29, 2009, expressed unqualified opinion, but included the aforesaid two paragraphs of emphasis, which our review report also contains. However, our conclusion is not qualified on UFG as in the current period it has been recorded on actual basis.

M. Yousuf Adil Saleem & Co.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
25 February 2010